

WHAT EMPLOYEES WANT:

A STUDY OF PERCEIVED JOB SECURITY AND WAGE SATISFACTION IN INDIA

Mahika Gandhi, Deepthi Adimulam,
Oshi Pandey, Sanjula Wanigasekera
Flame University, Pune, India
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The Authors

The authors of the paper are students of FLAME University: Mahika Gandhi (Economics Honours), Deepthi Adimulam (Major: Economics, Minor: Advertising and Branding), Oshi Pandey (Major: Economics, Minor: Public Policy), and Sanjula Wanigasekera (Major: Economics, Minor: Public Policy). The research paper was submitted as a final submission for the Labour Economics course in the second year at FLAME University, Pune.

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Keywords

Job Security, Wage Satisfaction, Job Satisfaction, India.

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ABSTRACT

Employer-employee relationships and employment packages depend on the choice of an optimal bundle as provided to the worker. They are subject to various parameters - often to the worker's content or contrarily to her/his gross dissatisfaction. Nevertheless, these packages are not only foundational to economies and living standards but also for skill development, sectoral and regional labour supply. They even govern the fundamental nature of multiple service-based industries. By answering the following research question, ***What is the relationship between perceived job security and wage satisfaction?***, the research paper seeks to analyse the relationship between perceived job security and wage satisfaction from an employee perspective. The research paper focuses on the Indian labour market and uses the WageIndicator 2017 Salary Survey dataset.

The research paper further analyses the relationship between the variables ***perceived job security*** and ***wage satisfaction*** through the lenses of age, gender and occupational hierarchy. By considering an employee perspective, the research helps interpret workers' individual choices based on their rational and collective understandings. So far, literature in the field covers theories that describe the relationship between wages and job security. The theories covered are the ***positive association theory***, the ***bargaining theory*** and the ***compensating wage differentials theory***. None of the theories, however, focus on the variable of wage satisfaction. Furthermore, literature concerning the Indian context is sparse.

The analysis reveals that an employee worries less about job security if she/he is satisfied with the wages, hinting at the importance of wages over job security in individual worker choices. And, with an increase in position in the occupational hierarchy, the time spent worrying about job security decreases. Female workers tend to worry about their job security compared to male counterparts owing to the social stigma around female labour force participation. Furthermore, it was found that people in the age bracket 31-40 worry the most about their job security, and those in the 51-60 age bracket worry the least. It is concluded that employment packages should maximise or arrive upon an optimal bundle of either wages or job security based on the individual employee's productivity, without disregarding the 'soft' capital or experiences that these people retain in their specific industries.

1. INTRODUCTION

The dynamism of the workplace diverges from labour market security, tending specifically towards job security. Outlooks towards wages and employment conditions (individually and the whole employment package) change with business cycles, various supply shocks, changes in capital investment, technology (total factor productivity) and the general advancement of the economy. Employment package legislation, bundled with various labour regulations and policies, fundamentally shape economies and living standards. Thus, more profound studies are needed to enquire into the nature of worker priorities, employer-employee relationships, reservation wages, employment packages, trade-offs between various working conditions and wages, along with others. This will help facilitate an understanding of the labour market's behavioural natures and the individual decisions that shape the very economy.

The research paper seeks to analyse the relation between wage satisfaction and more secure job opportunities in the job market as perceived by workers. It also tries to understand the importance employees of different ages, genders and positions in the occupational hierarchy place on job security and wage satisfaction. By considering an employee perspective, the research paper helps interpret the individual choices made by workers based on their rational and collective understandings.

2. LITERATURE REVIEW

The International Labour Organisation (ILO) defines **employment security** as the protection of workers against fluctuations in earned income as a result of job loss. There are multiple relations that can be established between wages and employment security. The **positive association theory** refers to an increase in job security with an increase in wage, which might also indirectly refer to an increase in the occupational hierarchy. When job security is considered as exogenous or is influenced by labour environments instead of the firm or employer's will, it significantly reduces the disciplining impact that the fear of losing a job has on the bargaining power of the worker. In this case, a majority of the partial-equilibrium models of wage formation anticipate a positive association between wages and job security (Landmann, 2010). Wei-Hsin Yu (2017) finds a universal positive association between perceived job security and wages in different occupations, sectors, and for both genders. They also mention that these results were obtained even after various variables such as individual and job characteristics and personality traits related to risk were controlled. If job security is considered an endogenous 'add-on' or incentive, a similar logic can be further applied to incentive wage models affecting the optimal incentives offered by the employers.

The **bargaining theory** refers to the negotiation and division of the employment package to suit the needs of all the groups participating in the process, which in this case includes employers and employees. The theory is further backed by anecdotal research of German unions and employers, who have traded job

security with pay cuts when faced with increased job insecurity as a result of the deteriorating economy (Hübler and Hübler, 2010). The bargaining theory of wages holds that wages, hours, and working conditions are determined by the relative bargaining strength of the parties to the agreement. Adam Smith hinted at such a theory when he noted that employers had greater bargaining strength than employees. Employers were in a better position to unify their opposition to employee demands. Employers were also able to withstand the loss of income for a longer period than could the employees. This idea was developed to a considerable extent by John Davidson. He proposed in *The Bargain Theory of Wages* (1898) that the determination of wages is an extremely complicated process involving numerous influences that interact to establish the relative bargaining strength of the parties, inherently hinting that the trade-off between job security and wages is not linear, having various variables to account for.

If, on the other hand, both job stability and pay are valuable job characteristics, the **theory of equalising differences** or the **compensating wage differentials theory** proposes a trade-off between them for any overall reservation value that employees expect from a job. In the *Handbook of Labour Economics* (1986), Sherwin Rosen mentions some job attributes empirically factor in the rise of compensating wage differentials, as shown in the infographic below.

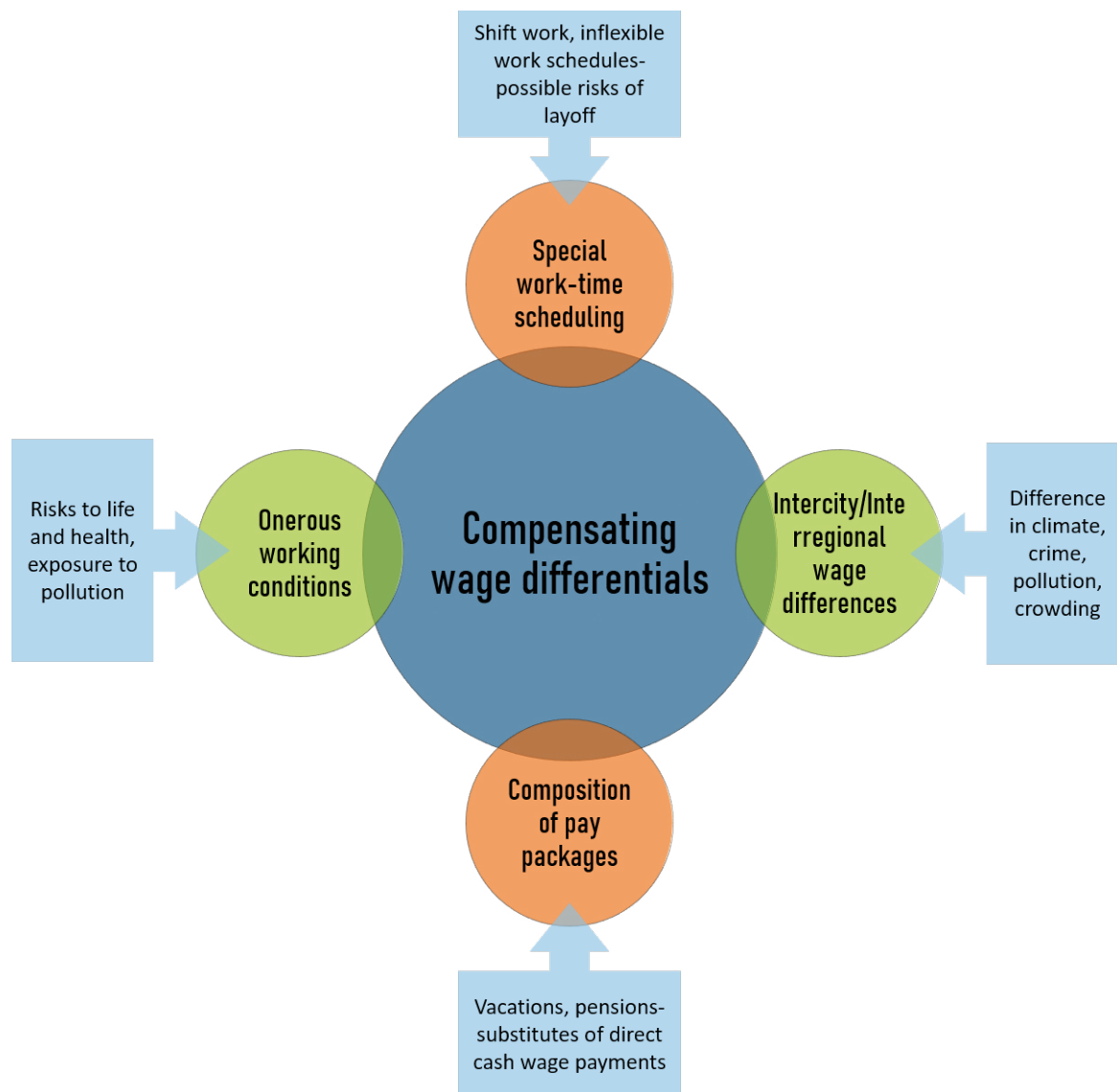


Figure 1. Infographic - Compensating Wage Differentials
(Source: Authors' Own)

From this perspective, we should expect to see a negative correlation between job security and pay. Giuseppe Bertola (1990) mentioned in "Job security, employment and wages" that in high job security countries, wages tend to be lower and more sensitive to outside unemployment.

Adam Smith came up with the *compensating wage differentials theory* stating that jobs with undesirable characteristics will need to compensate them with wages, *ceteris paribus*. One such undesirable characteristic mentioned was job insecurity. The theory describes the job characteristics, both desirable and undesirable, as being sold and bought at certain prices by potential workers. The theory argues

that a firm may invest more to supply the workers with increased job security, and so in return, they give lower wages. If the firm's cost increases due to ensuring higher job security to reduce cost in other areas, wages are reduced in return. This acts as a negative association that is described (Smith, 1979).

The main drawbacks that Smith (1979) arrives upon, is that the surveys conducted for this theory usually end in inconclusive results, for all job characteristics "except the risk of death". This results from the limited number of studies abundant with flaws, with difficulties in testing the undesirable characteristics of jobs due to the heterogeneity of the tastes of workers. Nevertheless, one characteristic that

convinces us of the theory is the risk of injury or death. McNabb (1989) found that jobs with a 2% earnings premium per annum are often correlated with job insecurity, and job insecurity is compensated for with a premium of £44 per annum. The author states that the evidence for compensation of lack of job security for manual workers is not there, which is surprising. Villanueva (2007) further supports the ***compensating wage differentials theory*** in the German labour market, accepting job insecurity as one of the undesirable characteristics but finds that there is little evidence for the relationship between job security and wages. Although it supports the theory, the research paper does not give much evidence for the relationship between job security and wages itself.

Furthermore, the Randstad Employer Brand Research 2019 survey, conducted in around 32 countries, with 2 lakh respondents, showed that 52% of employees are willing to give up more than 10% of their earnings in exchange for job security. In India, as reported by the Economic Times, the study consisted of about 3500 respondents, showing that out of these Indian employees, 47% seek attractive salary and benefits, 46% seek work-life balance, and 41% seek job security (Job security, 2019).

However, this research paper tends to focus on the individualistic perspectives of employees and their specific choices. Therefore, on an individual employee note, in terms of how they would view the trade-off between job security and wages, Monster (Bortz, n.d.) ran a survey in the United States that asked: "Consider your current or most recent job. For you personally, how would you rate the importance of job security compared to a pay increase?". Most of the respondents (45%) checked "job security and a pay increase are equally important to me". However, according to another 40% of poll respondents, job security came out as much more important than a pay increase.

The data from the survey is as follows:

Statement	% of people who agreed
<i>Job security and a pay increase are equally important to me</i>	45%
<i>Job security is much more important compared to a pay increase</i>	25%
<i>Job security is somewhat more important to me compared to a pay increase</i>	15%
<i>A pay increase is much more important to me compared to job security</i>	09%
<i>A pay increase is somewhat more important to me compared to job security</i>	06%

Table 1. Survey Data Compilation
(Source: Monster, Bortz)

3. RESEARCH OBJECTIVES

Through the research, we aim to answer the following research question: *What is the relationship between perceived job security and wage satisfaction?*

The research objectives are as follows:

- To analyse perceived job security and wage satisfaction from an employee perspective.
- To understand workers' priorities with regards to wage satisfaction and job security through the lenses of age, gender and occupational hierarchy.

4. DATA AND RESEARCH METHODOLOGY

The research paper uses the WageIndicator 2017 Salary Survey dataset for this study (Tijdens & Kabina, 2017). The WageIndicator Foundation aims to provide labour market transparency to both employers and workers around the world. The Salary Survey is an online survey on areas concerning work and wages that is conducted annually across the globe.

The research paper is a quantitative study specific to the survey responses in India. The variables chosen for this study include *perceived job insecurity* or *'how often one worries about their job security'*, *wage satisfaction*, *job satisfaction*, *the expectation to be with the current employer next year*, and *eagerness to find a new job*. The variables and their relationship are analysed through the parameters of age, gender and position in the occupational hierarchy. Table A (see Appendix) contains the description of the variables chosen.

5. DATA ANALYSIS AND OBSERVATIONS

5.1 Job Insecurity in Relation with Wage and Job Satisfaction

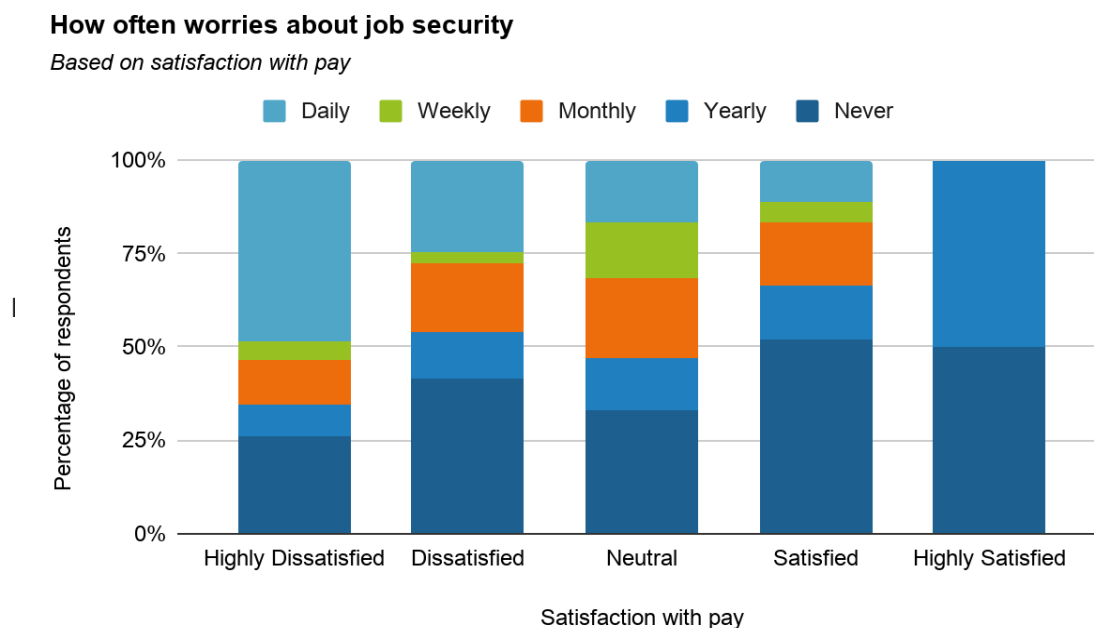


Figure 2. Perceived job insecurity and wage satisfaction (N = 258)
(Source: Authors' Own; Data: WageIndicator Salary Survey 2017)

Figure 2 shows that all in all, an employee worries less about job security if she/he is satisfied with the wages, hinting at the importance of wages over job security in individual worker choices. From a corporate perspective, this graph establishes the **compensating wage differentials theory**, which implies that employers pay higher wages to accommodate the reduction in job security. The fact can also

prove to be a reinforcement of the **positive association theory** showing that workers highly satisfied with their wages, assuming that they are in positions suited to their skills and capabilities, are usually in much more secure jobs as compared to lesser paid workers with fewer skills and in the lower hierarchy.

How often worries about job security

Based on satisfaction with job

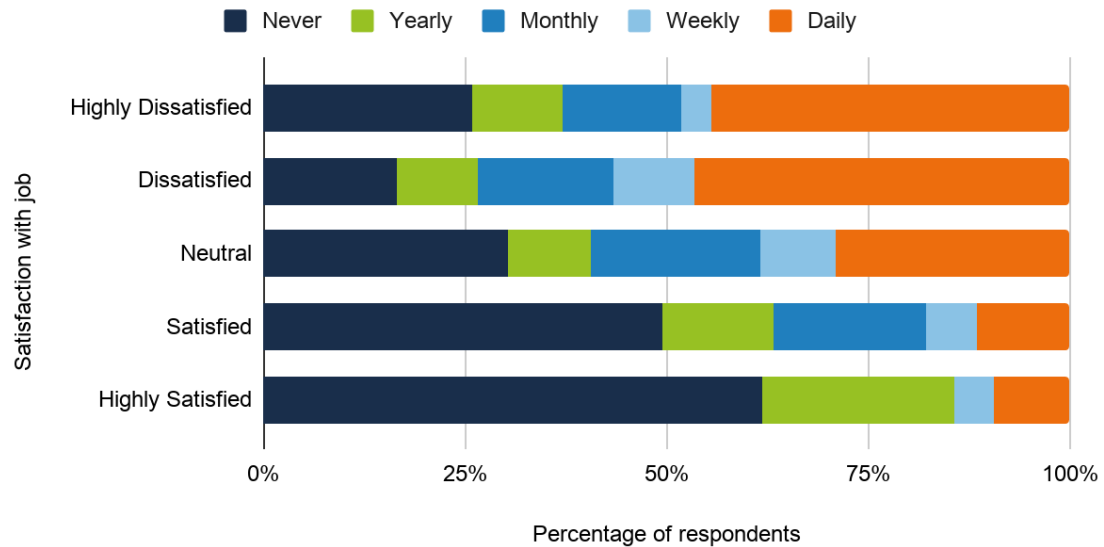


Figure 3. Perceived job insecurity and job satisfaction (N = 259)
(Source: Authors' Own; Data: WageIndicator Salary Survey 2017)

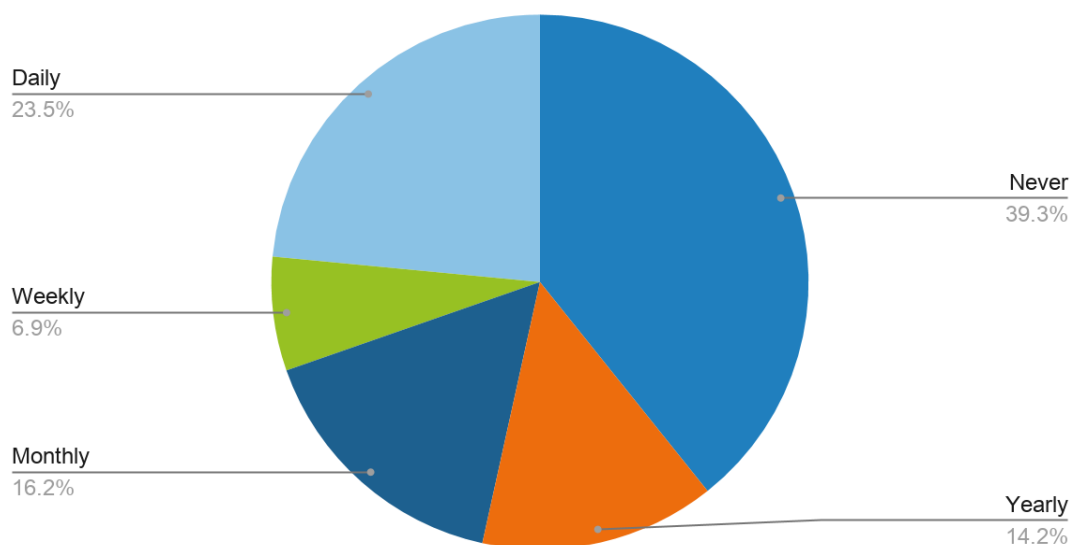
Figure 3 shows that the people who are highly satisfied with their jobs never worry about job security and vice versa. The importance of job security with respect to overall job satisfaction can also be inferred from the graph, showing that employees value the employment package instead of just wages in the current labour market. Thus, calling out to employers and firms to enhance their overall employment

packages, adding incentives, benefits, improving working conditions and creating better opportunities for employees.

5.2 Job Insecurity through the Lenses of Gender, Age and Occupational Hierarchy

How often worries about job security

Male



How often worries about job security

Female

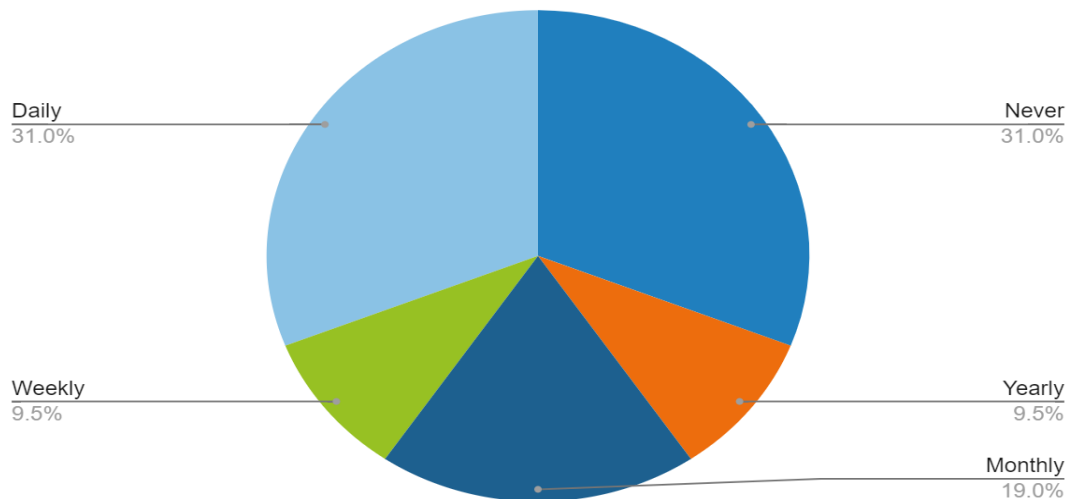


Figure 4 & 5. Perceived job insecurity across gender (N = 258 & 42)
(Source: Authors' Own; Data: WageIndicator Salary Survey 2017)

Figure 4 & 5 show that amongst the given respondents for the survey, female workers tend to worry about their job security more often than male workers. This might be related to the social stigma around female labour force participation, lack of respect for female employees or repercussions of maternity leaves and familial ties that are assumed to reflect poorly on overall job performances. Workplace stigmas and perceived treatment compared to male employees in the same hierarchical positions also display female employees worrying more about their jobs. An outlier to the aforementioned observations would be the 'yearly' section of the pie charts, which shows a higher

worrying percentage amongst men than women, which might be inferred as the long-term job expectations of male employees compared to female employees. Men usually do not have to succumb to social pressure to raise their children and take care of their family, especially in the context of India (arranged marriages and the presence of joint families or undue influence of in-laws even in nuclear families). Therefore, these 'yearly' bouts of job security worries are not female employee concerns as they oscillate in and out of the labour force more often than their male counterparts.

How often worries about job security

Based on age

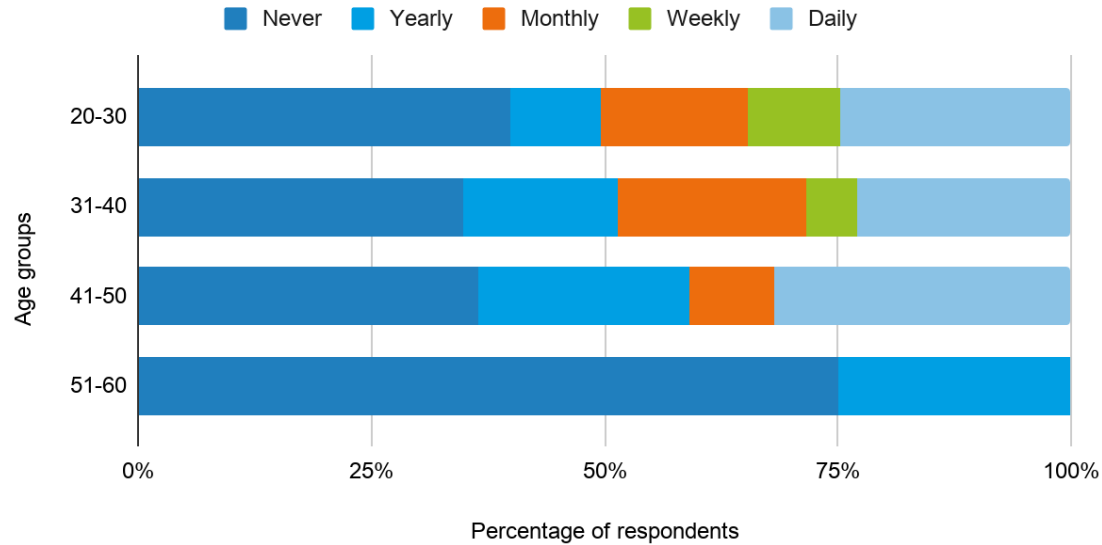


Figure 6. Job insecurity across age (N = 228)
(Source: Authors' Own; Data: WageIndicator Salary Survey 2017)

Figure 6 shows that people in the age bracket 41-50 worry more about their job security as they might feel replaceable by the younger generation. The people in the age bracket 31-40 worry the most overall as they are probably in their prime and are trying to move up the corporate ladder. People in the age bracket 20-30 worry less than the other brackets but much more than the 51-60 age bracket as they are still trying to build their career and are ambitiously looking for opportunities. Therefo-

re, the importance of job security for individual workers increases to a point, and towards the 51-60 years age bracket, workers barely worry about their job securities at all, awaiting their retirement. It can also be inferred that with age, workers tend to gain experience and confidence in their skills and occupations and achieve higher positions in the corporate ladder, making them more valuable to the corporations.

How often worries about job security

Based on position in occupational hierarchy

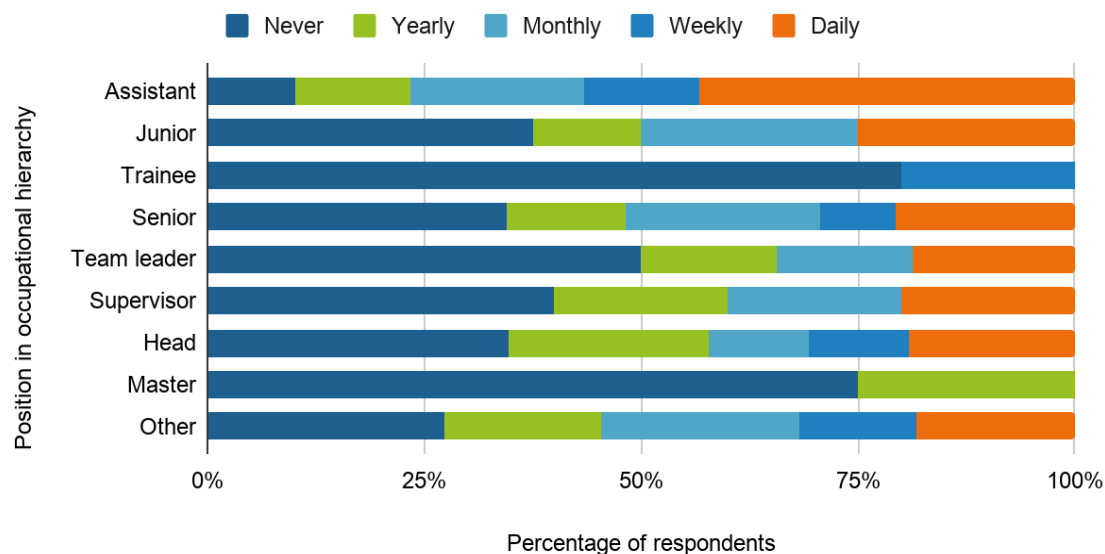


Figure 7. Perceived job insecurity and occupation hierarchy (N = 205)
(Source: Authors' Own; Data: WageIndicator Salary Survey 2017)

Figure 7 shows that with an increase in position in the hierarchy, the time spent worrying about job security decreases. The proportion of people who never think about it increases, and the proportion who think about it daily decreases. This observation reinforces the positive association between job security and wages, showing that they are positively related and that job security (and the employee package) increases with wages and positions in the occupational hierarchy. On the other hand, we can also bring in another interpretation, a rather behavioural approach, which could involve A) The worker at a higher position in the vocational ladder worries less about job security as she/he might be sure about their skills/education, uniqueness and value addition to the firm's top brass and B) Given point A, the

worker might also be sure about the fact that in case she/he is fired, their positions in their ex-firm might help/support/promote and even ensure their landing a good job in the future. The graph interestingly shows that assistants worry the most about job security (daily) as the job (much like the jobs of receptionists, clerical jobs) requires only basic skills and might be the first to face layoffs during times of economic crisis. Trainees, or the fresh off the boat, probably do not worry about job security as much because they are being trained by their employers, signifying that they will work there in the future, or might get handy job experience for the labour market.

5.3 Eagerness to Find a New Job in Relation with Wage Satisfaction

Is eager to find a new job

Based on satisfaction with pay

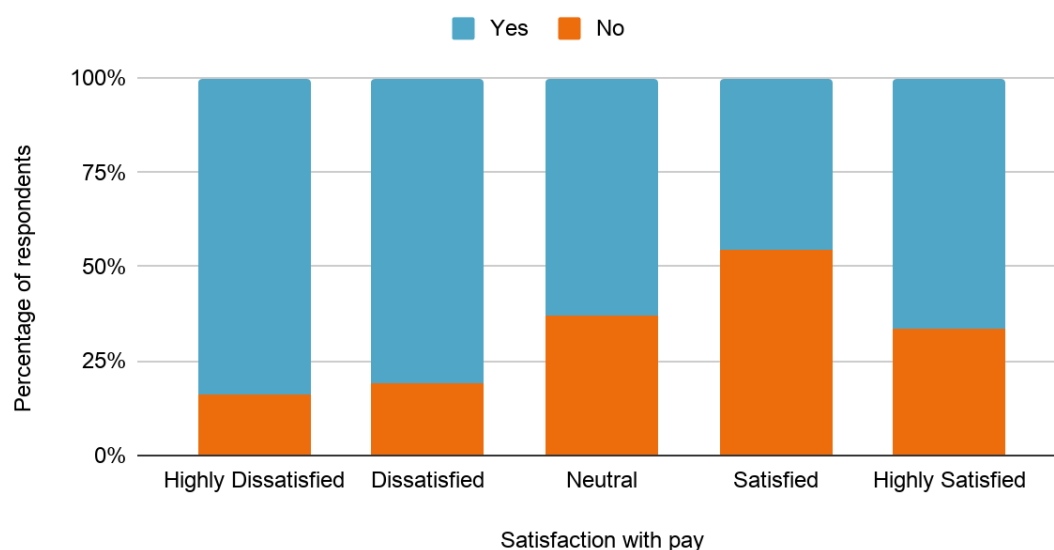


Figure 8. Eagerness to find a new job and wage satisfaction (N = 284)
(Source: Authors' Own; Data: WageIndicator Salary Survey 2017)

Figure 8 shows us a negative association between satisfaction with pay and eagerness to find a job. People unsatisfied with their pay are most eager to find a new job, and vice versa. Although the highly satisfied column seems like an outlier to the aforementioned general observation, it might be because of the lack of data in the survey or due to the point mentioned in the previous figure, about the surety and confidence of the worker in their specific

skill set. Highly skilled employees with higher wages (paid according to the perceived notions of their abilities and the respective market values) tend to be far more ambitious than the rest of the crowd. Moreover, they tend to be eager to jump ship as soon as things fall apart, or much more lucrative opportunities present themselves.

5.4 Future Expectations with Current Employer and Wage Satisfaction

Expects being with current employer next year

Based on satisfaction with pay

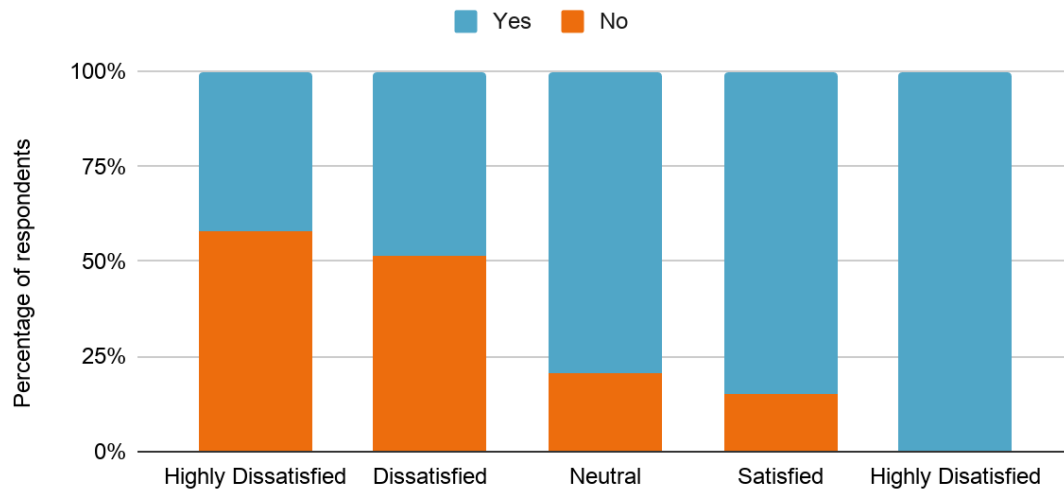


Figure 9. Future expectations to be with the current employer and wage satisfaction (N = 226)
(Source: Authors' Own; Data: WageIndicator Salary Survey 2017)

Figure 9 shows that as satisfaction with pay increases, the percentage of expectation of being with a current employer also increases, along the lines of the previous observations.

6. LIMITATIONS

The research paper is not void of limitations. Given the online nature of the survey, a quality random sample cannot be guaranteed (due to lack of access to the internet and technological devices, thereby representing limited professions) and may further affect statistical confidence. The data sample may not be representative of the general population. It is important to note that the data sample used in the study is skewed in terms of the gender of the employees surveyed. This skewness is in favour of men, with 85.46% of the sample being male employees and only 14.53% being females. In addition to this, there was a lack of prior literature that focused on variables like wage satisfaction.

7. CONCLUSION

Job security proves to be of immense importance for lower waged or middle-aged workers, especially under recessionary periods and sudden business cycle fluctuations. Ideally, employment packages should maximise or arrive upon an optimal bundle of either wages or job security based on the individual employee's productivity, without disregarding the 'soft' capital or experiences that these people retain in their specific industries. Similarly, for females, apart from the stigma, maternity leaves are amongst the primary reasons for rampant job insecurity for women, which can be potentially removed by building sustainable, secure environments promoting alternate working opportunities such as work from home, as well as in-office creches, to radically minimise the tendency of women labourers to fall in and out of the labour force. With the rise of gig economies, rapid job creations in various sectors, including virtual sectors, as well as the recent pandemic putting a stop to the gyrating wheels of the world, making people question the apparently 'important' aspects of jobs and firms, have all led to a rise in employee expectations for job security. The employer market needs to change and evolve along with the times.

The observations lead to conclusive evidence that, at least in the Indian context, perceived job security and satisfaction with pay, age, position in the occupational hierarchy, and gender are inherently related. Although the labour market undergoes multiple changes from time to time, the primary goals of a worker would be wage maximisation along with good working conditions, maximisation of additional incentives/benefits offered by the job and reduction of the possibilities of job loss. Therefore, job security is as important as wage satisfaction, if not more, which combined adds to job satisfaction, *ceteris paribus*. As we have observed, job security decreases with age and

is lesser for females as compared to males. Job security also evidently increases as people climb higher the corporate ladder. These observations show the nature of workers in the economies and their biases and understandings of how the labour market functions. These understandings may prove to be wrong in an actual sense, but in the end, employee perception of the characteristics of her/his job matter as much as the equivalent actual order of things. These perceptions have the upper hand in determining who works where, how often employees change jobs, what they aim for etc. and often deliberate the workings of various intermediate industries that work primarily in human resource management.

Industries may rise and recede or vanish into the darker niches out of the glossier market; shiny new modified packets might replace ancient, overused, worn-out products on supermarket shelves. However, employees and employers and their turbulent dynamic will be constant throughout the troughs and peaks of business cycles. Moreover, we believe the debate about job security or wage satisfaction (of optimal employment bundles) will either cease to exist in future economies or might be highly evolved, putting on entirely different cloaks or garbs. In the case of the latter, we observed that steps needed to be taken towards that direction, the steps for change, for evolution. This research paper is our tiny contribution to truly understanding perceived job security and wage satisfaction and their relationships under different circumstances.

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9. APPENDIX

Table A. Variable Description

Variable	Label	Type
satjob	Matrix: Job satisfaction	Categorical
jobsec62	Matrix: How often worries about job security	Categorical
wagesat2	Matrix: Wage satisfaction	Categorical
prefjob	Matrix: Is eager to find a new job	Binary
jobfutu1	Expects being with current employer next year	Binary
AGE	Age	Continuous data analysed categorically
GENDER	Gender	Binary
occtype	Position in the occupational hierarchy	Categorical