

Impact of fringe benefits on job satisfaction



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This study was conducted to measure the impact of fringe benefits on job satisfaction. Questionnaire of this study containing nine factors of fringe benefits and sixteen items for measuring job satisfaction respectively were used for data collection from government sector organization AWC (AIR WAEPON COMPLEX). 34 questionnaires were filled by the employees. Correlation and regression tests were used to test the hypothesis. Fringe benefits are compensations given to an employee along with the regular salary being paid. Fringe benefits place like vital component of compensation but their part in shaping job satisfaction has been mixed at top. Fringe benefits characterize an enviable type of compensation but may result in low earnings and less job mobility. Fringe benefits are recognized as major affirmative determinants of job satisfaction. Fringe benefits have positive impact on job satisfaction. Employees who are now a day's hired for higher positions may be presented larger fringe benefits as encouragement to join a company.

Key words: Fringe benefits, compensation, job satisfaction, enviable

Introduction

IMPACT OF FRINGE BENEFITS ON JOB SATISFACTION

The impact of fringe benefits is not yet clear because in on way more fringe benefits given to employees may reduce job mobility or earnings but in other way fringe benefits also have positive impact on job satisfaction. Fringe benefits must raise job satisfaction.

There are several ways in which fringe benefits can effect job satisfaction. From all those first and foremost are that fringe benefits act as important <https://assignbuster.com/impact-of-fringe-benefits-on-job-satisfaction/>

element of workers compensation. Some benefits like medical insurance and social security are legally required by the employee.

Second way is that fringe benefit can act as substitutes for salaries. This substitution can enlarge job satisfaction if the employee's secondary income tax rate increases because by this way we can reduce the employee's tax burden.

Third way is that the substitution between salaries and fringe benefits can have negative impact on job satisfaction if employees locate they must give up salaries and agree to condition of a fringe benefit they do not inevitably wish. On the other hand, employees may locate a particular fringe benefit as fundamental. Since the estimated impact of fringe benefits on job satisfaction is uncertain, it is not unexpected that past investigation is full of loopholes. When incorporated in classic estimates, the impact of fringe benefits on job satisfaction is seldom considerable.

Fringe benefits locate as a key of employees compensation packages. Fringe benefits have simply acted as joystick in the majority studies and not as the prime focus of study. In fact, more than one or two procedures of fringe benefits are seldom found as independent variables in job satisfaction studies.

Some studies locate that pensions do not considerably impact job satisfaction. Others discover that pensions positively impact job satisfaction. The portion of employee whole compensation credited to fringe benefits has been going up in the last few decades. Health Insurance has been an important element of the employee's total compensation, particularly for <https://assignbuster.com/impact-of-fringe-benefits-on-job-satisfaction/>

those who would be disqualified to purchase it privately. As workers shift from job to job, their preferences are implicit to stay stable but their fringe benefits are allowed to differ. Therefore, if worker job satisfaction changes, it is due to changes only in fringe benefits and other quantifiable distinctiveness. In this way, fringe benefits are recognized as additional determinants of job satisfaction.

Problem Statement:

“ the impact of fringe benefits on job satisfaction”

Research Objectives:

How fringe benefits affect job satisfaction?

What is the relationship between fringe benefits and job satisfaction?

How fringe benefits and job satisfaction are related with each other?

How fringe benefits play vital role in influencing job satisfaction?

Significance Of The Research:

The purpose of research is to see the impact of fringe benefits on job satisfaction that how they are related to each other and how fringe benefits effect job satisfaction. Its purpose is also to find out dependency and independency of variables upon each other and to check that either fringe benefits increase job satisfaction or decrease job satisfaction means they effect positively or negatively to job satisfaction.

Literature Review

Job satisfaction is extent to which employees like or dislike their professions; basically how people think about their jobs (Spector, 1997). In daily lifetime job satisfaction is essential. Organizations have major effects on their employee and those effects are redirected that how employees feel about their work (Spector, 1997). Satisfying and optimistic state is a job satisfaction which results from one's job and knowledge of that job (locke 1976). Job satisfaction " as feeling of an end state" (Drever, 1964). Job satisfaction is a part of lifetime satisfaction. Life satisfaction can be influenced by one's job satisfaction as a feeling of employees with job, supervision and income and any employees career progress (Singh, 1990).

Survey conducted in 1999 in USA the most wide workplace survey " What Do Workers Want? Described that:

Maximum number of employees want a voice in how their workplace operates,

Maximum number of employees supports the formation of unions.

Through this survey it is showed that giving employees the opportunity to express their opinions would raise job satisfaction and increase productivity and profitability (Peter Hall-Jones).

In worker compensation important thing is Fringe benefit packages
(Benjamin Artz

Working Paper, 08 – 03)

There are several reasons for why employers choose to provide these fringe benefits and why employees choose to accept these benefits:

1. Health insurance and pensions they are tax deductible according to 1943 Internal Revenue Code and it is for the proprietor.
2. Health insurance should be provided to workforce because of organization's profitability.
3. Third key reason is Human Resource Management. Health insurance should be provided to that proprietor to whom their all family is dependent. (Wallace Mok and Zahra Siddique, September 2009).

Health insurance, and pension plans are the two main fringe benefits.

In USA 1997 fringe benefits are about 5.9 percent of the hourly average cost, but they are increases in 2008 about 8.4 percent. Any workers total compensation depends upon the Health Insurance. Workers who cannot obtain it privately these fringe benefits are important part for those employees. (Wallace Mok and Zahra Siddique, September 2009)

Job satisfaction can be improved by diverse job attributes such as fringe benefits. Conversely from the past there is a conflict in job satisfaction and fringe benefits. When an organization provides benefits to the employer it may lesser earnings or lessens job flexibility. So the impact of fringe benefits on job satisfaction hypothetical impact is not very clear (Benjamin, Artz Working Paper, 08 – 03)

In excess of the past four eras, job satisfaction is an important issue. Job satisfaction and job turnover they are adversely related (Freeman, 1978, McEvoy and Cascio, 1985, Akerlof et al., 1988, Weiss, 1984). Pensions are major alternative for fringe benefit facility in the job satisfaction and has it has impact on job satisfaction. Some revisions catch that pensions do not impact on the job satisfaction (Benjamin Artz Working Paper, 08 – 03). Particular authors include several fringe benefits as independent variables. Some significant variables such as sick pay and vacations that are paid but no significant variables such as child care, pension, sharing of profit, training of employees and education for their children and health insurance (Donohue and Heywood, 2004) .

Research Methodology

Research Design:

Purpose Of The Study:

The purpose of study is hypothetical because it is based upon some hypothesis that is to see the impact of fringe benefits on job satisfaction. The main purpose of this study is to explain the nature of relationship and to find out dependency and independency of variables upon each other.

Type Of Investigation:

The investigation we are using in research is causal because it is sort of investigation in which on variable is cause and other is effect. In our research the cause is fringe benefits and job satisfaction is effect.

Extent Of Researcher Interference:

The researcher interference is moderate because its influence is more than minimum level but less than excessive level. The researcher is allowed to interfere, interrupt, manipulate with the natural settings of study at moderate level. The researcher is taking structured procedure and using theoretical frame work.

Study Setting:

The study setting is normal (non-contrived) because we did not change the environment and research is conducted in same setting that is natural and non-contrived.

Study type in natural environment:

The study type in natural environment is field experiment because there exist a cause and effect relationship in normal studies. The cause is fringe benefits and effect is job satisfaction.

Unit Of Analysis:

The unit of analysis is group because the problem statement is related to group of employees of a company. The unit of analysis means what is your unit or sample of our experiment.

Time Horizon:

It is cross sectional studies because it is conducted only once in a time and we collect data only once and did not take data again and again.

Population:

Population of the study comprises of employees from the defense company.

We took the organization as a population for our research.

Demographics Characteristics:

The demographic section of the questionnaire shows the information about the age, gender, post. In the current sample, the number of male respondents are N= 25. The majority of the respondents are of age between 30-35 years.

Sample Size:

The sample size is 34 because we filled our questionnaires from 34 employees.

Sampling Technique:

The sampling technique which we used for our research is questionnaire.

In questionnaire we used to scales that are nominal scale and ordinal scale. Nominal scale is one that allows the researcher to assign subjects to certain categories or groups e. g. yes/no. Ordinal scale not only categorizes the variables in such a way as to denote differences among the various categories, it also ranks the categories in some meaningful way e. g. 1-5. we use nominal scale for independent variable i. e. fringe benefits and ordinal scale for dependent variable i. e. job satisfaction. We took questions for our questionnaire from different questionnaires.

Theoretical framework:

FRINGE BENEFITS

IM

GLI

ADDI

SNSDDI

LNSADDI

HI

DIP

PP

MILEAGE

I

JOB SATISFACTION

Independent Variable Dependent Variable

In our research we have taken two variables. Fringe benefits are independent variable and job satisfaction is dependent variable. We examine the impact of fringe benefits on job satisfaction and also see the relationship and dependency upon each other.

Data Analysis & Interpretation

Regression

Table 3

Descriptive Statistics

Table 3 shows Descriptive statistics for the impact of fringe benefits on job satisfaction. This table shows means and standard deviation for Dependent variable and Independent variable . It may be seen that the mean on job satisfaction is high (47. 7647) as was the mean on fringe benefits is (26. 7353). It means average of majority agreed about job satisfaction and average of majority neutral about fringe benefits.

Correlations

Table 4

It shows the relationship between fringe benefits and Job satisfaction. It is evidence from the

table that (0. 007) the values of the independent variable increases the values of the dependent

variable also increases which means that there is a positive correlation between the two

variables.

Hypothesis:

HO: fringe benefits have impact on job satisfaction.

HI: fringe benefits have no impact on job satisfaction.

Hypothesis Accept/Reject:

As p value is less than alpha that is $0.007 < 0.05$ so it means that H_0 will be rejected and H_1 will be accepted.

Model Summary

Table 5

The table shows that the value of R (.419) is the correlation of the independent variable with the

dependent variable. The R square (.176), which is the explained

variance, is actually square of the multiple R $(.419)^2$. This model is 17.6% fit. Fringe benefits

are responsible for 16.8% variance in job satisfaction. In other words 16% independent variable

is explained and other independent variables are unexplained. So there is need of other

independent variables to explain job satisfaction.

ANOVA

Table 6

The ANOVA table shows the overall impact of predictor on dependent variables. In this case F-

test ANOVA indicates mean squared deviations from the mean the results can be stated as:

$$F(1, 32) = 6.820, \hat{I}_{\pm} = .014$$

The degree of freedom of the explained and unexplained part of the data is from 1 and 32 where

as the calculated value of F (6.820) is larger at the .014, because here P value is greater

than alpha therefore rejects H_0 and accepts H_1 and conclude that model is fit for the prediction.

Appendix

Table 1 Descriptive statistics

N

Minimum

Maximum

Mean

Std. Deviation

Does the organization offer medical insurance

34

.00

1.00

.5294

. 50664

Does the organization offer family medical insurance coverage

34

. 00

1. 00

. 6471

. 48507

Does the organization carry a group life insurance for its employees

34

. 00

1. 00

. 0588

. 23883

Organization pays entire cost

34

. 00

1. 00

. 8824

. 32703

Employee pays entire cost

34

. 00

1. 00

. 7353

. 44781

Organization and employees share cost

34

. 00

1. 00

. 5000

. 50752

Does the organization carry AD&D coverage for its employees

34

. 00

1. 00

. 2647

. 44781

Organization pays entire cost

34

. 00

1. 00

. 7941

. 41043

Employee pays entire cost

34

. 00

1. 00

. 8824

. 32703

Organization and employees share cost

34

. 00

1. 00

. 4706

. 50664

Does the organization have a short-term non occupational sickness and accident disability insurance program

34

. 00

1. 00

. 7059

. 46250

Organization pays entire cost

34

. 00

1. 00

. 7941

. 41043

Employee pays entire cost

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34

. 00

1. 00

. 9412

. 23883

Organization and employees share cost

34

. 00

1. 00

. 9118

. 28790

Does the organization have a long-term non occupational sickness and
accident disability insurance program

34

. 00

1. 00

. 6176

. 49327

Organization pays entire cost

34

. 00

1. 00

. 9118

. 28790

Employee pays entire cost

34

. 00

1. 00

. 9706

. 17150

Organization and employee share cost

34

. 00

1. 00

. 6765

. 47486

Does the organization have a health insurance program

34

. 00

1. 00

. 4412

. 50399

Organization pays entire cost of employee coverage

34

. 00

1. 00

. 8529

. 35949

Employee pays entire cost of employee coverage

34

. 00

1. 00

. 9412

. 23883

Organization and employee share cost of employee coverage

34

. 00

1. 00

. 5882

. 49955

Are dependent covered under the health insurance plan

34

. 00

1. 00

. 5588

. 50399

Organization pays entire cost of dependent coverage

34

. 00

1. 00

. 9118

. 28790

Employees pays entire cost of dependent coverage

34

. 00

1. 00

. 9706

. 17150

Organization and employees share cost of dependent coverage

34

. 00

1. 00

. 6176

. 49327

Does the organization have a dental insurance plan

34

. 00

1. 00

. 8824

. 32703

Organization pays entire cost of employee coverage

34

1. 00

1. 00

1. 0000

. 00000

Employee pays entire cost of employee coverage

34

. 00

1. 00

. 9706

. 17150

Organization and employee share cost of employee coverage

34

. 00

1. 00

. 8529

. 35949

Are dependents covered under the dental insurance plan

34

. 00

1. 00

. 8824

. 32703

Organization pays entire cost of dependent coverage

34

1. 00

1. 00

1. 0000

. 00000

Employee pays entire cost of dependent coverage

34

1. 00

1. 00

1. 0000

. 00000

Organiztaion and employee share cost of dependent coverage

34

. 00

1. 00

. 8824

. 32703

Does the organization have a pension plan

34

. 00

1. 00

. 0294

. 17150

Is it a defined benefit plan

34

. 00

1. 00

. 0588

. 23883

Does the organization provide mileage expense reimbursement

34

. 00

1. 00

. 4412

. 50399

Is mileage reimbursement included in per visit compensation

34

. 00

1. 00

. 5588

. 50399

Hours worked each week

34

2. 00

5. 00

3. 5882

. 82085

Flexibility in scheduling

34

1. 00

5. 00

2. 4118

1. 32842

Location of work

34

1. 00

5. 00

2. 4706

1. 39773

Amount of paid vacation time/sick leave offered

34

1. 00

5. 00

3. 0588

1. 47589

Salary

34

1. 00

5. 00

3. 2941

1. 03072

Opportunities for promotion

34

1. 00

4. 00

2. 0294

1. 19304

Benefits(health insurance, life insurance, etc.)

34

1. 00

5. 00

3. 1176

. 91336

Job security

34

1. 00

5. 00

4. 1765

. 90355

Relationships with your co-workers

34

1. 00

5. 00

3. 8235

. 93649

Relationships with your supervisor

34

1. 00

5. 00

3. 5882

1. 10420

Relationships with your subordinates

34

1. 00

5. 00

3. 5882

1. 18367

Opportunity to utilize your skills and talents

34

1. 00

4. 00

2. 3235

1. 22402

Opportunity to learn new skills

34

1. 00

5. 00

2. 4706

1. 39773

Variety of job responsibilites

34

1. 00

5. 00

2. 6765

1. 24853

Degree of independense associated with your work roles

34

1. 00

5. 00

3. 0000

1. 07309

Recognition for work accomplished

34

1. 00

4. 00

2. 1471

1. 23417

Valid N (listwise)

34

Table 2 Frequency Table

Does the organization carry a group life insurance for its employees

Frequency

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Percent

Valid Percent

Cumulative Percent

Valid

yes

32

94.1

94.1

94.1

no

2

5.9

5.9

100.0

Total

34

100.0

100.0

Does the organization have a short-term non occupational sickness and
accident disability insurance program

Frequency

Percent

Valid Percent

Cumulative Percent

Valid

yes

10

29.4

29.4

29.4

no

24

70.6

70.6

100.0

Total

34

100.0

100.0

Does the organization have a long-term non occupational sickness and
accident disability insurance program

Frequency

Percent

Valid Percent

Cumulative Percent

Valid

yes

13

38.2

38.2

38.2

no

21

61.8

61.8

100.0

Total

34

100.0

100.0

Are dependent covered under the health insurance plan

Frequency

Percent

Valid Percent

Cumulative Percent

Valid

yes

15

44.1

44.1

44. 1

no

19

55. 9

55. 9

100. 0

Total

34

100. 0

100. 0

Does the organization have a dental insurance plan

Frequency

Percent

Valid Percent

Cumulative Percent

Valid

yes

4

11.8

11.8

11.8

no

30

88.2

88.2

100.0

Total

34

100.0

100.0

Are dependents covered under the dental insurance plan

Frequency

Percent

Valid Percent

Cumulative Percent

Valid

yes

4

11.8

11.8

11.8

no

30

88.2

88.2

100.0

Total

34

100.0

100.0

Does the organization have a pension plan

Frequency

Percent

Valid Percent

Cumulative Percent

Valid

yes

33

97.1

97.1

97.1

no

1

2.9

2.9

100.0

Total

34

100.0

100.0

Does the organization provide mileage expense reimbursement

Frequency

Percent

Valid Percent

Cumulative Percent

Valid

yes

19

55.9

55.9

55.9

no

15

44.1

44.1

100.0

Total

34

100.0

100.0

Is mileage reimbursement included in per visit compensation?

Frequency

Percent

Valid Percent

Cumulative Percent

Valid

.00

15

44.1

44.1

44.1

no

19

55.9

55.9

100.0

Total

34

100.0

100.0

Table 3 Regression

Descriptive Statistics

Mean

Std. Deviation

N

JS

47.7647

10.95461

34

FB

26. 7353

4. 65350

34

Table 4 Correlations

JS

FB

Pearson Correlation

JS

1. 000

-. 419

FB

-. 419

1. 000

Sig. (1-tailed)

JS

•
. 007

FB

. 007

•

N

JS

34

34

FB

34

34

Table 5 Model Summary

Model

R

R Square

Adjusted R Square

Std. Error of the Estimate

Change Statistics

R Square Change

F Change

df1

df2

Sig. F Change

R Square Change

F Change

df1

df2

1

.419(a)

.176

.150

10.10008

.176

6.820

1

32

.014

a Predictors: (Constant), FB

b Dependent Variable: JS

Table 6 ANOVA

Model

Sum of Squares

df

Mean Square

F

Sig.

1

Regression

695.744

1

695.744

6.820

.014(a)

Residual

3264.374

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32

102. 012

Total

3960. 118

33

a Predictors: (Constant), FB

b Dependent Variable: JS

Charts

Results

Descriptive statistics in the form of arithmetic means and standard deviations for the respondents were computed for the multiple dimensions that have been assessed through the questionnaire.

Limitations

The research may not be generalized to all the organizations and work settings as the results are constrained by numerous limitations, most important of which is the small number of respondents. . It was important to ensure that respondents are willing to participate in the research because only that way we could have better assessed their intrinsic motivation level and as a result return rate was low. The another problem which we face were the time constraint and

limited access to respondents. Due to shortage of time it was impossible for us to contact a large number of respondents and which might have resulted in a higher return rate of responses, as well. We also face difficulty while accessing the respondents. Still another limitation was that the employees in most of the organizations showed apprehension to participate in the research, which was mostly due to the fear of the supervisor, and this thing gives an effective clue about the leadership style that prevail in the organization.