

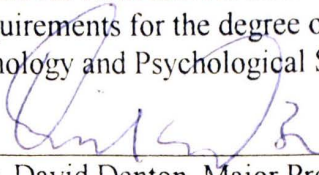
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APPLICANTS' EXPECTATIONS OF EMPLOYER PROVIDED BENEFITS
WITHIN LARGE AND SMALL COMPANIES

AUDREY LAYNE CAUSEY

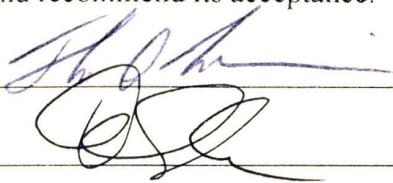
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I am submitting herewith a thesis written by Audrey Layne Causey entitled "Applicants' Expectations Of Employer Provided Benefits Within Large And Small Companies". I have examined the final copy of this thesis for form and content and recommend that it be accepted in partial fulfillment of the requirements for the degree of Master of Arts, with a major in Industrial/Organizational Psychology and Psychological Science.

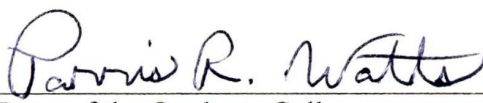


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A Thesis

Presented for the

Master of Arts

Degree

Austin Peay State University

Audrey Layne Causey

May 2001

DEDICATION

This thesis is dedicated to my husband

Timothy Lee Causey

for his support and encouragement while I toiled over my thesis

and to my great-aunt

Ada Bewley.

ACKNOWLEDGMENTS

I would like to thank Dr. David W. Denton and Dr. Anthony Golden who were instrumental in showing me the path then letting me find my own way. Their continual support, guidance, and sharing of incredible knowledge and expertise during my years at Austin Peay is greatly appreciated.

Special thanks are warranted to Dr. Billy Boyd, his staff at Austin Peay's Career Services office, and to my other committee member, Dr. Thomas Timmerman for helping to administer my survey. They helped make this happen.

Finally, I want to thank my parents, Wayne and Kay Beasley, for instilling in me the value of a good education; Tony Medure, for reassuring me that the thesis was not an insurmountable hurdle; Lori Pezzi, for motivating me with endless optimism; and finally, Paul Lamb, for being the other "first and last Denton-ite".

ABSTRACT

The current study examines job applicants' expectations of benefits based on company size and types of employer provided benefits. Participants were undergraduate psychology students and individuals utilizing resources at the Career Services office of a medium-sized university in the Southeastern United States.

Potential job applicants read a scenario about either a large or small company and then indicated how likely they thought it was that the company offered twelve benefits. These benefits were sorted into Financial, Health, and Work-life Balancing categories and responses were averaged based on types of benefits.

Analysis of variance results indicated that applicants believe large companies are more likely to offer benefits than are small companies, regardless of type of benefit. They also believe that all companies, in general, are more likely to offer financial benefits. Finally, there was an interaction such that large companies are more likely to offer financial and health benefits.

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CHAPTER 1

LITERATURE REVIEW

The United States economy has been doing well for almost a decade. This has lead to positive effects on the labor market such as an unemployment rate that has hovered, since October 1999, around an almost 30 year low of 4 percent (Bureau of Labor Statistics [BLS], 2000; Vanguard, 2000). In this environment, most people who want a job are already employed so employers have a more difficult time attracting qualified workers (Bevan, Barber, & Robinson, 1997; Joel Popkin and Company, 2000). As a result, talented job seekers are demanding benefits as conditional terms of employment; and many companies are compelled to provide competitive packages to accommodate them (Svaldi, 1998; Hall & Kuder, 1990; Stelluto & Klein, 1990). Since applicants' viewpoints influence recruiting, the current study examines the relationships of applicant expectations, company size, and types of benefits to determine what preconceived benefits opinions applicants bring to the job search process.

As employers have increased compensation packages, applicants have begun to believe that companies are obligated to provide numerous incentives to attract and retain them (Randstad North America, L.P., 2000). Therefore, it is essential to identify what these bargaining chips are. A "benefit" is defined in Webster's Ninth New Collegiate Dictionary (1986) as "an act of kindness" and "something that promotes well-being". Klemm and Schreiber (1992, p. 52) define benefits as "those cash-valued or non-cash-valued insurances, services, or programs designed to provide employees with additional value for the services they provide, above and beyond the payment of their salary or

hourly wages.” In other words, workplace benefits are various incentives, monetary aids, and programs that companies offer to foster their employees’ well-being.

Benefits serve as useful recruiting tools because job seekers compare the value of working for one employer against another when making job search decisions. Therefore, firms offering less desirable compensation packages will have a more difficult time recruiting new employees (Clark, 1990). Given that most people express benefit concerns during the recruiting stage of employment, packages that are perceived positively are most likely to influence applicant behavior to accept a job (Hall & Kuder, 1990). In other words, since applicant attraction and job choice behaviors are strongly influenced by negative information presented during the recruiting process, applicants may self-select out of the hiring process if they discover employers do not provide benefits they want and expect (Bretz & Judge, 1998).

Companies with fewer resources to allocate to benefits may have more difficulty hiring skilled applicants than companies with more capital (Parcel, 1994). Small firms, for example, typically have limited financial resources and are also less likely than large companies to offer expansive benefit packages (Kraybill & Variyam, 1993; American Management Association [AMA], 1999). Applicants’ benefits expectations influence their job search actions so if applicants are aware or believe that large companies offer better benefits they might avoid seeking jobs at small companies. This is significant because small businesses represent 99% of all employers (U.S. Small Business Administration [SBA], 2000).

Although applicant expectations may reflect reality – that large companies tend to offer more extensive benefit packages - the purpose of this study is not to compare

perceptions against what companies currently offer. Rather, the first objective of this study is to examine applicants' expectations of employer provided benefits to see if they believe company size affects benefits. If a small company offers competitive benefits but prospective employees assume it offers less, then the company has an added hurdle to hiring; and it will need to advertise how it offers incentives that are equivalent to or better than other employers in order to attract applicants. On the other hand, if a small company does not offer comparable benefits and applicants' expectations mirror this, the company will need to upgrade the type or amount of benefits it offers to change perceptions and be competitive. This assessment of expectations is especially crucial in a tight labor market.

While the amount of benefits offered influences the recruiting process, the type of benefits offered also appears to have an influence. This is due in part to the fact that companies, regardless of size, have traditionally offered certain types of benefits over others (Burke & Morton, 1990). For example, many people report that they have become accustomed to employers minimally offering health insurance and pensions and that they would not accept a job that offered less (Klemm & Schreiber, 1992). Other types of benefits, such as flexible work options, are also positively related to applicant attraction and employee retention just because people like them (Bevan, Barber, & Robinson, 1997). Workers want to receive these "family-friendly" benefits in addition to traditional benefits (Parcel, 1994). However, applicants may not expect to receive work-life balancing benefits because they have not been offered as prevalently in the past.

Therefore, the second objective of this study is to examine applicants' expectations of employer provided benefits to see if they believe one type of benefit will be offered more than others. Although businesses of all sizes are offering more flexible

working options to attract qualified applicants, applicants' expectations may or may not reflect this trend (Joel Popkin and Company, 2000; Laabs, 2000; Sage Software, Inc., 2000). If prospective employees look forward to receiving certain types of benefits, but a company does not provide them, applicants may not seek jobs there. Firms facing hiring problems could consider minimally offering the types of benefits that are most expected.

Finally, research suggests that even among benefits that are frequently offered by all companies, such as health benefits, the percentage of large employers providing the benefit is greater than the percentage of small employers (Kraybill & Variyam, 1993; AMA, 1999). Therefore, the final objective of the study is to examine if the joint interaction of company size with benefit type influences applicants' expectations. Companies can use these survey results as a gauge to determine how their benefit packages compare to labor pool expectations.

Company Size

The incidence and characteristics of employer provided benefits vary notably by company size (Burke & Morton, 1990). Large firms are much more likely to provide benefits than are small firms (AMA, 1999; Clark, 1990; Kraybill & Variyam, 1993). Consequently, although research in the area is lacking, if potential employees' perceptions of company benefits reflect the reality that large employers are more likely to offer benefits, they may avoid applying for jobs at small companies.

Small businesses employ over 50% of the U. S. private workforce; and around 75% of new jobs added to America's economy are created by small businesses (SBA, 2000). Therefore, this discrepancy in non-wage benefits is noteworthy because it affects

5
a significant portion of the labor market. Since benefit expectations influence applicants' job searches and recruitment, a comparative review of what companies offer is needed.

Some benefits, such as time off, are provided by virtually all companies. Differences based on establishment size occur in the number of days provided or in the ways employees earn time off (Burke & Morton, 1990). Medical benefits, retirement plans, and life insurance also are often available in small firms (BLS, 1998a). However, large firms are more likely to provide a given benefit to a greater extent or to offer a better variety of benefits. Gabel et al. (2000) note how small companies, for example, are less likely to offer a choice of health plans.

Even though many small business owners report that they see health benefits as a prerequisite for attracting quality employees, large companies are still more likely to offer all health related benefits (Hall & Kuder, 1990; Kraybill & Variyam, 1993; Society for Human Resource Management [SHRM], 2000). For example, data from the 1983 Current Population Survey found that very large companies were about twice as likely as very small companies to provide employees' health insurance (Clark, 1990).

A separate survey of 30 million workers nationwide revealed that the difference in medical coverage between large and small companies is less extreme than the differences for other benefits (Burke & Morton, 1990). Large companies are more likely to offer paid bereavement leave, flexible spending plans, wellness programs, various family-friendly alternative work schedule benefits, and are more likely to provide dependent care services (BLS, 1998a; Clark, 1990; Society for Human Resource Management [SHRM], 2000). Additionally, large firms cover a greater percentage of personnel with their retirement plans than do small firms (Burke & Morton, 1990; Clark, 1990). This

difference may decrease as more small business owners begin to offer retirement plans, in part, to attract and retain employees (Svaldi, 1998). Small firms are more likely than larger companies to offer only a few benefits: flex-time (Kraybill & Variyam, 1993) and the ability to bring children to work in emergencies (SHRM, 2000). Since many benefits are offered more often within large firms, job seekers may have noticed these discrepancies while comparing job opportunities.

One reason for these differences is that large companies have greater financial resources at their disposal to provide benefits. In addition, large companies usually provide benefits to a greater percentage of employees (Hall & Kuder, 1990). They can use their mass buying power to purchase benefits at lower unit prices (Clark, 1990).

Finally, just as a result of having a greater percentage of employees who would utilize any given benefit, it is more feasible for large companies to offer a variety of benefits and to offer focused benefits such as on-site child care. Potential employees may intuitively believe that any or all of these differences exist and may therefore expect for these differences to be reflected in the compensation that companies offer.

In light of the empirical information presented above, the current study is designed to determine what expectations are regarding benefits that companies offer. Specifically, this research assessed the following hypothesis:

Hypothesis 1: Individuals who are contemplating employment opportunities believe that large companies are more likely to offer employee benefits than small companies. This will hold true regardless of which types of benefits are in question.

Types of Benefits

Because benefits fulfill specific employee needs, different types of benefits are important to different employees (Parcel, 1994). Since some benefits are valued by almost all employees, companies offer certain types of benefits more than others (Clark, 1990). Outlining the distinction in types of benefits is relevant because, as stated earlier, applicants' expectations influence recruitment; and they may not pursue jobs within companies that do not offer the types of benefits they expect to receive.

The literature does not recommend an ideal taxonomy for classifying benefits. Therefore, for this study benefits are classified as Financial, Health, and Work-life Balancing. Financial benefits include paid time off, pensions, and educational assistance. Health-oriented benefits include insurance and care. Work-life Balancing benefits include flexible working schedules and other economical alternatives to major benefits (Svaldi, 1998). Supplemental pay, holidays, and health benefits have been staples to the U.S. benefit package for decades; but work-life benefits are recent additions (Stelluto & Klein, 1990).

Time off is the benefit most frequently provided in small, medium, and large private companies; and pensions and education assistance are frequently offered, but child-care is one of the benefits least likely to be offered (BLS, 1998a; Foster, 1998; Kraybill & Variyam, 1993; SHRM, 2000). The most widely available health benefits include insurance, flexible health spending accounts, and dental insurance (BLS; SHRM). Wellness programs are much less common (BLS; SHRM). Flexible dependent care accounts and flex-time are the most widely offered work-life balancing benefits, but they are still less prevalent than traditional financial and health types of benefits (SHRM).

If applicants have been offered certain types of benefits during their job searches, parallel to what companies are offering, then they may expect all companies to offer selected benefits more than others. In addition, employees report that their job selection decisions are strongly influenced by being offered traditional types of benefits, such as tuition reimbursement, pensions, paid leave, and health insurance (Harrington, 1992; Parcel, 1994; Randstad North America, L.P., 2000). Since people value some benefits over others, they may also expect companies to provide certain types more than others.

Finally, heightened national attention on health care reform in recent political races means more people have heard or read about the significance of specific benefits and should recall hearing concerns voiced on these issues (Reich & Nussbaum, 1994). As a result, they may expect health care initiatives to be offered. Therefore, consistent with the literature already reported, this study examined a second hypothesis:

Hypothesis 2: Individuals who are contemplating employment opportunities believe that companies in general, regardless of size, are more likely to offer certain types of benefits more than other types. The researcher suspects most subjects believe companies provide Health benefits, but directional hypotheses about expectations of Financial or Work-life Balancing benefits will not be made.

CHAPTER 2

METHOD

Participants

One-hundred-seven individuals were recruited for voluntary participation in this study. Thirteen participants were utilizing resources at the Career Services office of Austin Peay State University. The remaining subjects were students enrolled in undergraduate psychology courses at the university. Participants were randomly assigned to either a large company scenario or a small company scenario condition.

Participants from Career Services are actively seeking jobs and thinking about employer provided benefits. However, it was necessary to supplement the pool of participants recruited through the Career Services office with students enrolled in undergraduate psychology courses in order to obtain a sample of participants that was large enough to make valid statistical comparisons. Students were awarded additional course credit for participation at their professors' discretion. There were no participation incentives for participants contacted through Career Services.

Materials

Informed consent form. Participants signed an informed consent form acknowledging that they understood participation was voluntary, that no harmful effects should occur as a result of participation, and that they could remove themselves from the study at any time. (See Appendix A).

Demographic information. Information was requested regarding their age, to ensure that they were at least 18 years of age, and whether or not they were currently looking for a job. (See Appendix B).

Company scenario. Two scenarios were used, describing either a large or small company that might be interested in hiring participants. Potential job applicants (participants) read one of the two scenarios and then indicated how likely they thought it was that the company described in the scenario offered various benefits to employees. (See Appendix B).

A company's size may be defined based on its revenue or the number of workers it employs. Data regarding differences between small and large companies means very different things based on how size is identified. Describing the researcher's preconceived concept for company size would not alter participants' perceptions of what makes a company small; therefore, participants were not provided with an explanation of what makes a company "small" or "large". By maintaining ambiguity, participants could respond to the companies depicted in the scenarios based on their own perceptions of company size. These mental images should, therefore, match those that participants have when estimating the extent to which real companies offer benefits.

Categorizing benefits. Companies currently offer many different types of benefits to employees. Therefore, it is necessary to group benefits into distinct categories to facilitate the process of comparing them. Conclusions reached about employee perceptions of benefit offerings will also be more generalizable.

The literature does not contain examples of ideal taxonomies for classifying benefits. Therefore, the researcher reviewed national studies such as the Employee

Benefits Survey conducted by the Bureau of Labor Statistics and the Society for Human Resources Management (SHRM) Benefits Survey to find models for categorizing benefits (BLS, 1998a; SHRM, 2000).

The categories chosen for this study are closely aligned with the “Financial”, “Family Friendly” and “Health Care” categories in the SHRM survey (SHRM, 2000). These were chosen because they are broad enough to encompass a wide variety of benefits. The investigator reclassified the “Family Friendly” category as “Work-life Balancing” to include benefits for applicants who do not have families. These benefits are designed to maximize work productivity by helping employees balance work and home obligations. Telecommuting and flexible work hours are examples. “Financial” benefits, such as tuition assistance or retirement contributions, supplement employees’ income. “Health” benefits, designed to maintain employee health, include health and dental insurance, wellness programs, and other health initiatives.

The SHRM Benefits Survey (SHRM, 2000), based on responses of over 600 human resource professionals, indicated what benefits employers offer to employees. Although subjects’ expectations about the likelihood that benefits will be offered may be similar to actual differences in benefits plans offered by companies, this will not be explored. Instead, the SHRM survey is used only as a guide for classifying benefits.

Benefits. The twelve benefits analyzed in this study are closely aligned with a sample of benefits examined in the SHRM Benefits Survey (SHRM, 2000); however, SHRM placed leave into a “Leave” category. Since leave involves paid time-off, the researcher included it in the “Financial” category. “Casual dress” was classified as “Personal” rather than “Work-life Balancing.” Benefits were chosen if they could be

representative of or distinctive from other benefits. Based on a review of the literature, each benefit meets one or more of the following criteria: it is frequently offered by all companies, infrequently offered by all companies, it is more likely to be offered in large companies, or it is more likely to be offered in small companies. The investigator tried to include benefits that met one or more of the criteria listed above into each category. See Table 1 for a list of categories and benefits included in the study.

Table 1.

Individual Benefits Categorized into Types

Financial	Health	Work-life Balancing
Educational Assistance	Health Insurance	Able to bring children to work in an emergency
Retirement Savings Plans	Health and Mental Wellness Program	Flextime
Paid Bereavement Leave	Flexible Medical Spending Account	Casual Dress, at least one day a week
Paid Vacation Leave	Dental Insurance	Telecommuting

In the SHRM study (SHRM, 2000), analyses were done on individual benefits rather than on all benefits within a particular category. While most studies examine the effect of a single benefit, by doing so, they miss relevant interactions with other benefits (Clark, 1990). The researcher wanted to obtain results that could generalize to other areas also; therefore, this study analyzed data by category. In other words, rather than examining expectations for health insurance, the study combined data and analyzed expectations of all “Health” benefits, which includes data for wellness programs, dental insurance, and flexible medical spending accounts. Generalizing perceptions of only one benefit to an entire category increases chances of making erroneous conclusions. It could either lead to assumptions that health benefits are expected or that they are not expected. Averaging data across the category reduced the possibility of making incorrect deductions.

Benefit expectations. The investigator designed a twelve item rating instrument using a 5-point Likert-type scale. Each item lists a benefit. Participants were to indicate, on a scale of 1-5 with 1 being extremely unlikely and 5 being very highly likely, how strongly they thought the company they read about in the scenario would provide each benefit. Although the benefits could be arranged into three unique categories, they were randomly interspersed to reduce the possibility that participants would realize the benefits were categorized.

Expectations of all benefits classified as Financial were averaged to create a single rating scale score for Financial benefits for each individual. This was repeated for Work-life Balancing benefits and for Health benefits. (See Appendix C for a copy of the benefit survey).

Company size form. Finally, a manipulation check was performed to determine if respondents noticed company size when they read the company scenario. These forms were coded to match the participants' survey packets. Participants indicated if they thought the company was "large", "small", or that they "did not notice" when they were completing the surveys. (See Appendix D for a copy of the manipulation check).

Procedures

Participants recruited through the Career Services office were asked to participate in the study when they signed in to use the office's resources. Participants were also recruited from undergraduate psychology courses. These volunteers were contacted during class at their professors' discretion. Interested parties received a packet of materials to complete. People who declined to participate suffered no consequences and were not given the survey.

Participants were randomly and equally divided into two groups (large versus small company conditions). They were given an individually coded survey packet consisting of Informed Consent, Demographics Information/ Company Scenario, and Benefit Expectations forms. Once materials were completed and returned to the investigator, they received and completed the Company Size form that was coded to match the participants' survey packets.

After participants completed the Informed Consent Form, they were instructed by the Company Scenario form to imagine that they were applicants for a position within the company described in the scenario given to them. They were told that this hypothetical company was interested in hiring someone with their education and experience. Each

scenario represented an experimental manipulation because half of the participants read a scenario about a large company and half read about a small company. Other information provided in the scenarios about the company was the same across the conditions. Both scenarios described the company as being profitable and in existence for many years to represent stability. Both described that the company's pay was comparable to its competitors and that the company was located in an urban location.

Participants were then instructed to read a list of twelve benefits the company could possibly offer to them if hired. See Table 1 for a complete list of benefits. They were instructed to indicate how likely they thought it was that the company in the scenario provided each benefit using a five point rating scale ranging from 1 (Highly Unlikely) to 5 (Highly Likely) by circling their choices. The directions clarified that they were not to indicate how much they wanted the benefits or how much the company should offer them, but to mark how likely it was that the company actually offered them. A Likert-type scale was chosen because this type of instrument has proven to be reliable and valid for measuring the strength of a person's attitude or opinion (Likert, 1932).

Finally, on a separate page, a manipulation check was performed to ensure participants noticed company size when they read the company scenario. They indicated if they thought the company was "large", "small", or that they "did not notice".

The amount of time required to complete the survey was less than 15 minutes.

CHAPTER 3

RESULTS

Demographic data showed that 28% of the 107 participants reported that they were currently looking for jobs. Respondents were also asked if they would be interested in applying for a job if a better opportunity were available, and 88% stated they would.

A chi-square test for goodness of fit confirmed that a significant number of participants noticed company size in the scenario they read $\chi^2 (1, N = 106) = 16.642, p < .001$. In order to avoid making incorrect assumptions based on the condition of company size, responses for the 32 participants who did not notice size were discarded and further statistical analyses used only responses from the remaining subjects.

A Pearson correlation matrix was created to see how the twelve individual benefit items were associated. Table 2 contains the means, standard deviations, and variable intercorrelations for the twelve benefits. A second correlation matrix was created to compare the researcher's three proposed categories of composite benefits. Of these, only Financial and Health benefits displayed significant correlations with each other. See Table 3 for the means, standard deviations, and types of benefits intercorrelations.

Internal reliability investigations of the scales using Cronbach's alpha showed that the four benefits chosen to comprise Work-life Balancing benefits were weak indicators of the construct Work-life Benefits, $\alpha = .42$. It was the least reliable benefit type measure and no single item within the construct could be removed to improve the scale. Health, $\alpha = .68$, and Financial, $\alpha = .68$, composites were better, but were still not strong constructs. Again, no single item appeared to cause these weaknesses.

Table 2.

Correlation Matrix for Individual Benefits

BENEFITS	MEAN	SD	DENTAL	EDUC	DRESS	LEAVE	CHILD	WELL- NESS
DENTAL	3.9	1.179	1.000					
EDUCATION	2.9	1.168	0.176	1.000				
DRESS	3.5	1.138	-0.092	0.090	1.000			
LEAVE	3.5	1.230	0.304	0.361	0.171	1.000		
CHILD	2.8	1.126	-0.003	-0.016	0.165	0.190	1.000	
WELLNESS	3.1	1.320	0.334	0.311	0.133	0.495**	-0.052	1.000
FLEXTIME	2.4	1.201	0.190	0.159	0.101	0.167	0.207	0.098
RETIREMENT	4.3	1.014	0.306	0.366	0.128	0.382	-0.131	0.491**
VACATION	4.2	0.873	0.366	0.246	0.065	0.264	0.012	0.272
HEALTH_INSUR	4.5	0.726	0.625**	0.122	0.089	0.281	-0.243	0.469*
TELECOMMUTE	2.3	1.011	0.139	0.067	-0.157	0.121	0.265	0.082
FLEX_MED	2.7	1.114	0.149	0.477**	0.122	0.315	-0.183	0.427*

Note. These analyses are based on responses of participants who noticed company size in the scenario they read ($n = 73$).

* $p < .01$ using a Bonferroni adjustment. ** $p < .001$ using a Bonferroni adjustment.

Table 2 (continued).

BENEFITS	MEAN	SD	FLEX TIME	RETIRE-	VACAT	HLTH INS	TELECOM MUTE	FLEX- MED
DENTAL	3.9	1.179						
EDUCATION	2.9	1.168						
DRESS	3.5	1.138						
LEAVE	3.5	1.230						
CHILD	2.8	1.126						
WELLNESS	3.1	1.320						
FLEXTIME	2.4	1.201	1.000					
RETIREMENT	4.3	1.014	0.108	1.000				
VACATION	4.2	0.873	0.071	0.576**	1.000			
HEALTH_INSUR	4.5	0.726	0.059	0.546**	0.415*	1.000		
TELECOMMUTE	2.3	1.011	0.334	0.123	0.044	0.026	1.000	
FLEX_MED	2.7	1.114	0.228	0.375	0.210	0.117	0.234	1.000

Note. These analyses are based on responses of participants who noticed company size in the scenario they read ($n = 73$).

* $p < .01$ using a Bonferroni adjustment. ** $p < .001$ using a Bonferroni adjustment.

Table 3.

Correlation Matrix for Types of Benefits

<u>TYPES OF</u> <u>BENEFITS</u>	<u>MEAN</u>	<u>SD</u>	<u>HEALTH</u>	<u>FINANCIAL</u>	<u>WK-LIFE</u>
HEALTH	3.5	0.791	0.680 ^a		
FINANCIAL	3.7	0.774	0.651*	0.683 ^a	
WK-LIFE	2.6	0.677	0.142	0.208	0.420 ^a

Note. These analyses are based on responses of participants who noticed company size in the scenario they read ($n = 73$).

^a Cronbach's alpha reliability can be seen on the diagonal.

* $p < .001$ using a Bonferroni adjustment.

Since the categorization into three types of benefits as proposed was plausible, the researcher proceeded with a 2 x 3 analysis of variance (ANOVA) to analyze the two hypotheses in this study. In particular, a split-plot (both random and repeated-measure) ANOVA design was utilized because subjects were randomly assigned to the two levels of the independent factor of company size. Then all subjects were tested under each of the three levels of the independent factor of Type of Benefits, thus leading to three levels for the dependent variable of expectations.

Hypothesis 1 was assessed by examining the main effect for company size with the expectation that participants' responses would be dependent on the manipulated condition of company size. Mean responses for expectations did significantly differ on the condition of company size. Specifically, the researcher expected, and confirmed, that

applicants believe large companies are more likely to offer benefits than are small companies, regardless of type of benefit. Hypothesis 1 was supported. See Table 4 and Table 5.

Hypothesis 2 was assessed by examining the main effect of benefit type with the expectation that participants would believe that companies, in general, are more likely to offer some types of benefit more than others. In addition, it was proposed that people believe Health benefits are more likely to be offered than either Financial or Work-life Balancing benefits. Analysis of variance revealed that expectations did significantly differ for the types of benefits factor, regardless of company size. See Tables 4 and 5.

Fisher LSD protected t tests were originally planned for analyzing directional hypotheses regarding types of benefits. Once it was determined that the means of the three composite benefit conditions were not equal, paired groups t tests, which are still protected t tests, were conducted instead to identify which pairs of means differed significantly. Protected t tests reduce errors that occur as a result of multiple comparisons and are therefore less likely than regular t tests to result in a Type I error where the null is rejected even though it is true. In addition, they expand on information from the analysis of variance by identifying which variable means led to significant expectation differences.

Table 4.

Analysis of Variance for Company Size and Types of Benefits

<u>Source of variation</u>	<u>SS</u>	<u>df</u>	<u>MS</u>	<u>F</u>
Between subjects				
Scenario (S)	12.9	1	12.9	16.47*
Combined within-group error	55.8	71	.79	
Within subjects				
Benefit type (T)	38.5	2	19.2	57.56*
S x T	5.49	2	2.74	08.22*
Combined within-group error	47.46	142	.33	

Note. These analyses are based on the responses of participants who correctly noticed company size in the scenario they read ($n = 73$).

* $p < .001$.

Table 5.

Means and Standard Deviations for Benefit Expectations

<u>Scenario</u>	<u>Health</u>	<u>Financial</u>	<u>Work-life</u>	<u>Row Totals</u>
Large	3.9 (.10)	3.9 (.11)	2.7 (.10)	3.0 (.42)
Small	3.0 (.13)	3.3 (.14)	2.6 (.13)	2.7 (.39)
Column Totals	3.5a, b (.79)	3.7a, c (.77)	2.6b, c (.68)	

Note. These analyses are based on the responses of participants who correctly noticed company size in the scenario they read ($n = 72$). Means in a row sharing subscripts are significantly different. Standard deviations are contained in parentheses below the means.

* t values are significant for each of the types of benefits comparisons, $p \leq .01$.

Mean responses for Health, Financial, and Work-life Balancing benefits all significantly differed. In addition, applicants believe Health benefits are more likely to be offered than Work-life Balancing benefits. The first part of Hypothesis 2 was supported. Although the difference between Financial and Health was significant, as proposed, it was in the opposite direction; Financial benefits were more expected. Therefore, Hypothesis 2 received only partial support. See Table 5.

Finally, the researcher examined the interaction of company size with benefit type. There was not enough a priori data to suggest what interactions might exist; so this area was explored strictly for informational purposes, and no hypotheses were proposed. Again, analysis of variance indicated that the interaction was significant. Types of benefits and company size jointly influenced benefit expectations. See Tables 4 and 5.

An ordinal interaction exists such that the difference between the means of large and small company scenarios is not the same for the three levels of types of benefits. However, the lines do not cross and the rank order of the means is the same for all levels of types. See Figure 1 for the interaction of company size and benefit type.

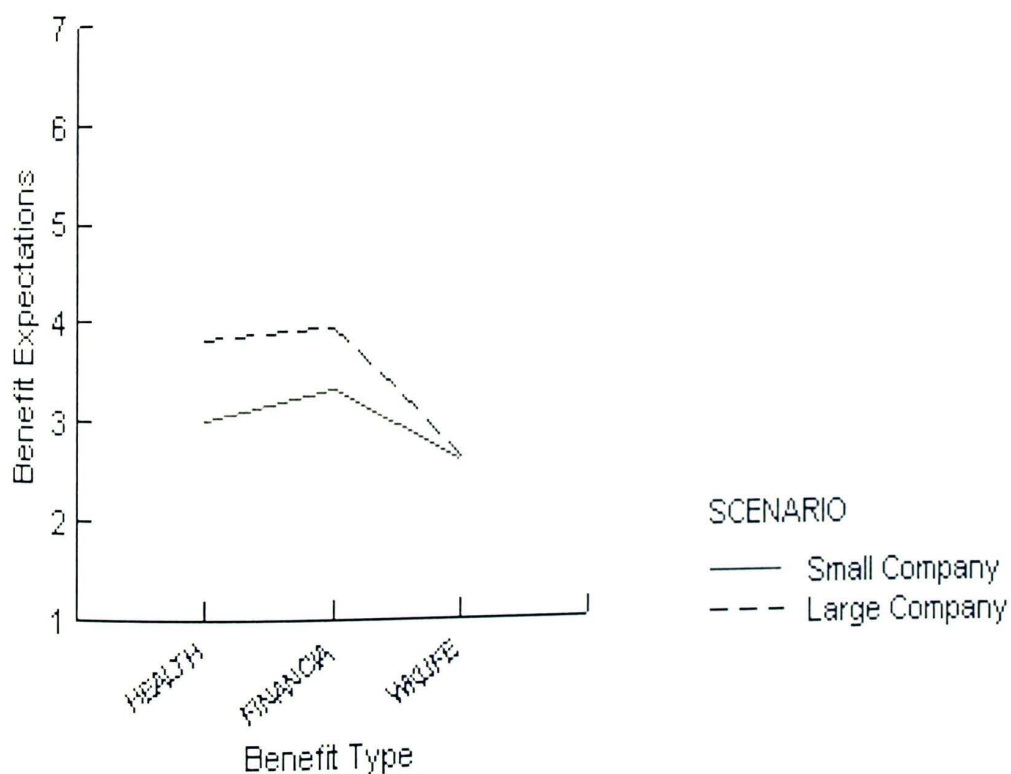


Figure 1. Interaction of company size and benefit type.

Mean responses of the interaction indicate that subjects believe large companies are more likely to offer benefits than are small companies. In addition, large companies are more likely to offer health and financial benefits. Large and small company groups did not differ significantly with respect to Work-life Balancing benefits.

Post hoc analysis of the significant interaction identified by the ANOVA clarified which group means were different. Simple effects tests of the interactions revealed that potential applicants believe large companies ($\underline{M} = 3.83$, $\underline{SD} = .62$), are more likely to offer health benefits than are small companies ($\underline{M} = 3.01$, $\underline{SD} = .80$), $t(72) = -4.91$, $p < .001$. In addition, expectations reflect that applicants believe large companies ($\underline{M} = 3.95$, $\underline{SD} = .78$), are more likely to offer financial benefits than are small companies ($\underline{M} = 3.35$, $\underline{SD} = .60$), $t(72) = -3.46$, $p < .001$. Finally, Work-life benefit expectations for large companies ($\underline{M} = 2.67$, $\underline{SD} = .70$) did not differ significantly from expectations of small companies ($\underline{M} = 2.60$, $\underline{SD} = .64$), $t(71) = -.355$, $p < .723$.

CHAPTER 4

DISCUSSION

Results provided partial support for the hypotheses postulated. Analysis of variance confirmed that both company size and type of benefits influence benefit expectations, and they also interact to influence expectations. The first hypothesis was supported; potential applicants believe that large companies are more likely to offer benefits than are small. This finding reflects reality in that large companies are much more likely to offer benefits (AMA, 1999; Clark, 1990; Kraybill & Variyam, 1993).

The second hypothesis, that expectations would significantly differ across types of benefits, was also confirmed. Certain types of benefits are more likely to be expected across the board. Differences identified are primarily a result of the relationship between Financial and Health benefits. However, the expected association between these two types of benefits was significant in a direction opposite to that which had been predicted; applicants think companies are more likely to offer Financial benefits.

Reasons for this finding are unclear. One possible explanation is that all benefits listed in the Financial category are frequently offered to workers regardless of company size (Burke & Morton, 1990; Foster, 1998). In contrast, the Health variable, wellness programs, is relatively rare in small businesses and is not as common as other benefits in large companies (BLS, 1998a; SHRM, 2000).

Walsh found that twenty-five percent of workers from companies of all sizes expected employers to shoulder the responsibility for providing them with retirement income (1998). Results may reflect similar expectations among participants in this study.

Another possibility proposed to the researcher is that the phraseology for describing the Health variable of Flexible Medical Spending Accounts may have misled subjects who were unfamiliar with the benefit to think it would not be offered since it indicated that “employers hold a portion of an employee’s income”.

Simple effects testing based on the interaction of company size and types of benefits indicated that applicants believe both health and financial benefits are more likely to be offered by large companies than by small. Applicants appear to have responded to the survey based on accurate representations of what occurs in reality. For example, although 57% of all workers are covered by retirement plans, a benefit categorized into the Financial category, (Foster, 1998), large firms still cover a greater percentage of workers (Burke & Morton, 1990; Clark, 1990). The other relationships may have occurred for similar reasons.

Expectations of Work-life Balancing benefits did not significantly vary by company size, nor did the construct correlate significantly with the other constructs of types of benefits. This may have been a function of the poor reliability for the composite resulting from the benefits chosen to comprise the category. Another suggestion is that Work-life Balancing benefits are more recent introductions to the labor market and thus may not be as widely expected.

Justification

Although benefit costs comprised approximately 28% of compensation costs for employers in the private sector, and in State and local governments in 1999, benefits are a top choice of what women nationwide liked best about their jobs (Reich & Nussbaum,

1994). Similarly, Wolfe and Moomaw (1999, SIOP) found that co-workers, job content, and benefits were the factors employees liked most about their jobs. Companies have little control over co-worker personality. In addition, job content can be similar across an industry. Consequently, of these three factors, employers can only affect benefits.

Given that most people express concern about benefits during the recruiting stage of employment (Hall & Kuder, 1990), companies may lose high caliber applicants who self-select out of the process if applicants discover employers do not provide benefits they want and expect (Bretz & Judge, 1998). Since benefits are investments to attract applicants and keep employees satisfied (Herz, Meisenheimer, & Weinstein, 2000; Reich & Nussbaum, 1994; Wolfe & Moomaw, 1999), recruiters need to know what benefits potential employees expect and then be “flexible and creative to successfully recruit and retain quality people” (Sage, 2000; SHRM, 1999).

The literature reviewed supports the generalizability of this study to the labor market. The National Association of Colleges and Employers predicted that employers would hire almost 15% more new graduates in 2000 than in 1999 (Stafford, 2000). Although studies show that skilled applicants are more interested in benefits than unskilled workers (Harrington, 1992; Parcel, 1994) and that students’ job-seeking preferences differ significantly as a function of company size (Barber, Wesson, Roberson, & Taylor, 1999), there is little data available to show what skilled college students who are entering the job market expect from a company’s benefits package.

Competition for attracting quality personnel is most intense among professions and disciplines that require highly technical or specialized knowledge (Harrington, 1992; AMA, 1999), and “employment in professional specialty occupations is projected to

increase at a faster rate and have more job growth than any major occupational group” (BLS, 1998b). In addition, executives report concern about retention and turnover among employees less than 30 years of age (AMA, 1999; Wolfe & Moomaw, 1999). Therefore, the demand for skilled graduates is likely to continue to increase.

Drury suggests that the key to recruiting and retaining the top college graduates may lie in offering competitive benefits packages (1997). Young employees are not only more supportive of employer provided benefits, but they are significantly more likely than older workers to believe companies must increase employee compensation in today’s competitive market (DeMarr, 1999). Since college students tend to be young, companies may increase recruiting effectiveness by identifying college students’ expectations.

Although small companies have traditionally been less likely to offer health benefits (Kraybill & Variyam, 1993; SHRM, 2000), now there is less of a difference between large and small companies’ medical insurance programs (Burke & Morton, 1990). Since applicants believe small companies are less likely to offer health benefits, small businesses that offer comparable health benefits should promote this fact in recruiting.

Limitations

The operational definitions of the main effects are subjective. For example, the SBA classifies small businesses as those that employ fewer than 500 workers, while other studies suggest that employing fewer than 100 workers defines a business as small (SBA, 1999). In an attempt to avoid creating imagery of the company that would be

inconsistent with applicants' ideas of what is defined as large and small companies, the scenarios did not clarify size beyond defining the company as either large or small.

In addition, there is also no single model for defining benefits. They can be classified based on who supplies them, cost, or purpose using many different labels for the same variables. For example, although paid leave was classified in this study as a Financial benefit because companies must provide pay without receiving work, one could argue that leave could be classified into Work-life Balancing benefits because it increases a worker's ability to coordinate activities at home and work. Since no pilot tests were conducted, strengthening the scale by removing weak items within the scale did not occur. However, measures of correlation and internal consistency still tentatively supported the composite constructs of types of benefits as categorized by the researcher.

Unfortunately, wording within the scenarios or other unknown factors resulted in some participants failing to notice company size. This reduced the sample size for subjects within the small company condition by half. Although many significant relationships were discovered, Work-life Balancing benefits may have significantly differed from the other categories if the sample had been larger.

Survey participants were affiliated with a smaller southeastern university that is surrounded by rural populations. It could be argued that subjects may not have been exposed to many large industrial areas and that regional bias, therefore, may have impacted subject perceptions.

Finally, the external validity of laboratory research manipulations using student participants rather than actual field participants has been criticized (Gordon, Slade, & Schmitt, 1986). Students who are entering the labor market for the first time probably

have limited experience comparing employer provided benefits. In addition, students who have health insurance coverage through parents may not be aware of how much these benefits cost or even that they are beneficial. Results obtained from a participant pool consisting of actual applicants would therefore be more generalizable.

However, Dobbins, Lane, and Steiner (1998) counter that previous research methods invalidating the use of student participants have been flawed. Almost 30% of the participants in this study reported that they were actual job seekers, and 88% reported that they would be interested in applying for a job if a better job became available. Therefore, the researcher suggests that the use of student participants in this study has not severely compromised external validity because almost 90% of the sample can be considered potential job applicants.

Implications and Future Directions

As stated above, the subject pool consisted primarily of students. Although they appear to have realistic expectations, future research could utilize job fair participants or other job seekers who are actively evaluating benefits to see if expectations are similar. If they are not, career services offices might educate students on how to evaluate benefits, as well as how to search for a job.

As for the survey, it would be beneficial to collect demographic data regarding age or gender to see if these factors additionally influence expectations as suggested by the literature. In addition, it could be redesigned so that participants responded to both large and small scenarios and individuals' differences in expectations of benefits based on size could be analyzed. If both conditions were given to all subjects, then no data

would have to be thrown out from unsuccessful manipulations. Future studies could improve the survey by adding additional items within each type of benefits scale. The benefits might then be more representative of the constructs.

The results of this study indicate a definite need for improving the types of benefits constructs. Work-life Balancing benefits especially need to be redefined. Ideally, multiple benefit experts would be consulted to create broad lists of benefits. Q-sorts or other sorting measures could be conducted to develop more reliable constructs. Although this construct did not significantly differ from the others, this area should be investigated further. Many work-life benefits are relatively inexpensive for a company to offer. Although this survey indicates that work-life benefits are not expected, a review of the literature suggests that they are desired.

Conclusion

In summary, the present research is valuable because it identifies relationships in expectations of various types of benefits for large and small companies. Companies can use this insight to evaluate how their benefit packages compare to applicant expectations, to adjust recruiting practices to highlight how their packages exceed expectations and to target misconceptions, or to plan for how to deal with shortcomings between expectations and their packages. Being aware of applicants' expectations will give a company a lead in recruiting. This advantage is especially important in a labor market where competition for skilled workers is intense.

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APPENDICES

Appendix A

Consent to Participate in a Research Study Austin Peay State University

You are being asked to participate in a research study. This form is intended to provide you with information about this study. You may ask the researchers listed below about this study or you may call the Office of Grants and Sponsored Research, Box 4517, Austin Peay State University, Clarksville, TN 37044, (931) 221-7881 with questions about the rights of research participants.

1. TITLE OF STUDY: Applicants' Expectations of Employer Provided Benefits in Large and Small Companies

2A. PRINCIPAL INVESTIGATOR:

Audrey Layne Causey, Psychology Graduate Student enrolled in PSY 5990 (Thesis), Austin Peay State University, Phone: (615) 532-4678, E-mail: Tcause@earthlink.net

2B. FACULTY SUPERVISOR

Dr. David Denton, Psychology Department, P.O. Box 4537, Austin Peay State University, Clarksville, TN 37044, Phone: (931) 221-7238, E-mail: Dentond@apsu.edu

3. THE PURPOSE OF THE RESEARCH

Some research suggests that employees want employers to provide them with various benefits and that these benefits are also important during the recruiting stage of employment. In addition, some companies are more likely to offer some benefits more than others. If companies can discover what benefits job applicants typically expect companies to provide, companies can use this information to determine how their benefit plans meet or exceed applicant expectations. Therefore, this study is designed to determine how likely people think it is that companies will offer benefits to employees. This research is being conducted to fulfill requirements for a graduate degree. As such, a summary of the data, not individual responses, may be published or presented.

4. PROCEDURES FOR THIS RESEARCH

If you agree to participate after reading this form, you will be required to sign, date, and return it to the student investigator. Your name will only be used to verify that you voluntarily agreed to participate in this study. Your name will not be connected with or appear with your individual results or the group results. No records of your participation will be disclosed. If a state audit is conducted of this study, your informed consent forms may be matched to your survey responses to verify this study was conducted according to proper procedures. However, unless an audit occurs, your informed consent forms will be separated and kept in secured files away from the survey responses and other forms. After this consent form is collected, it will remain in my possession and will only be viewed by my faculty supervisors, possibly state auditors, and myself. Therefore, data will be kept confidential to the extent provided by law. A summary report, produced from

the combined information of all participants, will be made available to you upon request. If you would like a general report of the findings of this research, contact either the student investigator, Layne Causey, or Dr. Denton at the addresses noted above. If this form is signed and turned into the student investigator, you will be asked to answer "yes" or "no" to questions asking if you are at least 18 years of age and if you are currently looking for or interested in looking for a job. Only people affiliated with the study will see this data and it will not be stored with data containing your name. Next, you will be asked to read a paragraph about a company. Then you will be asked to view a list of twelve benefits and indicate how likely you think it is that the company offers each benefit on a five point summated rating scale ranging from 1 (Highly Unlikely) to 5 (Highly Likely) by circling your answer. You are not to mark how strongly you would like the benefit yourself, but how strongly you expect it to be offered. The time necessary to complete this part could vary from person to person, but it is expected that the entire survey should take less than 15 minutes to complete. There is no time limit in completing the survey.

5. POTENTIAL RISKS OR BENEFITS TO YOU

There are no known costs or risks to you from participating in this study. Your participation, or lack thereof, is unrelated to your ability to use career resources or to your status in class or at the university, in any way. Although making decisions about benefits may cause mild tension, this task should last less than five minutes. You do not have to answer any question you do not wish to answer. Participants obtained through the Office of Career Services will receive no compensation of any form for participation in this study. If you are taking this survey with permission of an instructor, you may at your instructor's discretion receive extra credit of your instructor's choice. See your instructor for the amount and type of extra credit that may be awarded. If your instructor has no record that you participated, you may contact the researcher and a photocopy of your signed informed consent form will be made available to you.

6. INFORMED CONSENT STATEMENT

I have read the above and understand what the study is about, why it is being done, and any benefits or risks involved.

I understand that I do not have to take part in this study, and my refusal to participate will involve no penalty or loss of rights.

I understand that I must understand the English language in written or oral form to effectively rate the benefits in this survey.

I agree to participate in this study and understand that by agreeing to participate I have not given up any of my human rights.

I understand that I have the right to withdraw my consent and stop participating at any time during the study without penalty or prejudice and all data collected from me will be destroyed.

If I choose to withdraw, that choice will be respected and I will not be penalized or coerced to continue.

I understand that I will receive a copy of this form.

If I have questions about this study I may call Layne Causey (graduate student, Psychology Department) at 615-532-4678 or Dr. David Denton (faculty supervisor, Psychology Department) at 931-221-7238.

I have read the procedure described above. I voluntarily agree to participate in the procedure and I have received a copy of this description.

Signature of Research Participant (or legally authorized representative) Date

Signature of Researcher

APPENDIX B

DEMOGRAPHICS:

please circle your answer to the following questions.

- | | | |
|---|-----|----|
| 1. Are you 18 years of age or older? | YES | NO |
| 2. Are you currently looking for a job? | YES | NO |
| 3. Would you be interested in applying for
a job if you discovered a better job was available? | YES | NO |

COMPANY SCENARIO A:

Instructions: Please read the paragraph below. Imagine that you are applying for a job within the company described in the scenario below and that this hypothetical company is interested in hiring someone with your education and experience.

XYZ Company is a very small and profitable company that has been in existence for almost 70 years. The pay it offers to employees is comparable with the pay that the company's competitors offer. The company is in an urban area.

Now, please read the list of benefits on the following page and decide how likely you think it is that the company described above offers the specific benefit to employees.

DEMOGRAPHICS:

please circle your answer to the following questions.

- | | | |
|---|-----|----|
| 1. Are you 18 years of age or older? | YES | NO |
| 2. Are you currently looking for a job? | YES | NO |
| 3. Would you be interested in applying for
a job if you discovered a better job was available? | YES | NO |

COMPANY SCENARIO B:

Instructions: Please read the paragraph below. Imagine that you are applying for a job within the company described in the scenario below and that this hypothetical company is interested in hiring someone with your education and experience.

XYZ Company is a very large and profitable company that has been in existence for almost 70 years. The pay it offers to employees is comparable with the pay that the company's competitors offer. The company is in an urban area.

Now, please read the list of benefits on the following page and decide how likely you think it is that the company described above offers the specific benefit to employees.

APPENDIX C

Expectations Of Employer Provided Benefits

The following list of benefits might be offered to you, the job applicant, if the hypothetical company you read about in the scenario hired you. Please read each benefit and indicate how likely you think it is that the company offers the benefit to employees.

Note: Do NOT mark how much you *want* the benefit or how much the company *should* offer the benefit. Indicate if you believe the company offers the benefit.

	1=Highly Unlikely (you do NOT think the company offers the benefit)	2=Somewhat Unlikely	3=Neutral	4=Somewhat Likely	5=Highly Likely (the company offers the benefit)
1. Dental Insurance	1	2	3	4	5
2. Educational Assistance - such as partial refunds for tuition	1	2	3	4	5
3. Casual Dress - at least one day a week	1	2	3	4	5
4. Paid Bereavement Leave - where pay is not lost for going to relatives' funerals	1	2	3	4	5
5. Able to bring children to work in an emergency	1	2	3	4	5
6. Health and Mental Wellness Program - resources and information to stay healthy	1	2	3	4	5
7. Flextime - begin and end workday at any time as long as core hours are worked	1	2	3	4	5
8. Retirement/Pension Savings Plans - such as a 401K, annuity or IRA	1	2	3	4	5
9. Paid Vacation Leave	1	2	3	4	5
10. Health Insurance	1	2	3	4	5
11. Telecommuting – work mostly from home	1	2	3	4	5
12. Flexible Medical Spending Account - employer holds part of employee's income so employee can pay medical bills with pre-taxed wages	1	2	3	4	5

APPENDIX D
COMPANY SIZE

The passage you just read described a hypothetical company that might offer various benefits to employees. As you decided how likely you thought it was that benefits were offered, did you believe that the company in the passage was:

Large _____

Small _____

Did Not Notice _____