



Effort Aversion: Job choice and compensation decisions overweight effort[☆]



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ABSTRACT

The current research proposes that people avoid choosing effortful work even when they predict that it will provide them with a better working experience, a phenomenon we call Effort Aversion. In each of the studies, we presented a choice between an effortless but boring job and an effortful but enjoyable job. Study 1 found that participants were willing to accept lower wages to work at the effortless job, but they preferred the effortful job. This preference reversal is explained by the greater consideration wage setters gave to effort. Study 2 is a consequential lab experiment, in which participants were assigned to work at a job based on the wage they set. Those whose wage demands led them to be assigned to the effortless job experienced lower enjoyment than those who were assigned to the effortful job. Study 3 demonstrates that preference reversal was not attenuated by drawing attention to the hedonic experience afforded by work.

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1. Introduction

In September 2010, attendants at the Irish National Gallery issued notice that they would strike. Their grievance was unconventional. They were seeking more effortful work – ‘there’s nothing to do but walk up and down and watch visitors’, complained one (Carey, 2010). The current research tests experimentally whether there is a general tendency amongst workers to choose a job that leads them to suffer underemployment.

Imagine that employees at the Irish National Gallery had a choice between the low effort but boring job of attendant and the more effortful and more engaging job of usher. In classical economic theory, a worker will accept lower wages to work at whichever job is anticipated to grant the greatest utility. This prediction holds even if that job requires the worker to contribute more effort than does the alternative – effort is just another factor in the utility function and it should influence preference only to the extent that it matters to utility. In contrast to classical theory, our theory of Effort Aversion posits that the expenditure of effort is valued exceptionally. Following previous research (e.g. Akerlof and Yellen, 1990; Amir et al., 2008), we propose that when choosing a job, workers seek monetary compensation for effort, even if the expenditure of effort increases the worker’s own utility. The theory predicts that workers may choose a less effortful job even if they anticipate experiencing greater utility from a more effortful alternative.

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To test this theory, we conducted a consequential lab experiment that offered participants a choice between an effortless boring job and an effortful engaging job. We found that over a fifth of participants both set wages at a level that implied choice of the effortless job and also predicted that they would enjoy it less than the effortful job. Participants were assigned to a job on the basis of the wage they set – those who set wages at a level that implied choice of the effortless boring job were assigned to work at it. In line with the prediction of Effort Aversion, workers at the effortless boring job reported experiencing less enjoyment than did those performing the effortful engaging job. The term we propose for this tendency to reject a job because it is effortful is Effort Aversion.

The paper opens by presenting a model that predicts the circumstances under which workers are likely to overweight compensation for effort at the expense of non-monetary benefits. We build on Fehr and Schmidt's model of the demand for fairness in wage markets, which decomposes the utility engendered by a job into two parts (1999):

1. The utility derived from all the substantive features of the job: This component encompasses all the factors recognized in conventional utility functions – the satisfaction engendered by the work; the purchasing power of the wages, etc.
2. The utility derived from the relative wage i.e. how the offered wage compares to a 'normal' wage for the job: A worker's knowledge of market norms and how much similar jobs pay informs her sense of how much she should get paid. Independent of the purchasing power of the wage, it hurts to feel that the offered wage is lower than normal.

The utility lost from perceiving one's effort to be inadequately compensated falls into the relative wage component. In Fehr and Schmidt's model the degree to which relative wage matters to utility is dictated by a weighting function, α . The key theoretical contribution of our research is to show that α varies systematically such that relative wage receives greater weight in choice than in evaluations made while working. In the words of Daniel Kahneman, 'nothing in life is as important as you think it is when you are thinking about it' (Kahneman, 2011, p. 402). Our model predicts a finding suggested by the previous literature: that people care about how the wage conforms to market norms more when they are choosing a job than they do when working at it.

We now review some findings from the literature on preference reversals that lead us to predict that relative wages matter more in choice than in experience:

1. Choice is made in a Joint Evaluation context but experience is based on Single Evaluation:

By its nature, job choice is made in a context with a salient alternative – we can either accept a job that is offered or continue to spend our time on the status quo occupation. Thus job choice occurs in a context where the attributes of each alternative can be readily compared relative to one another – what Hsee et al. (2012) refer to as a joint evaluation context (JE). By contrast, a job is experienced in a single evaluation context (SE) – we can only work one job at a time. Since it is easier to compare wages in JE than in SE, appraisals made at the moment of choice will be more sensitive to relative wage than they will at the moment of experience.

2. Construal level is different in choice and experience:

Construal level theory posits that evaluations made at a temporal distance place greater weight on high-level attributes, whereas those made in the moment of experience place greater weight on low-level attributes (Trope and Liberman, 2010). High-level attributes are abstract and conceptual (e.g. being treated justly). Low-level attributes are concrete (e.g. being physically comfortable). Previous research shows that the concern accorded distributive justice in the workplace (e.g. receiving fair compensation) increases with temporal distance (Cojuharenco et al., 2011). To the extent that job choice occurs at a temporal remove from actually working, the high-level concept of fair compensation will be weighted more heavily in choice than in experiential evaluations.

3. Rules apply to choice:

Making a choice can require time and cognitive effort. An adaptive means to cut the costs of decision making is to adopt a rule. By their nature, rules are inflexible and so, given specific circumstances, they can cause people to choose an inferior option over a superior alternative. Inconsistencies across predicted utility and choice have been attributed to the application of rules such as "waste not" (Arkes and Blumer, 1985), "seek variety" (Simonson, 1990), and "don't pay for a delay" (Amir and Ariely, 2007). Following Akerlof and Yellen's fair-wage hypothesis (1990), we propose that there is a rule of thumb to demand higher wages for additional expenditure of effort. That rule could lead choice astray in the case where a worker has the option to work at an enjoyable task that requires additional expenditure of effort. In that case, the worker would experience greater utility by accepting the more effortful job, but the rule would prompt them to reject it.

Any one of the three mechanisms summarized above would lead compensation to receive greater weight in the moment of job choice than it does in the moment of experience.

It is important to note that there is more than one procedure by which workers can choose to work at a job, and this too will impact the weight accorded compensation. Some workers look through a menu of jobs (on a website or in a newspaper) and selectively apply for the ones they prefer. Other workers choose their job by negotiating wages e.g. plumbers receive a phone call asking for a quote and decide on a figure that will both compensate their costs and appeal to the caller. A further prediction of the current research is that the weighting attached to the relative wage will differ across these two choice procedures. This prediction is informed by a series of preference reversals reported in Amir et al. (2008) and in Boothe et al. (2007). Boothe et al. attribute these reversals to the Market Value Heuristic. They presented participants with a good

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