



## Role of Fringe Benefits on Job Satisfaction of the Employees

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**Abstract:** 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. The study investigates the impact that fringe benefits have on job satisfaction and employee engagement. The study found out that fringe benefits significantly influence job satisfaction and employee's engagement. This depicts that employees experience a higher level of motivation from their fringe benefits. Therefore, this study then recommend that management should add these indicators of fringe benefits in their employee's compensation plan in order to retain their loyal employees and increase organizations productivity in the long -run.

**Keywords:** tax advantages, fringe benefits, job satisfaction

### Introduction

In organization, whether they are private companies, public undertakings or governmental bureaucracies, job satisfaction assumes increasingly higher significance. Any individual organization requires not only machines, raw materials, factory buildings, furniture and money, but also human resource to run the organization efficiently. The speed of achieving the economic goals will depend on how the persons work and also on the optimal social and physical conditions in which they work. In the earlier days the management considered the raising of pay packet to be the solution to all human problems in the industries. Pass on the days the progress and industrial relations depends not only on the rise in salaries but also by job satisfaction of the employers. If employees are satisfied with their jobs,

there is an increase in organizational productivity, a reduction in labour turnover and rate of accidents, and there also is good job performance. In the modern industrial era, proper utilization of man power including women labour is the one of the innovative techniques. Meanwhile, total compensation package or fringe benefits 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). Today's managers do not believe that their organization's compensation programs are effective in getting the desired results for which they are held accountable (Jensen & McMullen, 2007:2). For most managers, compensation is their largest controllable operating expense. If it is successfully managed, the compensation offered to employees gives them a great tool to achieve the best possible business results.



When managers or employees criticize the organization's remuneration packages or reward structures, it is often assumed that money is the reason. But people or employees are motivated by more than just money. According to Jensen and McMullen (2007:5), some people say that money is not a motivator for them at all. 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. 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.

#### General objectives

The general objective of this paper is to study the features of fringe benefits and to analyze the impact of fringe benefits on job satisfaction of the employees basing on the earlier studies.

#### Research Methodology

Secondary source information is taken for the study.

#### Features of Fringe Benefits

- They are supplementary forms of compensation.
- They are paid to all the employees (unlike incentives which are paid only to the extra ordinary performers)

based on their membership in the organization

- Fringe benefits are indirect compensation because they are extended as a condition for employment and are not directly related with the performance.
- These benefits may be statutory or voluntary. For example Provident funds are statutory but the transportation facility is voluntary.
- These benefits help raise the living standards of the employees.

#### Types of fringe benefits

##### *Payment for Time not worked*

**Hours of work:** Factory's Act , 1948 specifies that no adult workers shall be required to work in factory more than 48 hours a week. In some organizations number of working hours per week are less than the legal requirements.

**Paid Holidays:** According to Factory's Act, 1948 an adult worker shall have a weekly paid holiday, normally Sunday. When a worker is deprived of weekly paid holidays he/ she is to be compensated with the same number of holidays in the same month. Some organizations offer two weekly paid holidays.

**Shift Premium:** Workers working on odd shift are to be compensated with more than the normal wage rate, generally known as premium.

**Holiday Pay:** Generally organizations offer double the normal rate to those workers who work on holidays.

**Paid Vacation:** Workers in mining , manufacturing and plantation who have worked for 240 days in year are entitled for paid vacations at a rate of 1 day for every 20 days worked in case of adult workers and 1 day for every 15 days worked in case of child workers.



### ***2. Employee Security***

Physical and job security to the employees should also be provided with a view to ensure security to the employee and his family members. When the employee's services get confirmed, his job becomes secure. Further, a minimum and continuous wage or salary gives a sense of security to the life.

**Retrenchment Compensation:** The Industrial Disputes Act, 1947 provides for the payment of compensation in case of lay off and retrenchment. The non-seasonal industrial establishments employing 50 or more workers have to give one month's advance notice or one month's wages to all the employees who are retrenched after one year's continuous service. The compensation is paid at the rate of 45 day wage for every completed year of service. Workers are eligible for compensation as stated above in case of closing down of undertakings.

**Lay Off Compensation:** In case of lay off the employees are entitled to lay off compensation at the rate equal to 50% of the total of the basic wage and dearness allowance for the period of their lay off except for the weekly holidays. Lay off compensation can normally be paid up to 45 days a year.

### ***3. Safety and Health:***

Employee's safety and health should be taken care in order to protect the employees against accidents, unhealthy working conditions and to protect the worker's productive capacity. In India, Factory's Act, 1948 stipulated certain requirements regarding working conditions with a view to provide safe working environment. These provisions relate to cleanliness, disposal of waste and effluents, ventilation and temperature, dust and fumes, artificial humidification, overcrowding, lighting,

urinals, drinking water, latrines, spittoons etc.

Provisions relating to safety measures include fencing of machinery, work on or near machinery in motion, employment of young persons on dangerous machines, self-acting machines, casing of new machinery, hoists and lifts excessive weights, lifting machines, chains, ropes explosive or inflammable dust, gas etc.

### ***4. Workmen's Compensation***

In addition to safety and health measures, a provision for payments of compensation has also been made under the Workmen's Compensation Act, 1923. The Act is intended to meet the contingencies of death and invalidity of worker due to employment injury and occupational diseases specified under the Act as the sole responsibility of employer. Under the Act the amount of compensation depends upon the nature of injury and monthly wages of the employee. Dependents of the employee are eligible for compensation in case of death of the employee.

### ***5. Health Benefits***

These benefits include:

**Sickness benefits:** Sickness benefit is roughly 50% of average daily wages and is payable for 91 days during 2 consecutive benefit period.

**Medical benefit:** The Employee's state Insurance Scheme provides full medical care in the form of medical attendance, treatments, drugs and injections, specialist consultation, and hospitalization to insured person and also to members of their families where the facility has been extended to the families.

**Temporary Disablement benefits:** TDB is payable to an employee suffers from employment injury or occupational diseases and is certified to temporarily incapable of work.



**Permanent Disablement Benefit:** PDB is payable to an employee who suffers permanent residual disablement as a result of employment accident or occupational diseases. The maximum rate of PDB can be equal to TDB.

**Maternity Benefits:** Maternity benefits is payable to and insured women in the following cases subject to contributory conditions: - (a) Confinement, (b) Miscarriage or medical termination of pregnancy (MTP), (c) sickness arising out of pregnancy.

**6. Voluntary Arrangement**

However, most of the large organizations provide health services over and above the legal requirements to their employees free of cost by setting up hospitals, clinics, dispensaries, and homeopathic dispensaries. Company's elaborating health service programs include:

Providing health maintenance services, emergency care, on the job treatment for

minor complaints, health counseling's, medical supervision in rehabilitation, accidents and sickness prevention, health education programmes, treatment in employee colonies etc.

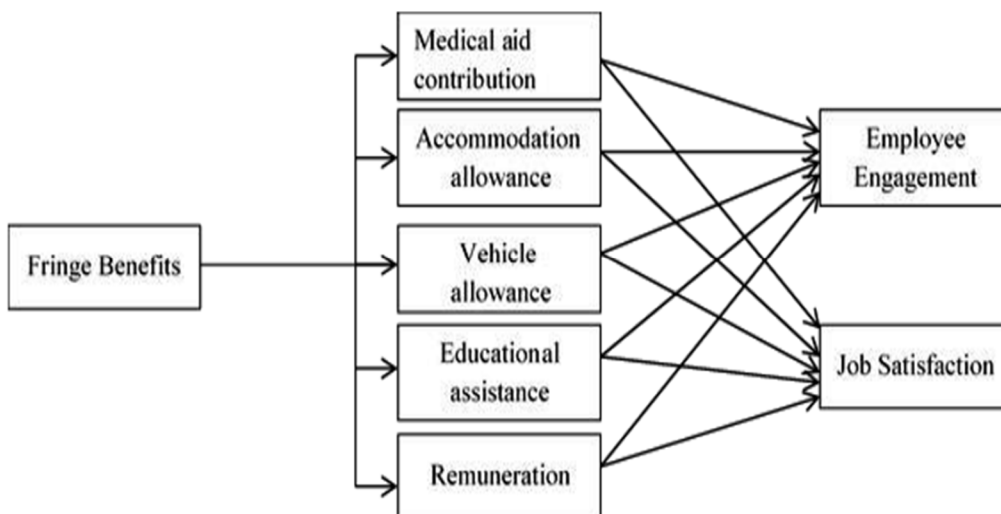
Medical benefits are extended to employee family members and to the retired employees and their family members.

Small organizations which cannot setup hospitals provide the medical services through local hospitals and doctors. Sometimes they provide reimbursements of medical expenses borne by the employee.

**7. Welfare and Recreational facilities**

These benefits include canteens, consumer stores, credit societies, housing, legal aids, employee counselling, welfare organization, holiday homes, educational facilities, transportation, picnics and parties etc.

Proposed theoretical framework of the impact of fringe benefits on job satisfaction





**Total reward model of fringe benefits and job satisfaction**

In the view of Armstrong (2006) total reward describes a reward strategy that brings components such as learning and development together with aspects of the work environment, into the benefits package. In the total reward system, both tangible and intangible rewards are considered valuable. Tangible rewards arise from transactions between the employer and employee and include

rewards such as pay, personal bonuses and other benefits. Intangible rewards have to do with learning, development and work experience. Examples of these types of rewards are opportunity to develop, recognition from the employer and colleagues, personal achievement and social life. The aim of total reward is to maximize the positive impact that a wide range of rewards can have on motivation, job engagement and organizational commitments. The components of the total reward can be described



**Impact of fringe benefits on employees' job satisfaction**

Many researches have been made recently on the impact of fringe benefits on employee engagement and job satisfaction. Over the past four decades, economists have given job satisfaction and engagement 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 and employee engagement. 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 and employee engagement studies. Rather, pensions often act as the



predominant proxy for fringe benefit provision within the job satisfaction and employee engagement literature and consequently the estimated impact of fringe benefits on job satisfaction and engagement.

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. A. STEYN (2010) also finds that fringe benefits showed a low practically significant with employee engagement.

In another study, Chukwudumebi and Kifordu (2018) concluded that fringe benefits play a vital role in the level of employees' morale and productivity of companies and there is an association between fringe benefits and welfare matters. These researchers (Artz (2008) and Donohue and Heywood (2004) studies analyzed only pensions as part of fringe benefits impact on employee's job satisfaction.

Again, the study by A. Steyn (2010) and Chukwudumebi and Kifordu (2018) also did not indicate which variable of fringe benefits have low practical significance with employee engagement and which variable of fringe benefits also play a vital role in the level of employee's morale and productivity of companies respectively. Meanwhile, fringe benefits include several variables. Through this research, an effort has been made to analyse different variables of fringe benefits impact on job satisfaction and employee's engagement. This research has been made for the Sinapi

Aba Savings and Loans Limited (SASL) within Ghana and has analyzed which variable of the fringe benefits among the four (medical aid contribution, accommodation allowance, vehicle allowance and educational assistance) appears to have an impact on job satisfaction and employee's engagement and should be made the part of employee's compensation plan in order to attract and retain employees in the organization

Ransford Adjeikwame investigated the impact that fringe benefits have on job satisfaction and employee engagement at Sinapi Aba Savings and Loans Limited. Specifically, the study was to determine the impact of fringe benefits on employee engagement, to determine the impact of fringe benefits on job satisfaction and to gain better knowledge of the structuring of remuneration packages. The sample consisted of ten (10) branches of Sinapi Aba Savings and Loans Limited representing 20.83% of the research branches. 300 questionnaires were distributed, 270 questionnaires were filled and returned for analysis which represents 90% of response rate of the sampled research population.

The study employed descriptive statistics method for presenting and summarizing bio-data. The researcher also analysed collected data using Statistical Program for Social Sciences version 25. Statistical instrument used for the research analysis were inferential statistics, specifically multiple regression. The study showed that fringe benefits significantly influence Employees Engagement and Job Satisfaction (JS) at Sinapi Aba Savings and Loans Limited. The findings indicated that, among the four indicators of fringe benefits used as independent



variables (Medical aid contribution, Accommodation allowance and Educational assistance). were statistically significant in predicting employee's engagement at. The study also indicated that, (Medical aid contribution, Accommodation allowance and Vehicle allowance) were statistically significant in predicting job satisfaction at. This study then recommends that management should add these indicators of fringe benefits in their employee's compensation plan in order to retain their loyal employees and increase organization's productivity.

Charith.B in his paper found that the effect sizes for fringe benefits between Delhi and Mumbai indicate a small, non-practically significant difference. The effect size between Delhi and Delhi indicate a practically important difference. The effect size between Mumbai and Delhi indicates a high practically important difference. The mean values for the three demographical areas indicate that the employees in Delhi experience a higher level of motivation from their fringe benefits than the employees in Mumbai and Delhi. These indicators can be analyzed to determine the fringe benefits that cause the employees in Delhi to be more satisfied. The remuneration packages of the employees in Mumbai and Delhi can then be amended with the fringe benefits similar to that of the employees in Delhi. The proposed area that needs to receive additional focus is that of the cash component of the remuneration package.

R.Saranya (2017) in his study found that 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.

### Conclusions

The study investigates the impact that fringe benefits have on job satisfaction and employee engagement. The study found out that fringe benefits significantly influence job satisfaction and employee's engagement. This depicts that employees experience a higher level of motivation from their fringe benefits. Therefore, this study then recommend that management should add these indicators of fringe benefits in their employee's compensation plan in order to retain their loyal employees and increase organizations productivity in the long - run. Although some of these fringe benefits are provided, much still need to be done to attract and retain their loyal employees in this competitive business



environment. Employers should also improve the remuneration packages of their employees so they can adequately meet the needs of their families. The statistical data also indicates that all employees are overall motivated with an acceptable level of job satisfaction and engagement. The proposed area that needs to receive additional focus is that of the cash component of the remuneration package.

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