

Fringe Benefits

Meaning

The term fringe benefits refer to the extra benefits provided to employees in addition to the normal compensation paid in the form of wage or salary. Many years ago, benefits and services were labeled “fringe” benefits because they were relatively insignificant or fringe components of compensation. However, the situation now is different, as these have, more or less, become important part of a comprehensive compensation package offered by employers to employees.

Features of fringe benefits

The main features of fringe benefits, as they stand today, may be stated as under:

- a. They are paid to all employees (unlike incentives which are paid to specific employees whose work is above standard) based on their membership in the organization.
- b. They are supplementary forms of compensation.
- c. They help raise the living conditions of employees.
- d. They are indirect compensation because they are usually extended as a condition of employment and are not directly related to performance.
- e. They may be statutory or voluntary. Provident fund is a statutory benefit whereas transport is a voluntary benefit.

Types of fringe benefits

Organizations provide a variety of fringe benefits. The fringe benefits are classified under four heads as given here under:

1. For Employment Security:

Benefits under this head include unemployment, insurance, technological adjustment pay, leave travel pay, overtime pay, level for negotiation, leave for maternity, leave for grievances, holidays, cost of living bonus, call-back pay, lay-off, retiring rooms, jobs to the sons/daughters of the employees and the like.

2. For Health Protection:

Benefits under this head include accident insurance, disability insurance, health insurance, hospitalization, life insurance, medical care, sick benefits, sick leave, etc.

3. For Old Age and Retirement:

Benefits under this category include: deferred income plans, pension, gratuity, provident fund, old age assistance, old age counseling , medical benefits for retired employees, traveling concession to retired employees, jobs to sons/daughters of the deceased employee and the like.

4. For Personnel Identification, Participation and Stimulation:

This category covers the following benefits: anniversary awards, attendance bonus, canteen, cooperative credit societies, educational facilities, beauty parlor services, housing, income tax aid, counseling, quality bonus, recreational programs, stress counseling, safety measures etc.

The fringe benefits are categorized as follows:

a) Payment for Time Not worked: Benefits under this category include: sick leave with pay, vacation pay, paid rest and relief time, paid lunch periods, grievance time, bargaining time, travel time etc.

b) Extra Pay for time Worked: This category covers the benefits such as: premium pay, incentive bonus, shift premium, old age insurance, profit sharing, unemployment compensation, Christmas bonus, Deewali or Pooja bonus, food cost subsidy, housing subsidy, recreation.

Objectives of fringe benefits

The view point of employers is that fringe benefits form an important part of employee incentives to obtain their loyalty and retaining them. The important objectives of fringe benefits are:

1. To create and improve sound industrial relations
2. To boost up employee morale.
3. To motivate the employees by identifying and satisfying their unsatisfied needs.
4. To provide qualitative work environment and work life.
5. To provide security to the employees against social risks like old age benefits and maternity benefits.
6. To protect the health of the employees and to provide safety to the employees against accidents.
7. To promote employee welfare by providing welfare measures like recreation facilities.
8. To create a sense of belongingness among employees and to retain them. Hence, fringe benefits are called golden hand-cuffs.
9. To meet requirements of various legislations relating to fringe benefits.

Need for Extending Benefits to Employees

- (i) Rising prices and cost of living has brought about incessant demand for provision of extra benefit to the employees.
- (ii) Employers too have found that fringe benefits present attractive areas of negotiation when large wage and salary increases are not feasible.
- (iii) As organizations have developed ore elaborate fringe benefits programs for their employees, greater pressure has been placed upon competing organizations to match these benefits in order to attract and keep employees.
- (iv) Recognition that fringe benefits are non-taxable rewards has been major stimulus to their expansion.
- (v) Rapid industrialization, increasingly heavy urbanization and the growth of a capitalistic economy have made it difficult for most employees to protect themselves against the adverse

impact of these developments. Since it was workers who are responsible for production, it was held that employers should accept responsibility for meeting some of the needs of their employees. As a result, some benefits-and-services programs were adopted by employers

(vi) The growing volume of labor legislation, particularly social security legislation, made it imperative for employers to share equally with their employees the cost of old age, survivor and disability benefits.

(vii) The growth and strength of trade unions has substantially influenced the growth of company benefits and services.

(viii) Labor scarcity and competition for qualified personnel has led to the initiation, evolution and implementation of a number of compensation plans.

(ix) The management has increasingly realized its responsibility towards its employees and has come to the conclusion that the benefits of increase in productivity resulting from increasing industrialization should go, at least partly, to the employees who are responsible for it, so that they may be protected against the insecurity arising from unemployment, sickness, injury and old age. Company benefits-and-services programs are among some of the mechanisms which managers use to supply this security.