Research on the Relationship between Mental Accounting and Compensation Incentive

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Abstract: Mental accounting is one of the important contents of behavioral finance research, and there is a close connection mechanism between it and compensation incentive. As people's subconscious cognitive process of money classification, recording, management, and evaluation, mental accounting can affect employees' cognitive feelings of enterprise compensation. Whether it can play the role of compensation incentive needs to explore how to establish an effective employee mental accounting. The psychological law reflected by the cognitive process of mental accounting in this paper has its particularity. Studying the cognitive process of employees' compensation management from this perspective can provide effective support for the accurate implementation of enterprise compensation incentive.

From the perspective of employee management practice in enterprises, mental accounting, as a cognitive process, has a positive impact on employee satisfaction with compensation. If enterprises can fully consider the influence mechanism of mental accounting when formulating the compensation management plan, they can ensure that their compensation plan is more reasonable, improve the effect of compensation incentive, tap the potential of human resources, and play a positive role in the development of enterprises.

1. Theoretical analysis of mental accounting

Chad Salle, a behavioral scientist, first put forward the concept of mental accounting. This concept is the process that people unconsciously allocate wealth to different accounts for management. Different mental accounting has different accounting methods and mental computing mechanisms. In the end, this mental accounting method and computing mechanism will have an impact on decision-making through unexpected forms, which will make individual decision-making differ from the simplest rational economic law [1].

Here is an example to simplify the understanding of this concept. For example, both A and B are fresh graduates of a university this year, and they are assigned to work in the same unit and department. When they were paid for the first time, they all got 3000 yuan of internship salary, and A was very satisfied with this salary, because he heard that other employees said that the salary during the probation period was less than 2000 yuan, and he was very satisfied with getting 3000 yuan. However, after B got his salary, he was disappointed. He thought that the starting salary for such technical jobs...
was relatively high, at least 4000-5000 yuan, so he began to doubt whether his decision was correct. In the same position with the same salary, different employees show different attitudes, and their emotional experience is diametrically opposite. This is mainly because people have unconsciously divided financial accounts into different accounts for management, and the corresponding mental accounting bookkeeping methods and calculation rules are also different, so they have different emotional experience for the same salary [2].

2. Analysis of the relationship between mental accounting and compensation incentive

Compensation incentive is an effect brought by compensation management, and it is the effect that enterprises hope to achieve in formulating compensation management plan. Compensation management is a dynamic management process based on the development strategy of the organization and after the adjustment of the distribution of employee salary payment principle, salary scheme, level and structure. In corporate compensation, monetary compensation and non-monetary compensation are included. In compensation management, enterprises pay close attention to compensation satisfaction, which reflects the psychological state of employees after comparing the remuneration obtained from the enterprise with their expected remuneration, and is also one of the key indicators to measure the efficiency of enterprise compensation management [3]. Monetary compensation includes direct wages, bonuses and benefits, which can be measured by monetary value. For enterprises, if the three kinds of monetary compensation have the same value, there is no difference. For employees, they are in different mental accounting and cannot be replaced [4]. Under the mental accounting theory, the same value of compensation can be expressed in different forms, but it will produce different values in the minds of employees, which will also affect employees' behavior and thoughts. For enterprise compensation management, the resources consumed can be measured by monetary value. Enterprises use mental accounting to pay the same value to employees in different ways, and the results are completely different [5].

In this regard, based on the mental accounting theory, enterprises can find out the scheme that can effectively exert the incentive effect of compensation from different compensation distribution methods, and then make reasonable allocation of compensation. This will help enterprises achieve the goal of maximizing efficiency with minimum resource consumption. On this basis, grasp the different psychology of employees under different circumstances, so as to find out the scheme that can improve the satisfaction of employees' compensation and ensure the realization of the goal of compensation management.

It can be seen that mental accounting has an inevitable impact on the effect of compensation incentive. Different employees have different mental accounting, and their accounting methods and calculation rules are different. Finally, under the same compensation treatment, their feelings and experience may be completely different [6]. Therefore, for enterprises, it is necessary to grasp the accounting method and calculation rules of employees' mental accounting, so as to find a compensation management scheme that can be continuously optimized, improve employees' satisfaction with compensation, and give play to the incentive effect of compensation for employees.

3. Enterprise compensation management countermeasures based on mental accounting

3.1. Improve compensation management mechanism and improve compensation satisfaction

For enterprise human resource management, compensation and welfare are important factors to attract talents and the most effective incentive means to effectively retain talents. As a modern enterprise, in order to improve employee satisfaction and avoid employee dissatisfaction caused by the same compensation treatment, we must deepen the reform of the compensation system and
implement equal pay for part-time and equal work. In order to accelerate the reform of enterprise compensation incentive mechanism, we should make the income of enterprise professionals open and transparent, ensure the income level, widen the income gap, let employees motivate themselves and strive for higher goals. At the same time, in terms of scientific qualifications and professional titles, doctors, doctorates, etc., employees with academic qualifications and senior professional titles should be given appropriate wages, direct rewards and bonuses, and employees holding senior positions should be promoted significantly. They have made great contributions to the enterprise and leaders. Their reward scheme links the work and value of employees with their rewards, and focuses on improving the living conditions of employees, so that employees can work hard [7].

3.2. Reasonable selection of compensation management mode, reflecting that it varies from person to person

At this stage, enterprises generally adopt the compensation payment mode of base salary+performance. This mode can improve employees' satisfaction and reduce their psychological pressure through salary addition calculation, which is a good compensation payment mode. In addition, there is also a payment mode of package salary. This payment mode can let employees actively avoid punishment and stimulate their potential. However, this payment mode may cause psychological pressure on employees, and long-term implementation may lead to employee turnover. So we should choose a reasonable compensation payment mode.

Secondly, in terms of compensation incentive, it should be reflected that the incentive measures for employees with different income levels should be different, which is the key to reducing psychological discount. Based on the law of diminishing sensitivity, an increase of 500 salary will bring a large gap in psychological satisfaction for employees with 2000 income level and 5000 income level. Therefore, for grass-roots employees, a direct salary increase of 500 can achieve the incentive purpose; For middle and senior income earners, direct currency growth may affect psychological discount, so we should try to mobilize their enthusiasm through flexible benefits, give employees a certain choice, and improve their overall satisfaction [8].

In addition, there are also differences in the form of compensation payment. In combination with the value function hypothesis and characteristics, it is necessary to avoid leaking information in advance when bonus and salary are paid. In bonus payment, the same bonus can reduce the expectation of employees when they receive the bonus, and achieve the effect of improving the psychometric value of employees when they actually receive the bonus.

3.3. Reduce the psychological discount of employees' compensation and improve the sense of fairness

The study found that the greater the psychological discount of employees' compensation, the greater the perceived compensation unfairness of employees. If the compensation system of an enterprise is not fair, it is impossible to exert the incentive effect. It will also lead to the reduction of employee satisfaction, affect employee performance, and affect the operation and management of the enterprise. To this end, in specific practice, to properly reduce the employee's compensation discount, we can enhance the employee's sense of compensation fairness by strengthening the enterprise's normative commitment and emotional commitment, and reducing the enterprise's continuous commitment. Specific management can be carried out in combination with different corporate cultures and employee types. For example, in terms of non-monetary wages, we should ensure openness and transparency, because the monetary representation of such wages is not strong, so the psychological discount generated is large. However, if the enterprise informs the employees of the value of this part of non-monetary wages that the enterprise unifies for employees in different ways,
so as to improve the satisfaction of employees, this can reduce the psychological discount brought by non-monetary wages and improve the satisfaction of employees.

3.4. **Strengthen humanistic care and improve the compensation and welfare mechanism**

Employees who work in the enterprise can obtain ideal income, be treated fairly, feel respect and care, and have the motivation to do their own work well. In the process of brand internalization, the compensation and welfare of employees can be improved as much as possible, which can greatly improve the enthusiasm of employees for work and the brand awareness of the enterprise. From this perspective, enterprises should improve the compensation and social security system based on employee compensation and welfare, and continue to play a positive role in employee motivation. In the enterprise staff management, the main service personnel play an important role in the enterprise, increasing their sense of happiness and satisfaction with the enterprise, and playing a positive role in improving the enterprise brand, shaping the brand image, and improving the enterprise performance. In human resource management, enterprises can provide employees with adaptive compensation and welfare application systems. In order to improve the post compensation and welfare incentives, they can design different levels of compensation and welfare, so that employees can see hope in work and improve satisfaction.

In addition to improving the basic compensation system, enterprises should also provide more benefits to employees, such as providing low-rent housing for migrant workers. I feel that the company's management is really people-oriented, and the sense of happiness and satisfaction have increased. Only when employees are satisfied can they save enough energy in customer service and production process, devote themselves to work with full enthusiasm, serve the development of the enterprise, actively consider the interests of the company in service, and convey the concept and value of the enterprise brand to customers. Enterprises should try to play a positive role in compensation incentive through effective ideological education, strengthen and improve ideological and political work, and emphasize the perspective of employees' appreciation. The ultimate goal is to help people's all-round development, improve the quality of employees, and cultivate and build a strong team. Team morale needs to be motivated, and appreciation and praise are the best incentives. When a person has made great achievements in ordinary good work and work, and when he can be appreciated and praised by his superiors, he will deeply feel the happiness and happiness of realizing his own value, and will get the greatest spiritual satisfaction, and will move forward endlessly. We should cultivate and develop people in an all-round way, try to treat employees in an appreciative way, try to create conditions, provide development opportunities and incentive support for employees, and provide a stage for employees to display their talents. In this way, workers can closely unite in the enterprise, work harder, learn more, innovate constantly, and realize their self-worth.

In addition, employees who have outstanding performance and share in work can be given certain rewards as an additional part of performance work, so that employees can see economic benefits and encourage them to take advantage of job opportunities, so as to provide more opportunities for value creation, stimulate their enthusiasm and creativity in work, and let employees actively express themselves in work.

4. **Conclusion**

The perception effect of mental accounting on compensation is different. Different mental accounting has different accounting methods and calculation rules. The final result of the same perception of compensation is different, which has a direct impact on the compensation incentive of employees. In this regard, in the compensation management of enterprises, the relationship between mental accounting and compensation incentive should be clarified. In the process of carrying out
compensation management, enterprises should further do a good job in the analysis of employees. For employees with different income levels and different positions, different compensation management schemes should be formulated, different compensation payment and bonus payment modes should be adopted, and attention should be paid to improving the experience perception of employees, and the fairness principle in compensation management should be reflected. It is of great significance to reduce the psychological pressure of employees, reasonably adjust their psychological expectations, effectively combine material incentives and emotional incentives, and promote the continuous improvement of employee compensation satisfaction.

**References**


