

# Salary versus Benefits Packages: Which is More Appealing?

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## Background and Hypotheses

The purpose of this study was to see what participants thought were more appealing; salary or benefits. Much research has been conducted on benefits packages and salary, (e.g. Agho, 1995, and Doeringhaus and Feldman, 1993). The studies looked at what employees thought to be the most desired benefit and more of what benefits employees wanted. The first hypothesis stated that if a participant is presented with the high salary job description first, there is a greater likelihood that the participant will find the high salary more appealing over the high benefits. The second hypothesis stated that salary will always be ranked highest as reason for appeal.

## Methods

### Participants

441 participants were collected from Stephen F. Austin State University. There were 231 males and 170 females with good data used for analyses. The age range was 19-49 and the median age was 22.

### Design

A 2 (Salary and Benefits) x 2 (Order) mixed design was used. The first Independent Variable was Salary and Benefits. The first level was High Salary with Low Benefits and the second level was Low Salary with High Benefits.

High Salary was \$65,000 and Low Salary was \$50,000. Low Benefits were: Life Insurance, Maternity Leave, Medical & Dental Insurance (50% premium and \$50 co-pay), Paid Vacation (2 weeks), Retirement Options, and Sick Leave (3 days). High Benefits were: Cash Bonuses, Life Insurance, Maternity Leave & On-site childcare, Medical & Dental Insurance (75% premium and \$25 co-pay), Paid Vacation (3 weeks), Prescription & Vision Insurance, Retirement Options, Sick Leave (1 week), and Stock Options.

The second Independent Variable was the order presented to the participants. The first level was High Salary with Low Benefits followed by Low Salary with High Benefits. The second level was the reverse.

The first Dependent Variable was the participants' rating the appeal of each vignette on a scale of 1 to 4, with one being the most appealing and four being the least appealing. The second Dependent Variable was the participants ranking nine benefits and salary as a whole from 1 to 10, with one being best and ten being least.

### Materials and Procedure

Materials included a consent form, two vignettes with 5 questions for each vignette, a 10-item ranking task, demographic questions, and general questions. Each vignette contained the same job description, and then had either the high salary with low benefits or low salary with high benefits.

Participants were obtained from SFA business classes and were asked to complete the survey.

Figure 1. Shows the ranking scores for the participants (N=401) for individuals on salary and benefits. Salary is the most desired, and although maternity leave & on-site child care, sick leave, and stock options are not significantly different from each other, they are ranked significantly lower than all other items.

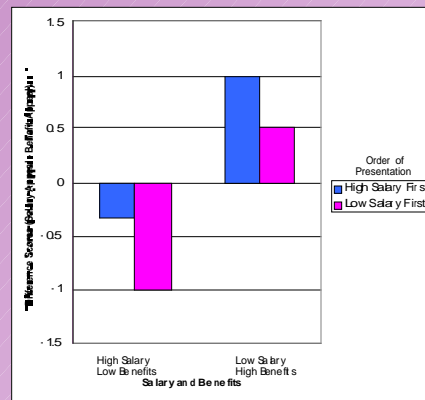
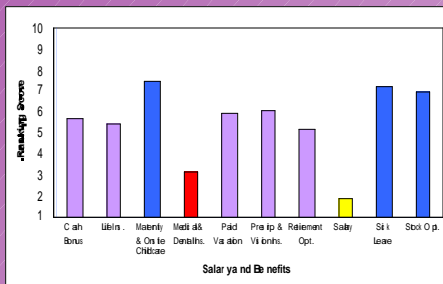


Figure 2. Shows the difference scores for the participant ratings (N=401) on salary and benefits. Shows two main effects and an interaction. When presented with the high salary first for both conditions, the participant rated salary as more appealing over all other benefits.

## Results

A 2 (salary and benefits) x 2 (order) mixed ANOVA for difference scores showed two main effects and an interaction. The difference score used was salary appeal minus benefit appeal, which had possible scores ranging from -3 to +3. A negative score indicates a higher appeal of salary over benefits. The first main effect was the order in which the participant received the survey,  $F(1, 399) = 75.84, p < .01$ . The second main effect was the salary and benefits  $F(1, 399) = 720.87, p < .01$ . An interaction between the salary and benefits and order showed  $F(1, 399) = 4.96, p < .05$ . This means when the participant was presented with the high salary first, and the low salary second, they marked the high salary as more appealing, see Figure 2. A single-factor 10 level ANOVA for ranking salary and benefits was performed and showed that salary had differences between each benefit, meaning that overall it was ranked as the most desired, see Figure 1. All covariates were investigated but showed no significant effect.

## Discussion

The order in which an employer offers a salary to prospective employees matters, and in most cases salary is the most important to an employee. Salary was shown as the most desired while maternity leave and on-site childcare was the least desired. By conducting more studies about people's interests in salary and benefits packages, an employer can know exactly what kind of salary and benefits to offer to the prospective employee. Further research might also show that a different sample size, one of older adults with work experience and families, might rank salary and benefits differently.

### References

- Agho, A. O. (1995). Flexible benefits plans. *Hospital Topics*, 73(1), 38-43.  
Doeringhaus, H.I. & Feldman, D.C. (1993). Employee benefit packages for part-time workers. *Benefits Quarterly*, 9(2), 72-82.