

## **An Appraisal of Employees' Satisfaction Level about Fringe Benefits: Evidence from Sugar Mills in Eastern U.P**

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**Purpose:** To measure employee's satisfaction towards fringe benefits in private and cooperative sector sugar mills located in Eastern U.P. of India

**Design/Methodology/Approach:** The study is descriptive in nature based on structured questionnaire with 338 official and non-official respondents selected through proportionate stratified random sampling technique collected from seven sugar mills in six districts of Eastern UP of India. Before application of inferential statistics (Pearson's Chi-Square Test, Independent Sample t-test and Multiple Regression Analysis) the assumption of normality and reliability has been tested through Histogram/Boxplot and Cronbach's Alpha respectively.

**Findings:** Satisfaction of employees with regard to Employee Provident Fund (EPF), Canteen facility, Group Insurance Scheme (GIS), Education facility, Maternity benefit, and Gratuity benefits have been found significant different at commonly accepted level of either 5 or 1 percent (Pearson Chi-Square). Further, it has been observed that three predictors namely EPF, canteen, and GIS satisfaction level contribute 56% of the variance in total emoluments satisfaction level (Hierarchical Regression). All the three factors are found to be statistically significant at 5% level of significance.

**Research Limitations/Implications:** Only offering fringe benefits does not cause satisfaction, the amount and the expectations of the employees are more important factors for satisfaction. Therefore, a comparative study can be done among the different components of compensation with regard to satisfaction. Finally, it is also advisable to understand effects of fringe benefits on labour productivity and firm performance.

**Originality/Value:** Employee benefits represent around 42 percent of total pay roll cost to the employers. It is essential that a program be based on specific objectives that are compatible with organizational philosophy and policies as well as affordable. The study addressed to Indian Sugar Federation, Wages Board, and Mill Owners for understanding the formulation of suitable employee benefits program.

**Keywords:** Fringe benefits, Employees satisfaction, Perceptions, Sugar mills, Private and Cooperative Sector, Compensation and U.P.

### **Introduction**

Fringe benefit is a major part of compensation which helps in motivating, attracting and retaining the employees and improving organizational effectiveness. The fringe benefits are non- wage benefits offered by the employer to the employees; they represent a

substantial cost expense to the employer and a cost saving to the employee. The money value of fringe benefits may usually account for around 40 percent if not more of the employee remuneration in certain large organizations (Jain, 2008). Fringe benefits and employee welfare program have been in vogue in industry since

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long. Some of them like provident fund and gratuity have become statutory while others concerning housing, education, medical benefits, accident relief, health and life insurance, or facilitation in performance of jobs like uniform, canteens, recreation etc. are not statutory yet (Bhola, 2008, Prasad, 2005). Statutory benefits refer to those fringe benefits which an organization is legally required to provide to its employees, but voluntary benefits pertain to those fringe benefits which an organization provides of its own free will and volition (Dev, 2009). According to Werther & Davis (1996) "Fringe benefits embrace a range of benefits and services that employee does receive as part of their total compensation package. Benefits and services, however, are indirect compensation because they are usually extended as a condition of employment and not directly related to performance". Cockmar (1975) said that, "Fringe benefits are those benefits which are provided by an employer to or for the benefit of an employee and which are not in the form of wage, salary and time related payments".

### **Literature Review**

A review of the literature in this context reveals that a number of researchers have emphasized the importance of factors affecting job satisfaction. Job satisfaction involves several different spheres such as satisfaction with pay, promotion opportunities, fringe benefits, job security and the importance/challenge of the job. (Nguyen, Taylor, & Bradley, 2003).

Srivastava (1995) has made an exhaustive study of labour productivity. The study focused on what incentives should be provided to workers to motivate them to increase their productivity and thus increasing the per capita output. A detailed analysis has been made on labour productivity and incentives effect on cost economy. Linking of incentives to productivity has also been discussed. But the study does not mentioned about the scientific determination methods and incentive rates.

Rabindranath (1976) makes an enquiry in to the wage structure in a few industrial units of Poona. The factors which are affecting the wage structure and employees benefits are the focal points according to him. The study brings out the wage differentials between different categories of workers in comparable occupations among different industries. The most important part of the study is a clinical diagnosis of irrational elements in wage structure and employees benefits. The study pin-points the need for the standardization of the wage structure and employees benefits keeping productivity as the main factor. Important factors like capacity of the industry, needs of the workers and their bargaining capacity have been indirectly discussed.

Gupta & Joshi (2007) have the view that compensation refers to logic pay in the form of wages and salaries. It also includes incentives plans, fringe benefits and executive remuneration. In his view salaries and perks paid to highest decision makers in organizations are skyrocketing and this sudden spurt is a result of liberalization and globalization of the economy.

### **Statement of the Problem**

Fringe benefits constitute an indirect form of compensation intended to improve the quality of work lives and the personal lives of employees. Employee benefits represent approximately 42 percent of total payroll costs to employees (Snell et al., 2012). In return, employers generally expect employees to be supportive of the organization and to be productive. Since employees have come to expect a full benefits package the motivational value of these benefits depends on how the benefits program is designed and communicated. Since only satisfied employees can contribute on labour productivity and firm performance, hence it is an endeavour by the researchers to understand the following crucial issues for determining sound employee benefits program:

- I. Does the fringe benefits programme affect the level of satisfaction of the employees?
- II. How do the different components of fringe benefits programme affect the total emoluments satisfaction level?
- III. Is there any difference between prevailing employee benefits programme in private and cooperative sector?
- IV. How can an effective fringe benefits policy be designed?

**Objective of the Study:** The present study has been undertaken to analyze the satisfaction level towards fringe benefits among employees of sugar mills in Eastern U.P. The sub-objectives of the study are as follows:

- To identify the variation in satisfaction level in fringe benefits among the employees in private and cooperative sugar mills;
- To identify the possible predictors (components of fringe benefits) of employees total emoluments satisfaction level; and
- To suggest appropriate measures for improving fringe benefits programme for sugar mills.

**Hypotheses for the Study:** On the basis of objectives and extensive literature review the following research hypotheses have been formulated:

- HO: There is no significant difference between the satisfaction level of employees in private and cooperative sugar mills with regard to different elements of fringe benefits;
- HO: Elements of fringe benefits contribute equally in employees' total emoluments satisfaction level.

**Significance of the Study:** Sugar industry is the major agro based industry in Uttar Pradesh. The industry covers around 7.5% of total rural population and provides employment to more than 5 lakh rural people (Devaraja, 2009). The industry has many problem and

difficulties in the marketing of sugar, non availability of sugar cane and high cost of sugar cane etc. Besides, that the industry has also shortage of technical skill, modern technology, proper and effective government assistance. The most important problems namely wages and salary administration including fringe benefits and promotion caused a lot of strain on the relationship between employers and employees.

Like basic pay plans, the major objective for most organizational fringe compensation programme is to attract, retain, and motivate qualified, competent employees. Research supports the importance of fringe benefits in agro based industry (Miethe, 1999). Because many of the benefits represent a fixed cost, management must pay close attention in assuming more benefit expenses. Increasingly, employers are requiring employees to pay part of the cost of certain benefits. Employers also shop for benefit services that are competitively priced (Richard, 2003). Hence the study would be very useful in understanding the formulation of suitable fringe benefit policies by the Sugar Federation, Wage Board and Mill Owners, so that overall satisfaction level of employees can be improved.

**Research Design:** It is the plan and structure of overall research work. It presents the operational plan, how the research work has been carried out. In short, it constitutes the blueprint for the collection, measurement and analysis of data (Cooper, 2010).

**Scope of the Study:** The present study is carried out in sugar mills of five districts (Mau, Sultanpur, Deoria, Kushinagar and Maharajganj) of eastern UP only. The universe of the study includes all those employees who were working in private and cooperative sugar mills of eastern U.P. The whole population comprises 2160 permanent employees both official and non-official. as on 31st October 2010. Nominal, ranking and interval scale have been used as per the suitability of the data.

For referencing style the American Psychological Association (6th Edition) have been used. Limited elements of fringe benefits have been considered in the study.

**Sampling Design:** Sampling frame comprised of those working employees of sugar mills who has having at least two years of experience in the same organization. Stratified random sampling has been used for determining the representation from each stratum (official and non-official employees). 7 sugar mills of eastern U.P have been selected randomly out of 35 sugar mills. Of these 5 are from private sector and 2

from cooperative sector. Total 420 questionnaires have been directly distributed among the employees of seven sugar mills. 374 questionnaires have been collected and found that 344 questionnaires are valid. Finally, 338 questionnaires have been used on the basis of Yamane (1967) sample adequacy formula for the purpose of the study.

**Sample Adequacy Formula:**

$$n = N / (1 + N * e^2),$$

$$\text{Whereas } n = 2160 / (1 + 2160 * .05^2) = 337.5$$

Where n=Minimum Sample Size,

N= Population Size and e=level of Precision (5%)

**Table 1: Distribution of Sample Size**

<b>Sector</b>	<b>Official</b> (Managerial Staffs)	<b>Non-Officials</b> (Technicians & Blue Collar Employees)	<b>Total</b>
Cooperative	35	68	103
private	78	157	235
<b>Total</b>	<b>113</b>	<b>225</b>	<b>338</b>

**Analysis and Interpretation:**

Since the study is purely based on primary data collected through structured questionnaire having 25 statements and several statistical tools have been used namely Pearson's Chi-Square Test, Independent Sample t-test and Multiple Regression Analysis etc as per suitability of data. Before statistical analysis normality of data have been checked through histogram and box plot.

**Reliability Analysis:** Reliability analysis is used to test the internal consistency and validity of the data gathered. Only elements with alpha value of 0.70 or above are to be considered (Nunnally, 1978). For all the variables of the questionnaire, alpha value is found 0.925 which shows the high internal consistency as per the scale given by Freitas and Rodrigues, 2005.

**Table 2: Reliability Statistics**

<b>Cronbach's Alpha</b>	<b>No. of Items</b>	<b>Variables</b>
.925	8	Satisfaction with E.P.F., Canteen Facilities, G.I.S, Medical and Education facilities, Gratuity, Pension and Accident Relief Benefits.

## Demographic Analysis

Table- 3: Profile of the Respondents

Characteristics	Respondent		Private		Cooperative		Value of Test		
Age	No.	%	No.	%	No.	%	Test	df	P-value
≤ 40	62	18.3	56	23.8	06	5.8	t=4.79	336	P<0.01
41- 50	135	39.9	95	40.4	40	38.8			
51- 60	141	41.8	84	35.8	57	55.4			
Total	338	100.0	235	100.0	103	100.0			
Gender									
Male	333	98.5	231	98.3	102	99.0	χ²=0.26	1	P>0.05
Female	05	1.5	04	1.7	01	1.0			
Total	338	100.0	235	100.0	103	100.0			
Education									
Technical	103	30.5	87	37.0	16	15.5	χ²=15.61	1	P<0.01
General	235	69.5	148	63.0	87	84.5			
Total	338	100.0	235	100.0	103	100.0			
Experience									
≤ 10	31	9.2	30	12.8	01	1.0	t=3.17	336	P<0.01
11-20	84	24.8	67	28.4	17	16.5			
21-30	171	50.6	96	40.9	75	72.8			
31-40	52	15.4	42	17.9	10	9.7			
Total	338	100.0	235	100.0	103	100.0			
Working Status									
Non-official	221	65.4	157	66.8	64	62.1	χ²=0.69	1	P>0.05
Official	117	34.6	78	33.2	39	37.9			
Total	338	100.0	235	100.0	103	100.0			

Source: Primary survey

A summary of the demographic profile of the respondents is presented in the above Table: 3 shows that the maximum 41.7 percent were between the age group of 51-60 years out of which 35.7 percent from private sector and 55.3 percent from cooperative sector respectively. 39.9 percent and 18.3 percent of

respondents were selected between the age group 41-50 years and <40 years. Male and female constituted 98.3 percent and 1.7 percent in private sector and 99.0 percent and 1.0 percent in cooperative sector respectively. Education-wise, it was visible that the majority of the employees (84.5 percent) were held



general education, but in private sector, technical educated employees were higher than that of cooperative sector employees. As far as employees' experience is concerned, it is found that the 50.6 percent employees are having experience between 21-30 years. Whereas 66.8 and 66.2 percent non-official employees are selected from private and cooperative sector respectively. The t-test result (with equal variance assumed) where t statistics of 4.79 and 3.17 with 366 degrees of freedom the corresponding two tailed P-value is 0.000 which is less than 0.01. Therefore we can reject the null hypothesis at 1% significance level, which means that the average ages and experience of the two groups are statistically significant given each

other. The Pearson's chi-square analysis has been done to test the association between natures of organization and gender & working status of employees of two sectors and found that there is an insignificant statistical difference. However, education qualifications of private and cooperative sector employees are statistically significant.

**Fringe Benefits Analysis:** Table 4, shows the distribution of respondents according to getting Employee Provident Fund (EPF), Canteen facility, Group Insurance Scheme (GIS), Medical facility, Education facility, Maternity benefit, Gratuity and Accident relief benefits.

**Table- 4: Employees' Perceptions with Regard to Getting Fringe Benefits**

Employees Benefits	Private sector				Cooperative sector				Total				Value of test		
	Yes		No		Yes		No		Yes		No		Test	df	Value
	no.	%	no.	%	no.	%	no.	%	no.	%	no.	%			
EPF	230	97.9	05	2.1	102	99.0	01	1.0	332	98.2	06	1.8	$\chi^2=0.55$	1	P>0.05
Canteen facility	141	60.0	94	40.0	38	36.9	65	63.1	179	53.0	159	47.0	$\chi^2=15.35$	1	P<0.01
GIS	140	59.6	95	40.4	101	98.1	02	1.9	241	71.3	97	28.7	$\chi^2=51.83$	1	P<0.01
Medical facility	194	82.6	41	17.4	89	86.4	14	16.6	283	83.7	55	16.3	$\chi^2=0.78$	1	P>0.05
Education facility	106	45.1	129	54.9	15	14.6	88	85.4	121	35.8	217	64.2	$\chi^2=29.07$	1	P<0.01
Maternity benefit	24	10.2	211	89.8	05	4.9	98	95.1	29	8.6	309	91.4	$\chi^2=2.62$	1	P>0.05
Gratuity	227	96.6	08	3.4	101	98.1	02	1.9	328	97.0	10	3.0	$\chi^2=0.53$	1	P>0.05
Accident relief	176	74.9	59	25.1	95	92.2	08	7.8	271	80.2	67	19.8	$\chi^2=13.55$	1	P<0.01

The above table reveals that the Employee Provident Fund (EPF), Medical facility, Maternity benefit and Gratuity benefits is almost evenly available facility to the employees in both the sectors. But, in private sector, 60 percent employees have asserted that they were enjoying to canteen facility, while in cooperative sector, 63.1 percent employees are dissatisfied with canteen facility. 40.4 percent and 54.9 percent employees are dissatisfied with group insurance scheme and education

facility respectively in private sector. In other hands, 98.1 percent employees are satisfied with group insurance scheme but 85.4 percent employees are dissatisfied with education facility in cooperative sector. Nearly 80 percent employees were satisfied with accident relief benefits in private sector but in cooperative sector, 92.2 percent employees were satisfied with accident relief benefits. The Pearson's chi-square analysis has been done to test the association

between natures of organization and employees perceptions with regard to Employee Provident Fund (EPF), Medical facility, Maternity benefit and Gratuity benefits and found that there is an insignificant statistical difference. But Canteen facility, Group Insurance Scheme (GIS), Education facility and Accident relief benefits have been significantly differencing at commonly accepted level of either 5 or 1 percent.

Analysis of Employee's Satisfaction towards Fringe Benefits: The Table: 5 exhibits the employee's satisfaction level regarding the benefits of Employee Provident Fund (EPF), Canteen facility, Group Insurance Scheme (GIS), Medical facility, Education facility, Maternity benefit, Gratuity and Accident relief benefits. In private sector, 25.3 percent of respondents are highly satisfied with the benefits of EPF, while 21.7 percent are less satisfied and 53 percent employees are moderately satisfied with the benefits of EPF. In cooperative sector, 36.3 percent employees are fully satisfied with the fruits of EPF; while 45.1 percent were less satisfied and 18.6 percent respondents are moderately satisfied. Overall, 28.6 percent respondents are fully satisfied; whereas 28.9 percent employees are less satisfied and 42.5 percent employees have said that they are moderately satisfied with the benefits of employee provident fund. In private sector, 48.2 percent of respondents are moderately satisfied with the canteen facility; while, half of the respondents were less satisfied with the canteen facility in cooperative sector. Only 15 percent employees of private sector are fully satisfied with the fruits of group insurance scheme, while 24.8 percent employees were highly satisfied with the benefits of group insurance scheme in cooperative sector. Overall, 1.8 percent respondents are fully satisfied, whereas 45.6 percent employees were less satisfied and 52.7 percent employees have said that they are moderately satisfied with the benefits of medical facility. In private sector, 81.2 percent and 58.3 percent of the respondents are moderately satisfied.

But overall employees in cooperative are less satisfied with the education facility and maternity benefit respectively. 37.6 percent employees in cooperative were fully satisfied; while, 63 percent of employees were moderately satisfied in private sector with the gratuity benefit. Overall, 16.2 percent employees were fully satisfied, whereas 52.4 percent employees are less satisfied and 31.4 percent employees are moderately satisfied with the accident relief benefits. The Pearson's chi-square analysis has been done to test the association between nature of organization and employees satisfaction with regard to Employee Provident Fund (EPF), Canteen facility, Group Insurance Scheme (GIS), Education facility, Maternity benefit, and Gratuity benefits and found that there is statistically significant at accepted level of either 5 percent or 1 percent. (table on next page)

**Hierarchical Regression Analysis:** The results of hierarchical regression analysis such as cumulative R<sup>2</sup>, Adjusted R Square (AR<sup>2</sup>) and change statistics have been given in Table: 5. An attempt was made to find out whether the six different variables would be possible predictors of total emoluments satisfaction. Under change statistics, the first column leveled R square change gives change in the value of R square between the models. The last column labeled Sig. F change tests whether there is a significant improvement in the models as we introduce additional IVs. We can see that the R Square Change value in row two is .127. This means that inclusion of canteen satisfaction level after EPF helps in explaining the additional 12.7% variance in total emoluments satisfaction. The p value for testing significance of corresponding F change is .008, significant at 5% label of significance. This means that inclusion of canteen satisfaction significantly improves the model to predict overall emoluments satisfaction level. Whereas model 4, 5 and 6 did not improved after inclusion of Medical satisfaction level; education satisfaction level, Accident relief satisfaction level as

their corresponding F- Change insignificant at 5% level of significance.

**Table- 5: Employees' Fringe Benefits Satisfaction Analysis**

Sector	S.L*	EPF		Canteen Facility		GIS		Medical Facility		Education Facility		Maternity Benefit		Gratuity		Accident relief	
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Private	Low	50	21.7	64	45.4	47	33.6	72	37.1	17	16.0	09	37.5	37	16.3	85	48.3
	Moderate	122	53.0	68	48.2	72	51.4	117	60.3	86	81.2	14	58.3	143	63.0	64	36.4
	High	58	25.3	09	6.4	21	15.0	05	2.6	03	2.8	01	4.2	47	20.7	27	15.3
	<b>Total</b>	<b>230</b>	<b>100</b>	<b>141</b>	<b>100</b>	<b>140</b>	<b>100</b>	<b>194</b>	<b>100</b>	<b>106</b>	<b>100</b>	<b>24</b>	<b>100</b>	<b>227</b>	<b>100</b>	<b>176</b>	<b>100</b>
Coop.	Low	46	45.1	19	50.0	57	56.4	57	64.0	15	100.0	05	100.0	47	46.5	57	60.0
	Moderate	19	18.6	03	7.9	19	18.8	32	36.0	00	0.0	00	0.0	16	15.8	21	22.1
	High	37	36.3	16	42.1	25	24.8	00	0.0	00	0.0	00	0.0	38	37.6	17	17.9
	<b>Total</b>	<b>102</b>	<b>100</b>	<b>38</b>	<b>100</b>	<b>101</b>	<b>100</b>	<b>89</b>	<b>100</b>	<b>15</b>	<b>100</b>	<b>05</b>	<b>100</b>	<b>101</b>	<b>100</b>	<b>95</b>	<b>100</b>
Total	Low	96	28.9	83	46.4	104	43.2	129	45.6	32	26.4	14	48.3	84	25.6	142	52.4
	Moderate	141	42.5	71	39.6	91	37.7	149	52.7	86	71.1	14	48.3	159	48.5	85	31.4
	High	96	28.6	25	14.0	46	19.1	05	1.8	03	2.5	01	3.4	85	25.9	44	16.2
	<b>Total</b>	<b>332</b>	<b>100</b>	<b>179</b>	<b>100</b>	<b>241</b>	<b>100</b>	<b>283</b>	<b>100</b>	<b>121</b>	<b>100</b>	<b>29</b>	<b>100</b>	<b>328</b>	<b>100</b>	<b>271</b>	<b>100</b>
Value of Test	Test	$\chi^2=36.06$		$\chi^2=39.76$		$\chi^2=26.56$		t = 4.48		$\chi^2=47.62$		$\chi^2=6.47$		$\chi^2=64.73$		$\chi^2=5.86$	
	df	2		2		2		281		2		2		2		2	
	P- alue	P<0.01		P<0.01		P<0.01		P<0.01		P<0.01		P<0.01		P<0.01		P>0.05	

S.L\*:-Satisfaction Level

**Table No: 6: Hierarchical Regression Analysis Predicting Total Emoluments Satisfaction**

Model	R	R <sup>2</sup>	AR <sup>2</sup>	Change Statistics		
				R- Square Change	F-Change	Sig. F Change
1	.649 <sup>a</sup>	.421	0.402	.421	21.836	.000
2	.740 <sup>b</sup>	.548	0.517	.127	8.113	.008
3	.779 <sup>c</sup>	.607	0.565	.059	4.231	.049
4	.779 <sup>d</sup>	.608	0.549	.000	0.025	.874
5	.791 <sup>e</sup>	.625	0.553	.018	1.243	.275
6	.793 <sup>f</sup>	.630	0.536	.005	0.005	.231



Predictors: a: EPF Satisfaction Level;

Predictors: b: EPF satisfaction level and canteen satisfaction level;

Predictors: c: EPF satisfaction level, canteen satisfaction level, GIS satisfaction level;

Predictors: d: EPF satisfaction level; canteen satisfaction level, GIS satisfaction level, Medical satisfaction level;

Predictors: e: EPF satisfaction level; canteen satisfaction level, GIS satisfaction level, Medical satisfaction level; education satisfaction level; and

Predictors: f: EPF satisfaction level; canteen satisfaction level, GIS satisfaction level, Medical satisfaction level; education satisfaction level, Accident relief satisfaction level.

Dependent Variable: Total emoluments satisfaction

## Findings

The majority of employees in private sector are younger than cooperative sector who are in the age group of less than 40 years. Representations of female respondents in both the sectors are very less. Further, it is evident that the majority of the employees with technical knowledge are more in private sector in comparison to cooperative sector. As far as employees' experience is concerned, majority of the respondents in the cooperative sector are having experience ranging from 21 to 30 years. It indicates that the employees in cooperative sector have longer attachment with their workplace. The working status of the employees, namely official and non-official of both the sectors is found same.

Entitlement to Employees Provident Fund (EPF), Medical facility, Maternity benefit, and Gratuity benefits does not vary among the employees in both the sectors. But satisfaction level with these facilities among the employees varies significantly. Employees in private sector are more satisfied in comparison to cooperative sector employees. Canteen facility, Group Insurance Scheme, Education facility and Accident relief benefits

significantly varies among the employees in both the sectors. However, levels of satisfaction in respect to group insurance scheme, cooperative sector employees are highly satisfied in comparison to private sector employees. But, employees in private sector are more satisfied in respect to education facility and canteen facility. However, satisfaction level in the employees of private and cooperative sector almost similar in respect to accident relief benefits.

It has been observed that three predictors namely EPF satisfaction level, canteen satisfaction level, and GIS satisfaction level contribute 56% of the variance in total emoluments satisfaction level. Thus the results indicate that the above three variables are very significant in predicting the overall emoluments satisfaction. All the three factors are found to be statistically significant at 5% level of significance.

## Conclusion

The comparison has been done in private and cooperative sector employees with regard to fringe benefits. Besides that a comparison also has been done based on five demographic variables namely age, gender, experience, qualification and working status with regard to satisfaction level with fringe benefits. On the basis of comprehensive comparison, it is found that the nature of organization and employees satisfaction towards fringe benefits statistically significant. This means, cooperative sector employees are less satisfied in comparison to private sector employees. Employees in private sector are technically sound in comparison to cooperative sector. Through hierarchical regression analysis it is statistically proved that all components are not much effective. Thus management must consider the following two factors while designing a sound benefits program:

- I. It is essential that a program be based on specific objectives that are compatible with organizational philosophy and policies as well as affordable; and

- II. Target important employees individual need while promoting compensation structure.

Only offering fringe benefits does not cause satisfaction, the amount and the expectations of the employees are more important factors for satisfaction. Therefore, a comparative study can be done among the different components of compensation with regard to satisfaction. Finally, it is also advisable to understand effects of fringe benefits on labour productivity and firm performance.

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