

**The Dynamics of Fringe Benefits:  
A Comparative study of Executive's Perception across various levels in the  
selected public vs. private sector organizations in a region in North India**

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**Abstract**

The present study aims at finding the executives perception towards the importance of fringe benefits vis a vis hard cash in their compensation package across various levels of management in the selected organizations in north India. A total of 237 executives from both public (151) and private (86) sector were part of the sample. The results showed that even though there are differences in the nature of fringe benefits in the public vs. private sector, both feel that fringe benefits are gaining increased importance these days as a tool for attracting retaining and motivating executives. The level wise analysis in both public and private sector shows that there is no difference in the executives perception at the Top and Junior level, while the Middle level executives differ regarding the importance of fringe benefits. In this light, new strategies for improving the fringe benefit plans has been outlined.

**Key Words:** Fringe benefits, Cafeteria plans/flexible benefits, childcare, wellness and employee assistance programmes

*“Management should offer employee benefit and services not because they have to, not only within legal limits and as a camouflaged form of bribery, but because such benefits and services are in line with the whole personnel program me.”*

**Pigou & Myers**

## **1. Introduction**

It is indeed interesting to note that though the concept of fringe benefits has not gained much consensus amongst the authors and wage administrators as such, it is of paramount importance in an executive's compensation package today. Any benefit program me initiated by the company envisages to achieve the objective of Attracting good employees; Increasing the employee morale; Reducing the turnover; Increasing job satisfaction; Motivating employees; Enhancing organizations image amongst its employees; Better use of compensation costs to name a few.

Fringe benefits are goods and services in addition to wage payments as conditions of employment, as incentives for greater work and efforts, as conveniences for the employer or as promoters of employee health goodwill and efficiency. In a very comprehensive study of fringe benefits, Moonman (1973) wrote that individual fringe benefits cost relatively little and although the thesis that they are a good investment is difficult to prove in conclusive terms, the general feeling in the light of experience is that this is so. The companies today are extending a basket full of benefits to their executives and these are increasing at a much faster pace as compared to their salaries and have assumed newer dimensions and proportions over the last few decades.

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Thanks to the intense competition posed by the MNC's. A typical benefit plan would encompass the following payments:

- I legally required payments (employee's share only).
- II Pension, insurance and other agreed upon payments (employers share only).
- III Paid rest periods, lunch periods, wash-up time, travel time, clothes change time, get ready time etc.
- IV Payments for time not worked.
- V Other items like 'family allowances' which are treated as fringe benefits in the western countries, are a part of regular wages and salaries in Japan.

Reasons for increased use of fringe benefit can be attributed to their nature of being non-taxable and are therefore advantageous to both employer and the employee, particularly the high earner (Beardwell and Holden, 1997). The importance of non-monetary forms of compensation rose rapidly in the 1960's and 1970's partially because tax rates were then rising and monetary income was taxed where as fringes were not (McKenzie, 1993).

The guiding motivating force behind showering the executives with these fringe benefits is to motivate them, to enhance their efficiency, keeping them satisfied and of course, providing them with a measure of economic and social security (Caroll, 1957). There is no doubt that fringe benefits are here to stay as they have a significant impact on the productivity, as buttressed by the experience of western countries like U.S. and U.K. and also in Indian firms.

Nevertheless, fringe benefits are also marred by certain controversies and doubts (Narain, 1973), but if they are dovetailed to the needs of the employees by tactics like "cafeteria system" in providing fringe benefits (Saylor & Strauss, 1977) on flexible compensation programme (Schuster, 1972) the motivational impact of fringe benefits can surely be increased (William & Becker, 1980). Today the fringe benefits are looked upon by both management and employees favorably (Dreyfack, 1966). There is no exaggeration in the point that the flexible benefits are fast appealing to the majority in the post liberalized scenario. The flexible or cafeteria "benefits plans", are the ones which give employees the option of selecting their benefits from a menu of choices in accordance with their individual needs.

They are gaining importance, especially in the light of new tax laws and a more versatile workforce for two reasons (Mckendrich, 1987 and Tanker, 1987). Firstly, employee demographics and expectations have seen radical changes since the private pension and benefits system was in its formative years and traditional approaches to pension were inappropriate, even unattractive for today's typical employee. Secondly, cafeteria plans offer flexibility to employer as well as to the employee, which can be used to gain control over the cost of benefits.

But at the same time people's inability to select the benefits that are good for them and their in competency at selecting their forms of payments puts a question mark on its success and validity (Mckenzie, 1993). The fringe benefits are not a part of the normal pay, and some of them are so essential that the use of the word 'fringe' seems to be quite inappropriate. These include pensions, holidays and sick pay, others such as cars and housing benefits can often be classified as optional extras. People generally regard them as a good thing but find it hard to prove how good they are.

## **2. Emergence of the term fringe benefits**

"Fringe benefits" as a term was first used in 1943 by the National War Labour Board of United States of America during World War II, in the context of wage freeze not being applicable to such benefits (EBRI, 2002). The board was unable to allow direct wage increases, so in place of

them it encouraged companies to grant indirect benefits. In the face of a very tight ingenious form of benefits to lure marginal workers, the expenses incurred were passed on to the Government as part of cost plus contract. In India, Fringe Benefits paid in the early years of industrial development consisted mainly of gratuitous payment made by employers to deserving employees. Here also fringe benefits increased considerably during the 2<sup>nd</sup> World War.

According to a study made by the Indian Institute of Public Opinion, New Delhi in 1956, the percentage of Fringe Benefits to wages and salaries in 28 industries rose from 3.3 percent in 1946 to 5.4 percent in 1956. The second survey report regarding Fringe Benefits in Indian Industry conducted by the Employers' Federation of India (1969) showed that Fringe Benefits account for as much as 27.11 percent of the combined wage bill of the plantation mining and manufacturing sectors. According to a study conducted by Mangla (1971), Fringe Benefits as percentage of total wage bill vary from 22 percent to 28.4 percent in the various steel plants in India and 5 percent to 38 percent in the various public enterprises in the year 1960-70. In another study conducted by Employers' Federation of India, 1964 on Fringe Benefits in India it was revealed that these account for approximately 27 percent of the total pay roll costs.

In a survey undertaken by the Employers' Federation of India in 1962, fringe benefits were defined as "payment made for time not worked, profit and other bonuses legally required, payments on social security schemes, workmen's compensation welfare cess and contributions made by employers under such voluntary schemes as catered for the past retirement, medical, educational, cultural and recreational needs of the workmen. The term also includes the monetary equivalent of free light. Fuel water etc paid to the workers and of subsidized housing and related services". These benefits are primarily aimed at supporting the employees towards the improvement of their environment facilities.

The 19<sup>th</sup> Annual Conference of the Indian Institute of Personnel Management at Bangalore (1967) defined fringe benefits as "those arising out of employment and not those which arise from a part of the remuneration".

In a study entitled "International Comparisons of Real Wages" published by I.L.O. (1956), fringe benefits have been defined as under, "Wages are often augmented by special cash benefits by the provision of medical or other services, or by payment in kind that forms part of the wage or expenditure as other goods and services. In addition, workers commonly receive such benefits as holidays with pay, low cost meals low rent housing etc. Such additions to the wage papers are sometimes referred to as fringe benefits".

The British Institute of Management (1970) published the findings of a survey on fringe benefits for executives and commented that "they can't take the place of good salary with the exception of a car". But the problem of the concept is complicated by the fact that there are some benefits which are envisaged as fringe benefits in one country, while the same are a part of regular wages in another country.

### **3. Objectives of the Study**

The paper aims to find out the Executive Perception as to why the companies are laying more emphasis on fringe benefits vis a vis cash these days at different levels of management in the selected organizations in North India in both public and private sector, and to suggest strategies for redesigning and administrating fringe benefits programmes for the executives in both the sectors.

## Hypothesis

There is no significant difference in the Executive Perception (ranking of factors giving importance to the fringe benefits) across various levels in the public and private sector.

## 4. Methodology and Research Design

Judgment sampling was used to select the organizations in the Telecom industry in North India, in public and private sector. Purposive sample selection procedure was used to select the sample to give proper representation to all the levels of executives (Table 1). The primary data was collected through a questionnaire. The data was analyzed for rank-order statements using ranking method. Kendall's Co-efficient of Concordance (W) was used to measure the degree of agreement or disagreement amongst the respondent's rankings of various factors. For level wise analysis, Spearman's Correlation Coefficient was employed which was tested for significance through t-test.

A look into the executive profile data shows that majority of the top level executives in both public (88%) private sector (100%) are below 50 years of age, the middle level executives, (public 50%, private 47%) are between 30-40 years and the junior level executives (public 54%, private 92%) are below 30 years of age. With regard to the experience the public sector (100% at top level) have more than 25 years of service, than private sector (12% at top level) the executives hail from different educational backgrounds and those with technical qualification (44%) man most of the executive positions in these organizations. A few of them are however technocrats (17%) and diploma holders (20%). Background of the executives shows that 66% come from an urban background, 22% from semi urban and 12 % from rural background. Majority of the executives are married (76%) and the males in the sample are 86% compared to females 14%.

**Table 1: Sample size of the Executives.**

	Public sector	Private sector	Total
Top level	40	20	60
Middle level	48	38	86
Junior level	63	28	91
	151	86	237

## 5. Findings and Results

### 5.1 Executive perception as to why companies are laying more emphasis on fringe benefits vis a vis cash these days.

**The executives were asked to rank in order of importance the various factors, as to why fringes are becoming so popular.**

**The various factors outlined were:** Implies enhanced status, Humanistic considerations, Legal requirements, Tax considerations, Competitive considerations, To attract, retain and motivate talented personnel, To provide security to employees, To meet personal needs of employees, To gain increased commitment from employees.

In order to see that the respondent executives (judges) at various levels of management are applying the same standard in ranking the 9 factors describing the importance of fringe benefits

i.e. there is significant agreement in the ranking by different respondent executives (judges) at 5% level of significance, **Ken dell's Co-efficient of Concordance (W)** was used to measure the degree of agreement or disagreement amongst the respondents.

The hypothesis formulated for this purpose is:

H<sub>0</sub>. The executives at different levels of management are not applying the same criteria or giving the same degree of importance/ranking to different factors highlighting the importance of fringe benefits in the public and private sector.

### 5.1.1 A Comparative Analysis of ranking given by the executives across various levels in the public and private sector.

Executive Perception as to why Companies are Paying more Emphasis on Fringe Benefits vis-à-vis Hard Cash, these Days, at Different Levels of Management in the Public vs. Private Sector

Fringe Benefits are assuming newer dimensions each business day. The companies now understand the importance of doling out attractive and flexible fringe benefits to the executives basically to beat the heat of growing competition. The idea underlying giving out fringe benefits is nothing beyond attracting retaining and maintaining talented personnel. The executives on their part are also understanding the importance of fringe benefits.

They were therefore asked to assign ranks to the factors, as to why 'they' think companies are laying more and more emphasis on these benefits these days. The data was analyzed for rank-order statements. Spearman's rank correlation was used to find out the correlation in the ranked data in the public and private sector at different levels of management. See table 2.

**Table 2: Ranking of the Factors Highlighting the Importance of Fringe Benefits in the Public vs. Private Sector at Different Levels of Management**

Factors highlighting the importance of fringe benefits	Rank order given by the executive at different levels of management					
	Top Level		Middle Level		Junior Level	
	Public	Private	Public	Private	Public	Private
1. Implies enhanced status	4	3.5	7	4	3.5	2
2. Humanistic considerations	8	9	8	9	8.5	9
3. Legal requirements	9	6.5	9	3	8.5	8
4. Tax considerations	2.5	2	3.5	1.5	3.5	4.5
5. Competitive Considerations	5	3.5	5	5	1.5	3
6. To attract, retain and motivate	1	1	1	1.5	1.5	1
7. To provide Security	7	6.5	6	8	7	7
8. To meet personal needs of employees	6	8	3.5	6	6	6
9. To gain increased commitment from employees	2.5	5	2	7	5	4.5

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### **Comparative analysis of public and private sector executives across all levels**

**The Top level:** Table 2 shows that the top level executives in the public sector think that companies are giving fringe benefits in order to attract retain and motivate the talented personnel, besides they save upon tax and also help in gaining increased commitment from employees. Complying to the legal requirements, humanistic considerations and providing security cover to the executives is very low on their agenda. However they do think that increased fringe benefits implies enhanced status for them, helps them in meeting their personal needs and also beats the growing competition outside. They give moderate level of importance to these factors.

Their private sector counterparts also share their view point and think that `attracting retaining & maintaining talented personnel is on the top of the company's agenda while formulating fringe benefits plans. Besides it also saves upon tax, implies enhanced status and meets the competitive considerations also. The least important factors are humanistic considerations, meeting personal needs of the employees, complying to the legal requirements and providing security to the employees. And moderate level of importance has been assigned to factors like gaining increased commitment from employees.

**The middle level:** The middle level executives in the public sector also gives prime importance to factor 'I' i.e. to attract, retain & motivate, besides they think that it helps them in gaining increased commitment from employees, saves upon tax and also helps in meeting personal needs of the employees. They also think that the least important factors are meeting legal requirements, humanistic considerations and enhanced status for the executives. However competitive considerations and providing security to the executives are important to some extent only.

The middle level executives in the private sector also give `ARM' i.e. Attraction Retention and Motivation Rank No. 1, followed by tax considerations and adherence to the legal requirements. According to them humanistic considerations, providing security and gaining increased commitment from the employees through fringe benefits are least important factors. However they do imply enhanced status for the executives, meet competitive considerations and also at times meets the personal needs of the executives, to some extent.

**The Junior Level:** The junior level executives in the public sector also share the view point given by the executives at all the levels in both public and private sector where attraction, retention and motivation of the executives is of prime importance besides meeting the competitive considerations and conferring enhanced status to the executives. According to them meeting legal requirements, humanistic considerations and providing security to the executives through fringe benefits are factors of least importance while tax considerations, gaining increased commitment from the employees & meeting. Their personal needs through fringe benefits are important to some extent only.

Similarly in the private sector also, the junior level executives give prime importance to attraction, retention and motivation followed by enhanced status for the executives and meeting competitive considerations. They also share the viewpoint of their public sector counterparts where fringe benefits are hardly given due to humanistic considerations, or complying to the legal requirements or for providing security to the executives. However, tax considerations, gaining increased commitment from the employees and meeting their personal needs are important to some extent only.

### 5.1.2 The Public Sector Executive Perception Regarding the Factors Highlighting the Importance of Fringe Benefits

The Public Sector Executive Perception Regarding the Factors Highlighting the Importance of Fringe Benefits has been delineated below.

The hypotheses formulated for the purpose is:

H<sub>0</sub>. There is no correlation between the public sector, top, middle and junior level executives ranking of the factors highlighting the importance of fringe benefits.

**Table 3: Correlation Co-efficient of Public Sector Executives at the Top, Middle and Junior Level Regarding the Importance of Fringe Benefits**

Public Sector Executives Perception			Top Level	Middle Level	Junior Level
Spearman's Rho	Correlation Coefficient	Top	1.000	.853	.826
		Middle	.853	1.000	.648
		Junior	.826	.648	1.000
Sig (2 tailed)		Top	-	.003	.006
		Middle	.003	-	.059
		Junior	.006	.059	-
N		Top	9	9	9
		Middle	9	9	9
		Junior	9	9	9
Correlation co-efficient of the top and middle level executives P = .853, Table value = .6833, Since .853 > .6833, H <sub>0</sub> rejected.					
Correlation co-efficient of the top and junior level executives P = .826, Table value = .6833, Since .826 > .6833, H <sub>0</sub> rejected.					
Correlation co-efficient of the middle and junior level executives P = .648, Table value = .6833, Since .648 < .6833, H <sub>0</sub> accepted.					

The value of spearman's rank correlation coefficient Rho (p) for the top level and middle level executives comes out to be .853, and for the top level and the junior level executives comes out to be .826, here n=9 and the column for significance level of .05 shows that the critical values for p are  $\pm .6833$ , i.e. the upper limit of the acceptance region is + .6833 and the lower limit of the acceptance region is -.6833. Since are calculated value of p is outside the limits of the acceptance region, we reject the null hypothesis and accept the alternative hypothesis that there is a correlation in the ranking of the top level and middle level executives and top level and junior level executives.

However, the spearman's rank correlation coefficient Rho (p) for the middle and the junior level executives comes out to be .648 and its critical value is .6833. And since are calculated p=.648 is within the acceptance region, **we accept the null hypothesis that there is no correlation in the ranking of the middle level and the junior level executives. This implies that executive perception varies from level to level to some extent under certain circumstances.**

### 5.1.3 The Private Sector Executive Perception Regarding the Factors Highlighting the Importance of Fringe Benefits

The hypothesis formulated for the purpose is:

- H<sub>0</sub>. There is no correlation between the private sector, top, middle and junior level executives ranking of the factors highlighting the importance of fringe benefits.

**Table 4: Correlation Co-efficient of Private Sector Executives at the Top, Middle and Junior Level Regarding the Importance of Fringe Benefits**

Private Sector Executives Perception		Top Level	Middle Level	Junior Level	
Spearman's Rho	Correlation Coefficient	Top	1.000	.785	.869
		Middle	.785	1.000	.584
		Junior	.869	.584	1.000
Sig (2 tailed)		Top	-	-	.012
		Middle	.003	.012	-
		Junior	.006	.002	.099
N		Top	9	9	9
		Middle	9	9	9
		Junior	9	9	9
Correlation co-efficient of the top and middle level executives P = .785, Table value = .6833, Since .785 > .6833, H <sub>0</sub> rejected.					
Correlation co-efficient of the top and junior level executives P = .869, Table value = .6833, Since .869 > .6833, H <sub>0</sub> rejected.					
Correlation co-efficient of the middle and junior level executives P = .584, Table value = .6833, Since .584 < .6833, H <sub>0</sub> accepted.					

The value of spearman's rank correlation coefficient Rho (p) for the top level and middle level executives comes out to be .785, and for the top level and the junior level executives comes out to be .869, here n=9 and the column for significance level of .05 shows that the critical values for p are  $\pm .6833$ , i.e. the upper limit of the acceptance region is + .6833 and the lower limit of the acceptance region is -.6833. Since are calculated value of p is outside the limits of the acceptance region, we reject the null hypothesis and accept the alternative hypothesis that there is a correlation in the ranking of the top level and middle level executives and top level and junior level executives.

However, the spearman's rank correlation coefficient Rho (p) for the middle and the junior level executives comes out to be .584 and its critical value is .6833. And since are calculated p=.584 is within the acceptance region, we accept the null hypothesis that there is no correlation in the ranking of the middle level and the junior level executives. Implying, thereby, that executive perception varies from level to level to some extent under certain circumstances.

#### 5.1.4 Correlation Coefficient of Top level Executives in the Public vs. Private Sector

The hypothesis formulated for the purpose is:

- H<sub>0</sub>. There is no correlation between the top level executives in the public vs. private sector regarding the factors highlighting the importance of fringe benefits.



**Table 5: Correlation Co-efficient of the Top Level Executives in the Public vs. Private Sector Regarding the Importance of Fringe Benefits**

Top Level Executives Perception		Public Sector	Private Sector
Spearman's Rho	Correlation Co-efficient	Public	1.000
		Private	.827
	Sig (2 tailed)	Public	-
		Private	.006
	N	Public	9
		Private	9
P = .82, Tables value = .6833, Since = .82 > .6833, H <sub>0</sub> rejected			

The value of spearman's rank correlation coefficient Rho ( $\rho$ ) for the top level executives in the public vs. private sector comes out to be  $p=.82$  here  $n=9$  and the column for significance level of  $.05$  shows that the critical values for  $p$  are  $.6833$ . And since our calculated  $p=.82$  is outside the limits of the acceptance region, **we reject the null hypothesis** and accept the alternative hypothesis that there is a correlation in the ranking of the top level executives in the public and private sector. **Implying thereby that the top level executives in both the public and private sector think alike where the importance of fringe benefits is concerned.**

#### 5.1.5 Correlation Coefficient of the Middle Level Executives in the Public vs. Private Sector Regarding Importance Fringe Benefits

The hypothesis formulated for the purpose is:

H<sub>0</sub>. There is no correlation between the middle level executives in the public vs. private sector regarding the factors highlighting the importance of fringe benefits.

**Table 6: Correlation Co-efficient of the Middle Level Executives in the Public vs. Private Sector Regarding the Importance of Fringe Benefits**

Middle Level Executives Perception		Public Sector	Private Sector
Spearman's Rho	Correlation Co-efficient	Public	1.000
		Private	.282
	Sig (2 tailed)	Public	-
		Private	.463
	N	Public	9
		Private	9
P = .282, Tables value = .6833, Since = .282 < .6833, H <sub>0</sub> accepted			

The value of spearman's rank correlation coefficient Rho ( $\rho$ ) for the middle level executives in the public vs. private sector comes out to be  $.28$  here  $n=9$  and the column for significance level of  $.05$  shows that the critical values of  $p=.6833$ . And since our calculated  $p=.28$  is within the limits the limits of the acceptance region, **we accept the null hypothesis** and reject the alternative hypothesis, **implying thereby that there is no correlation in the ranking**

of the middle level executives in the public and private sector. Thus it can be observed that the middle level executive's perception varies from public sector to private sector.

### 5.1.6 Correlation Coefficient of the Junior Level Executives in the Public Vs Private Sector Regarding the Importance of Fringe Benefits

The hypothesis formulated for the purpose is:

H<sub>0</sub>. There is no correlation between the junior level executives in the public vs private sector regarding the factors highlighting the importance of fringe benefits.

**Table 7: Correlation Co-efficient of the Junior Level Executives in the Public vs. Private Sector Regarding the Importance of Fringe Benefits**

Junior Level Executives Perception		Public Sector	Private Sector
Spearman's Rho	Correlation Co-efficient	Public	1.000
		Private	.945
	Sig (2 tailed)	Public	-
		Private	.000
	N	Public	9
		Private	9
P = .945, Tables value = .6833, Since = .945 > .6833, H <sub>0</sub> rejected.			

The value of spearman's rank correlation coefficient Rho (p) for the junior level executives in the public vs. private sector comes out to be p=.945 here n=9 and the column for significance level of .05 shows that the critical values for p are .6833. And since our calculated p=.945 is outside the limits of the acceptance region, **we reject the null hypothesis** and accept the alternative hypothesis that there is a correlation in the ranking of the junior level executives in the public and private sector. **This implies that thereby that the junior level executives in both the public and private sector think alike** where the importance of fringe benefits is concerned.

### 5.2 Executive Preference for Future Developments in the Fringe Benefits

The executives were further asked to give their views with regard to their preference for future developments in their fringe benefits i.e. what benefits they would like their companies to introduce for them.

Table 8 shows a comparative picture of the executive's preference for particular fringe benefits to be introduced in the public and private sector. It can be seen from the table that there is not much difference in the preferences of the executives regarding fringe benefits. Both the public and the private sector executives have given first preference to flexible benefits, followed by childcare programmes.

However, the public sector executives have given third preference to wellness programmes followed by Employee Assistance Programmes, while their private sector counterparts have given third preference to Employee Assistance Programmes followed by wellness program me.

Table 8: Showing Executives Preference for Particular Fringe Benefits to be introduced (A Comparative View of Public and Private Sector)

**Overall Rank (Public Sector)**

Ist Preference		IInd Preference		IIIrd Preference		IVth Preference	
Flexible benefits	Rank	Childcare Programme	Rank	Wellness Programmes	Rank	Employee Assistance Programmes	Rank
Medical Coverage	1	Day Care Facility	1	Recreational	1	Emotional/Stress Counseling	1
Dependent Care	2	Flexi timing for Females	2	Athletic Meets	2	Pre-retirement	2
Life Insurance	3	Paternity Leave	3	Physical Fitness School	3	Career Counseling	3
Dental Care	4	School within Company	4	Stop Smoking Campaign	4	Termination Counseling	4
Short Term Disability	5	Any Other	5	Any Other	5	Financial Counseling	5
Long Term Disability	6		6		6	Legal Counseling	6
Vacation Time	7		7		7	Alcohol/Drug Abuse Counseling	7
Any Other	-		-		-	Any Other	-

**Overall Rank (Private Sector)**

Ist Preference		IInd Preference		IIIrd Preference		IVth Preference	
Flexible benefits	Rank	Childcare Programme	Rank	Employee Assistance Programmes	Rank	Wellness Programmes	Rank
Medical Coverage	1	Day Care Facility	1	Emotional/Stress Counseling	1	Recreational	1
Dependent Care	6	Flexi timing for Females	2	Pre-retirement	5	Athletic Meets	2
Life Insurance	2	Paternity Leave	3	Career Counseling	2	Physical Fitness School	3
Dental Care	7	School within Company	4	Termination Counseling	6	Stop Smoking Campaign	4
Short Term Disability	4	Any Other	-	Financial Counseling	3	Any Other	-
Long Term Disability	3	-	-	Legal Counseling	4	-	-
Vacation Time	5	-	-	Alcohol/Drug Abuse Counseling	7	-	-
Any Other	-		-	Any Other	-	-	-

### 5.3 Strategies for Redesigning Benefit Plans

In today's 'Dynamic Era' Human Resource Management in India is emerging out from its traditional cocoon to take up the challenge posed by the imminent multinational firms. Slowly but surely Indian organizations have started realizing the importance of human capital that spells the difference between winning and losing. The Human Resource managers are today pre-occupied with the most important task of attracting, retaining and motivating the talented personnel to gain a competitive edge in the market place. Thus the importance of right compensation policies and practices encompassing fringe benefits can't be underestimated especially in today's highly competitive environment. **Some of the strategies for effective benefit programmes that can be followed are delineated below:**

#### 5.3.1 Applying Balanced Scorecard to measure performance for designing and administrating benefits programme

By linking them to financial performance measures and non-financial performance measures like customer satisfaction, internal business processes and Learning and growth perspective can be a good idea for both public and private sector organizations. This can be done more specifically through following initiatives in fringe benefits programme.

**a) Financial perspective:** Linking **rewards and benefits to individual Performance**, by offering "**performance benefits**" and increasing the quantum of benefits on the attainment of specific goals measurable in financial terms like return on investment and economic value added etc.

**b) Customer satisfaction perspective:**

Many companies are aligning their performance appraisal and reward systems with the goal of building customer loyalty. By linking customer satisfaction measures to compensation, they bring the company's interactions with customers at the front and center (Yakovae, 1996). The drive to focus on customer satisfaction comes out not out of altruism or idealism, of course. It comes out of hard economics. Loyal customers, it turns out, are very valuable to an enterprise. As 'Frederick Reichheld (1996)', author of the loyalty Effect, points out, loyal customers tend to patronize their favorite businesses more frequently over time resulting in more profit's to the firms. According to Pizza Hut Inc, Dallas, a regular customer is worth \$7500 to the company over his lifetime. A growing number of executives in the west are being promised cars, apartments, planes and health care until death.

**c) Learning and growth perspective**

**Linking benefits to individual and organizational learning** – in the light of increasing importance being attached to intellectual capital, individual learning has to be encouraged and incentivized. A good benefit compensation plan should fulfill this objective by different ways ranging from reimbursement of books, subscription to educational periodicals, internet connections, sponsoring them for short term and long term education programmes in prestigious universities for upgrading their skills and knowledge which is becoming obsolete at the click of the button, holding training programs within and outside the organizations quite frequently. These initiatives would nevertheless incentivize executives acquiring further knowledge and skills.

**Linking benefits to knowledge management initiatives and creating learning organizations** can also be on the HR agenda where the executives should be amply rewarded for dissemination of information in the organization.

**Linking benefits to individual Contribution and Competency.**

**d) Internal business processes****Linking rewards and benefits to innovation and creativity**

**5.3.2 Going global on fringe benefits:** Benchmarking against the best on the global corporate front can be quite useful if affordable. The Multinationals has increased the expectations of the executives in the public sector. They can no longer be retained with a cover called 'job security'. They want to maintain their status both within and outside the organizations.. At least the disparities between the public and private sector/multinationals should be narrowed down, if not completely done away with.

**5.3.3 Aligning benefit programmes to Cost of living index** should be the main guiding criteria for recommending revisions in the pay-scales and benefits.

**5.3.4 Legitimizing the differentials in fringe benefits at Different Levels of Management** by corresponding authority and responsibility. Incorporating and Providing Newer Perks, Benefits and Fringes, at the personal level on the basis of individual needs hierarchy (physiological, safety, social, self esteem and self actualization needs) and stage in the executive's life cycle and at the professional level on the basis of learning curve, experience and career path.

**5.3.5 Thus offering them perks, which spans over a lifetime,** can also enhance executive commitment. These benefits should commensurate with their increased financial responsibilities at home like children's higher education in India or abroad, marriage etc. Amongst the most popular ones are, the health care services, insurance, company cars, apartments, financial planning etc.

**5.3.6 Offering them Incentive Travel**

After cash, incentive travel is probably the most popular reward within the framework of any integrated motivational programme. There are several reasons for the magical success of incentive travel. It offers relaxation value; you can impress others by talking about it.

Incentive travel consultants have some ground rules under which they operate to make the tool a success. They suggest that the destination selection is the most important stage, it should be easy to access and it should have instant appeal. There is a mind blowing variety to choose from – European sojourns to the most exotic locations in the world, theme holidays like skiing or adventure sports holidays, under water scuba diving training, white water rafting, elephant trekking, jeep safaris, helicopter riding and even bungee jumping, star cruises to Egypt and Greece to name a few. Incentive travel has already caught its roots in India and is a big hit but in the private sector only

**5.3.7 Facilitating life planning** – Proactive organizations have to look beyond the statutory retiral benefits like pension, social security benefits etc to pacify their executives. Some organizations have designed superannuation schemes that are well above the minimum statutory norms.

**5.3.8 Creating styles for the executives** – Today's executive is too much sandwiched between work and leisure. He has to spend long hours at workplace, which does not allow him to create a lifestyle for himself and his family. The organizations today must take note of this and should provide a compensation package that should help them in creating a life style. Some of the contemporary practices in the creation of a life style are: Asset building through soft-loan options, club memberships, home furnishings, company paid holidays, premium schooling for children, farm houses, beach resorts, holiday homes, use of company cars, Home office and active participation in cultural and arts societies to name a few. The latest in the list is wooing them with loans for holiday homes as being done by New York University to attract and retain

top executives and professors (Kaminer and Delaqueruere, 2013). The list could be as innovative as it can get in today's corporate world of millennial gen-next executives who are not less than modern day maharajas.

## 6. Summing Up

Our findings clearly shows that there are fine shades of distinction in the fringe benefits and welfare schemes being given by the public and private sector organizations. It has been observed that the public sector lays more emphasis on the statutory benefits unlike the private sector. However, the private sector is more liberal on other fringe benefits which are a part of their variable pay package than their public sector counterparts. Another observation is that, the majority of the fringe benefits are available to all the executives irrespective of their level in the organization. It moves with their basic salary, i.e. higher the component of basic salary, higher the fringe benefits and vice-versa.

Regarding the importance of fringe benefits, executives in both public and private sector feel that company's these days are laying more emphasis on fringe benefits just to attract, retain and motivate the executives. Legal requirements and humanistic considerations hardly influence the decisions regarding fringe benefits. It has been further observed that the executives in both the sectors are applying essentially the same standard while ranking the fringe benefits according to their importance, at all the levels of management.

With regard to their preference for fringe benefits, the executives in both the public and private sector gave first preference to flexible benefits, followed by child care programmes, wellness programmes and employee assistance programmes. The employees stand to benefit in the sense that he now derives increased job satisfaction as well as a means of socializing with co-workers. The expenditure on fringes is really an investment in Human Resources. An organization which takes adequate care of its Human Resources will be adequately rewarded in terms of greater productivity, loyalty and whole some supply of future labor.

The following characteristics must be present in a benefit plan: •It must be attractive enough for hiring, retaining and motivating • equitable and be perceived as equitable • Reward performance of individuals as well as teams • Incentivize Individual learning • Focus on short and long term earnings • Address individual needs • be able to manage with resilience peaks and troughs in business cycle and performance • Finally, to ensure perpetuity, a benefit program me must facilitate lifestyles of Executives.

**Wrapping up the discussion, we can say that the benefit pay plans of the future should take into consideration the following aspects.**

	<b>Planning benefit programmes</b>
<b>Link</b>	Benefits to business strategy
<b>Relate</b>	Benefits to culture and values
<b>Converge</b>	Business results with individual performance
<b>Allow</b>	For flexibility to suit changing business needs
<b>Involve</b>	Employees in designing the system
<b>Inform</b>	Employees of what/why is being rewarded
<b>Establish</b>	Credibility for the system
<b>Review</b>	System to ensure effectiveness of results

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