



## A Study on Employees Attitude towards Fringe Benefits

Kratika Sharma<sup>1</sup> and Nitin Jaiswal<sup>2</sup>

<sup>1</sup>Assistant Professor, Department of Management Studies, Modern Institute of Technology and Research Centre, Alwar, Rajasthan, INDIA

<sup>2</sup>Head, Department of Training and Placement, Modern Institute of Technology and Research Centre, Alwar, Rajasthan, INDIA

<sup>1</sup>Corresponding Author: skritika.89@gmail.com

### ABSTRACT

For any organization to compete favorably in the competitive society, employee's attitudes and commitment towards work goes a long way in determining the employees' performance and organization productivity. The main objective of this study is to examine the effect of incentives packages on employee's attitudes towards fringe benefits. The results show that strong relationship exists between incentives packages and employee's attitudes towards fringe benefits. However, employers of labor and decision makers should endeavor to review incentives packages at various levels in order to earn employees' commitment and satisfaction. This examination proposes that representative view of the advantages gave to them by their association can impact worker states of mind. Three factors that seem to impact the view of advantages by representatives are advantage

fulfillment, advantage significance, and the apparent thought process of the association in giving the advantage to workers. Notwithstanding, it additionally creates the impression that a few advantages are seen as rights that are owed to workers by the association. This investigation proposes and tests a model of advantage discernment that fuses these elements. Results recommend that advantage fulfillment and the apparent thought process of the association in giving an advantage both have an immediate association with representative mentalities. The apparent right status of an advantage seems to direct this relationship. Compensation or Right: An Analysis of Employee "Fringe" Benefit Perception.

**Keywords--** Job Satisfaction, Benefits, Compensation, Employee Attitudes

### I. INTRODUCTION

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 [1]. If asked about their organization's compensation programs, most managers criticize them as not working [2]. This statement reflects the opinion of various managers in the corporate world, as they are powerless with regards to the compensation of their employees and the limitations which are placed by the laws of the organization on the structuring of their employee's remuneration packages. Managers have the authority to make major business decisions sometimes worth millions of Rupees, but they don't always have the authority to change the structure of their employees' remuneration packages [2]. Most remuneration packages are based on market related information, and one can ask

the question – do these market related rewards reflect the contribution that a specific employee makes to an organization? [2].

Today's managers do not believe that their organization's compensation programs are effective in getting the desired results for which they are held a countable (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 (2), some people say that money is not a motivator for them at all. According to McCaffery and Harvey, 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 labor 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.

**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 [2]. Effective benefits will align employee needs with the organization's goals, and this is based on careful research into what employees want what the organization offers, what it wants to offer, and ultimately what it can afford to offer.

## II. DEVELOPMENT OF FRINGE BENEFITS

Brief consideration of some of the Factors that have contributed to the development of fringe benefits in recent years. These are: [14]

- (a) The rise of personnel management,
- (b) The quest for economic security,
- (c) The growth of unions in membership and economic power, and

- (d) The administration of wage controls during World War II.

## III. JOB AND BENEFIT SATISFACTION

As a manager in the modern organization, one must be fully aware of the diverse cultures in the organization as well as the human resources practices needed to establish the best workable solutions for an optimal reward strategy. If one has all these aspects successfully implemented in the organization, it would ultimately lead to better individual and organizational performance [2]. The manager cannot force people to perform nor can he satisfy all their needs, but he is, however, able to create a motivating climate in which his employees are motivated to perform well and to experience job satisfaction [2]. According to Milkovich and Newman, some of the advantages of a successful compensation structure are:

- People join a firm because of pay structures
- People stay in a firm because of pay structures
- People agree to develop job skills because of pay
- People perform better on their jobs because of pay

Most well-known theories on the principle of motivation revolve around the idea that an employee's needs influence his motivation. An employee's needs could be characterized as physiological or psychological deficiencies that trigger specific behavior from the employee. The needs of employees could vary over time and place and are subject to the influence of external and environmental factors. This implies that people will react to satisfy those needs that are not fully satisfied (3).

### *Herzberg's Two-Factor Theory*

The two-factor theory (also known as dual-factor or motivation-hygiene theory) defines that there are certain factors in an organization that lead to job satisfaction, while different ones cause dissatisfaction. It was developed by psychologist Frederick Herzberg, who theorized that job satisfaction and job dissatisfaction act independently and not the opposites of each other; satisfied employees are not necessarily more productive than unsatisfied ones [12]. Herzberg's findings point out that certain characteristics of a job can be related to satisfaction (which opposite is No Satisfaction), while different factors are associated with job dissatisfaction (which opposite is No Dissatisfaction) [13].

**Factors for Satisfaction:** Achievement, Recognition, The meaning of work itself, Responsibility, Advancement, Growth

**Factors for Dissatisfaction:** Company policies, Supervision, Relationship with supervisor and peers, Work conditions, Salary, Security, Status

*Herzberg classified these job factors into two categories [11] such as:*

*Motivational factors*

The motivational factors yield positive satisfaction and cannot be regarded as motivators. These factors motivate the employees for a better performance and give positive satisfaction, arising from intrinsic conditions of the job itself, such as achievement, recognition or personal growth. Employees find these factors intrinsically rewarding. The motivators symbolized the psychological needs that were perceived as an additional benefit. Lack of these factors does not lead to dissatisfaction. Just lack of satisfaction [13]. Motivational factors include:

- Recognition
- Sense of achievement
- Growth and promotional opportunities
- Responsibility
- Meaningfulness of the work

#### **Hygiene factors**

Hygiene factors are those job factors which are essential for existence of motivation at workplace. These do not lead to positive satisfaction for long-term. But if these factors are absent or non-existent at workplace, then they lead to dissatisfaction. These factors are extrinsic to work it and describe the job environment/scenario and symbolized the physiological needs which the individuals wanted, and expected to be fulfilled. Improvement of these factors does not lead to satisfaction just helps to avoid dissatisfaction [12] [13].

#### **Hygiene factors include**

- Company Policies and administrative policies
- **Fringe benefits**
- Interpersonal relations
- Job Security
- Pay
- Physical Working conditions
- Status

## **IV. 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.

## **V. TYPES OF FRINGE BENEFITS**

### **1. 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 organisations 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 organisations 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 if 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.

## VI. OBJECTIVE OF THE STUDY

This research is to ascertain the extent of employees' attitude towards monetary and nonmonetary incentives in the course of their work. It is the aim of this paper to identify those incentives employees like best in their place of work and also discuss the various motivational techniques that can be used by management to encourage employees to heighten and increase productivity. This study will particularly attempt to appraise the different types of incentives and motivational tools it will assist management to find solution to practical human resource challenges in their place of work.

## VII. RESEARCH METHODOLOGY

Research methodology consist literature review. The literature review focuses on the structuring of remuneration packages, fringe benefits and their impact on job satisfaction and engagement.

## VIII. RESEARCH PROBLEM

Every organization could not last without their employees. Employees are the main reason an organization could exist for a long time. Employees join organizations with certain motives like security of income and job, better prospects in future, and satisfaction of social and psychological needs. Every person has different sets of needs at different times. It is the responsibility of management to recognize this basic fact and provide appropriate opportunities and environments to people at work to satisfy their needs. Employees have attitudes or viewpoints about many aspects of their jobs, their careers, and their organizations. The most common way of measurement is the use of rating scales where employees report their reactions to their jobs.

In today's competitive environment organizations thrive and survive on their human resources. Values, attitudes, perceptions and behavior, which form these

resources, influence employee performance. It is a key factor in realizing organizational and individual goals that in turn greatly depends on individual's self-motivation and job satisfaction.

## IX. SOURCES OF DATA COLLECTION

### SECONDARY DATA

Secondary data was collected through following sources.

- Available Books, Thesis and Dissertation
- Published research studies, journals, reports, articles, research papers, etc.
- Data through internet source

## X. LITRETURE REVIEW

### Employee Attitudes

Robbins (2003) defined attitudes as evaluative statements and they can be either favorable or unfavorable concerning objects, people, or events. Therefore they reflect how one feels about something. The favorable statements may provide positive effects regarding the concerned object, person or event whereas unfavorable statement may provide negative effects. An attitude is a positive or negative feeling or mental state of readiness, learned and organized through experience that exerts specific influence on a person's response to people, objects and situations. This definition of attitude has certain implications for managers. First, attitudes are learned. Second, attitudes define one's predispositions toward given aspects of the world. Third, attitudes provide emotional basis of one's interpersonal relations and identification with others. And fourth, attitudes are organized and are closed to the core of personality. Some attitudes are persistent and enduring; yet, like each of the psychological variables, attitudes are subject to change [4] the early family experiences help to shape the attitudes of individuals. The attitudes of young children usually correspond to those of their parents. As children reach their teen years they begin to be more strongly influenced by peers. Peer groups are able to influence attitudes because individuals want to be accepted by others. Teen ages seek approval by sharing similar attitudes or by modifying attitudes to comply with those of a group [5] stated that values and attitudes develop from early childhood onwards a result of upbringing, education and experience of life. He further declared that some people's attitudes set by their late twenties/ early thirties, and others seem to be able to retain certain flexibility throughout their life.

Lai (2011) [9] found that an efficient compensation system result in organizational growth and expansion and exhibit a positive relationship between employee satisfaction and job-based salary, skill-based pay and performance-based pay. The study concludes that the

intrinsic factors of motivation, including recognition, work, and career opportunities, professional growth, responsibility, good feeling about the organization that has a significant correlation with job satisfaction, while hygiene factors have no significant relationship with job satisfaction of employees satisfaction.[7]

## XI. CONCLUSION

The general objective of the study was to assess employee attitudes towards fringe benefits. The study established that security benefits contributed to employee self-development thus concluding that employment security benefits have a positive effect on employee.

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