



The Influence of Employee Benefits Towards Organizational Commitment

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Abstract

Employee benefits which included mandatory benefits and fringe benefits are becoming essential portion of the compensation packages that are offered by organizations to their employees. The purpose of this study was to reveal whether employee benefits offered by the organization are important as antecedents to organizational commitment for employees in food-manufacturing industry in the state of Kedah, Malaysia. A total of 161 employees responded to the survey. The results of the study suggested that mandatory benefits and fringe benefits were positively influenced organizational commitment. The results further denoted that fringe benefits fully mediated mandatory benefits when predicting organizational commitment. The implications of the findings were discussed.

Keywords: Organizational commitment, Employee benefits, Food-manufacturing industry, SMIs

1. Introduction

Employee benefits is defined as any form of compensation provided by the organization other than wages or salaries that are paid for in whole or in part by the employer. Employee benefits are also essential for the development of corporate industrial relations. Examples include retirement plans, child care, elder care, hospitalization programs, social security, vacation and paid holidays (Christoph, 1996). According to Herzberg's two factor theory (motivation and hygiene), an employee benefits programme was a necessary and sufficient working condition. The hygiene factor will affect employees' work-motivation and thus productivity (Hong, Yang, Wang, Chiou, Sun and Huang, 1995). Thus the employee benefits become essential if employee satisfaction is to be maintained and employee commitment is to be increased. Malaysia employment Act 1955 has some provisions which are compulsory for every employer to provide some form of benefits to their employees. These mandatory benefits become the employers' liability which has to be paid for. In addition to the mandatory benefits, some companies may also provide fringe benefits, which are very significant to the employees.

Organization commitment is defined as the employees' feeling of obligation to stay with the organization (Allen and Meyer, 1990). Organizational commitment, which is the dependent variable in this study, has been the focus of many researchers. A well-known model proposed by Allen and Meyer (1990) proposes that there are three components of organizational commitment, namely, affective, continuous and normative commitment. As described by Allen and Meyer, the affective commitment refers to the employee's emotional attachment to, identification with, and involvement in the organization. The continuous commitment refers to commitment based on the costs that the employee associates with leaving the organization. The normative commitment refers to the employee's feeling of obligation to remain with the organization. However, in this study overall organizational commitment construct was measured because multi-dimensional organization commitment was not the focus of the study.

Research into employee benefits and organizational commitment is becoming more important because some researchers have examined the relationship between them (Christoph, 1996) and also the relationship between employee benefits and motivation and productivity (Hong, et al., 1995). Based on the above prerequisite this research intended to investigate whether the employee benefits (mandatory and fringe benefits) could give an impact towards the employees' organization commitment in food manufacturing industry of Malaysia. Thus, the research model was proposed as in Figure 1.

The research hypothesizes the following hypotheses:

H1: Mandatory benefits will positively influence the organizational commitment.

H2: Fringe benefits will positively influence the organizational commitment.

H3: Relationship between mandatory benefits and organizational commitment will be mediated by fringe benefits.

2. Methodology

2.1 Sample and Procedures

The list of Kedah food manufacturing industry was taken from Federal Agricultural Marketing Authority (FAMA), Kedah branch. Out of 625 food manufacturing factories in the state of Kedah, Malaysia, 161 employees from 51 food manufacturing factories who served more than one year were chosen as the samples of this study. The collection of data was carried out in the month of mid July – mid September, 2004. Employers' consents were acquired before the distribution of questionnaires. Distribution of questionnaires and collection of data were undertaken during their working hours. On the average, it took about 25 minutes for the respondents to complete the questionnaires.

2.2 Measures

This research involved a field study where the survey instrument was adapted and adopted from Mowday et al., (1979) for Organizational Commitment Questionnaire (OCQ). This questionnaire consisted of fifteen items. Examples of these items include: "I am willing to put in a great deal of effort beyond that normally expected in order to help this organization be successful", "I talk up this organization to my friends as a great organization to work for". A seven-point scale ranging from 1 (strongly disagree) to 7 (strongly agree) was employed. Self developed questionnaires were used to measure mandatory and fringe benefits. Five mandatory benefits (e.g. EPF, SOCSO, annual leave etc.) and ten fringe benefits (e.g. staff education, residential/hostel, food/subsidies and etc.) were listed out to measure the availability of the benefits in the company.

3. Results and discussion

3.1 The demographic profile

The demographic profile of the respondents is presented in Table 1. In this study, 59.6% (n=96) of the respondents were male whereas 40.4% (n=65) of them were female. As for age group, respondents were categorized into three age groups. They consist of respondents ranging from 29 years old and below, 30-39 years old and 40 years old and above. The result showed that above half of the respondents were in the age of 29 years old and below, which amounted to 51% (n=82), followed by 31.7% (n=51) in the age group of 30-39, 17.3% (n=28) in the age group of 40 years old and above. Half of the respondents were married, representing 57.1% (n=92), followed by the group of respondents categorized under "single" with 38.5% (n=62), and only a minority of them were widow/widower, consisting of 4.3% (n=7). Result indicated that 79.5% (n=128) of the respondents were within the range of 1-5 years in service, followed by 14.9% (n=24) of them were 5-10 years in service and 5.6% (n=9) had served 11 years and more.

3.2 The influence of employee benefits towards organizational commitment

To test whether there is a direct impact on mandatory benefits and fringe benefits on organizational commitment; a linear regression was run whereby organizational commitment was taken as the dependent variable and mandatory benefits and fringe benefits as the independent variables. Figure 2 showed the summary of regression that was performed.

From Figure 2, the standardized beta value of 0.152 ($p < 0.05$) suggested that mandatory benefits directly influences organizational commitment and fringe benefits was also found to significantly influence organizational commitment ($\beta = 0.399$, $p < 0.01$). Thus, H1 and H2 were supported.

In order to determine if fringe benefits mediates the relationship between mandatory benefits and organizational commitment, multiple regression was employed, by taking organizational commitment as dependent variable whereas mandatory and fringe benefits as independent variables. Results were summarized in Figure 2.

It can be seen from Figure 2, when regressed together to determine the extent of influence of mandatory benefits and fringe benefits, mandatory benefits does not impact organizational commitment, whereas fringe benefits exerts significant influence with a beta value of 0.388 ($P < 0.01$).

The relationship between fringe benefits and organizational commitment is found to be significant at beta value of 0.399 (H2), and mandatory benefits with a beta value of 0.152 (H1) was also found to significantly influence organizational commitment. When regressed together (mandatory benefits and fringe benefits on organizational commitment), fringe benefits has significantly impact on organizational commitment whereas mandatory benefits becomes insignificant, thus it can be concluded that fringe benefits acts as a full mediator when predicting relationship between mandatory benefits and organizational commitment. Therefore, H3 was fully supported.

The data of this study were collected from 161 subjects. They were the food manufacturing SMIs employees located in the state of Kedah, Malaysia. The purpose of this study was to reveal whether employee benefits offered by the organization are important as antecedents to organizational commitment for employees in food-manufacturing industry in the state of Kedah, Malaysia.

4. Conclusion

Findings suggested that both mandatory and fringe benefits were having significant and positive relationship with organizational commitment and fringe benefits having higher relationship as compare to mandatory benefits. This finding proposed that when employees received more fringe benefits, their organization commitment tend to be higher. Therefore the employers should not only provide mandatory benefits as required by the law, but also provide and/or improve the fringe benefits in order to strengthen the employees' organizational commitment, motivation, productivity and job performance.

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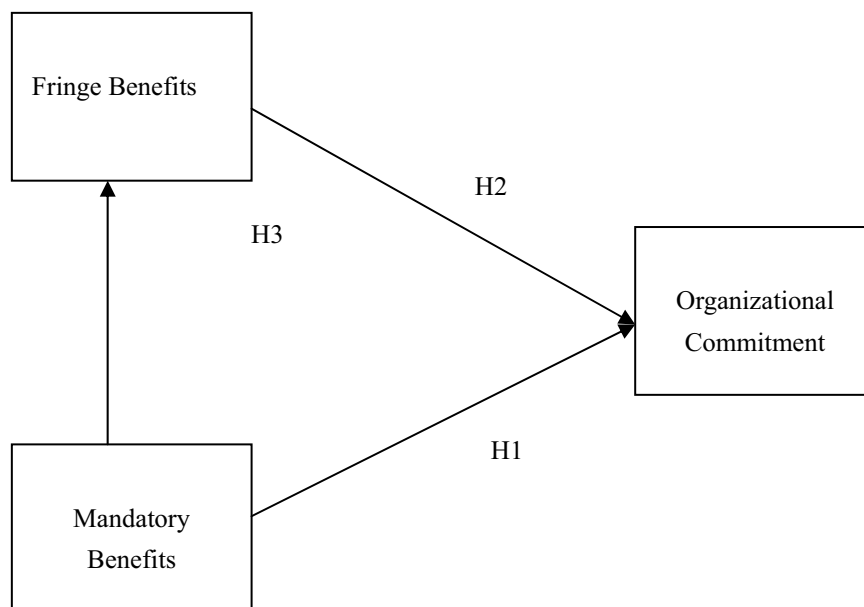


Figure 1. Research Model

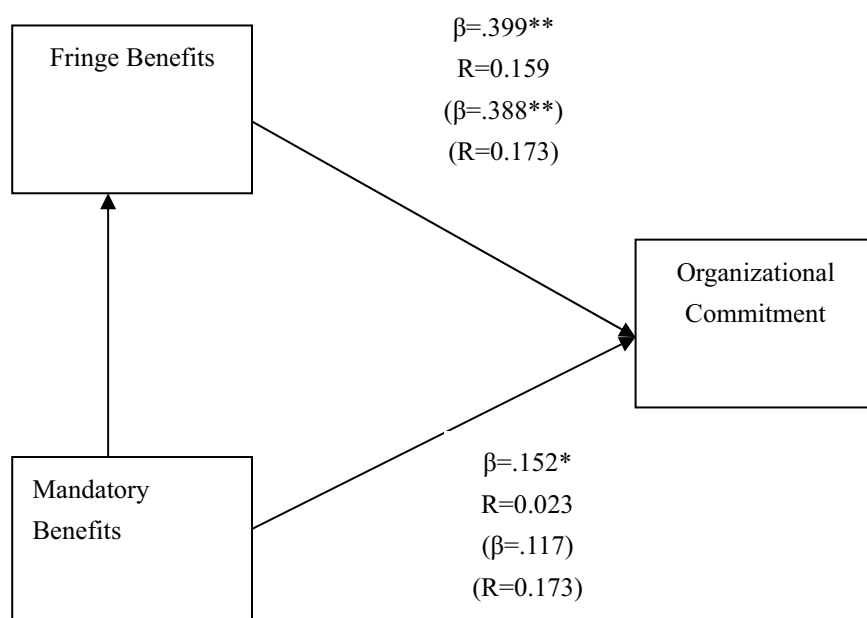


Figure 2.

Table 1. Demographic profile of respondents

Variables	Frequency	%
Gender		
Male	96	59.6
Female	65	40.4
Age		
<=29	82	51.0
30 – 39	51	31.7
>=40	28	17.3
Marital Status		
Single	62	38.5
Married	92	57.1
Widow / Widower	7	4.3
Years of services		
1 – 5	128	79.5
5 – 10	24	14.9
>=11	9	5.6
Total	161	