

Keeping the Best - Human Resources in Subsidiaries of Sino-European Multinational Companies located in P.R. China - Which Monetary and/or Non-Monetary Employee Benefits Lead to More Job Satisfaction of the Organization Members?

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Abstract – The fast developing economy, the rise of FDI and the shortage of talented employees has resulted in a war for talents on the Chinese labour market. Consequently, organizations have started offering fringe benefits to attract talents and reduce labour turnover. For best results, companies have to consider the different expectations and demands of their employee and develop appropriate fringe benefits programs. The purpose of this study is to investigate the differences in perception of fringe benefits by different industrial sectors, gender and hierarchical levels. Therefore we conducted an empirical study with employees of various companies in Beijing, Shanghai and Taicang. Results and differences will be discussed and a general ranking of fringe benefits will be provided.

Index Terms - Fringe benefits, incentives, Chinese labour market, job turnover

1. Introduction

The People's Republic of China (P.R. China) is without a doubt one of the fastest growing and developing economies in the global competition that has faced a shortage of talented employees [1]. Since P.R. China's economy opened in 1978, the country has experienced drastic transformation, and its economy has converged with global capitalism [2]. The economic reforms in this country led not only to rapid economic growth, but also to drastic changes in its economic structure [3]. Due to the growing interest in the world's largest consumer market, foreign direct investments (FDI) have increased as well [4] [5]. The PR China even overtook the US and became the largest recipient of foreign direct investment (FDI) worldwide. Currently it is estimated that foreign owned firms now account for more than a third of P.R. China's total industrial growth [6]. The FDI also had a substantial impact on human resource practices in P.R. China [7]. This economic development has led to high competition for talents on the Chinese labor market [3]. What is more, is that fluctuation in P.R. China has exceeded rapidly and employee costs have increased similarly [8] [5]. While the rate is especially high for workers, fluctuation among white collar employees (operatives) and managers is even higher nowadays [9] [10]. This is due to the employees' opportunity to move easily and

quickly to competitors that offer greater overall rewards [11]. Unsurprisingly, university graduates in P.R. China are willing to change their occupation after just 2 to 5 years and job-hopping is a very common phenomenon [12] [13].

2. Fringe Benefits

As a reaction to this phenomenon, companies have started to offer their employees incentives in hope of raising their loyalty. These so called "fringe benefits" can be defined as the incentives, received in addition to wages and salaries [14]. By definition, fringe benefits "are designed to help employees with the many facets of their lives including personal well-being, professional development, and family responsibilities" [15]. Therefore, fringe benefits as an instrument of human resources can influence commitment, loyalty, motivation [17] [18], performance of the workforce [3] [19] and thereby job satisfaction. Consequently, companies have to develop a broad net of fringe benefits to meet the different expectations and demands [10]. As fringe benefits are very costly and the success of fringe benefits depends on various factors, our goal was to find answers to the following research questions:

- Which monetary and non-monetary fringe benefits lead to (more) job satisfaction?
- How do different hierarchical positions, industries and gender affect the ratings of monetary and non-monetary fringe benefits with regard to job satisfaction?

3. Methodology

In order to find answers to our research questions we developed a questionnaire based on a qualitative study made by Kasper, Mühlbacher, Kodydek and Zhang in 2012 [20] and translated it into Mandarin accordingly. The questionnaire consists of, in sum, 21 monetary and non-monetary fringe benefits. The questionnaire also includes two P.R. China specific employee benefits: "hong bao", a red envelope

containing a small amount of money [21] and “gong ji jin”, a part of the employees’ wages monthly set aside for buying an own accommodation [22]. The participants had to evaluate the impact of fringe benefits offered in their respective company on their job satisfaction by using a seven-point Likert rating scale, covering a range from “no impact” (“1”) to “very strong impact” (“7”).

The theoretical sample consists of managers, workers and operatives from Beijing, Shanghai and Taicang. The survey succeeded in integrating companies of various industries such as chemical industry, automotive industry, metallurgical industry, financial services, pulp and paper industry, logistics, and engineering industry. For further data analysis we grouped the participating companies into four different economic sectors: Production, automotive, service and engineering. Table I provides an overview over the sample, showing the sector, the industry, the location of the company, the number of employees and the number of participants.

TABLE I

Participating Companies				
Sector	Industry	Location	Number of Employees	Number of Participants
Production	Metallurgical	Shanghai	149	108
	Metallurgical	Beijing	83	68
	Chemical	Taicang	195	72
	Pulp and paper	Taicang	91	26
Automotive	Automotive	Beijing	450	37
Service	Logistics	Shanghai	185	99
	Financial	Beijing	95	25
Engineering	Engineering	Beijing	120	23
Total:				458

4. Results

Our main descriptive results are presented in table II, showing the respective number of participants, the mean, the standard deviation and a ranking. For further differentiation non-monetary fringe benefits are italicized.

Our descriptive results show a general strong tendency by employees to prefer monetary fringe benefits. Above all, fringe employee benefits such as bonus payments, additionally paid days off or gong ji jin are on the top end of the ranking. In contrast Chinese employees show a tendency to regard non-monetary fringe benefits, such as further education, additional insurance or snacks and beverages as less important. In particular non-monetary fringe benefits aiming on an improvement of the working atmosphere, such as company outing, cafeteria, company party, birthday cake and card or leisure time activity are rated very low.

TABLE II

Descriptive Statistics and Ranking				
Ranking	Fringe benefits	N=458	Mean	SD
1	Bonus payments	406	6.424	1.039
2	Additionally paid days off	209	6.187	1.397
3	Gong ji jin	385	6.151	1.367
4	Financial support for vacation	37	5.919	1.534
5	Travel expenses	111	5.766	1.433
6	<i>Further education</i>	110	5.755	1.265
7	<i>Additional insurance</i>	263	5.749	1.685
8	Hong bao	102	5.618	1.712
9	Housing subsidies	53	5.585	1.574
10	Phone subsidy	247	5.441	1.599
11	Vouchers	77	5.364	1.646
12	<i>Company outing</i>	396	5.328	1.713
13	<i>Company car</i>	43	5.279	1.804
14	<i>Shuttle bus</i>	96	5.188	1.932
15	<i>Cafeteria</i>	174	5.144	1.840
16	<i>Company party</i>	330	4.803	1.652
17	<i>Birthday cake and card</i>	275	4.746	1.920
18	<i>Leisure time activity</i>	173	4.584	1.752
19	<i>Snacks and beverages</i>	196	4.551	1.824
20	<i>Gym</i>	81	4.395	1.934
21	<i>Company mobile phone</i>	84	3.988	1.923
Non-monetary employee benefits are written in italic letters; N=Number of participants; SD =Standard derivation				

The following tables show the significant differences we have found between gender (table III), different sectors (table IV) and hierarchy levels (table V). The tables include the general ranking, the respective number of participants, the mean, the standard deviation, and the significance. Non-monetary fringe benefits are italicized.

TABLE III

Significant Differences according to Gender						
Ranking	Fringe benefit	Sex	N=458	Mean	SD	Sig.
3	Gong Ji Jin	Female	192	6.276	1.241	.041*
		Male	180	5.983	1.500	
11	Vouchers	Female	29	5.966	1.267	.005*
		Male	44	4.886	1.742	
14	<i>Shuttle bus</i>	Female	40	5.900	1.614	.001*
		Male	54	4.593	1.976	
Non-monetary fringe benefits are written in italic letters; N=Number of participants; SD =Standard derivation; *= p≤0.05						

Our results show few significant differences between genders (table III). Only gong ji jin, vouchers and shuttle bus are rated differently. More specifically, female employees consider those three fringe benefits as more important than their male colleagues.

TABLE IV

Significant Differences between Production and Service Sector						
Rank	Fringe benefit	Sectors	N=458	Mean	SD	Sig.
1	Bonus payment	Production	226	6.518	1.042	.009*
		Service	120	6.208	1.060	
3	Gong ji jin	Production	206	6.286	1.407	.008*
		Services	119	5.866	1.314	
12	<i>Company outing</i>	Production	239	5.565	1.740	.001*
		Service	112	4.893	1.579	
15	<i>Cafeteria</i>	Production	140	5.243	1.834	.018*
		Service	12	3.917	1.929	
16	<i>Company party</i>	Production	171	4.942	1.690	.039*
		Service	105	4.514	1.612	
Significant Differences between Service and Engineering Sector						
3	Additionally paid days off	Service	12	6.667	.651	.017*
		Engineering	15	5.867	.915	
Significant Differences between Service and Automotive Sector						
1	Bonus payment	Service	120	6.208	1.060	.003*
		Automotive	37	6.757	0.495	
3	Gong ji jin	Service	119	5.866	1.314	.019*
		Automotive	37	6.432	1.119	
Significant Differences between Automotive and Engineering Sector						
1	Bonus payment	Automotive	37	6.757	0.495	.006*
		Engineering	23	6.087	1.276	
6	<i>Further education</i>	Automotive	29	6.103	1.175	.038*
		Engineering	16	5.125	1.893	
Non-monetary fringe benefits are written in italic letters; N=Number of participants; SD =Standard derivation; *= p≤0.05						

Regarding significant differences between sectors (table IV), we discover major differences between production and service sector, such as bonus payment, gong ji jin, company outing, cafeteria and company party. Generally, participants employed in production share a much favourable view on fringe benefits than their colleagues in the service sector. However, no significant differences between production and engineering or production and automotive sectors exist. Our results also show a significant difference between the service and engineering sector, where additionally paid days off are rated higher by employees of the service sector. In comparison to the automotive sector, employees in the service sector rate bonus payments and gong ji jin significantly lower. The automotive sector also shows some significant differences in comparison to the engineering sector. In particular, bonus payment is regarded as more important. Additionally, further education achieves higher results too.

TABLE V

Significant Differences between Managers and Operatives						
Rank	Fringe benefit	Hierarchy	N=(458)	Mean	SD	Sig.
10	Phone subsidy	Managers	45	4.978	1.631	.014*
		Operatives	173	5.613	1.496	
Significant Differences between Managers and Workers						
7	<i>Additional insurance</i>	Managers	41	5.805	1.209	.032*
		Workers	46	4.891	2.433	
Significant Differences between Operatives and Workers						
2	Additionally paid days off	Operatives	116	6.362	1.182	.034*
		Workers	54	5.852	1.897	
3	Gong ji jin	Operatives	255	6.235	1.267	.010*
		Workers	63	5.714	1.963	
7	<i>Additional insurance</i>	Operatives	162	5.926	1.468	.000*
		Workers	46	4.891	2.433	
10	Phone subsidy	Operatives	173	5.613	1.496	.023*
		Workers	24	4.833	2.014	
14	<i>Shuttle bus</i>	Operatives	59	5.525	1.775	.017*
		Workers	18	4.278	2.244	
Non-monetary fringe benefits are written in italic letters; N=Number of participants; SD =Standard derivation; *= p≤0.05						

With regard to differences caused by hierarchical levels, our results show only one significant difference between managers and operatives (table V). Phone subsidy is rated higher by operatives. Similarly there is only one significant difference between managers and workers, where additional insurance is rated higher by managers. Most differences can be observed between operatives and workers such as additionally paid days off, gong ji jin, additional insurance, phone subsidy and shuttle bus.

5. Discussion and Conclusion

Independent from different hierarchical levels, gender or economic sector differences, the results show a general strong tendency to prefer monetary employee benefits, such as bonus payment. Therefore, we argue that our results are a strong indication that Chinese employees place higher value on a performance oriented reward system. This is in line with other similarly studies [23] [24], where individual performance rewards were argued to be very popular among Chinese workers. In contrast to our results regarding the impact of gender, which showed only a few differences, we found major differences between the production and service sector. As companies in the service sector, in particularly financial services, are top notch working places located in the inner city, fringe benefits such as bonus payment, gong ji jin, company outing or company party are considered by those employees more as basic features and less attractive. For the less earning employees in the production sector, which is usually located in the outskirts, those fringe benefits are more important. Regarding hierarchy, differences between operatives and workers are very common. As workers in China usually have low income, their top priority is to earn as much money and as

quick as possible. Consequently, they are less interested in additionally paid days off, a fringe benefit regarded very highly by operatives. Despite the fact that working accidents are more common among blue collar workers, they also considered additional insurance as less important. We argue that due to the generally lower level of education among workers there is little awareness regarding this topic.

The empirical results of our study should lead to a change in the minds of HR managers dealing with Chinese employees. Fringe benefits are an important influencing factor to reduce labour turnover in China and raise job satisfaction. Above all, companies should focus on a sophisticated bonus payment program and an elaborated gong ji jin policy. Additionally, as the high rating of additionally paid days off by operatives indicates, fringe benefits aiming on quality of life improvement are becoming more and more important for members of the urban working force.

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