

EMPLOYEES' AWARENESS AND PERCEPTIONS OF FRINGE BENEFIT PACKAGES: A Case of Local and Foreign Owned Companies in Tanzania

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Abstract

This paper is based on two research questions which intended to investigate employees' awareness of the availability and perceptions of the fringe benefit packages offered by local and foreign owned companies in Tanzania. The findings indicate that employees are not aware of the availability of most fringe benefits they receive even those which are legally mandated. Accordingly, the findings show that employees in foreign owned companies had positive perceptions on the fringe benefits packages they receive, while employees in local companies demonstrated negative feelings on the fringe benefit packages offered by their employers. Implications for practitioners and suggestions for further research are presented.

Keywords: *Fringe benefit packages; human resource management; local companies; foreign companies*

JEL Classification: *J33, J28, J24*

1. INTRODUCTION

Organizations are in the constant competition and pressure to attract and retain talented employees because of the competitive labor market that symbolizes most parts of the world. Due to its importance in employer-employee relationship and its flexibility in terms of determination, provision and employees preferences; fringe benefits (fb hereafter) has been shown to be one of the mostly used strategies by most organizations in attracting and retaining good brains. Reciprocating to its importance in employer-employee relationship, fringe benefits have been a topic of interest to practitioners in the last two decades, but receiving little attentions from international human resource (HR) scholars in their scholarly work. For employers, a particular attention has been on the costs and the anticipated outcome of providing competitive

employee benefits i.e., employee retentions. While for employees, fringe benefits are no longer a “fringe” but it is an integral part of their total income providing them the needed psychological and physical assistances in both good and bad times. The value of these benefits to both employers and employees however, depends on the employees’ awareness of this costly part of employees’ total compensations (Danhower & Lust, 1996; Dreher, Ash, & Bretz, 1988). Awareness refers to the employees’ clear understandings about the fringe benefit packages in their work places.

In their study conducted in the selected African countries, Lindauer, Meesook & Suebsaeng, (1988) note that, most benefits are not seen as entitlements by the local employees because of the little attentions paid by the formal labor market institutions on the whole process of determining and providing these benefits. Even those few benefits described by these institutions are provided in ad hoc basis. In this respect, employees may devote little attention in knowing the availability of fb packages in their respective companies. In this sense, if the key insights about the understanding of the fb packages by employees are missing, then we can hardly expect to comprehend if the purposes of offering these benefits are attained to both employers and employees. This aspect of HR management is of particular interest during the present period when the African continent and Tanzania in particular is undergoing distinct institutional and economic transformations thereby attracting both local and foreign investors.

Reciprocating to these challenges, this paper grapples to answer the following research questions; are employees aware of the fb packages offered by their respective employers? How do employees perceive these fb packages? Specifically, the paper aims to explore the awareness of fb packages that employees have in six companies operating in Tanzania; of which four are foreign owned companies and two are local companies. These are Barclays bank (BBT); Kenya Commercial bank (KCB); National Microfinance Bank (NMB); Vodacom Tanzania; Zain Tanzania; and Tanzania Telecommunication Company (TTCL). In this paper, employee fringe benefit is defined as the non salary/wage compensations offered by employers to employees in addition to the mandated monthly wages and it includes both legally and non-legally mandated benefits.

There are two contributions of this paper. The first contribution is its focus on only fringe benefits part of total compensations offered by both multinational companies’ (MNCs’) subsidiaries and local companies. Various studies point out that in spite of the importance of fringe benefits in the employer-employees relationship; it is the forgotten one in most academic studies of employees’ compensations (Balkin & Griffeth, 1993; Dulebohn, Molloy, Pichler, & Murray, 2009; Weathington & Tetrick, 2000). This lack of academic empirical research in IHRM is surprising given the

extensive efforts and costs employers have devoted to redesign and finance the fb packages. Thus, this paper adds value in this novel research area by providing empirical evidence on the employees' awareness of fb packages in their respective companies. Most of the few studies that addressed the issue of fringe benefits in IHRM have focused on a single specific benefit i.e., health insurance, probably because of its large cost to companies (Oyer, 2008). This paper contributes in this area by focusing on a broader set of benefits offered by both local and MNC subsidiary companies operating in Tanzania. This may give an important insight on whether employees are aware of all benefits offered by their companies; and how these employees perceive these fb packages.

2. THEORETICAL BACKGROUND

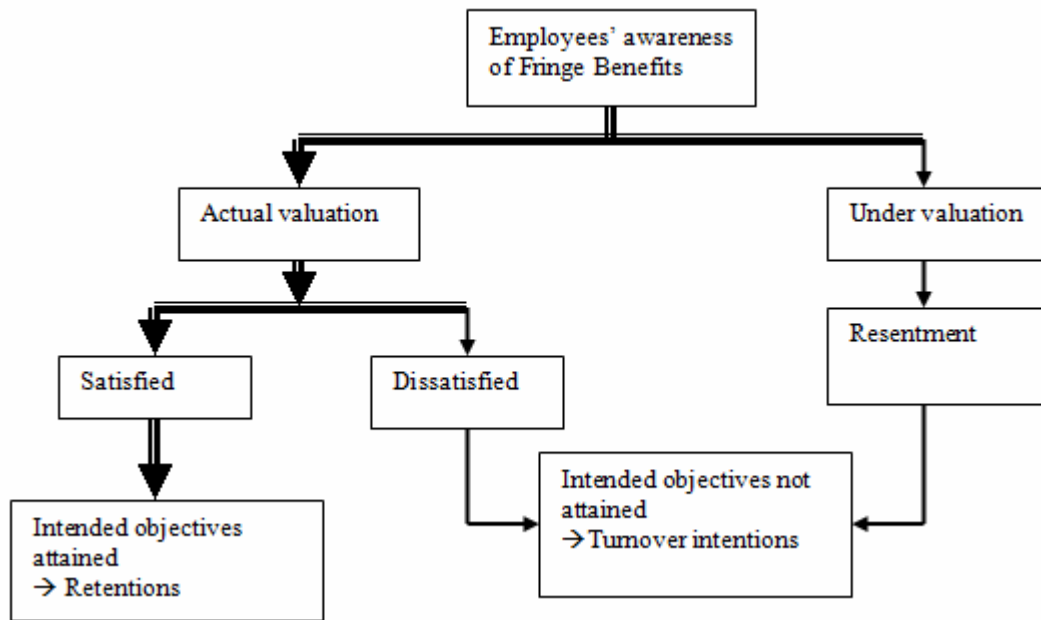
From a retention management perspective, the major objective of fringe benefit packages is to offer employees with benefits that are valuable enough to encourage them to stay longer with the company (Sinclair, Leo, & Wright, 2005). This is consistent with the practitioner oriented theory which states that, employers need to modify fringe benefits to effectively, recruit, and retain a diverse demographic employees base (Conroy, Caldwell, Buehrer, & Wolfe, 1997; Milligan, 1999). Whilst money wage is the most generalized force available in organizations to shape employees behavior, fringe benefits are incentives that respond to more specific needs of diverse group of employees in the organization (Balkin and Griffeth, 1993).

(Coetzee, Schreuder, & Tladinyane, 2007) point out that, in the era of globalization where information flows are free from one company to another as well as from one country to another, most organizations are at risk of losing the most talented employees. This is because talent employees are free to search and choose employers who have a benefit mix which corresponds to their utility functions. In this respect, organizations are struggling hard to offer and adjust fb packages so as to meet employees' expectations and preferences. In this respect, the key to positively influencing employees is for the employers to offer benefits that employees view as important (Weathington, & Tetrick, 2000). However, organizations cannot realize the full potential of offering competitive fringe benefits unless employees have sufficient knowledge about these packages (Danhowar & Lust 1996, Sinclair, Leo, & Wright, 2005).

Accordingly, benefits offered by the company need to be positively perceived and valued by employees so that to have the intended influence on employees behavior and attitudes (Iles, Mabey, & Robertson, 1990). If the benefit is not positively valued by the employee, it falls within the employee's "zone of indifference" and the presence or absence of such benefit in the workplace have little effect to that employees (Kroeger, 1995). Literature suggest that, a benefit will be valued more highly if employees have accurate knowledge of the benefits offered to them

(Tremblay, Sire, & Pelchat, 1998). Accordingly, employees who have accurate view of their benefit coverage seem to have higher valuation of the benefits they receive and are satisfied with their benefit packages than employees who are less informed of their benefits (Dreher et al., 1988). The reviewed literature is summarized in figure 1.

Figure-1: Conceptual framework



Source: Author's construct

3. METHODS

3.1 Research design and data collection

A multiple case study was conducted to examine and advance our understanding about awareness that employees who work in the culturally diverse companies have about the fringe benefit packages offered by their respective employers. This approach was considered suitable in dealing with this type of problem because it provides a useful basis for comparison and creates possibilities for learning and understanding about the phenomenon during the research process (Ghauri, 2004; Yin, 1994). I employed purposeful sampling technique in determining and selecting the six case studied companies. This process followed the suggestions of Eisenhardt (1989) who suggests that randomization is neither essential, nor even preferable, when exploring a particular phenomenon of interest. Data were collected through interviews, observations and secondary information. Semi-structured interviews were used to

collect data from HR managers and local employees. A total of 42 interviews were conducted, where 36 were local employees and 6 were HR managers from the six companies. The research was carried out from January 2010 to June 2010.

4. DATA ANALYSIS AND FINDINGS

The data were analyzed using inductive techniques in which the transcribed responses were coded according to the theory, interview number, and type of questions which facilitated the depiction of common themes and insights (Eisenhardt, 1989, Ghauri, 2004; Yin, 1994) pertaining employees awareness of fb packages.

4.1 Employers' responses to employees' awareness of fb packages

The responses from the HR managers of the six studied companies indicate that these companies offered various fringe benefits to their employees. Accordingly, the responses indicated that the six studied companies communicated their fb packages and any possible changes that were made to the existing fb packages. All HR managers expressed that, their companies are very communicative regarding employees' benefits.

Upon their employment we inform them all benefits they are going to receive, and when we introduce any new benefit we let them know because it is their right. Apart from informing them upon their employment, all policies that guide our operations are in each employee's folder. (HR manager, BBT)

Upon recruitment we take them through all important policies and one of them is compensation policies. After that, every employee possesses a private folder with all important policies in his/her private page. (HR manager, Vodacom)

All important and relevant information to each employee is available in each employee' webpage and any changes to any of our policies are communicated to them through this means of communication. (HR manager, KCB)

These excerpts indicate that, all employers in the sampled companies were confident that they clearly communicated necessary information especially on fb packages to their employees. The similarities and differences were seen on the means of communication used by these companies to communicate fb packages. The means of communication employed by the case studied companies were; training upon employment, provision of hard copies to employees, and employee's webpage as Table 1 depicts. Generally, these findings indicate that employee' webpage and training upon employment were the most used communication strategies by the six companies. However, training was given only once i.e., upon employee' recruitment and this left employee' webpage to be the most used method of communicating fb packages.

Table 1 Communicating fringe benefit Packages

Name	Communicating?	Means of communications		
		<i>Employee's webpage</i>	<i>Hardcopy</i>	<i>Training upon employment</i>
BBT	Yes	Yes and most preferred, accessible at company premises	Not preferred	Yes & preferred
NMB	Yes	Yes and preferred, accessible at company premises	Yes & preferred	Yes & most preferred
KCB	Yes	Yes and most preferred, accessible at company premises	Not preferred	Yes & preferred
TTCL	Yes	Yes and most preferred, accessible even outside the company premises	Yes & preferred	Yes & most preferred
Vodacom	Yes	Yes and most preferred, accessible even outside the company premises	Not preferred	Yes & preferred
Zain	Yes	Yes and most preferred, accessible even outside the company premises	Not preferred	Yes & preferred

4.2 Employees' awareness of the availability of fb packages

When asked a question on awareness of the available fringe benefits in their respective companies; most employees responded that they were aware to some few benefits like leave allowance, employers' contribution to social security fund and maternity leave. But, when presented with the list of fringe benefits offered by their respective employers; faces of most employees were observed to be surprised and their responses showed that most of them were not aware of all the benefits.

Most employees are unaware of not only the value but also of the availability of most fringe benefits. Take for example paternity leave; I came to know about this when I looked on the list of benefits you showed me. (Employee, KCB)

Hey, are you sure Vodacom offers annual leave allowance? I have to make a follow-up about this issue. I used to take annual leave every year but I have never received leave allowance. This is a surprise! (Employee, Vodacom)

After receiving same responses from most employees especially those working in foreign companies, I asked a small probing question; "do you use employee's webpage? Most employees acknowledged the availability of the webpage for each employee; however they argued that, they are very busy with work and it is very difficult to visit these webpage during the working hours.

We are too busy, when you enter the office you start working like "mchwa¹", you don't even find the time to eat, how can someone remember to open the webpage... We

¹ Mchwa is the Swahili name for white ant, whose in Tanzanian culture is referenced as the most busiest insect who works day and night

work by experience, what you get you take it and what you don't get you just forget...
(Employee, BBT)

The contrasting finding to the question of employees' awareness on the availability of fb packages was found from employees working at the local companies. Out of the twelve employees from the two local companies, eight of them indicated that they were aware of most of the fringe benefits offered by their employers. All twelve employees acknowledged that they received introductory training regarding their duties, responsibilities, rights and relevant policies.

I'm aware of all the fringe benefits I'm eligible to receive from my employer. When new employee is recruited s/he receives training on the duties and rights of both employer and employees.
(Employee, TTCL)

Yes, I'm aware of all benefits I do receive from my employer. There are very few benefits offered here and thus, it is very easy to remember. (Employee, NMB)

I know most of the fringe benefits I'm eligible to receive because they are very few...
(Employee, NMB)

Comparing the responses of employees employed by the MNCs' subsidiaries and those working with local companies in Tanzanian labor market, it is apparent that most employees employed by foreign companies were not aware of most benefits even those legally prescribed by various labor relations Law. Contrary to this, most employees employed by the local companies seemed to be aware of most fringe benefits offered by their employers.

4.3 Employees' perceptions on the fringe benefit packages

Responding to the question on the perceptions of the fb packages, the findings revealed variations in the interview responses from employees. The findings from most employees working in foreign companies indicate that, the few known fringe benefits were perceived positively by these employees. Even after showing the list of all fringe benefits to employees who were unaware of the availability of these benefits in their companies, most of them tended to be more encouraged to stay longer with their companies.

I'm so encouraged and happy to hear that Vodacom offers leave allowance, and I don't see any reason of leaving this company.
(Employee, Vodacom)

...for those few benefits I know exactly, it pays to work with this company and I don't think of quitting this company in the near future...
(Employee, BBT)

Personally as employee I don't feel like moving from KCB to other banks or any other companies searching for employment, I do get what I deserve. (Employee, KCB)

These excerpts show that employees working in these companies were satisfied with most fb packages offered by their employers. In addition, the findings revealed that, there were some employees who felt that there are important benefits that were not offered by their employers. Out of 24 employees participated in this study from foreign owned companies, 20 of them expressed their concerns on the issue of transport allowance and employer supported lunch as one of the important benefits.

With respect to fb packages we are above average but not 100%. I personally see that, there are some fringe benefits that our competitors offer and we don't, and I think those fb are important for employees' welfare. (Employee, Vodacom)

Conversely responding to this question, the findings indicate that employees employed by the local companies had negative perceptions on the offered fb packages by their employers. All twelve employees expressed that they received few benefits compared to other employees with the same qualifications but working in foreign companies. Again, these few benefits were priced less and thus have insignificant contributions to employees' welfare and have little influences on employees' behavior.

Completely I don't understand why this company does not offer even those fringe benefits that are stipulated by Tanzanian labor laws. Even those few benefits we receive are really undervalued. (Employee, NMB)

...we receive fewer benefits compared with what employees of other telecom companies receive. This result to disincentives among employees... (Employee, TTCL)

5. DISCUSSION AND CONCLUSION

The first research question intended to explore employees' awareness of the available fringe benefit packages in their respective companies. The findings revealed that most employees were not aware of the availability of most fringe benefits in their respective companies. In overall term, most interviewees were even unaware of the benefits that are stipulated by various Tanzanian labor market institutions. When compared the awareness of employees in foreign owned companies with those in local companies, I found differences in awareness the two types of employees had concerning their fringe benefit packages.

Employees in local companies were found to have more awareness of the available fringe benefits than employees working in foreign owned companies. However, being aware of all benefits for employees working with the local companies was attributed with the few available benefits in these companies. In this regard, the understandings of the fb packages at the local companies were arrived through experience and may not necessarily represent good communication strategy of these companies. The findings also indicate that, few employees who were aware of the benefits offered by their companies showed high ability of assigning correct value to these benefits. In line with the previous studies (cf. Dreher, et al, 1988; Tremblay et al, 1998; Wilson, et

al, 1985) these findings show that possessing actual knowledge of the benefits offered by employers result in to actual valuations of these benefits.

The second main question focused on exploring the perceptions that employees had on the fringe benefit packages in their respective companies. The findings indicated some differences and commonalties of responses among and between employees working with the case studied companies. In line with the retention management perspective, most employees working with foreign owned companies demonstrated positive perceptions on the benefit packages they were aware of. Although these employees were aware of the few available benefits but these benefits were of high value compared to those offered by the local companies. As a result employees working in the foreign owned companies showed intentions of staying longer with these companies. These findings are in support of the previous findings that suggest that employers need to offer benefits that are valuable enough to motivate employees to stay longer with the companies (Sinclair et al, 2005; Weathington & Tetrick, 2000).

The findings also showed that employees working with local companies although possessed good understandings of their fb packages demonstrated negative feelings about these benefits. This indicates that possessing accurate knowledge of the fringe benefit packages helped employees to evaluate these benefit packages which further resulted into dissatisfactions and disincentives. This is in contrary with the past researches which suggest that employees who have accurate knowledge of their benefit packages will have higher valuations of these benefits and are satisfied with these benefits than employees who are less informed (Dreher et al., 1988, Tremblay, et al., 1998). These findings suggest that possessing accurate knowledge about the benefit packages may lead to dissatisfactions among employees if these benefits do not meet the expectations and preferences of employees.

Reciprocating to this, the findings demonstrated also the importance of either adding new benefits on the existing fb packages or modifying them so as to meet the expectations of employees. Reflecting employees need in offering these benefits may result in the increase of motivations in the side of employees which further would help employers attain the intended objectives of committing themselves in investing enormous amount of money in their fringe benefit packages. This is in support of the practitioner oriented theory which suggests that employers need to modify the benefit packages to effectively motivate employees to remain with their companies (Conroy et al., 1997; Milligan, 1999).

These findings have three important implications for managers. The first is based on the motives of offering fringe benefits. While the role of fringe benefits to attract and retain employees has been taken for granted for many years, research on how these roles may be attained is very limited. Employees' knowledge on the available benefits has been shown in this paper as one of the important factors in attaining these roles. In

this sense employers need to inform their employees of the available benefits if the anticipated objectives of offering fringe benefits are to be attained.

The second implication for managers concerns the type of fringe benefits that companies are to offer. The findings suggest that managers need to recognize the importance of fringe benefit packages placed by employees. This has implications in terms of what type of fringe benefits to offer and communicate to employees. Managers should design and offer those benefits that are valued high by employees and that reflect the need of their employees. Another implication for managers is about the means of communications. The means of communication that suits to a particular situation is one of the significant aspects towards effective communication which can enhance attainment of benefit program goals. Thus, employers need to make strategic decisions in identifying which communication media to use by taking into considerations the local environment and how they should be employed towards attaining the intended objectives. As noted earlier, most employees raised concerns on the types of fringe benefits offered by their companies; this shows that employees are increasingly facing with the need to make choices among benefits offered. This offers another opportunity to study the effect of individual differences and the attributes of the available benefit packages on the choices made by individual employees or group of employees that are characterized with the similar features, which may further contribute in attaining the intended objectives of this costly part of employees' compensations.

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