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### ***Benefits of employment - decomposition and valuation***

#### Project objectives/Research hypothesis

This research proposal "Benefits of Employment: Decomposition and Valuation" addresses one of the fundamental issues of labour market economics, i.e. modelling of the supply of labour and economic conditions of a contract between an employer and an employee. In particular, project undertakes the issue of workers' heterogeneity in terms of their preferences for job characteristics and the impact of the worker's personal characteristics and employment conditions on the decision to undertake employment. As it is argued in the contemporary labour supply theory, by undertaking job, an employee decides to exchange not only their time for wage (as it was seen by traditional neoclassical theory of labour supply), but rather to provide employer with their effort, skills, commitment, creativity, loyalty etc. in exchange for pecuniary and non-pecuniary benefits bringing them utility gains. The presented research project has two main objectives.

The first one is an adaptation of the methods drawn from non-market valuation of goods for the analysis of labour market problems, and of labour supply decisions in particular.

The second goal of the project is a valuation of various attributes of employment contract from the employee's perspective and to assess the degree of heterogeneity of workers in terms of their preferences for the benefits of employment. The analysis will cover in particular preferences for non-wage benefits, value of prestige of a certain type of work and the subjective value associated with career prospects, as well as preferences for the way of spending time at work.

At the early stage of the project, it is possible to formulate preliminary hypotheses that will be refined in the course of further works, and particularly in-depth analysis of the literature. The main hypothesis that will be the subject of falsification can be formulated as follows: utility driven by employee from work, and therefore their decision to work, is affected by pecuniary and non-pecuniary employment benefits.

The secondary hypotheses are formulated as follows:

1. Utility of the employment can be affected by following characteristics of employment (which will be assessed in terms of their significance and valued):

- o wage and non-wage pecuniary benefits,
- o utility driven from time spent at work (job effort, stress associated to work, possibility to maintain social contacts),
- o utility driven from prospects offered by the job (career prospects, expected wage growth etc.),
- o utility driven from social prestige associated with the job.



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2. Employees are ready to substitute one of the benefits for the other.
  3. Substitution rates between different employment attributes are affected by such employees' traits as their sociodemographic characteristics, human capital, and earlier labour market experience.