Available online at www.sciencedirect.com
ScienceDirect
Research in Social Stratification and Mobility 29 (2011) 351–369
Research in Social Stratification and Mobility
http://elsevier.com/locate/rssm

Fringe benefits and income inequality☆

Tali Kristal[a,*], Yinon Cohen[b], Guy Mundlak[c]

[a] *Department of Sociology and Anthropology, University of Haifa, Israel*
[b] *Department of Sociology, Columbia University, United States*
[c] *Faculty of Law and Department of Labor Studies, Tel Aviv University, Israel*

Received 19 October 2010; received in revised form 28 April 2011; accepted 3 May 2011

Abstract

In this paper, we analyze the distribution of fringe benefits among workers and underline its implications for income inequality. To this end, we develop a positional approach to inequality based on the concept of rent as a potential link between positions and their rewards. We hypothesize that workers extract rent in the form of benefits in industries with worker leverage (in the form of unioniziation, internal labor market, and public employment) or share rent with firms in highly profitable industries that endure for efficiency wage reasons. On the basis of a unique dataset from Israel, we test these hypotheses by estimating the probabilities of obtaining benefits according to industries' structural features while controlling for cross-industrial differences in workers' demographic and human capital characteristics. The analyses reveal that benefits are determined by structural factors, representing a separate dimension of the rewards attached to positions, different from earnings. We further stress the importance of incorporating fringe benefits into inequality research, given that benefits together with earnings stratify workers and evidently signify structured positions in the economy.
© 2011 International Sociological Association Research Committee 28 on Social Stratification and Mobility. Published by Elsevier Ltd. All rights reserved.

Keywords: Labor market; Positional inequality; Economic rent; Income inequality

1. Introduction

Wages and salaries are only one potential source of income inequality among workers. Some workers receive a range of financial supplements known as "voluntary fringe benefits" – the most common of which are healthcare insurance and pension. Typically, voluntary fringe benefits (hereafter: fringe benefits) are important to workers in Anglo-American and Continental European countries, but less so in Scandinavia (Esping-Andersen, 1990; Hacker, 2002; Shalev, 1996).[1] In 2000, for example, fringe benefits added about 17 percent to American and Dutch workers' income from wages and salaries (OECD Economic Outlook, 2000). Although fringe benefits are an essential component of workers' total compensation and can be fundamental sources of

☆ Support for this project arises from the Program for Economy and Society at the Van Leer Jerusalem Institute and Stanford Center for the Study of Poverty and Inequality. Earlier version of this paper was presented at the spring meeting of the ISA Research Committee on Social Stratification and Mobility (2009). We wish to thank David B. Grusky, Noah Lewin-Epstein, Hadas Mandel, and Pablo Mitnik for their comments on earlier drafts of this paper.
* Corresponding author.
E-mail addresses: kristal@soc.haifa.ac.il (T. Kristal), yc2444@columbia.edu (Y. Cohen), mundlak@post.tau.ac.il (G. Mundlak).

[1] Scandinavian countries are associated with inclusive and generous public social-security programs, which are provided by the state to the population as a whole.

0276-5624/$ – see front matter © 2011 International Sociological Association Research Committee 28 on Social Stratification and Mobility. Published by Elsevier Ltd. All rights reserved.
doi:10.1016/j.rssm.2011.05.001

inequality, they have rarely been analyzed in stratification research. In this paper, we hope to contribute to the study of fringe benefits and stratification research by presenting and estimating a structural, rent-based model for benefit determination, as well as estimating the effects of fringe benefits on the level of income inequality and speculate on their effects on the diversification in workers' short-term economic interests. A unique, matched, Israeli employer–employee tax dataset enables us to empirically address these issues.

The distribution of income from fringe benefits provides strong evidence in favor of the long-standing argument that "structure" matters for income inequality. In fact, there seems to be a broad consensus that benefits are linked to a job's characteristics (Kalleberg & Van Buren, 1996; O'Rand, 1986; O'Rand and MacLean, 1986). Overall, fringe benefits are widespread in jobs at large business firms, unionized workplaces or in the public sector. Yet we still lack an agreed-upon explanation for what determines the likelihood of obtaining benefits, and more importantly, why some characteristics matter. Building on the insight that rewards are often tied to positions rather than to particular employees (Sørensen & Kalleberg, 1981) and the related idea of economic rent (Sørensen, 1996, 2000; Wright, 1997), this paper goes beyond existing literature by elaborating the mechanisms through which benefits are linked to positions. Specifically, we argue that benefits are the result of practices of rent-extraction and rent-sharing by workers. Workers can extract benefits from firms due to their leverage in highly unionized industries, industries with established internal labor markets, as well as industries in the public sector. Alternatively, workers can obtain benefits by rent-sharing with employers in highly profitable firms that tend to follow efficiency wage practices.

Analyzing benefits determination is one thing. Understanding their impact on inequality levels is another. Most research on income inequality analyzes the distribution of wages and salaries and thus might either underestimate or overestimate the level of income inequality among workers (Pierce, 2001; Piketty & Saez, 2003) and between jobs (Jencks, Perman, & Rainwater, 1988). If benefits are determined exactly like earnings, inequality levels resulting from all income sources (namely earnings and benefits) should be higher than earnings inequality. If, however, fringe benefits compensate workers employed in low-wage jobs, as suggested by the classical economic view of compensating differentials (with roots in Smith, [1776] 1937), inequality measures that exclude these "hidden" rewards overestimate the level of income inequality among workers. Our dataset includes an estimation of the monetary value of fringe benefits, which usually is not readily available, and enables us to test their effect on the inequality level.

We begin by reviewing the relevant theoretical literature, upon which we develop the subsequent theoretical and empirical analyses. In Section 3, we explain why Israel is a good case study for understanding the distribution of fringe benefits. In Section 4, we describe the data, measures, and the method of analysis. In Section 5, we test the hypotheses by estimating hierarchical logistic models estimating which workers, classified according to individual and industrial characteristics, are more likely to obtain additional income from fringe benefits. In the subsequent section, we analyze the effects of fringe benefits on overall level of income inequality among workers and between groups of workers depending on the level of benefits they receive (if at all). In Section 7, we highlight the social and political implications of the findings, suggesting that the process that creates inequality in benefits may intensify conflicts of interest between income groups depending on their sources of income.

2. Rent-sharing, rent-extraction, and fringe benefits

Our theoretical framework suggests how the structural characteristics of jobs are implicated in the distribution of benefits. We specify the mechanisms through which jobs are linked to benefits, based on the idea of jobs as productive assets that bring economic rent. Productive assets can be broadly conceptualized as structurally advantageous positions that generate rent independently of the efforts of the persons occupying these positions (Sørensen, 1996, 2000; Wright, 1997). Based on the concept of rent extraction as a potential link between positions in the labor market and their rewards, Weeden (2002) elaborates a positional approach to inequality that explains why earnings are higher in some occupations than in others. We take a similar approach to positional inequality, but focus on a related question – why are some jobs compensated by benefits, while others are not?

We therefore distinguish between two kinds of advantageous positions that are likely to generate rent in the form of benefits. First, firms in highly profitable industries, due to a monopoly position or to export opportunities, may share some of their rent with the workers by compensating them with high wages and considerable benefits. Rent-sharing between firms and workers endures due to efficiency wage practices: by providing workers fringe benefits and raising workers total compensation above market wages, firms are likely to get in return workers' compliance and desire to

دریافت فوری ← متن کامل مقاله

ISIArticles
مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات