

Model 1
Components of the Employment Contract Under Agency Theory

What the Employer Pays = What the Employee Receives in Salary and Traditional Benefits (1)

Value of Net Services Received by the Employer = Compensation Package Received by Employee (2)

Value of Professional Contributions \pm Labor Supply Market Effects = Salary + Value of Traditional Benefits Package (3)

Where:

Professional Contributions = f (effort by the agent, degree of expertise, shirking, states of nature)

Shirking = f (self interest, risk preferences, bounded rationality, information asymmetry)

Where:

Salary = f (experience, expertise, labor market pressures)

Value of Traditional Benefits Package = f (firm philosophy, market pressures)

Model 2

Components of the Employment Contract Expanded for Accounting Professionals

What the Employer Pays = What the Employee Receives in Salary and Traditional Benefits (1)

Value of Net Services Received by the Employer = Compensation Package Received by Employee (2)

Value of Professional Contributions + Value of Transition \pm Labor Supply Market Effects = Salary + Benefits + Development + Flexibility + Expected Deferred Compensation + Satisfaction of Personal Preferences (3)

Where:

Professional Contributions = f (effort by the agent, degree of expertise, shirking, states of nature)

Shirking = f (self interest and altruism, risk preferences, bounded rationality, information asymmetry, organizational and professional commitment, professional control influences including altruism, ethics, accountability, and perceptions about the psychological contract)

Where:

Salary = Annual Guaranteed Monetary Compensation for Job

Salary = f (experience, expertise, market pressures)

Benefits = Value of Traditional Benefits Package

Benefits = f (firm philosophy, market pressures)

Development = Technical and Behavioral Development

Technical and Behavioral Development = f (formal programs, on-the-job training, interpersonal network)

Flexibility = Work Location and Time of Day Work Completed

Flexibility = f (personal circumstances, firm policy and attitude)

Expected Deferred Compensation = Present Value of Compensation if Employee if she/he Expect Higher Paying Future Job

Deferred Compensation = f (belief will become a partner, intent to change jobs)

Satisfaction of Personal Preferences = Level of Work Effort, Stress Level, Social Interaction

Satisfaction of Personal Preferences = f (ethics, values, accountability, perceptions of fairness, self-interest and altruism)