

## **IMPACT ASSESSMENT OF FRINGE BENEFITS IN JOB SATISFACTION AND EMPLOYEES' ATTITUDE**

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### **Introduction**

Organizations exist in order to render specific products or services to the society. For an organization to be able to actualize its goals in the society, stakeholders in the organization must work towards achieving the set goals and objectives. Therefore, it is expected of management and employees to put in optimum efforts. Thus, it is important for management to build into it, factors that will induce people to contribute effectively and efficiently, by meeting their needs in addition to payment of salaries and wages. The human concept of labor satisfaction has been recognized widely in industrial world. Establishing the determinants of job satisfaction remains at the forefront of empirical testing in using measures of on-the-job utility. In discrepancy theory, satisfaction is the outcome of the distance between two- understanding of an individual & understanding the aspects of the job. This evaluation depends on the employees own needs, values, beliefs, expectation & desires. As a result higher satisfaction must result if fringe benefits make better match between the benefits which individual desire and the benefits they gain.

As first consideration, desirable job attributes such as fringe benefits should increase job satisfaction. Moreover employee's benefits and compensation packages can play a strategic role in raising organizational performance and profitability. While a valuable form of compensation, employer provided benefits may lower earnings or reduce job mobility. One of the ways by which an organization can create a satisfying and motivating climate, is by providing fringe benefits for its employee. This article briefly explains about the fringe benefits of Tirupur Industries which in one factor of identifying the satisfactory of employee.

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## Conceptual Framework

Fringe benefits are wide range of benefits and services that employees receive as an integral part of their total compensation package. Essentially, fringe benefits constitute indirect compensation as they are usually extended as a condition of employment and not directly related to performance of concerned employee. Fringe benefit is something of value apart from the agreed regular monetary payment of salaries and wages given to an employee by an employer (French and Seward, 1977).

According to Crane (1979), fringe benefits are forms of supplementary compensation that can provide mutual advantages to both the employers and employees in terms of increased productivity, job satisfaction and improved standard of living.

Fringe benefits, or that part of the total compensation package other than pay for time worked provided to employees in whole or in part by employer payments, play a major role in the structuring of compensation packages (Williams, 1995:1097).

*According to McCaffery and Harvey (1997:1), there are six key reasons why remuneration packages need to be structured, and why fringe benefits will not be eliminated.*

- **It's the law:** Certain fringe benefits are required by law. In the United States Social Security, Medicare, and Family and Medical Leave are mandated federally. All the states require workers' compensation coverage and unemployment insurance. A few states have non-occupational temporary disability benefit laws and mandatory health benefit coverage.
- **Duty to bargain with unions:** Virtually every conceivable employee benefit qualifies as a "mandatory subject for bargaining" under federal labour law. This means that in collective bargaining, employers cannot ignore union proposals or eliminate benefit coverage unilaterally.
- **Competition:** Even most small employers now sponsor some benefit plans for their employees – if only paid-time-off allowances and employee-pay-all coverage. A company opting for an "all cash" compensation program certainly would be disadvantaged competitively in the employment marketplace.
- **Benefits are tax-advantaged:** Unlike pay, which is subject to federal and state taxes, most benefits enjoy either a tax-exempt or tax-deferred status. This enables employers to take

current-year tax deductions for expenditures without directly or immediately increasing employees' taxable income.

➤ **Employees want benefits:** Employees are accustomed to receiving benefit coverage as part of their total compensation. They realize that because of tax advantages and economies-of-scale, they are better off having their employers provide benefits. This is evident especially in flexible (cafeteria) plans where most employees forego cash pay-outs for benefit choices.

➤ **Benefits support employer strategies:** Companies find that certain benefits are often more effective than pay in helping to achieve objectives related to recruitment, retention and motivation of employees, cost management, and social responsibility. Examples of this are profit-sharing plans, work-and-family programs and flexible benefit plans.

The bottom line is every organization is different – different employees with different cultures, different needs and different objectives (Jensen & McMullen, 2007:157). Effective benefits will align employee needs with the organization's goals, and this is based on careful research into what employees want.

### **Researchers Views:**

Over the past four decades, economists have given job satisfaction increasing attention. Job satisfaction is negatively related to job turnover (Freeman, 1978, McEvoy and Cascio, 1985, Akerlof et al., 1988, Weiss, 1984), absenteeism (Clegg, 1983), and positively related to productivity (Mangione and Quinn, 1975). Therefore it is useful to understand which job characteristics and provisions increase job satisfaction. Although fringe benefits stand as an important piece of worker compensation packages they have not been given much attention in the job satisfaction literature.

Fringe benefits have merely acted as controls in most studies and not as the primary subject of scrutiny. Indeed, more than one or two measures of fringe benefits are rarely found as independent variables in job satisfaction studies. Rather, pensions often act as the predominant proxy for fringe benefit provision within the job satisfaction literature and consequently the estimated impact of fringe benefits on job satisfaction. Some studies find that pensions do not significantly impact job satisfaction in cross-section estimates. Artz (2008) uses the Working in Britain 2000 dataset and finds that pensions have no significant impact on job satisfaction.

Donohue and Heywood (2004) find a similar result in the tenth wave of the National Longitudinal Survey (NLS) regarding employer-provided retirement plans. Others find that pensions positively impact job satisfaction.

Heywood et al. (2002) use the 1991 – 1994 waves of the British Household Panel Study finding that pensions negatively impact job satisfaction in cross section estimates. Finally, Luchak and Gellatly (2002) study the impact of pension accrual on job satisfaction using a dedicated sample of 429 employees in a large, unionized public utility company in Canada. They posit that as employees' pensions increase in value over their job tenure, workers may feel more vulnerable to job loss since firms may opportunistically layoff employees to reduce pension liabilities. The authors use this hypothesis to explain their result that pension accrual decreases job satisfaction.

Donohue and Heywood (2004) report positively significant estimates for such variables as paid vacation and sick pay but no significance for any of the remaining benefits: child care, pension, profit sharing, employer provided training/education and health insurance.<sup>4</sup> Uppal (2005) uses a measure comprised of the number of fringe benefits employees receive and finds that this is positively related to job satisfaction.

Benz (2005) includes most of the fringe benefits found in NLS waves 1994- 2000 in his study of employees of non-profit organizations and finds only two out of nine fringe benefits are positive and significantly related to job satisfaction and that one is negative and significant. Another field of study examines the impact of family friendly work policies on job satisfaction and is yet another source of research that includes multiple fringe benefit measures.

Bryson et al. (2005), using the linked employer employee British Workplace Employee Relations Survey of 1998, find that the availability of family friendly policies do not significantly increase job satisfaction.

The ambiguous results of past estimates arise primarily from the conflicting theoretical effects that fringe benefits can have on job satisfaction, but theory may not be the only explanation for the differences. Some of these mixed results may stem from the use of alternative sources of data

or from the institutions of different countries, primarily the United States and Britain. Yet another source of the inconclusive results could be dependence on potentially biased methods of estimation that fail to control for worker fixed effects or the possible endogeneity of fringe benefits.

First, as an alternative to controlling for fixed effects using panel data, researchers often control for a variety of selection biases in their cross-section estimates. Bender and Heywood (2006) control for workers' selection into the academic sector or nonacademic sector by using instruments correlated with sector choice but not with job satisfaction.

McCausland et al. (2005) use instruments to control for worker selection into performance pay schemes and find that selection is only evident among workers who do not receive performance-based pay. Bryson et al. (2005) control for worker selection into unions and find that union membership does not impact worker job satisfaction.

Therefore, researchers do agree that non-random worker sorting into various workplace characteristics is evident. Without accounting for worker sorting, the mixed cross-section results may be unreliable. Unobservable individual preferences decide, at least in part, the worker's job satisfaction but also what fringe benefits workers receive. In order to discover the true impact of fringe benefits on job satisfaction, we must first hold the effects of unmeasured individual preferences on job satisfaction fixed and only allow observable worker and job characteristics including the provision of fringe benefits to vary. This is only possible by using panel data. As workers move from job to job, their preferences are assumed to remain constant but their fringe benefits are allowed to vary.

Therefore, if worker job satisfaction changes, it is due to changes only in fringe benefits and other measurable characteristics. In this way, fringe benefits are identified as additional determinants of job satisfaction. Second, a formal test of endogeneity between fringe benefits and job satisfaction has not been undertaken. Although not with job satisfaction, fringe benefits such as pensions, health insurance and paid vacations have been found to be endogenous in wage regressions and thus result in simultaneity bias in ordinary least squares estimates (Jensen and

Morrisey, 2001). Since wages and job satisfaction are highly related, it is possible that endogeneity between fringe benefits and wages could raise a similar simultaneity bias between fringe benefits and job satisfaction. Therefore, a test for endogeneity should be employed to be certain that a two-stage least squares estimation is not required to control for the correlation in the error terms that jointly determine job satisfaction and fringe benefits.

The following section discusses the results of previous research as well as the importance of controlling for fixed effects and testing for endogeneity in determining the relationship between fringe benefits and job satisfaction. Section three outlines the data and empirical methodology used to control for fixed effects and endogeneity. Section four discusses the results, section five outlines further robustness checks and the final section concludes.

### **Data and Methodology:**

The data used are employee of Gokul Knits ,Tirupur.Data contain a measure of overall attitude ,job satisfaction and dozens of control variables including occupation and industry codes as well as demographic and job characteristics. The means, Chi-square test,ANOVA and T-Test definitions of all utilized variables taken are presented and are categorized by number of fringe benefits workers claim to have.

In internal labor markets, payment and correspondingly fringe benefits are tied more to the job than to the individual (Creedy and Whitfield, 1988). Those jobs that offer the most fringe benefits are more likely to be in big firms where internal promotion is more possible. These jobs are also more likely to offer higher wages, implying that fringe benefits are not only tied to wages but also may be the result of a tournament structure within firms. As a result, those workers at the top of the tournament ladder not only have more fringe benefits and wages but may also have a higher job satisfaction as well.

The main objective of the study

- To know the existing fringe benefits in the Industry
- To find out the satisfaction level over the existing Fringe benefits.
- To find out the employees unsatisfied needs & provide valuable information for the improvement.

## Analysis and Results

The analysis inferred that about 74% of respondents are male. Major respondents are belongs to the age group of 31-35 & 90% are married. It also observed that they having minimum qualification (i.e) SSLC and higher income group falls between ₹5000 to ₹ 8000.

### *1.Existing Fringe benefits status in the Tirupur industry is as*

Existing Fringe Benefits	Yes	Percentage	No	Percentage
Conveyance	0	0	200	100
Boarding & lodging	0	0	200	100
Transport Facility	193	96.5	7	3.5
Medical expenses	196	98	4	2
Superannuation fund	33	16.5	167	83.5
Telephone usage	58	29	142	71
Conference expenses	26	13	174	87
Prepaid Meal Card	171	85.5	29	14.5
Food or Beverage	20	10	180	90
Festival Celebration	200	100	0	0
Health club	10	5	190	95
Scholarship for Kids	200	100	0	0
Retirement Plans	200	100	0	0
Insurance Plans	200	100	0	0

From the table it is observed that conveyance, boarding & lodging benefits not existing in the company. Health club, food or beverage, Conference expenses and superannuation fund benefits are almost not offered.

### *2. Criterion of allocating different fringe benefits:*

Paying employees well is important; don't make any rash decisions on salary. Think carefully about how much the position should pay and base salaries according to performance, not relationships or loyalty. Encourage employees to voice concerns about anything in the company, including issues such as salaries and fringe benefits. The employee's fringe benefits package ,

employee receives mandatory (required by law) and optional fringe benefits that the company and/or the employee pay for such as social security (FICA), state unemployment (SUTA), federal unemployment (FUTA), Medicare, retirement, and a variety of insurance coverage such as medical, prescription, accident, vision, dental, life, disability, and health savings programs. A comprehensive fringe benefits package will result in higher employee retention. Again, there is no magic formula, but a very good fringe benefits package is a part of our corporate strategy to reduce turnover and thus save time and money.

Each employee will be interested in different fringe benefits and sometimes this may be impacted by age. For example, an older employee may be more interested in the fringe benefits that address medical care, disability, and retirement. The younger employees may focus more on vacation time and less on medical insurance that they rarely use. The key is to provide a balanced package that addresses all ages and needs. However, fringe benefits need to be considered in budget (since all of this will impact your company's bottom line), and have a choice of phasing in benefits over time or setting up a strong program from the beginning.

#### ANOVA

<i>Factors</i>	<i>F</i>	<i>Sign</i>
Age	0.097	0.962
Educational Qualification	1.572	0.183
Designation	0.622	0.683
Experience	0.793	0.531
Income Level	1.010	0.403

#### t-TEST

<i>Factors</i>	<i>F</i>	<i>Sign</i>
Gender	0.023	0.879
Marital Status	0.109	0.742

Opinion about criterion of allocating the fringe benefit is most important for the job satisfaction, in my survey it was studied with respect to socio economic factors of respondent's. Further it is concluded that, Socio economic factors are not influencing the opinion in the criterion of allocating the benefits except income level factor. The opinion regarding the segregation and allocation of fringe benefits is varying between experience, education, job and income level.



### 3. Satisfaction of welfare facilities.

The estimated impact of the particular fringe benefits lack wide-ranging significance in determining fringe benefits. The significantly positive impact on job satisfaction. In addition, the fringe benefit count variables show no significant relationship with job satisfaction all workers with at least one fringe benefit enjoy significantly increased job satisfaction, except for those workers with three fringe benefits. Thus estimates of individual satisfaction are inconclusive in determining the relationship between fringe benefits and job satisfaction.

Welfare Facilities	ANOVA										t-Test			
	Age		Education Qualification		Designation		Experience		Income		Gender		Marital Status	
	F	sign	F	sign	F	sign	F	sign	F	sign	F	sign	F	sign
First aid facilities	0.8	0.5	1.8	0.1	0.9	0.5	1.5	0.2	2.6	<b>0.03</b> *	0.0	0.9	1.2	0.3
Provident fund	1.4	0.2	0.3	0.9	0.9	0.5	0.5	0.7	0.8	0.5	0.0	0.8	0.05	0.8
Insurance	1.4	0.3	0.9	0.4	0.2	0.9	0.2	0.9	0.2	0.9	0.0	0.9	0.08	0.8
Gratuity	0.9	0.5	0.3	0.9	1.0	0.4	0.4	0.8	0.7	0.6	0.0	0.9	0.9	0.3
Recreation	1.5	0.2	0.9	0.5	1.4	0.2	1.3	0.3	0.0	0.9	0.2	0.7	0.5	0.5

The workers' job satisfaction and fringe benefit provisions may be simultaneously determined. In other words, unmeasured determinants of job satisfaction might also determine fringe benefits for employees. However in this case, job satisfaction and fringe benefit variables are categorical. From the analysis found that there is no influence between levels of satisfaction of welfare facilities among all socioeconomic factor except First aid facilities in income level. Both males

and females seem to value similar fringe benefits including flexible work hours, parental leave and employer provided child care. However, only females significantly value pensions while only males value profit sharing. Therefore fringe benefits are significant determinants of job satisfaction for both males and females.

#### *4. Level of Employees Satisfaction influenced by socio economic factor.*

<b>Level of Employee Satisfaction</b>	<b>Age</b>	<b>Educational Qualification</b>	<b>Designation</b>	<b>Experience</b>	<b>Income</b>	<b>Gender</b>	<b>Marital Status</b>
Am satisfied with the additional benefits provided by the company	0.756	0.686	0.289	0.555	0.166	0.691	0.458
Canteen	0.373	0.946	0.330	0.745	0.832	0.989	0.880
Transport	0.801	0.820	0.781	0.347	0.715	0.598	0.606
Restroom	0.915	0.967	0.443	0.782	0.698	0.641	0.581
Working Environment	0.314	0.998	0.842	0.528	0.134	0.743	0.242
Feel proud to be part of the organization	0.343	0.993	0.507	0.923	0.565	0.840	0.931
Have enough freedom in the job	0.453	0.067	0.668	0.486	0.664	0.834	0.238
Always get feedback about my performance	0.319	0.733	0.571	0.703	0.975	0.890	0.269
Feel that the working condition are good in organization	0.931	0.244	0.367	0.849	0.812	0.774	0.981

The resource utilization is good in the company	0.495	0.433	0.832	0.931	0.559	0.231	0.798
The company always ensures health and safety of employee	0.437	0.378	0.627	0.708	0.758	0.181	0.911
Am receiving reasonable compensation	0.762	0.847	0.165	0.595	0.893	<b>0.034*</b>	0.640

To examine the prevalence of the role of fringe benefits in job satisfaction, several further tests are undertaken. The results are shown in above table. As anticipated, six of the seven Socio economic factors positively impact job satisfaction of workers while only one significantly impacts the job satisfaction of those with no dependents at home. It reveals that there is no difference in the satisfaction level among socio economic groups. The satisfaction of employee does not get affected with socio economic factors. If the company develop new strategies & design attractive facilities in order to construct a good organization climate with loyal employees.

### Conclusion

Employees today are different. They are not the ones who don't have good opportunities in hand. As soon as they feel dissatisfied with the current employer or the job, they switch over to the next job. The most important elements for employee retention are providing good benefits to the employees. Monetary rewards are fast forgotten, so organization can try something that will stay forever. Fringe benefits make up a significant portion of compensation packages paid to employees, but their impact on worker job satisfaction has yet to be given much attention. Fringe benefits can affect job satisfaction in opposing ways. Fringe benefits are generally less taxed than wages; they can be purchased at less cost through an employer than if bought on the market. Fringe benefits are often desirable pieces of compensation packages and so increase job satisfaction. Although the pooled cross-section estimation offers more compelling results, unobservable characteristics not measured and therefore not included in the cross-section

estimation can bias the estimated impact of fringe benefits on job satisfaction. Moreover, fringe benefits may be simultaneously determined with job satisfaction. If fringe benefits are indeed endogenous, then their estimated impact on job satisfaction will be biased. To further investigate the proposition that fringe benefits are significant determinants of job satisfaction. The results suggest there is no significant difference between the preferences for fringe benefits between males and females.

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