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## Impact of employee benefits programme on job satisfaction and intention to quit

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### Abstract

In the last decades, the global economy has been transformed in a significant ways and every company in manufacturing, servicing, marketing, technology, distribution and capital markets are changing faster than ever. Organizations cannot escape from these environmental changes and challenges associated with it. In order to compete with their counterparts and gaining sustainable competitive advantages, well motivated, value driven human resources have become the essential element in today's organizations. Employee benefits are widely recognized as an essential weapon in this competition among employers looking to win the war for talent. Thus, attracting and retaining the best employees within the organization has become the critical human resource issue. This research was carried out as an empirical study to investigate the relationships between employee benefit programme and job related variables, namely job satisfaction and intention to quit with special reference to Harischandra Mills PLC, Sri Lanka. The research was conducted as a survey, where a structured questionnaire was used among a sample of 95 employees. The study concludes that the employee benefit programmes are significantly and positively related with job satisfaction and significantly and negatively linked with intent to quit. Further the study suggests that explanatory power of the non financial benefits is superior to that of financial benefits.

**Keywords:** *Financial Benefits, Non financial benefits, Job Satisfaction, Intention to quit*

## Introduction

In the last decades, the global economy has been transformed in a significant ways and every company in manufacturing, servicing, marketing technology, distribution and capital markets are changing faster than ever. On such a situation, management has inevitably to face three central questions “where are we now?” “Where do we want to go?” and finally, “How will we get there?” in thinking strategically about company’s present circumstance and future prospect. If the management has been thinking strategically and gives the answers for above questions, firm sustains profits that exceed the average for its industry, and the firm is said to possess a sustainable competitive advantage over their rivals. In this ever increasing competition, different elements like quality of the service, low cost producer, environmental friendly manufacturing, great involvement in corporate social responsibility and employee development are capitalized by the organization. One of key attribute among these is the maintaining happy and skilful employees in an organization. Therefore one of the greatest challenges in business today is to attract and retain quality and talented employees. While challenging work, good working conditions, and fair wages and salaries contribute to employee attraction and retention, obviously an employer’s benefits programme is an important “magnet” drawing employees to employers. Furthermore, the U. S. Chamber of Commerce study noted that employees are increasingly aware of the benefits they receive and how those benefits compare to what other companies are offering.

Dessler (1999) defined benefits as indirect financial and non financial payments employee receive for continuing the employment with the company. Initially benefits can be divided in to two types, such as financial and non financial. Many of the firm provide employee with various kind of financial and non financial benefits with the intention of upgrading employee job satisfaction, commitment and loyalty to the organization while minimizing job stress and employee turnover. Though the main objective of providing attractive employee benefits package is attracting and retaining highly qualified and talented employees within an organization for a longer time period while not giving room them to switch from the organization to its counterparts, many of the employees leave their employers and join with the new company.

Given these events and other factors it is clear that attracting and retaining talented employees has become a critical human resources issue which must be further explored and find alternative solutions to effectively dealing with. Though the employee benefits and its implications on work related variables have been comprehensively examined at international level, very less empirical research can be found in Sri Lankan context. In order to fill the existing gap in literature, the emphasis of this study was mainly on implications of employee financial and non

financial benefits to work related variables with special reference to employees at Harishchandra Mills Ltd, Matara, Sri Lanka. Research problem that is addressed in this study was that “How employees respond to both financial and non financial benefits offered by company, in terms of work related outcomes of job satisfaction, and intention to quit?”

## **Literature Review**

### **Employee benefit**

Virtually all employers provide a variety of benefits supplement to the wages or salaries paid to their employees. Dessler (1999) defined the benefit as indirect financial and non financial payments employees receive for continuing the employment with the company. Employee benefits represent virtually any form of compensation provided.

- i. In a form other than direct wages and
- ii. Paid for in whole or in part by the employer, even if it provided by a third party (E.g. the government, an insurance company or a Health Maintenance Organization).

Further, Armstrong (1996) defined employee benefits as the elements of remuneration given in addition to the various forms of each pay.

### **Principle type of benefits**

Armstrong and Murlis (1999) categorized employee benefits into two pillars namely financial and non financial. Financial benefits include personal security, financial Assistance, personal needs.

#### **Financial benefits: Personal Security**

Personal security refers to the benefit which enhances the individual’s personal and family security with regard to illness, health, accident, redundancy or life insurance (HR Focus, 1999). Various types of benefits can be provided in addressing employees’ personal security needs. *Death in service benefits* are provided either as part of the pension scheme or as a separate life assurance cover. Murlis (1999) contend that this is not a particularly expensive benefit to provide and is usually

appreciated by employees because it saves on the personal life insurance cover needed to provide for their liabilities if they die prematurely. In addition to above, Armstrong (2005) suggest that *personal accident cover* which provides compensation to the employee when he/she involved in an accident causing serious injury or death can be offered. Further, *permanent health insurance* that is developed to compensate employees on long term disability condition also can be classified as a form of financial benefits which can then be categorized as personal security (HR Survey, 2002). Some of the organizations are providing *Business travel insurance* particularly for employees those who have to travel extensively on company business. Moreover *medical insurance* (George, 1993) and *health screening facilities* (Allen, 2006) are playing key role in providing financial benefits to the employees. Larri (2002) argued that such health screening may be more appreciated than the other expensive benefits.

#### **Financial benefits: Financial assistance**

Loans, house purchase assistance, relocation assistance, discounts etc. can be provided under this category. Belcher (1996) suggests that *loan scheme* either provides for modest sums to be lent interest free or for more substantial sums to be loaned at favorable interest rates. *Mortgage assistance* can be provided especially for those who have to buy property in high-cost housing areas. *Company discounts* is also another form of financial assistance elements which can be used to solve several financial problems employees are commonly confronted. With this company offer their production and services to employees at a favorable discount. Since some of the executive level employees are registered with the professional institutes they need to pay the subscription annually for the continuation of the membership. Richard (2005) argue that *paying fees to professional bodies* by the companies for their employees may encourage employees to commit and loyal with the company for a longer period of time.

#### **Financial benefits: Personal Needs**

Alison (1992) suggests entitlements which recognize the interface between work and domestic needs or responsibilities like holidays and other forms of leave, childcare, career breaks, financial counseling, personal counseling in time of crisis, fitness and recreational facilities are included in the employee personal needs category. As far as the holidays are concerned compassionate leaves, maternity and

paternity leave, sabbatical leave, study leave, child care leave are prominent in today's organizations.

### **Non-Financial Benefits**

Financial benefits is not enough to motivate employees and non financial benefit in essence play a key role for encouraging and empowering the employees towards achieving organization goals and objectives. Hirschman (2001) contends that most people prefer to work for an employer who is caring and supportive. Non financial benefits consist of status, power, recognition for achievement, career progression, good working conditions, flexibility and recognition of need to balance work and family responsibilities.

### **Impact on work related variables**

Impact of employee benefits programme on employee work related outcomes have been examined several times and mostly tested outcome variable are job satisfaction, organizational commitment and intention to quit. According to Robins (2005) job satisfaction is defined as a collection of feelings that an individual holds toward his or her job". Wood, *et al.*, (1998) extend the definition as the degree to which an individual feel positively or negatively about work. Moreover, Robins (2005) argue that satisfied employees are more productive than unsatisfied employees.

Robins (2005) defines Employee turnover as the voluntary and involuntary permanent withdrawal from an organization. Fisher, *et al.*, (2003) classifies causes to quit in to two layers: External and Internal factors. External factors include the unemployment rate and employees' perceptions of the external job opportunities available to them. Based on that, they concluded that the intention to quit is higher when benefit provided by the company is not attractive enough to outweigh with competitors.

### **Materials and Methods**

The objective of this research is to explore the impact of financial and non financial benefits on job satisfaction and intention to quit employees at the Harischandra Mills Ltd, Matara, Sri Lanka. The Company is manufacturing food items and it consists of seven departments/sections. All the departments were selected to collect the data due to the fact that relatively equal numbers of workers are employed. A

structured questionnaire was used to collect the primary data from the sample of 100 employees in the above mentioned sections of the company. Data was collected using simple random sampling technique. As some workers were not in the position of understanding and writing answers for the questions, questionnaire was filled by the interviewer by obtaining ideas from employees. In addition, exploratory data gathered from HR Manager and Production Executives by using an un-structured style of interview. Questionnaire was divided into three parts. Objective of the first part was to collect the general information of the respondents (age, gender, year of experience, salary level, etc) while second part was based on financial and non financial benefits provided by the companies. Third section was designed to collect the information about two work related variables. SPSS quantitative analytical tool was used to analyze the data where mean comparisons, Pearson correlation and hierarchical regression were run to prove the following hypothesis.

H1: Financial and non financial benefits provided will increase the employee job satisfaction

H2: Financial and non financial benefits provided will decrease the employees' intention to quit

H3: Explanatory power of the financial benefits is superior to the non financial benefits

## **Results and Discussion**

Demographic variables were first analyzed and the sample consists of 35% female employees and 65% male workers. As far as the frequency distribution of employees' age is concerned 35% of respondents belong to age category of 36 to 45 years while 30% representing age category of 27-35. About 10% of employees belong to the 18-26 year age range and residual 25% is signified by over 45. Approximately 68% of the respondents in the sample were married while remaining is unmarried. When it comes to the employees' designation, majority of the respondents (32.5%) represent check roll employees. 25% of employees were working as a monthly payees' employees while 10% included in the sample were working as supervisors. Executive and staff grade employees represent 12.5% and 20% respectively.

Moreover, 52.5% of employees have completed more than 06 years of service in the present company and 17.5% of employees have up to now completed 3-4 years of service. The employees who have 5 -6 years and 1 -2 years of service shows 15% and 12.5% respectively. Employees having less than 01 year of service experience represent 2.5%. As far as the employees' present income level is

concerned large proportion of the sample that is 40% earns between Rs 15,000 and 12,000 of monthly income. Minimum number of employees (2.5%) earns less than Rs 7,000 per month. 20% of employees in the sample earn more than Rs. 20,000 monthly. Rest of the employees 22.5% and 15% earn between Rs. 20,000 & 16,000 and Rs. 11,000 & 8,000 respectively.

### **Relationship between employee benefit programme and work related variables:**

The Pearson correlation analysis was carried out to identify the direction and strength of the relationship between employee benefits programme and work related variables studied in the present study. Table 1 presents the results of the correlation analysis between financial benefits and work related variables. Inspections of the bivariate correlation coefficients suggest that H1 and H2 hypothesis formulated in the study was accepted. Job satisfaction ( $r = 0.97$ ,  $n=95$ ,  $p<0.01$ ) reported positive correlation with financial benefits components provided by the company. This means that provision of more financial benefits leads to increase the employees' job satisfaction. However, financial benefits and employee intention to quit ( $r = -0.82$ ,  $n=95$ ,  $p<0.01$ ) was negatively correlated. This provides the insight that higher the financial benefits provided by the company lead to significantly minimize the employee intention to leave from the organization. As far as the statistical significance of the linear relationship is concerned as in the table I both work related variable have found the significant association between these variables.

**Table I: Relationship between Financial benefits (FB) and job related variable**

<i>Dependant variables</i>	<i>Correlation coefficient (r)</i>
Job satisfaction (JS)	0.97***
Intention to quit (IQ)	-0.82***

\*\*\* $p \leq 0.01$ , \*\*  $p \leq 0.05$ , \*  $p \leq 0.10$

In order to explore the relationship between non financial benefits and employees responses to work related variables, correlation analysis was carried out and the results are depicted in the table 2. As per the table II, significant positive link was found between non financial benefits provided by the company and employee job satisfaction ( $r=0.92$ ,  $n=95$ ,  $p<0.01$ ). On the other hand significant negative association was identified between non financial benefits and employees' intention to quit ( $r=-0.78$ ,  $n=95$ ,  $p<0.03$ ).

**Table 2: Relationship between non-financial benefit (NFB) and job related variable**

<i>Dependant variables</i>	<i>Correlation coefficient (r)</i>
Job satisfaction (JS)	0.92***
Intention to quit (IQ)	-0.78**

\*\*\* $p \leq 0.01$ , \*\*  $p \leq 0.05$ , \*  $p \leq 0.10$

### Hierarchical Regression Results

In order to examine the predictive power of the both financial and non financial benefits on work related variables, hierarchical regression was carried out and results are shown in the table III. As per the table III, the introduction of financial benefits in to the present benefits package (step 01) does not show significant explained variance. However, inclusion of non financial benefits (step 02) in to the present benefits package employees' explained variance for the job satisfaction was increased by 58%. Other work related variables were marginally increased with the introduction of the non financial variables in to the model. This provides the insight that explanatory power of the non financial benefits is superior to the financial benefits included in the current benefits package. With the incorporation of the non financial benefits in to the regression model increases the explained variance for intention to quit by 16%. Based on the results of the hierarchal regression analysis H3 hypothesis was rejected.

**Table 3: Results of Hierarchical Regression**

<i>Dependant Variables</i>	<i>Step 01 Financial benefits</i>	<i>Step 02 Adding non financial benefits</i>	<i>Increased in explained variance</i>
Job Satisfaction			
R2 Adjusted	0.784	0.962	
F Value	14.581*	41.671**	0.578
Intention to quit R2			
Adjusted	0.673	0.831	0.158
F Value	8.435	16..519**	

## Conclusions

The study conducted mainly with the objective of finding the relationship between financial and non financial benefits and its impact on employee work related variables. Across all two main variables tested namely job satisfaction, and intention to quit, researcher found that significance correlation between the variables. Moreover it was found that job satisfaction was positively associated while intention to quit was negatively linked with benefits programme offered by the company. Based on this, researcher would like to conclude that the both financial and non financial benefit components provided by the company favorably influence on employee's work related variables. Further, explanatory power of the non financial benefits is superior to the financial benefits.

However the research is limited in scope of time and the sample size. Thus this does not allow generalizing the results significantly for different organizational and cultural settings. Perhaps, the same conclusion cannot be drawn when it comes to the other organization since they offer relatively different components with their benefit package. On the other hand, during survey time period other variables were not controlled by the researcher. Thus, the favorable influence on work related variable sometime found due to other organizational stimulus. Therefore it is essential to conduct the research on this aspect considering the all the other external influences.

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