

THE ROLE OF BENEFITS IN SUSTAINING HRM OUTCOMES – AN EMPIRICAL RESEARCH STUDY*

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Abstract. *Benefits are a type of indirect compensation that aims to achieve many goals. Primarily, however, companies provide benefits to prove that they care for their employees' personal needs, or because they wish to offer an attractive and competitive total compensation package. Since benefits account for a growing portion of the total compensation package costs, and taking into account that the motivating potential of benefits has lately been brought into question, we aim to analyze the role of benefits in achieving primary goals of human resource management, i.e., attracting, retaining and engaging employees in Croatian companies. Therefore, an empirical study was conducted on a sample of Croatian companies, which shows security, pension and health benefits, which are usually highly valued by employees, are under-represented in Croatian companies. In the case of administrative and manual employees, social activities, non-mandatory health and pension insurance and work from home were positively related to retention. However, statistically significant relationships between benefits mostly related to work-life balance and HR-related outcomes were almost exclusively negative in the case of experts, while only non-mandatory health insurance was found to be potentially useful in engaging and retaining experts. Therefore, employers should redesign*

benefits strategy and consider offering a flexible benefits system as an option.

Key words: *indirect compensation, perks and benefits, flexible benefits, attracting employees, retaining employees, work engagement*

1. INTRODUCTION

One of the most important tasks of human resource (HR) professionals is to design a reward strategy that will motivate employees and achieve high organizational performance. Reward management generally aims to attract, retain, motivate, and engage employees (Milkovich, Newman & Gerhart, 2010; Perkins, White & Shaw, 2016). Among a wide range of compensation elements, indirect compensation or perks and benefits are nowadays considered as a highly valued leveraging tool (e.g., Glassdoor, 2015; Jones, 2017). Given the fierce competition for talents on the job market, it is no surprise that job seekers highly rank factors such as base pay and benefits when making the decision to

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accept or decline a job offer (e.g., Galetić, Načinović Braje & Klindžić, 2015; Nyce, 2012). What is more, in a tight job market, organizations are more than ever required to present themselves as an “employer of choice”, which leads HR to design benefit packages that attract a wide range of employee demographics (Miller, 2016) and not just the younger ones (e.g., Millennials or generation Z individuals).

Benefits are a considerable component of salary and can amount to between 20 and 40 percent of total pay costs (Daley, 2008; Galetić, 2016; Rabin, 1994). However, while many organizations invest heavily in perks and benefits, not many are receiving an adequate return on that investment (Gilligan, 2009). In Western economies, benefits are mainly composed of retirement and healthcare programs, but can also include a number of miscellaneous services (Daley, 2008). Given the intangible nature of certain types of benefits and the fact that the value of benefits will depend on an individual’s specific life situation, the fact that perks and benefits can be taken for granted by many employees (Rabin, 1994) does not come as a complete surprise. What is more, many of these benefits are nowadays required by legislation in many countries so employees might even consider them as something they are entitled to. Finally, this can follow from the absence of a perceived relationship between one’s effort, performance and the benefits on the one hand, and the weak attraction that the benefits generally arouse on the other hand (Igalens & Roussel, 1999).

A fixed benefit system, in which all employees receive the same benefits package¹, can be considered as the simplest system. Despite the general nature of these

systems and lower administrative costs that they generate for the employer, they can be considered as impersonal, and as having the lowest degree of flexibility, thus not allowing for a wider employee’ participation (Vidal-Salazar, Córdón-Pozo, de la Torre-Ruiz, 2016). Therefore, many researchers and practitioners agree that flexible benefits system should become a permanent feature of modern compensation systems (see e.g., Brownline, 2007; Lin, Kelly & Trenberth, 2011; Simmons, 2001; Vidal-Salazar et al., 2016).

Research-wise, little has been done in the area of examining the dimensions of compensation satisfaction and their relationship with vital HR-related outcomes such as absenteeism, turnover, and performance. More studies should be conducted to examine these relationships (Williams et al., 2008). Given that research on perks and benefits and their relationship to HR-related outcomes is indeed scarce (Tremblay, Sire & Balkin, 2000; Carraher & Buckely, 2008; Schnake, 2016), with available studies focusing mostly on individuals/employees in a specific organization and their preferences towards specific (individual) benefits, we were motivated to conduct an empirical research study on a sample of organizations and try to identify trends in benefits practices and their effects on a larger scale. Our empirical research study was designed to answer the following two questions:

- *RQ1: What types of voluntary perks and benefits are offered in Croatian companies?*
- *RQ2: What is the relationship between the availability of benefits and primary HR-related outcomes such as*

¹ Alternatively, differences may occur with respect to general employee categories - such as blue collars versus white collars or exempt versus non-exempt employees.

attracting, retaining and engaging employees as well as with absenteeism and attrition rates?

2. THEORETICAL BACKGROUND

Compensation is a critical component of organizational strategy as motivating employee effort and attracting and retaining high ability employees influences the firm's bottom line, i.e., the organizational performance (Larkin, Pierce & Gino, 2012). Employee perks and benefits are a part of the compensation package, offered by an employer to its employees (Renaud, Morrin & Bechard, 2017). In the total compensation package, which consists of base pay, individual variable pay, group pay and benefits² (Galetić, 2015), benefits represent indirect compensation which refers to various non-monetary advantages (Milkovich, Newman & Gerhart, 2010). Despite its indirect character, the cost of benefits in total pay has had a dramatic increase (Carraher & Buckely, 2008). In the United States, for example, government employers spent more than a third of compensation costs on benefits, while private sector employers spent approximately 30%, as estimated by The Bureau of Labor Statistics in 2010 (Schnake, 2016). Generally speaking, benefits today account for up to 40 percent of total pay costs and more (e.g., Daley, 2008; Galetić, 2016; Rabin, 1994), giving them a strategic importance in the HR managers'

thinking. Not only have benefits costs increased, but the scope of their coverage has expanded considerably since the mid-1980s (Rabin, 1994). The importance of benefits has increased due to specific environmental factors as well. More specifically, unlike in the USA, employers in Europe and, therefore, in Croatia are obliged by law to offer certain types of benefits to their employees (such as mandatory pension and health insurance).³

Benefits can today be divided into four broad categories (St-Onge, 2014 after Renaudet et al., 2017): 1) traditional benefits (e.g., private group insurance plans and pension plans); 2) paid days off (e.g., vacation, parental leave); 3) work-life balance programs (e.g., employee assistance and wellness, flexible work arrangements); and 4) bonuses programs (e.g., car reimbursement, parking, product and/or service discounts, personal loans, paid meals, club memberships). Similarly, according to Igalens & Roussel (1999), benefits are made up of four principal elements: 1) allowances and reimbursements (e.g. food or commuting expenses), 2) miscellaneous benefits and perks in the form of goods and services supplied at a reduced price (e.g., company car, company housing, private usage of telephone), 3) employee welfare and recreational programs (e.g., events tickets, scholarships), and 4) complementary pension plans and health insurance cover paid for by the employer.

² Each of these pay elements has its unique purpose – while base pay represents the fair amount of fixed (usually monthly) payment that reflects the complexity of one's job, the variable pay represents the compensation for either individual or group effort invested (based on quantity, quality or behavior). Benefits, on the other hand, are not tied to performance or complexity of the job but are usually given to employees as a sign of belonging to the company (Galetić, 2015).

³ Other than political-legal framework, factors that have an important role in the benefits system in Croatian companies are labor market (trends in supply and demand of specific jobs but also the unionization of certain industries), social factors (e.g., demographic trends in terms of aging population but also the changing preferences of the younger generations of employees) and economic factors (e.g., high income tax coupled with tax deductions for certain types of benefits, which makes benefits more tax efficient for the employer).

From the above mentioned categorizations, it can be easily seen that benefits can be used to satisfy truly different types of employee needs. Building on the work of Alderfer (1972 after Daley, 2008) and given the fact that benefits can be a part of existential needs (in the form of, for example, health insurance), but also relatedness (e.g., social events, family-friendly policies) and growth needs (education and training) it becomes clear that benefits can be used as a powerful tool in leveraging organizational competitiveness in a tight job market. Additionally, even though it has been almost generally accepted that benefits contribute to employer branding mostly through satisfying attraction and retention needs, their role in motivating employee performance should not be completely dismissed either (Daley, 2008).

In an attempt to make a successful long-term plan for attracting and retaining employees, designing the right combination of benefits might be a crucial component and a competitive advantage employers need in the contemporary economic environment (e.g., Nyce, 2012). However, if the compensation and benefits are to provide organizations with a cost-effective way to attract, motivate and retain human resources, then benefits packages that fail to provide valued benefits to employees may represent a lost cause and an ineffective use of time and money (Rabin, 1994). In fact, it seems that employees highly undervalue the cost of the benefits that they receive (Carragher & Buckely, 2008) or, as Williams et al. (2008) stress, they perceive them as their “right” or something they are entitled to.

The problem with benefits arises from the fact that the perceived value of a benefit package is probably different for every employee because it depends on what employees wish to achieve with benefits

(Hillebrink et al., 2008). Traditional benefits packages might have been more focused on meeting the needs of a family comprising an employed male head of the household, work-at-home female spouse and two to three children – however, the demographic has changed (Rabin, 1994). Today, generational differences should probably be taken into serious consideration. For example, as Millennials are soon to be the dominant generation in the labor market, benefits packages should be more in line with their values and lifestyle (see e.g., Kultalahti & Viitala, 2014).

Additionally, benefits may not be able to motivate employees to be more productive since they are based on their membership in the organization rather than on achievements, and they therefore act more as ‘golden handcuffs’, tying an individual to a company (Igalens & Roussel, 1999). Moreover, in terms of communication policies, employees have hardly any reminders of benefits compared to base pay and variable pay. If the employer does not have a benefits communication system an employee may be entirely uninformed about the benefits offered by the employer (Lust & Danehower, 1990). However, if the primary goals of the reward systems are to be achieved, benefits programs should be re-thought and given a greater strategic importance, especially in terms of communication.

When it comes to the relationship between benefits and specific HR and organizational outcomes, research has been scarce but has generated some interesting findings related to motivation, job satisfaction, loyalty or counterproductive behaviors such as turnover and intention to leave the organization. More specifically, when shared among employees, positive behaviors and attitudes that result from having a good benefits system can affect even the

organizational bottom line (e.g., Schneider, Ehrhart, Mayer, Saltz, & Niles-Jolly, 2005). With regard to more specific types of benefits, such as those related to the wellbeing and work-life balance, a study by Siegwirth Meyer, Mukerjee & Sestero (2001) revealed that not all forms of flexible work will have the same effect on company profits. More specifically, companies report a significant positive organizational performance if more employees work from home, while at the same time increased job sharing has a significant negative impact on profits (Siegwarth Meyer et al., 2001). According to the same study, other forms of flexible schedules (e.g., compressed workweek), did not show a significant impact on profits.

More specific HR outcomes have also been explored and analyzed in the context of benefits application and satisfaction. For example, a research by Načinović Braje & Kušen (2016) revealed statistically significant differences in employee work engagement with regard to their satisfaction with benefits received and their satisfaction with the value of funds employer spends to finance benefits. Organizational citizenship behavior has been positively linked to employees' perception of benefits usefulness (Lambert, 2000), while Tremblay, Sire & Balkin (2000) showed that employee's satisfaction with benefits can be predicted by procedural justice perceptions. Interestingly, in a study by Igalens & Roussel (1999), benefits neither motivate nor increase job satisfaction.

More studies have been conducted for turnover and intentions to leave the organization as variables of interest. With regard to more specific types of benefits, the results of Butt & Jinnah (2008) show that programs emphasizing work-life balance decrease employees' intention to quit, while McNall, Masuda & Nicklin (2010)

show the same for the presence of a program emphasizing flexible working hours. The results of Renaud et al. (2017) indicate that satisfaction with benefits has a significant indirect effect on an employee's intent to stay via organizational affective commitment. Interestingly, attitudes towards benefits were not predictive of absenteeism or performance and were weak predictors of turnover in a study by Carraher & Buckely (2008).

3. EMPIRICAL RESEARCH ON BENEFITS AVAILABILITY AND THEIR RELATIONSHIP WITH THE HR-RELATED

Our empirical research was carried out on a sample of Croatian companies in order to analyze HR practices closely related to indirect material rewards. Research methodology and research instrument are described in detail, including the sampling procedure and sample characteristics. Our broad findings about the presence of various types of benefits are followed by specific conclusions about relationships between benefits availability and HR outcomes related to implementing these types of indirect rewards. At the end of the section, study limitations and main conclusions are discussed.

3.1. Research methods

3.1.1. Research instrument

The questionnaire designed for the purpose of conducting this empirical research study consisted of 46 questions in total. The majority of the questions were closed-ended and referred to different pay modalities as well as various attitudes, behaviour-based indicators and organizational outcomes. A major part of principal

compensation-related questions was taken or adapted from either Chartered Institute for Personnel Development internal materials or different journal articles and textbooks.

3.1.2. Measures

The prevalence of various types of benefits was treated as the nominal variable. More specifically, factual data was gathered on whether each of the 20 types of benefits was available to either (1) all employees, (2) only certain groups of employees, or (3) were not available to anyone in the company. Different outcome variables, such as problems in attraction, retention and work engagement of two different categories of employees – “experts” and “other employees”⁴ – were originally treated as rank variables. However, they were all eventually recoded into nominal variables with two categories (e.g., 0 – no significant problems in attraction/retention/engagement were present in the company, 1 – problems in attraction/retention/engagement were reported in the company). Finally, turnover and attrition rates were reported by the HR managers and were subsequently recoded into binary variables (0 – rate lower than 5%, 1 – rate higher than 5%).

3.1.3. Sample

One of the first steps in the research design process was to select study participants. As larger companies are expected to have more sophisticated HRM practices (Kotey & Sheridan, 2004), benefits included, companies that employ more than 100 employees were targeted as potential study participants. The population of companies in Croatia with more than 100 employees

was identified with the assistance of the Croatian Chamber of Commerce. According to the database provided by the Chamber, more than 2000 companies fitted into either the middle-sized or large-sized companies category⁵.

3.1.4. Data collection and analysis

After the population identification phase was concluded, an online questionnaire was created and sent in the first half of 2017 to the HR managers of all companies in the before mentioned database. E-mails were accompanied by a cover letter from the project leader. Reminders were sent twice by e-mail, followed by a personal telephone or e-mail reminders with the help of the project members’ professional networks. A total of 61 properly filled questionnaires was collected in September 2017 when the data collection phase was concluded. The original database was recoded and data was subsequently analyzed with IBM SPSS 20.0.

Companies with less than 250 and more than 250 employees (middle-sized and large-sized companies, respectively) are almost equally represented in the sample, as are both manufacturing and service companies. As for the establishment age, there are more companies that were founded after 1990 (56%). When it comes to ownership structure, slightly over 50% of the sample is comprised of private domestic companies, with more than 30% of privately-owned foreign companies and 11% of state-owned and companies with mixed ownership. Limited liability companies form the majority (66%), while the rest of the sample comprises joint stock companies (34%).

⁴ Experts were defined as specialists, advisors and research staff, while other employees referred to administrative staff, sales staff, manual workers etc.

⁵ The number of employees criterion used to classify companies into middle-sized and large-sized was based on the Croatian Accountancy Act (Narodne novine, 2010).

3.2. Research results analysis

3.2.1. General results – availability of different benefits

The first step in analyzing the data was exploring the prevalence of different types of benefits. The list of benefits was adapted from different data sources, most notably

Compensation management textbooks. HR professionals provided factual data i.e., whether specific types of benefits were available at all, and, if yes, whether they were available to all employees or only to certain groups (based on education level, seniority, etc.). The data is shown in Table 1.

Table 1. The prevalence of different types of benefits in middle and large-sized Croatian companies (%)

Type of benefits	Nobody in the company	Specific groups of employees	Everybody in the company
Elderly care-related benefits	97.7	0	2.3
Childcare-related benefits	93.2	2.3	4.5
Life insurance	70.5	18.2	11.4
Non-mandatory pension insurance	70.5	11.4	18.2
Recreation and health programs	63.6	13.6	22.7
Cultural, sports and other events tickets	59.1	20.5	20.5
Loans with subsidized interest rates (IRs)	59.1	9.1	31.8
Paid food expenses	56.8	9.1	34.1
Non-mandatory health insurance	54.5	18.2	27.3
Financial/legal advice and other services	54.5	18.2	27.3
Work from home	52.3	36.4	11.4
Discounted company products	40.9	6.8	52.3
Flexible working hours	40.9	34.1	25
Paid leave above legal days	34.1	15.9	50
Social activities	25	20.5	54.5
Education and training	9.1	34.1	56.8
Company car	6.8	93.2	0
Paid seminars and conferences	4.5	52.3	43.2
Paid phone expenses	2.3	65.9	31.8
Paid commuting expenses	0	4.5	95.5

According to our research results, certain types of benefits are almost non-existent in Croatian companies, such as those related to elderly-care and child-care *services* (not available in more than 90% of the sampled companies), while non-mandatory life and pension *insurances* are usually only available to a small percentage

of employees, depending on their level of management or seniority and are rarely available to all employees. Of less available benefits, loans with subsidized interest rates and paid food expenses were found in one third of the companies and are made available to all employees, while work from home is available to specific

groups of employees in more than 36% of cases. Benefits that can be deemed as frequently offered to all employees are paid commuting expenses, education and training, social activities, discounted company products, and non-mandatory paid leave. Benefits that can be found quite often but are usually related to employee status are company car, paid seminars and conferences, paid phone expenses, and flexible working hours.

3.2.2. Relationship between benefits and HR outcomes

Several HR-related outcomes were investigated in this study. More precisely, HR managers reported problems in attracting, retaining and engaging employees in the last year and, additionally, provided information on absenteeism and attrition rates for the same time frame. Descriptive statistics is shown in Table 2 for two different categories of employees – experts and other employees.

Table 2. HR-related outcomes in middle and large-sized Croatian companies with regard to employee categories (%)

HR outcome	Experts		Other employees	
	Without problems	With problems	Without problems	With problems
Attracting employees	39.30	60.70	36.10	63.90
Employee retention	44.30	55.70	42.60	57.40
Work engagement	68.90	31.10	49.20	50.80
	< 5%	>5%	< 5%	>5%
Absenteeism rate	86.90	13.10	63.90	63.10
Attrition rate	82.00	18.00	59.00	41.00

According to the data analyzed in the study, companies in the sample documented lower attrition and absenteeism rates for experts (more than 80% companies reported rates lower than 5%) while somewhat higher rates were observed in the case of other employees (in more than 35% of the sampled companies rates were higher than 5%). Attracting employees seems to be a problem in more than 60% of the companies, while more than 50% of them also experienced problems in

retaining people. Interestingly, only 31% reported problems with the experts' work engagement while, at the same time, more than 50% of them had problems with engaging other employees. The final step in the analysis was an investigation of the relationship between the availability of various types of benefits and HR-related outcomes. The summary results of the Chi-square tests are shown in Table 3, where only statistically significant relationships are reported⁶.

⁶ More statistically significant relationships were discovered. However, many of them did not meet the contingency table requirement of a minimum of 5 cases per cell; therefore, those were excluded from the final table results.

Table 3. The relationship between different types of benefits and HR-related outcomes in middle and large-sized Croatian companies – an overview of statistically significant differences

HR outcome	Experts	Sig.	Other employees	Sig.
Attracting employees	Paid leave of absence	0.046	Social activities	0.061
Employee retention	Work from home	0.062		
	Flexi-time	0.010	-	-
	Social activities	0.086		
Work engagement	Health insurance	0.093		
	Paid food expenses	0.069	Paid food expenses	0.003
	Discounted products	0.033		
Absenteeism rate	-	-	Pension insurance	0.045
			Health insurance	0.065
			Work from home	0.037
			Social activities	0.061
Attrition rate	Health insurance	0.065	Pension insurance	0.048
			Loans with subsidized IRs	0.025

In the case of experts, several interesting findings were revealed. Certain types of benefits were statistically significantly related to HR outcomes but many of them seem to be more present in companies that reported more problems in HR-related outcomes. More specifically, attracting employees was negatively related to non-mandatory leave of absence ($X^2(1) > 3.979, p = 0.046$), retention was negatively related to work from home ($X^2(1) > 3.481, p = 0.062$) and flexi-time ($X^2(1) > 6.572, p = 0.010$), while work engagement was negatively related to paid food expenses ($X^2(1) > 3.309, p = 0.069$) and discounted products ($X^2(1) > 4.532, p = 0.033$). Only two other types of benefits were positively related to HR outcomes. More specifically, retention was positively related to social activities ($X^2(1) > 2.953, p = 0.086$), while offering additional health insurance programs seemed to be connected to less problems in work engagement ($X^2(1) > 2.819, p = 0.093$) and lower absenteeism rates ($X^2(1) > 3.413, p = 0.065$).

In the case of other employees, the availability of certain types of benefits was mostly linked to environments with more positive HR outcomes. More precisely, less problems in attracting employees were reported in companies where benefits of social activities were available ($X^2(1) > 3.501, p = 0.061$). Additionally, work engagement was related to presence of paid food expenses ($X^2(1) > 8.795, p = 0.003$). Moreover, absenteeism rates were lower where non-mandatory retirement ($X^2(1) > 4.022, p = 0.045$) and health insurance ($X^2(1) > 3.411, p = 0.065$), as well as work from home ($X^2(1) > 4.358, p = 0.037$) and social activities ($X^2(1) > 3.501, p = 0.061$) were offered. Finally, lower attrition rates were associated with companies that included non-mandatory retirement insurance ($X^2(1) > 3.905, p = 0.048$) and loans with subsidized interest rates ($X^2(1) > 5.052, p = 0.025$) into their benefits packages.

4. DISCUSSION

4.1. Availability of benefits

Benefits have been recognized as an important tool in achieving primary goals of compensation management, i.e., attracting, retaining and engaging employees. In the Croatian setting, however, not all benefits are recognized as “strategic”. Even though the majority of HR managers nowadays indicate that benefits related to professional and career development, to wellbeing and work-life balance (e.g., flexible work, health care) as well as security benefits such as retirement savings will have a growing importance in attracting and retaining talents in the years to come (e.g., Miller, 2016), the current situation in Croatian companies does not seem to be following those trends. In fact, non-mandatory insurances related to health and retirement are rarely offered in Croatian companies and are usually provided only for certain groups of employees. On the other hand, according to our empirical research, these are among the few benefits that were statistically significantly related to lower absenteeism and attrition rates for both employee categories, as well as work engagement of experts. In fact, these types of security benefits have long had important roles in workers’ decisions to accept the job offer or to leave the current employer in the search of better work conditions (e.g., Adler & Ghiselli, 2015; Nyce, 2012). Given today’s rising health costs in most developed countries, it is not surprising that health care benefits are an important attraction and retention tool (e.g., Nyce, 2012).

Benefits that seem to be completely absent from Croatian companies are those related to child and elderly care services. However, with the aging population trend which is present in the majority of

developed and developing countries, the time is right for employers to start considering offering this type of benefits to their employees. A relatively recently released study found that more employers are offering elder care support than in the past, but smaller employers lag behind their larger counterparts (Families and Work Institute, after Galinski & Matos, 2014). On the other hand, benefits that seem to be made moderately or even highly available are flexible work arrangements as well as education and training. These findings altogether could be attributed to the fact that companies might have started to notice the importance of work-life balance that is nowadays important to different generations of employees, but especially to the younger ones, such as the Millennials (Galetić et al., 2015). Other research has confirmed that younger generations highly praise insurance benefits, such as tuition reimbursement and education in general (e.g., Adler & Ghiselli, 2015).

4.2. Benefits availability and HR-related outcomes

In the category of administrative, manual and other employees, several findings are worth discussing. Absenteeism rates were lower where non-mandatory health insurance, work from home and social activities were offered. Additionally, lower attrition rates were associated with companies that included non-mandatory retirement insurance and loans with subsidized interest rates into their benefits package. The latter can probably be explained by unfavorable economic conditions and harsh bank requirements that have been imposed during the recession and have remained unchanged until recently. At the same time, the positive relationship of non-mandatory health and retirement insurance to HR outcomes could be attributed to the fact that both health and retirement systems and

their sustainability in Croatia are deemed unstable and inefficient in the long run so employees perceive additional insurance as an investment in their fundamental security needs. In the near future, employers should consider making both retirement and health insurance part of their benefits packages as they have proven effects not just on lower turnover rates but they have the potential to increase productivity as well (e.g., O'Brien, 2003). What is more, this finding is supported by a relatively recent study of Croatian Millennials' pay preferences in which non-mandatory retirement and health benefits were ranked first and second most important material rewards, respectively (Galetić et al., 2015).

On the other hand, an unexpected finding was revealed in the case of experts. The fact that the availability of benefits such as paid leave of absence above legal minimum, work from home, flexi-time, paid food expenses and discounted products were negatively related to attracting, retaining and engaging employees raises some serious questions about the validity of using benefits for those purposes. Possible explanations of the previously mentioned findings are at least three-fold. Firstly, the most probable explanation is that because experts are not satisfied with the amount of base pay or incentive pay they receive – i.e., they have not satisfied their existential needs, and benefits cannot act as a supplement due to their indirect character – companies are faced with problems in attracting, retaining and engaging experts. Secondly, it is possible that these types of benefits are nowadays considered as a “standard” for this particular category of employees and, therefore, are perceived as a “right” instead of as a special privilege (e.g., Williams et

al., 2008), which ultimately leads to the benefits losing their “incentive” character (Igalens & Roussel, 1999). This particularly holds true for work-life benefits such as work from home and flexi-time, which have recently gained a considerable popularity, especially in developed countries but have mostly been linked to increased work engagement and lower absenteeism⁷ (e.g., de Menezes & Kelliher, 2011). Finally, it could be presumed that there is little clear and precise communication regarding benefits, both about their availability and the cost for the company. Consequently, employees are not in a position to appreciate the extent of the effort made by the company (Igalens & Roussel, 1999). This poses a significant problem because if the employer invests money into benefits and does not generate proper return than this money can be invested differently (Carragher & Buckely, 2008) e.g., into a direct pay raise.

4.3. Implications for theory and practice

Given the disparate findings regarding the relationship between benefits availability and HR-related outcomes, benefits may represent an inefficient HRM strategic variable in facilitating various HR-related outcomes, such as attracting, retaining and engaging employees (Igalens & Roussel, 1999). One of the reasons for this situation is the fact that companies still place little importance on communicating benefits information to their employees, especially in traditional environments (e.g., Rabin, 1994). Communication might play a critical role in establishing not just the aforementioned relationships but can also improve organizational performance. In certain situations, interestingly, it is enough for

⁷ Alternatively, even though certain benefits, such as work-life balance-related ones, are available in the company, employees are not necessary encouraged to use them as work flexibility in work time and space is not a part of employer's core values proposition (e.g., Mercer, 2017).

employees to know that benefits are available, which probably results in having an increased sense of security and decreased level of strain. For example, research has shown that having an option of a certain benefit can have a positive influence on organizational financial performance; however, actually using those benefits will not influence organization performance (see Siegwirth Meyer et al., 2001).

More importantly, if certain types of benefits are today considered as “standard”, thus not delivering the wanted results to companies, maybe there is a need to find new and innovative ways to increase the efficiency of benefits. In a search of these novel practices, flexible benefits should be among the first to consider. The results of available studies show that companies allowing greater freedom to workers in the selection of perks and benefits, were proven to be more successful in their attraction and retention efforts than firms offering fixed benefits system (Lin et al., 2012; Vidal-Salazar et al., 2016). By granting greater flexibility in choosing perks and benefits employees prefer, employers can reasonably expect that the value attached to this tailor-made benefits package will be higher (Hillebrink et al., 2008) which can ultimately lead to strengthening the employer brand⁸ (Miller, 2016).

Since turnover and absenteeism can result in the loss of firm-specific human capital, and ultimately to the loss of customer satisfaction or loyalty (Subramony, 2009), employers are constantly finding ways to prevent these counterproductive behaviors. Perks and benefits have for a long time been linked to satisfying employers’ needs to attract and retain employees in the

organization. The right to use benefits usually comes with organizational membership and is rarely linked to individual performance, but benefits are still an outcome associated with personal inputs (Carraher & Buckely, 2008). However, what might be a critical component in a successful long-term plan for attracting and retaining employees is not just the benefits system *per se*, but the right combination of benefits (Nyce, 2012) which will satisfy individual needs and personal circumstances. Therefore, HR managers should pay careful attention to the design of benefits plans and create them with respect to the needs of the workforce.

4.4. Research limitations and recommendations for future research

One of the main limitations of this study is the fact that the data is of cross-sectional nature. In order to overcome this limitation, longitudinal studies could be carried out in order to establish causality. Additionally, the sample consists of 61 companies, which poses problems in terms of making conclusions about the entire population of Croatian middle and large-sized business establishments. Also, one respondent per business establishment provided data on compensation practices and organizational performance indicators. In order to minimize the effects of the single-method bias that could be present due to the fact that one respondent provided data about the company, certain steps were taken before the data was collected. More specifically, measures of benefits availability and HR-related outcomes were measured separately and were placed in different sections; in order to

⁸ Despite the improved recruitment capacity, a wider implementation of flexible benefits is associated with problems as well. It has been shown that these plans generate higher administrative costs and can create the need to hire more staff qualified in benefit provision, among other downsides (see Lin et al., 2012).

increase the accuracy of the responses, HR managers/experts were guaranteed anonymity; finally, the expertise of our respondents is strong (in most cases they were members of the corporate HR team).

5. CONCLUSION

An empirical research study was carried out on a sample of Croatian companies in an attempt to answer two research questions. In response to our first research question, benefits that are frequently offered and available to all or the majority of employees are commuting expenses reimbursement as well as education and training, paid absence from work and discounted products. Benefits that seem to depend on one's hierarchical position, length of service and other individual differences but are offered quite often are company car, paid conferences and paid phone expenses. Finally, benefits that seem to be rarely offered to employees are security benefits, i.e., various types of non-mandatory insurances and work-life balance-related benefits. In a search of a benefits system that would serve as a retention tool through lower attrition for administrative and manual employees, HR managers should consider offering non-mandatory pension insurance and loans with subsidized interest rates. In an attempt to reduce absenteeism rate for the same employee category, non-mandatory health insurance, social activities and work from home can be helpful. However, when it comes to experts and professional staff, the results are not as straightforward. Many benefits are almost exclusively negatively related to the HR outcomes, with non-mandatory health insurance being an exception – i.e., it could reduce attrition but will not boost work engagement. This can stem from either the state of dissatisfaction with the direct compensation or from the lack of communication about the benefits system. In an attempt

to fully use the potential that the benefits can have on employee behavior (and HR-related outcomes) employers should rethink their benefits strategy and consider applying flexible or cafeteria benefits system.

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ULOGA BENEFICIJA U ODRŽAVANJU REZULTATA UPRAVLJANJA LJUDSKIM RESURSIMA – EMPIRIJSKA STUDIJA

Sažetak. *Beneficije su oblik indirektnih kompenzacija, koji pokušava postići mnoge ciljeve. Međutim, poduzeća primarno pružaju beneficije, kako bi dokazala da brinu za osobne potrebe zaposlenika, ili žele ponuditi atraktivan i konkurentan ukupni paket kompenzacija. S obzirom da beneficije predstavljaju rastući dio ukupnih troškova kompenzacija te uzevši u obzir da se odnedavno propituje njihov motivacijski potencijal, potrebno je analizirati ulogu beneficija u postizanju primarnih ciljeva upravljanja ljudskim potencijalima (privlačenju, zadržavanju i angažmanu zaposlenika) u hrvatskim poduzećima. Stoga je provedena empirijska studija na uzorku hrvatskih poduzeća, koja pokazuje da su sigurnost te mirovinske i zdravstvene beneficije nedovoljno zastupljene u hrvatskim poduzećima, iako ih zaposlenici obično visoko cijene. Kod administrativnih i proizvodnih*

radnika, socijalne aktivnosti, dobrovoljno zdravstveno i mirovinsko osiguranje te mogućnost rada od kuće su pozitivno povezani sa zadržavanjem zaposlenika. Međutim, statistički značajne povezanosti između beneficija, uglavnom orijentiranih na održavanje ravnoteže između radnog i osobnog života, te ishoda upravljanja ljudskim resursima, za eksperte su bile gotovo uvijek negativno. Samo se dobrovoljno zdravstveno osiguranje pokazalo kao potencijalno korisno za angažiranje i zadržavanje eksperata. Stoga bi poslodavci trebali redizajnirati strategiju beneficija i promisliti o opcionalnoj ponudi fleksibilnog sustava beneficija.

Ključne riječi: *indirektne kompenzacije, povlastice i beneficije, fleksibilne beneficije, privlačenje zaposlenika, zadržavanje zaposlenika, radni angažman*