

CHAPTER 7

WORKING TIMES AND FLEXIBLE BENEFITS:

EMPLOYEE CHOICES IN A NEW WORK-FAMILY ARRANGEMENT

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Abstract

Flexible benefits were first offered by Dutch organisations in the late 1980s. In a flexible benefit plan, employers give their employees the opportunity to change the composition of their benefits, so that the employees can choose those benefits that suit them best. The opportunities to sell or buy time off, particularly, make this arrangement interesting from a Work-Family point of view. We researched who participated in the flexible benefits plan, and who used the plan to adjust the balance between money and time off in their pay amongst employees of a Dutch university. We focused on the effects of the household and work situation on these choices, in order to examine whether flexible benefits can help employees to better combine work and household. Participation in the FBP turned out to be high. Employees in these organisations mostly opted to sell their leave, very few people used the FBP to acquire more free time. Both household and job characteristics influenced participation in the flexible benefits plan, and the choice to sell time off. A flexible benefit plan gives employees the option to change the composition of their pay to their personal preferences and it is clearly being used by employees of this university.

1. Introduction

In many Dutch organisations employees are nowadays given the option to adjust the composition of their benefits to their preferences by way of a flexible benefit plan (FBP). Within such a plan, employees can choose to trade in certain source benefits (wages, leave-days) for goal benefits (extra leave, a bike or extra pension accumulation). The decision to participate, and also the choices within the plan, are expected to be influenced by both the household and work situation of employees. The preferences employees have towards the balance between working and non-working time (i.e. money and time off) in their reward will be influenced by both, and the extent to which it is possible to improve upon the standard reward through the FBP. In this paper we research the choices employees make within such plans, both the choice to participate as well as the time choices they make. We do this with the aid of a theoretical model in which preferences and constraints are at the central stage: we focus our attention on the gains employees can make by changing their benefits, and the costs involved with doing so.

The introduction of FBPs has to be viewed against the background of the increasing diversity of the life course. Life courses no longer follow a standard pattern, particularly the life courses of women. These changes have resulted in more transitions between the labour market and other domains, such as care and education. People are more likely to leave and re-enter the labour market, and combine activities in various domains concurrently. The various ways in which these combinations and transitions are formed are the result of individual 'choices'. Important in this respect is that these choices are

highly influenced by the institutional context. FBPs constitute a new institutional arrangement within which people can improve their individual time options and facilitate their transitions and combinations. In this sense FBPs fit very well into the concept of the transitional labour market; FBPs may particularly be able to support periods of transitional employment. In times when people are seeking to adjust the preconditions of their labour to their situation, such as when children arrive or grow older, flexible benefits may provide a useful tool. Choice in benefits is unlikely to ever prevent a person from exiting the labour market, but it may be very useful to those that wish to be active in more than one domain at a time.

One of the employers' goals in introducing flexible benefit plans is to give employees more say over the conditions of their job, and to make the benefits they offer better suited to the diversity of life-styles of their employees. Because of developments in the Dutch labour force a one-size-fits-all-benefit package has become less efficient. The needs of people towards their benefits are changing, and the diversity of their wishes is increasing. Employees are also demanding control over more and more elements of their work situation. Introducing a flexible benefit plan is one way in which organisations can meet these various developments. It gives employees the chance to increase the total subjective value of their reward by choosing the benefits they prefer, while the costs for the organisation remain stable, at least in principle.

FBPs have been on the increase in Dutch organisations since the mid 1990s. Recent estimations of the number of Dutch organisations that offer their employees a flexible benefit plan vary. According to an annual survey of Dutch compensation practices, about 40% of organisations has an FBP, and 20% is considering introducing one (Hay Group 2002). In a study carried out in 2001 amongst Dutch employers, 22.5% of respondents said they had introduced an FBP, and 21% was considering doing so (Remery, Schippers & Van Doorne-Huiskes 2002). A survey amongst members of a large Dutch union in 2003 revealed that 44% of respondents had some form of choice in the composition of their benefits, and 24.4% had the option to trade in leave or take more leave (Hillebrink, Schippers & Van Stigt 2004).

Concerning the participation in existing plans, evidence is sketchy. Several published studies focus on the interest of employees for flexible benefits, and the choices they *might* make, were they to be given the chance (e.g. Van den Brekel & Tijdens 2000). Langedijk's (2001) study into employee choices in FBPs showed, however, that only half of the employees chose what they said in advance they were going to choose. This makes it hard to predict actual employee behaviour on the basis of these studies. Studies into the actual behaviour of employees are few and far between. Those that have been carried out, report participation levels ranging from 20% to 60% (FME/CWM & AWVN 2003). Delsen, Smits and Benders (2004) found that 16.8 and 18% of the employees of a Dutch university participated in their FBP in consecutive years. In the survey amongst union members, 42% of those who had access to an FBP, had changed their benefits (Hillebrink et al. 2004).

The purpose of this study is to increase the understanding of employee behaviour in FBPs, both regarding participation (who uses it?) and regarding benefit choices (who chooses what?). Our attention is focused in particular on the choice for more or less free time. Employees' freedom in an FBP concerning the amount of leave they have each year is particularly interesting from the point of view of work and household. Both in terms of money and time FBPs offer opportunities to adjust benefits to the specific work and household situation of employees. Those who prefer more time at home to care for young

children, for instance, can buy extra days off, while others may choose to ease pressures at work and/or increase the household budget by selling a few days off.

However, employees may not be interested in the arrangement. Previous research into actual employee behaviour in FBPs (Langedijk 2001; FME/CWM & AAVN 2003; Hillebrink et al. 2004; Delsen et al. 2004) has found that participation in a flexible benefit plan is restricted to a minority of employees. It appears that only a part of employees find changing benefits attractive enough to actually partake in the plan. It remains to be seen whether this minority is large enough to make an FBP a worthwhile investment for an organisation.

The choices that participants make collectively are another concern for organisations. Taken together, the choices employees make in order to reduce or extend their annual working time can have a considerable effect. If employees choose to work fewer hours *en masse*, staffing problems may arise. If, on the other hand, many employees choose to trade in their leave for cash, organisations may face sizable costs, but also an extension of available manhours. Organisations may feel the uncertainty and unpredictability of these choices make flexible benefits an unattractive arrangement.

In the part of her study that dealt with the actual choice behaviour of the employees of a Dutch insurance company, Langedijk (2001) found that the group of employees that opted for extra leave was almost twice as big as the group that chose to trade in leave for another benefit. However the balance between these two groups might be affected by organisational characteristics, such as the benefits offered in the standard package and the nature of the work. The effects organisations can expect when they introduce an FBP may be clearer when there is greater understanding of what drives employees to trade their leave for something else, or choose for more leave.

For this study we have researched employee behaviour in a flexible benefit plan at a Dutch university in 2002. We looked at the effects of different time and compensation aspects of work on the choices of employees, and at the effect of household composition on these choices.

In this paper we deal with the following topics. First we discuss the rise of FBPs in Dutch organisations. Then we present the theoretical model we developed, which forms the basis for the hypotheses. Next we will describe the data and the methodology used. Finally the results of the analyses will be presented, and we conclude with a discussion of these.

2. Benefit choice in organisations

The composition of the Dutch working population has become more diverse in the last couple of decades. One of the developments that caused this was the increasing labour market participation of women. Since men have not reduced their labour market participation accordingly, dual income families have become much more widespread (SCP/CBS 2003). Fewer employees have a stay-at-home partner, which can make it quite complicated to combine work with the rest of one's life. Working times are not always very compatible with school hours or the opening hours of the day care, and without children in the household there are still plenty of things that (apparently) can only be taken care of during so called office hours (Breedveld & Van den Broek 2003). Control over the conditions under which one works can help solve, or at least ease, some of these difficulties. If employees have more control over when and where they work, it may be easier to combine work with other elements of one's life, even if this choice is limited to certain band widths determined by the organisation (Den Dulk 2001). By now,

arrangements that offer employees such control have become common in Dutch organisations (Remery et al. 2002).

Choice in benefits is an example of this increasing control of employees over the arrangements of their job. Just as with flexible working hours and working from home, the employer no longer definitively decides how these elements are constituted, and the individual employees get the freedom to choose the options that suit them best at that particular moment. Parents can choose more leave to cover the school vacations of their children, or choose a higher compensation for the costs of day care, while another employee may choose to save up leave and take a sabbatical to travel the world. Through an FBP employees can also choose to extend their working time by trading in leave for another benefit, to accommodate the increasing pressures they face at work (TNO 2002). Employees with a large workload, for instance, who are unable to take up all the leave they receive, can now choose to have the days they do not use paid out, or save up the leave to take it at a later date.

FBPs were first introduced in the United States. Health care insurance constitutes a considerable part of the benefit package there, contrary to the Netherlands, due to the absence of a collective insurance. Because of the increasing costs of health care insurance, American employers began looking for ways to reduce benefit costs. Flexible benefit plans enabled them to contain these costs, because it made employees choose the type of coverage they wanted, and pay for it out of another benefit if it exceeded the standard coverage (Barringer & Milkovich 1998).

Although FBPs as they are common in the US are not transplantable to the Dutch situation, the idea behind it did catch on over here. Flexible benefit plans first appeared in a Dutch organisation in the 1980s, and started their ascent in the early 1990s (Hillebrink, forthcoming). Partly due to the tight labour market and increased possibilities in leave legislation (Vakantiewet 1998), many collective labour agreements, both for industries and for specific organisations, started to include arrangements where employees could choose the composition of their benefits (Hillebrink et al. 2004). These developments are part of a wider trend of decentralisation and individualisation of these collective labour agreements (Van Sas, forthcoming).

FBPs come in different forms, varying from plans where employees can choose between preset packages of benefits, to systems of total remuneration, where employees are completely free to choose the composition of their reward. Both of these extremes are fairly rare in the Netherlands at the moment. Most FBPs are of the type that consists of a standard package with the freedom to trade in certain source benefits for others, the goal benefits (Hewitt, Heijnis & Koelman 2003). The employer defines which benefits, and to what extent, can be traded; there is a basic part to the compensation that cannot be changed. This part contains the legally required minimum of leave per year, and things such as maternity leave (Paassen 2003).

In the most common variety of the FBP employees can change their benefits once per year, though there are versions in which employees can change their pay every month. Source benefits usually include a (limited) number of leave days, a part of the monthly wage, and extra components of the salary, such as bonuses or holiday money. Goals often include extra leave, either for the current year or in leave-saving arrangements, cash, additional compensations for parental leave and the extension of various leave arrangements. Existing arrangements where employees could buy a PC or a bike out of their (pre tax) wages are usually also included in the plan (Hillebrink, forthcoming).

3. Theory

By introducing a flexible benefit plan as a tool for employees to adjust their benefits to their preferences, organisations acknowledge the fact that their employees may be active in more domains of the transitional labour market than just active labour. The transitional labour market approach can be used as a common frame for the analysis of different transitions and the effect of institutional arrangements on these transitions. From this perspective a first issue that arises is the costs that are involved in making a transition. A second question concerns whether these costs differ for different groups in the labour market, and thirdly, how institutional arrangements influence these costs (Schippers 2001). In the case of FBPs we are specifically interested in whether or not FBPs help employees to adjust their pay to their situation in different stages of their life course. Here we shall focus particularly on the combination of work and family. To appraise the effectiveness of FBPs in this context we need to understand two things about employee behaviour: whether they use FBPs and what time choices they make.

In this study we presume employees to study the flexible benefit plan and the opportunities it offers, to weigh the various possibilities and make the choice that brings the biggest increase in utility. The utility of benefits is a result of the total value an employee attaches to the compensation he receives for his labour. This value is based on what it enables him to do, which goals he can achieve with it. The value people attach to their pay is based on the financial component of the reward, but also on the amount of leave they receive, compensations for, say, travelling costs, and additional arrangements such as maternity leave, that are included in the compensation. This value, which is the *perceived* value of pay, is also influenced by the raises an employee anticipates, and the comparative value of the reward; that is, compared to others in the organisation and similar employees in other organisations (Langedijk 2001; Barringer & Milkovich 1998).

Various elements of the pay that an organisation offers its employees will be of different value to their employees, depending on several factors. For employees with young children, the childcare arrangement offered may contribute much more to their perceived value of pay than for employees with grown-up children. The sabbatical leave arrangements on offer may be of greater value to employees who wish to travel to Latin America, etcetera. By increasing or adding a certain component to the pay, and removing or reducing a less valued element, employees can improve the value of their pay in their own perception, while the costs (may) remain the same for the employer.

Whether an increase in the value of pay can be realised through the flexible benefit plan is in part circumscribed by the restrictions of the plan. Some of these restrictions are legal in source. Other restrictions are imposed by the employer who proscribes the limits of the sources that can be traded for one another. Legal restrictions mostly apply to leave and wage. There has to be enough left over of both after trading to meet certain standards: there is a legally required number of leave days that an employee must take per year (or be able to take, at least). Also, the wage may not sink below the legal minimum wage as a result of choices in an FBP. The restrictions employers put on FBPs usually concern the trading of leave: both the number of days that can be traded in for another benefit, and the amount of extra leave that one can choose are restricted in most FBPs.

There will be a group of employees for whom the standard package is of the greatest value, no possible change can improve the value for them. However, one can wonder whether this is the only reason why employees do not participate in the flexible benefit plan. There may be other factors that discourage employees from participating in the plan.

The transaction costs of participation in an FBP can negatively influence the cost/benefit estimation that employees make before they proceed to change their benefit composition. By introducing flexible benefits, the employer lays a part of the costs of choosing the best benefit package at the employee's door. It is up to the employee to find out whether an increase in the value of their pay can be achieved through this plan. They have to spend time and effort in familiarising themselves with the plan, and calculating the value of various trades to them. Then, if the employee has decided to make a particular change, there may be yet more time and effort that has to be spent to realise the change. This depends greatly on where one works. In some organisations changes can be made behind one's computer, with a few mouse clicks. In other organisations employees have to make an appointment with someone from the personnel department to discuss their wishes, fill out forms and collect the necessary signatures, before they can make a request, which may subsequently be turned down. The amount of work it takes to change benefits also depends on the trade in question. Some trades can be made without any outside interference, while for others (usually those affecting the amount of annual leave), one requires the approval from one's supervisor.

Transaction costs are also caused by incomplete information. For some choices it is much easier to achieve complete information than for others. For instance, it is relatively easy to compute the effect on one's income of trading in a number of days leave for extra cash. The possible consequences of trading in a few days leave for extra pension, on the other hand, are much harder to discover. The effect of this trade on the actual pension that one will receive eventually depends on so many factors, several of which depend on one's individual situation, that the effect would have to be calculated for each employee individually.

Risk also plays a part. Choices that result in a lower monthly wage may lead to a lower unemployment benefit, or pension, which has to be taken into account particularly if choices with this effect are made several years running. It is difficult, however, to get a clear picture of these possible effects.

Based on the previous, we expect employees to participate in the flexible benefit plan if an increase in the value of their pay can be achieved by doing so. The higher the costs of participation - actual or in the perception of the employee - in relation to the (again: actual or perceived) benefits for the employee, the sooner employees will abstain from participating in the plan, and leave their benefits as they are. In the eventual balance between costs and benefits, and therefore the decision to participate in the plan and the leave choices that are made, factors from two areas play a part: work and household situation.

Whether or not employees choose to make a trade that involves leave, depends on the relative value that leave has for them. The decision to sell leave can be inspired by an abundance of leave that cannot be taken. If an employee takes less leave than she is awarded year after year, a leave reservoir may have developed, since Dutch employees are now allowed to save up un-used leave for five consecutive years. Trading in this excess leave for another benefit can be a practical way to still get some use out of it. Also, people may know in advance that the next year will be quite busy, and that taking all the leave allotted to them will probably not be an option, in which case choosing less leave and more of another benefit will also be an attractive alternative. People who simply need or prefer less leave than they receive are also likely to trade some of it in for another benefit. This preference may be a result from the fact that they like their work very much, and cannot wait to go back to work after two weeks off. The value of non-taken leave is not very great to all these employees, and they will look for something more valuable in the flexible benefit plan. People may also act out of a desire for a particular goal in the plan,

and trade in leave to acquire this. The increased value resulting from the chosen goal will be greater than the leave they have had to give up for it.

People may also choose more time off. They have to trade in a financial benefit for this. People that opt to make this trade have to consider the financial source benefit of less value than the extra time off they gain in return. As with choosing less leave, the relative value of leave will be strongly influenced by the work and household situation people find themselves in.

The number of leave days that people receive will play a role in the desire people have for more or less leave. In the organisation we researched, employees on a full-time contract receive almost forty days off per year, almost twice the legal requirement. Because of this, we expect employees in general to choose to reduce their leave more often than increasing it.

3.1 Work

Various aspects of employees' work situation will affect both participation in the FBP and their time choices. First of all, benefit choices will be affected by the volume of benefits employees receive. The greater this volume, the more interesting many trades become. The participation in the flexible benefit plan will increase as the number of contractual hours increases. A large contract implies a higher wage, a higher end-of-year payment, more vacation money and more leave. In other words: there is more to trade with. Because of this, the costs of participation in the plan are lower compared to the gains that can be made. For people working fewer hours, changes will have less volume, and this will make the transaction costs larger in comparison. For the same reason, people in higher wage scales will participate more often.

The duration of the appointment will affect participation through the return on investment: for people with a long term contract, the investment they make by familiarising themselves with the FBP can be 'earned back' over the future years they can use the plan. For people who only work at this organisation for a year or two this will not be possible. For them, too, the transaction costs will constitute too large a barrier to make participation worthwhile.

Van den Brekel and Tijdens (2000) researched the interest of employees for flexible benefits. They looked at the influence of the work situation on preferences, and found that flexible benefits may particularly help out people who experience high work pressures. People who have a lot to do at work will extend their working time, not just on a daily level (work overtime) but also on an annual level (not take all their leave). These people will participate in the plan more often, because they have a relatively cheap source to trade with, i.e. the leave they cannot (or do not wish to) take, which would otherwise be lost.

The job category of employees will, in all likelihood, also affect the choices that people make regarding their benefits. The organisation we researched for this paper is a university and employees can therefore be grouped in academic staff and supportive staff. These two groups generally work under different management systems, where the academic staff is motivated and increasingly judged on output to a far greater extent than the supportive staff, who are by and larger managed on tasks (Hales 1993). For the academic staff, therefore, it will be more attractive to extend their working time, because they can improve their output that way, which will improve how they are judged and their career perspectives. This does not apply, or at least to a far lesser extent, to the supportive staff.

The opinion of employees about their employing organisation may also be relevant. This opinion may not necessarily be purely rationally based, but neither does it need to be in order to be incorporated into our model. People are capable of acting in a rational way

to promote the goals they aim for for irrational reasons. A high regard for one's employer may be inspired by an objectively achieved estimation, for instance based on the working conditions and compensation. An equally high regard may also be the result of a great emotionally inspired affection for the employer as a person. In both cases the high regard will result in a greater interest in (new) fringe arrangements offered by the employer. This greater interest will increase the likelihood that employees find a trade that is worthwhile for them, and thereby increase participation. People with such a high regard will also choose to extend their working time more often, because they will wish to further the goals of the organisation by working more. People with a positive image of the organisation they work for will wish to give this organisation more of their time.

3.2 Household

The household situation of employees will also affect the choices they make regarding their benefits. Here too it will not be possible for everyone to improve the value of their benefits, but for some people there are considerable improvements to be made through the FBP. Again, the balance between costs and benefits will be decisive.

Van den Brekel and Tijdens (2000) investigated whether flexible benefits might be able to facilitate the combination of work and care. They found that the opportunities an FBP offers are of secondary importance, and at best could function "as a buffer to the agreed arrangements: part time work and agreements about working time" (Van den Brekel & Tijdens 2000: p. 66). However, though the gains parents can make by changing their benefits may be limited when compared to arrangements for working part time and flexible working times, there is no real reason to believe that parents will only use one arrangement when they try to combine work and family. Apart from the opportunities of other Work-Family arrangements, non-standard benefits may very well still be interesting to them. After all, flexible benefits offer parents the chance to do some finetuning in this respect. Also, there are several options in the flexible benefit plan researched here that are only open to parents, making the plan more important for them and therefore they are more likely to find something they like. For these reasons we expect parents, and particularly parents of young children, to use the plan more often than people without children in their household. We also expect them to choose to buy extra leave more often, to better combine work and care.

Another factor that may influence participation is a working partner. If there are two incomes in the household, there will also be two sets of benefits. An FBP offers the opportunity to maximise the fit between these two, by trading in a benefit that is perhaps offered in both, and choosing another that is part of neither standard package. Here as well the size of the contract will matter: the more hours the partner works, the more likely participation in the FBP is. A working partner will also lead to less selling of leave and more buying of leave. For people who contribute the majority of the household income, the opportunities of an FBP to increase income will be more valuable than extra free time. On the other hand if there are two jobs in the household, there will be a bigger need for more time off in order to run the household and spend time together.

4. Data

In this study we research the choice behaviour of employees of a Dutch university in 2002. Flexible benefits were introduced into the collective labour agreement for Dutch universities in 2000, with the purpose of offering "the employee [the opportunity] to better tune their own benefits to societal developments and individual needs". It also gives "the employer the possibility to react swiftly to changes in the areas of teaching and research" (VSNU 2000: p. 25). The FBPs of Dutch universities are not identical, since the collective

agreement only defines the outer limits of the plan and leaves the exact formulation of the plan up to the individual universities. The plans were also introduced at different times.

The university in question introduced a large flexible benefit plan in 2001. Employees were given the chance to change the composition of their benefits once a year. They could make several choices at once. The sources that employees could trade in for something else were leave (up to ten days per year), part of the monthly wage, vacation money, and the end-of-year payment. The goals that they could choose were extra leave (either to be taken in the same year or as part of several leave-saving arrangements), extra wages (to the maximum equivalent of five days of leave), and various tax free compensations, for instance for child care costs or a new PC.

We randomly selected 1600 employees who received a written anonymous questionnaire at home in the beginning of 2003, and a reminder three weeks later. We received 555 filled-out questionnaires in return, a response of 35%. Of these, 480 could be used for the analyses in this paper. About the same number of men responded as women: 48.6% and 51.4% respectively. In the organisation as a whole, there are fewer women, 43.8% to be exact. The average age of respondents was 42 years old. On average, the respondents worked 37.3 hours per week, and they had been employed by this organisation for an average of 11.6 years. More supportive staff returned the questionnaire than academic staff: 56.4% of the respondents were supportive staff, while for the whole organisation this was only 50.4%. Most employees lived with a partner (71%), and most of these had a paying job (80%), on average partners worked 34 hours per week. More than a third (39.5%) of the respondents had children living with them, and 29% of that group had young children in the household, i.e. younger than four years old.

4.1 Operationalisation

The questionnaire asked respondents about their household situation and their work situation, personal characteristics and their choices in the flexible benefit plan. Based on the choices that respondents made in terms of time and money in the goals and sources they chose, we grouped them into time sellers (those who had chosen time as a source and a financial goal) and time buyers (the reverse). This was done in two separate variables. The two groups are not mutually exclusive, because employees were allowed to make multiple choices.

Concerning their working situation we asked respondents what kind of contract they had: a permanent or a temporary appointment. Respondents were asked how many hours they were supposed to work per week at that point (corrected for parental leave, sickness etcetera) and how many hours they actually worked. The percentage overtime that people worked was calculated based on this, by dividing the difference between these two by their 'contractual' working hours. We asked them their job title, which we recoded into academic staff and supportive staff. We also asked them their wage scale. For people who did not report this, the average income for their job category was used, as far as possible. We also asked if respondents had taken all their leave in the previous year, and whether the predominant part of their work was to be done by somebody else during their absence. To measure the appreciation for the employer, people were asked to give the university as an employer a grade on a scale ranging from zero (very bad) to ten (excellent).

Concerning their household situation people were asked if they lived with a partner (married or otherwise). Those that did were asked whether their partner was in paid employment, and if so, how many hours per week he or she worked (actual working time). People were also asked if they had children living in their household and if so, their ages. On the basis of this we made two dummy variables: children in the household

younger than four years old, and the youngest child aged between four and eighteen. We chose the cut off point of four because Dutch children go to primary school at the age of four and this affects time allocation in the household.

The personal characteristics we asked for were year of birth, which we recalculated into age, gender, and the highest level of education people had completed.

4.2 Method

We tested our expectations concerning employee behaviour in the flexible benefit plan with the aid of binary logistic regression analysis. With this type of analysis it is possible to determine which predictors affect the odds of someone having participated in the plan, and the odds that someone either bought or sold time. The *odds ratio* indicates whether this effect is positive (larger than one) or negative (smaller than one). The *log ratio* χ^2 test is an indication of the fit of the model.

5. Results

5.1 Participation in the FBP

Nearly half of the respondents had participated in the flexible benefits plan in 2002: 46%. In the entire organisation this was 32%. People who have used the plan obviously respond more often to a questionnaire with 'flexible benefits' on the cover.

Table 7.1: Binary logistic regression analysis of the effects of work and household factors on participation in an FBP (N=479).

	Odds ratio
<i>Work</i>	
Contractual hours	1.041***
Wage scale	1.197***
Fixed term appointment	0.650*
Percentage overtime	1.005
Leave leftover	1.342
Appreciation for the employer	0.856**
<i>Household</i>	
Child younger than 4	1.762**
Child between 4 and 18	1.488*
Partner	0.923
Hours partner	0.997
<i>Demographics</i>	
Female	1.582**
Age	0.985
Educational level	0.709***
Constant	0.670

χ^2 48.293, p<1%

* p<10%, ** p<5%, *** p<1% (one-tailed)

In Table 7.1 the results of the logistic regression analysis of participation in the FBP are presented. Both work and household had a statistically significant effect on participation. The number of contractual hours and hourly wage made changing benefits more attractive, but for people with less voluminous benefits the transaction costs did not seem to weigh up to the gains they expected to make. The same goes for a permanent position:

people on a temporary contract participated in the FBP less often. The grade given to the employer had the opposite effect of what we anticipated: as this grade increased, people were less likely to have changed their benefits.

Of the household variables included in our model, only the presence of children affected the odds that someone had changed their benefits. Parents participated in the plan more often, particularly parents of younger children. Having a partner, working or not, had no effect on participation.

Women participated in the plan more often than men. This fits in with the general Dutch pattern: in many ways women make adjustments in their working arrangements to accommodate work and family, men do this to a much lesser extent. This also seems to apply to benefits.

The odds of someone having participated in the FBP decreased as their educational level increased. Combined with the fact that it is the people with a higher hourly wage and a permanent position who are participating more frequently, it seems that participation is particularly low amongst young researchers and PhD students (who, in the Netherlands, are employees of the university): they earn relatively little, frequently have a temporary position and are highly educated. However, definitive evidence for this could not be extracted from the data.

5.2 What did the employees choose?

Table 7.2 shows which source and goal benefits the university employees chose in 2002.

Table 7.2: Chosen sources and goals in the FBP, in percentages (N=248).

Sources	Percentage	Goals	Percentage
Leave	71.0	Computer	29.4
Wages	16.5	Travel costs	27.4
Holiday money	10.5	Bicycle	17.3
End-of-year-payment	5.6	Cash	14.1
		Savings account	7.3
		Childcare costs	6.9
		Sabbatical leave	3.6
		Extra annual leave	3.2
		Pension	1.6
		Other leave saving	1.6
		Other compensations	1.6

Leave turns out to have been the most popular source. The most popular goals are those that come with a tax advantage, such as the extra compensation for travel costs and the computer equipment. As we expected there were more people who chose to trade in leave for another benefit than people who chose extra leave. The 488 respondents sold a total of 1001 days of leave, while having bought 43 days of leave extra. Those who sell their time off trade in 7.2 days on average, time buyers acquire 6.1 days on average. This means that 958 days have been traded in, the equivalent of almost four full time working years. If the behaviour of the respondents is representative for the entire organisation, the contractual working time of university employees has been extended by about fifty full time working years.

Table 7.3 presents the trades that people made in their benefits, categorised according to the nature of the benefits involved.

Table 7.3: *Sources and goals chosen by participants in the FBP (N=248).*

	Time goal	Fin. goal	Total
Time source	4.0	67.3	71.0
Financial source	4.0	26.2	29.8
Total	8.5	91.1	---

Almost all participants chose a financial goal, and the overwhelming majority traded in leave (the only time source available) for this. About a quarter of respondents traded in money for (more) money, time saving and time buying very rarely occurred.

Respondents were asked who they had taken into consideration when they made their trades. Table 7.4 contains the answers people gave to this question, also divided by the trade they made.

Table 7.4: *People taken into consideration by participants in their benefit choices, in percentages.*

	All	Time for time	Time for money	Money for time	Money for money
Family, partner	37.1	40.0	35.8	70.0	40.3
Myself	56.6	40.0	61.1	20.0	59.7
Boss	1.6	10.0	1.2	10.0	0.0
Colleagues	2.0	10.0	1.9	0.0	0.0
Students	0.0	0.0	0.0	0.0	0.0

Most people said they had taken themselves into consideration when they made their benefit trade, in fact nearly two thirds. None of the university staff had given any thought to their students when they made their choice. Divided by trade, it appears that, though there are few of them, only the time savers and the time buyers give noticeably different answers: both groups say they made their trades out of consideration with themselves less often. The time buyers act more out of consideration with their family or their partner, and the time savers mention co-workers more often, whom they may not wish to burden with extra work.

5.3 Leave as a goal

There are two types of time-goals in the flexible benefit plan: extra short term leave, which has to be taken up in the same year, and leave-saving arrangements, where the actual leave is not necessarily taken in the same year, it can also be saved up for another year. For this goal, annual leave can also be used as a source benefit: people can choose less leave in this year and a longer parental or sabbatical leave at a later date. People who have chosen to safe leave do therefore not necessarily reduce their working time in the year in question, in fact, they may even have extended it. This means that people who have chosen leave as a goal in terms of leave saving arrangements can not really be compared to those people who have chosen to buy extra short term leave, who have chosen to reduce their working time and extend their non-working time in the year under consideration. As a result the group of time buyers becomes very small: there are only seven people who have bought extra short term leave. Statistical analysis is therefore not a viable option.

5.4 Leave as a source

Table 7.5 contains the results of the logistic regression analysis of the choice to sell time off. This analysis shows who used the FBP to extend their working time and increase their financial compensation.

Table 7.5: Binary logistic regression analysis of the effects of work and household factors on selling time off by participants in the FBP (N=220).

	Odds ratio
<i>Work</i>	
Contractual hours	1.000
Wage scale	1.031
Percentage overtime	0.994
Leave leftover	1.959*
Supportive staff	0.668
Appreciation for the employer	0.719**
<i>Household</i>	
Child younger than 4	0.287***
Child between 4 and 18	0.848
Partner	0.991
Hours partner	0.990
<i>Demographics</i>	
Female	0.768
Age	0.968**
Constant	56.015**

χ^2 22.591, p<5%

* p<10%, ** p<5%, *** p<1% (one-tailed)

Both household and work factors contribute to the choice to sell time. The strength of the results, however, is probably affected by the relatively small size of the group. For logistic regression an N of around 500 is advised.

The value of leave in absolute terms did not affect the attractiveness of this option: wage scale had no effect on the odds that a participant had made this choice. The effects of overtime are mixed. Weekly or daily overtime (percentage overtime in the table) had no effect on selling time. Annual overtime, that is, having leave leftover at the end of the year, does increase the odds of people having sold their leave. In fact, annual and weekly overtime appear to have nothing to do with each other, the correlation between the two is close to zero. While in and of itself it is not surprising that people who have leave left over trade this in for something they will be able to use, it is interesting to see that only annual working time is taken into consideration, not weekly working time.

The appreciation for the employer continues to be a strong factor: even amongst participants, who already gave their employer a much lower grade, time sellers still stand out on this point. Time is being sold more often by employees who give their employer an even lower grade.

On the household side of the model the presence of children greatly reduces the odds of someone having sold their time off. Parents of young children did use the plan more often, but made other choices. Of the ten people in this survey who had bought time off, however, only four had young children at home. This suggests that parents particularly chose to trade in money for more money.

6. Conclusions

In this study we researched the usefulness of a flexible benefit plan as a Work-Family arrangement for employees of a Dutch university. We examined the effect of both work and household situation on participation in an FBP and the choice to sell time. The choice to buy extra time could not be analysed because very few people had made this trade.

Both work and household affect participation. As we expected, changing benefits is more worthwhile when there is more volume to the benefits. People who receive more benefits, be this because they work more hours per week or get paid more per hour, changed their benefits more often. With more benefits to trade, the gains to be made are more likely to outweigh the costs of participation. Participation was lower amongst employees with a temporary position, underscoring the role that the costs of participation and the gains to be made in absolute terms play. Employees who can expect to participate in the plan for a longer time find the investment of familiarising themselves with it's rules more worthwhile.

Parents changed their benefits more often than non-parents, particularly parents of young children. The extra choices available to them in the plan, and a greater need for other than the standard benefits, made the FBP very attractive to this group of employees. When we looked at the choice of selling time off, parents of young children chose to sell their time far less often. When they participate, which they do in greater percentages than their colleagues, they make other choices than selling time.

By analysing FBPs we have shed more light on a specific institutional arrangement that supports periods of transitional employment. The effectiveness of FBPs lies in the opportunity for employees to choose a composition of their pay that better suits their work and household situation than the standard package, and FBPs can thereby open the borders between paid work and care a little further. Though FBPs come across as a useful Work-Family arrangement, the evidence of the benefit volume shows that the gains and the transaction costs are such that participation is only worthwhile if there is a considerable bulk to the benefits that can be traded.

There was one surprising finding in the analyses, namely the role played by the appreciation for the employer. A high appreciation does not lead people to participate in the plan more often, nor does it inspire employees to extend their working time, but quite the contrary: people who think they do not have a very good employer, chose to change their benefits more often, and also chose to sell their leave more often. Combined with the knowledge that 80% of these employees did not use all the leave they were given, the choice to sell time off may have less to do with extending working time than we initially assumed. What may be going on is that people who do not think they are being paid very well give their employer a relatively low grade because of this, and also take the opportunity they are given to improve the composition of their pay. Along the same lines, the people who do not have a very high regard for their employer may choose to sell their days off not to extend their working time, but in order to get more of their overtime paid out. People who have a higher regard for their employer may be far more willing to work these extra days without getting paid for them, they may be working just as much as their colleagues who sell their leave. So while there is a link between the grade that people give their employer and their benefit choices, the actual effect may come from an underlying opinion, namely the opinion of their pay, and the way this is standardly composed in terms of time and money.

The flexible benefit plan offers employees the chance to change the way they are being paid: universities traditionally reward their employees with a relatively large amount of leave, yet the financial compensation, particularly for the higher functions, are often deemed meagre, especially when compared to similar job levels in the market sector or the civil service. Employees who prefer to receive more money and can manage perfectly well with a little less time off, are given the freedom to adjust the balance between money and time off in their compensation to their liking. The degree to which university employees opt for more money and less time off, thereby undoing agreements made in

the collective labour agreement about reduction of working time, shows that this increased say over their benefits is clearly meeting a need.

On the basis of the results of this study we suspect that besides the job and household situation employees are in, other things may also affect their choices. The fact that the opinion people have about their employer also influences their choice regarding leave as a source benefit, may be taken as an indication that the attitudes employees have towards their job and their employer play a role in the choices they make concerning their benefits. This would be interesting to address in future research.

Notes

¹ Carlien Hillebrink worked as a PhD student at the Department of Economics, Utrecht University. The topic of her PhD thesis concerned the occurrence of flexible benefit plans in Dutch organisations and employee choices within such plans. This project was part of a larger research project on time competition and the combination of work and care, funded by the Netherlands Organisation for Scientific Research (NWO).

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