

Perception and Consequences: The Experience of Fringe Benefits among Hungarians with 5+ Years in the Labor Market

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Abstract—The current economic climate requires companies to be innovative in ways to recruit top talent, retain employees and design strategies for cost-effective production. To do this Human Resource Managers are often tasked with designing programs which create attractive conditions for prospective employees. Benefits packages can often provide incentives for employees to perform at their best and serve as an on-going motivator. This study will focus on the Hungarian fringe benefit systems, specifically, and how specific benefits are perceived by Hungarian employees in the both the public and private sector. This study seeks to understand to what extent do fringe benefits incentivize an employee to maintain a level of motivation and enhance work performance?

I. INTRODUCTION

A coherent set of benefits are typically offered to all employees, working full-time, within the Hungarian workforce. Benefits are offered as a part of a compensation package and do not depend on the employee's performance. The cafeteria-system in Hungary is a specific form of flexible non-cash benefit for employees, some of whom receive preferential tax benefits. It provides a "menu" of possible benefits that the employees can choose from, with a total annual amount that is limited by the employer. The government offers a preferential tax treatment for some of the cafeteria's elements. Therefore, the system contributes to the competitiveness of a compensation package a company can offer. The cafeteria system is more cost-effective in comparison to other compensation elements, such as cash compensation.

This work discusses the topic of fringe benefits, as well as, the encouraging and motivating effects associated with these benefits. The quantitative research is intended to find out where organizations are aware of the real needs of their employees. In addition, data will be used to identify answers for the hypotheses (stated below). Primary data was collected from the Hungarian working population. To that end, the research examines satisfaction levels concerning different types of benefits and seeks to identify a correlation between the kind of benefits an employee receives and his or her perception of the Hungarian tax system. Fringe benefits motivate Hungarian employees.

Three phenomena are related to the Hungarian 'cafeteria' system:

Hypothesis I: Fringe benefits still motivate Hungarian employees.

Hypothesis II: Fringe benefits incentivize Hungarian employee to perform extra work.

Hypothesis III: An employees' perception of the fringe benefit system effects their opinion of the national tax system.

This article divides the work into four main sections that discuss; the necessity of motivation in the sphere of human resources; its application; opportunities in the Hungarian tax system and finally, the results of the questionnaire research are presented.

II. MOTIVATION IN THE HUMAN RESOURCE SYSTEM

In recent years' companies have been faced with numerous international and social changes, as well as serious economic problems. Continuing development and expansion became an important aspect to proprietors of any firm. To that end, each organization works closely with the external environment which helps influence efficiency. To remain competitive, companies depend on a number of conditions, however, the most important ones are unquestionably human resource factors.

II.I THE ROLE OF HUMAN RESOURCES

Human resource departments (HR) are tasked with finding and recruiting a workforce, generating performance and keeping the performance of employees in line with corporate goals. Human capital is essential for the healthy function of any organization and the implementation of new strategies. In recent decades, the role of human capital, as a fundamental resource, has become more important and appreciate. As such, the role of human resource management has become the focus of attention among the most successful companies. It has been observed that in the general professional praxis, particularly the science sector, that the emphasis on human capital has grown.

As stated above, an organization's ability to compete is dependent on a multitude of factors. Nevertheless, human capital is a factor that is possible to study, assess and develop according to an organization's needs. Due to the

variability of human capital (depending on the organization) it is considered a 'special' factor. It is also considered special due to the unique characteristics and difficulty to predict human behavior. Human beings as a production factor must be considered as variable and unpredictable. The factor can change at a moment's notice; an employees' behavior can be affected by personal life changes, leave the organization for various reasons and individuals tend to have unique experiences in the work place which is hard to predict. Human capital is therefore a major risk factor in certain situations (Roóz, 2006).

Organizational expenses related to labor costs such as wages are significant and grow every year. Therefore, companies need to ensure their workforce is suitable for the work requirements. Organizational processes that occur during business operations are management's responsibility. To face new challenges successfully, proper personnel must be in place. As such, solid human resource management is essential to the success of any organization. A specialist or specialists should be put in place who can handle the complex tasks of recruiting appropriate staff and designing on boarding programs which ensure the smooth integration and further education and training of personnel.

It is important to develop a system for task sharing between the management level and an HR department. The ultimate goals for any HR department should be to fill positions with appropriate staff who will perform well. In order to succeed, HR professional need to identify talented and motivated prospective employees. It is important for hiring managers to effectively direct people and efficiently administer employees.

The main objectives of a HR manager should include the improvement of labor quality and to increase productivity. Implementing a reliable on boarding system can help boost a company's workflow and processing. It can also assist in developing a high level of productivity and quality of work. Management's effort and work can be considered a success if the employee's satisfaction levels are high and the progression of work quality reflects improvement. These indicators of success can be measured through a deliberate and systematic performance evaluation.

II.II EVALUATING EMPLOYEE PERFORMANCE

Quality performance is reflected by utilizing the available resources successfully to reach identified goals. A companies' profit oriented strategy can also include and focus on the performance evaluation of its employees. Therefore, job coaching and training becomes indispensable. Ultimately the aim is to develop an incentive-based performance system to drive an organization's efforts towards its goals. The construction and development of the incentivized performance system can be facilitated by supporting the effort to reach the employee's degree of satisfaction. The essential aspect, additionally to the main objectives and tasks, is the maximum use of working hours in association with efficiency, expertise and skills, strengthening skills,

gaining experience, and the ability to render results and progress. Especially the use of the correct and needed motivational tools helps to improve the efficiency. Therefore, the commitment of benchmarks is relevant and necessary to harmonize organizational and individual goals. The evaluation can be the base of an appropriate reward system to encourage staff sufficiently (Roóz, 2006). An attractive reward or incentive-based system should be centered around the question: What motivates people?

Many non-financial factors can and do motivate employees to improve their output. One of these factors may be the desire to serve people; others may be to improve personal skills or achieve promotion. A person can be motivated if they feel content and satisfied with their work. This often happens when their employer creates a good working environment where employees feel valued by increased communication and being asked for their opinions. But what exactly is motivation? What is behind these incitements?

Motivational content theories summarize those individual traits which encourage us to be proactive. People have different needs, desires and wishes. The work-related motivation is the willingness to make efforts towards organizational goals in line with individual needs to satisfy (Bakacsi, 2010). Needs can vary; ranging from physiological demands to needs that can be satisfied by the community. Several of these needs may appear as a requirement addressed to the organization. The more needs that remain unsatisfied, the more negative personal and corporate effects emerge. As soon as the demand is satisfied, balance can be restored. The company can continue its activities and improve productivity. Tools to incentivize employee performance and productivity can be enhanced if management is aware of the interests affecting the motivation of the employees (Lazányi, 2015).

II.III MOTIVATIONAL THEORIES

Motivation based theoretical considerations are closely related to the principles of human resource management. HR practices must consider the unpredictable quality of human nature. IN light of this basic fact, the motivation process has to be developed. Motivation is the determinant which allows the leader to influence the behaviour of individuals. Based on this factor, the management of employees can be evolved.

One of the first developed theories of human motivation was written by Taylor. Taylor in 1911 theorized that people worked to earn money. In his book, *The Principles of Scientific Management*, he describes a management system which offers incentives for excellent work and the employees in return perform at their best. His methods were accepted by the business world as employers saw the benefits of increased productivity levels and lower unit costs. His methods are similar to the concept of an autocratic management style (the managers take all the decisions and simply give orders to those below them) and Macgregor's Theory X approach to workers (workers are viewed as lazy and avoid responsibility).

Taylor's approach did not account for the effect that redundancy has on the motivations of a worker. Employees began to lose motivation as work felt less challenging and tasks became repetitive. In addition, firms could lay-off workers as soon as productivity levels reached their target. As a result, industrial sector saw a number of strikes from unsatisfied laborers.

Maslow's Hierarchy of Needs, is the most known and widely criticized theory on motivation. Maslow is confident that humans are motivated to fulfill specific needs. If one is fulfilled, they will aspire to fulfilling the next, and so on. Needs on the higher levels of the pyramid might change under exceptional circumstances. In his book, *A Theory of Motivations*, he lists individual needs in five categories; physiological needs, the need for safety, feeling of belonging, needs of self-esteem and self-actualization needs. Maslow divided these needs into two groups. However, the distinction between the two is thin. Analysts tend to base human motivation on the secondary needs, as listed by Maslow; the authority, the bonding and the performance. This would mean that those employees who help and serve customers are typically not striving for powerful position. For them it is more important to cultivate good relationships with the customer base and to solve those problems that occur in connection with the clients.

In 1969, Alderfer reviewed Maslow's theory and as proposed by Robbins (1993), he re-characterized the hierarchy of needs in a more realistic way. In his ERG theory he proposed three categories:

Existence Needs

Existence needs include all material and physiological desires, such as: air, water, food, safety, physical love and affection which are basically the first two levels Maslow's pyramid.

Relatedness Needs

Relatedness needs comprise the social and external esteem: relationships with important persons like family, friends, colleagues and employers. These emotions are referring to Maslow's third and fourth levels to be recognized and belong to a group or family.

Growth Needs

Growth needs include the desires to be creative and productive and to complete useful tasks to effect the environment and to progress the own ideal conception. The internal esteem and self-actualization covers the fourth and fifth levels of Maslow's pyramid.

Even if the priorities differ from person to person, the ERG theory prioritizes the terms of the categories' concreteness. The Existence Needs are the most concrete, and the easiest to verify. The Relatedness Needs are less concrete than the Existence Needs, which depend on a relationship between two or more people or groups. Finally, the Growth Needs are the least concrete in that way that their specific objectives depend on the uniqueness of each person.

There are three relationships among the different categories in Alderfer's ERG theory:

Satisfaction-progression

Moving up to higher-level needs based on satisfied needs.

Frustration-regression

If a higher level need remains unfulfilled, a person may regress to lower level needs that appear easier to satisfy.

Satisfaction-strengthening

Alderfer declared that if higher level needs were not fulfilled, individuals double their endeavor invested in a lower or on the actual level.

Alderfer's ERG motivation theory differs from Maslow's theory in three ways. First, the lower level need does not have to be satisfied. A person may fulfill a need even if the previous one has not been met yet. Second, if a more essential need is not gratified, the desire to gratify a lower need will be increased. This is explained by the frustration-regression relationship, when a person needs to regress to a more concrete need category while wanting to meet high-order needs. Finally, the ERG theory allows the progression to differ from person to person.

The ERG motivation theory on work level refers to the leader's ability to address the complex needs of their employees. To only focus on a single need at one time will not result in the desired motivational outcome. The frustration-regression principle is a possible result of this type of approach. For example, if growth opportunities are not provided to the employees, they may regress to the relatedness needs, and socialize more with fellow workers. These conditions and developments have to be recognized as soon as possible to take the necessary steps in order to satisfy the frustrated needs until the employee is able to pursue the growth again.

III. APPLICATION OF FRINGE BENEFITS

The motivation for a good performance has become indispensable to keep capable workforce and to achieve the defined goals of the organization based on their output (Rozgonyi, Roóz, 2005). Systematic indicators of growth in the work place such as annual salary growth are often not enough to maintain a level of motivation for employees. Companies need to attract talent through incentives that can be experienced more often and perpetually. It is unlikely that the promise of an increase in income will manage to boost motivation at a specific level for an entire year. Instead, employees must feel the fruits of their labor and believe there can be more to come in order to perform at a certain level.

Employers must have the ability to fulfill the interests of both parties. They must be able to utilize the full potential of their human capital while also offering the opportunity for promotion and further development. Work that is executed in a forced way will never be as efficient as the

kind of production that occurs when employees are goal oriented. Companies are in a position to take advantage of this fact. An incentive-based system that incorporates the interests of the workers and clearly defines targeted goals will motivate employees. Therefore, an incentive-based system should be designed by the interest of its employees. To ensure this, companies should connect the personal interests of its employees with its objectives, when both the organization and its employees have the same interest the employee will take corporate expectations into account when carrying out personal goals to create financial security (Hámor, Őri, Pongrácz, Takács, 1998).

IV. PREFERENTIAL TAXATION OPPORTUNITIES IN THE HUNGARIAN TAX SYSTEM

By law, employees must receive compensation from their employer in exchange for labor. Hungarian legislation, in some circumstances, obligates employers to provide non-wage remuneration in addition to normal compensation. Wages can be divided into two groups, based on their market appearances. On the one hand, there is the monetary way and on the other is payment in kind. When jurisprudence has distinguished between wages and fringe benefits, it has done so through defining these forms.

The common so-called “fringe benefits” can also be administered as a part of the reduced-tax or non-cash benefits. With this option, the tax burden is less than its value would be paid as a normal wage. Without a doubt, it would be higher than a tax free income. Business gifts are example for a reduced taxation. There are non-monetary benefits given to taxpaying individuals such as meal vouchers (except Erzsébet voucher) and then there are monetary benefits. These benefits do not have any fiscal advantages. It is often better and less costly than if the employer pays the benefits value through wages. This has been classified as a tax-shield-effect (Labor Code, 2012).

Table I. shows the different versions and the net income extended to each tax case if a company turns 1000 HUF to an individual. Depending on the formation of the 1000 HUF, the individual will get the following net income. If tax-free income of 1000 HUF is provided by the employer, the individual gets 1000 HUF net income. If it is in the form of a supportive donation, then the net income will be 881 HUF. Fringe benefits are burdened with 31.7% tax, so the net income will be 737 HUF. Any other defined benefit will be 661 HUF. Even if it is paid as normal wage, the net income will be only 510 HUF.

Hungarian law clearly defines the range of fringe benefits. This part of the law, for example, includes recreation services. Erzsébet vouchers, local public transportation passes etc. In practice, each benefit, defined as by law in this category can be paid as a fringe benefit and belongs to the annual fringe benefit budget (Menedzserpraxis, 2015).

IV.I EXPECTATIONS ABOUT THE INCENTIVE SYSTEMS

Flexible benefits are a fundamental part of the human resource management. It represents a new opportunity for business among organizations. Despite the fact that these flexible benefits cannot be treated as individual factors, in the long-term these motivators are essential for a successful human resource management. Within the HR management system many conditions have to be considered such as incentives, the internal labor market, flexibility and the benefits themselves. In case of accordance with the expectations, these factors can be transformed into a flexible benefit system in the organization.

The given return for the work cannot only be looked upon as labor costs. In order to determine wages and the amount and form of remuneration, the functions of human resource management have to be considered as well. First of all, the employer has to offer a revenue for the work, which should encourage and motivate personnel to continue to conduct the organization well.

The design of the incentive tools is based on the organization's most important internal endowments. It has to be aligned to the company's internal labor market. It can be stated that on logic level and according to the practical experience different working teams have different demands. The benefit can be entirely accepted and effective just if it is related to the needs of every group of the company.

The fundamental aspect in the human resource management is the flexibility. From the economic point of view, this factor gives the company the possibility to adapt the unexpected events of the market, thus productivity and profitability will be enhanced. The flexibility as a corporate capability provided the ability to respond for the changing environment, even by abandoning the established routines of everyday activities.

Benefits play important roles in corporate incentive systems, since these specific characteristics complement the general offer of incentives, which is simply the wage. These benefits are special opportunities for the needs which cannot be satisfied by the wage system.

The human resources management has its basic tasks in the recruitment and in the organization of working schedule for employees training. However, this is still not enough to utilize the resources of the company maximally. Managerial incentive tools are required during the operation. The main tasks of the systems implementation include the policy of incentives and strategy development. Due to the proper application the developed and implemented system supports the achievement of the main corporate objectives by the workforce. This is the reason why it plays a prominent role in the human resource management. The boundaries of incentives are given by the company's aspirations and by the expectations of the workforce. There are further

important corporate expectations that have to be emphasized. These are the following ones:

- To support the achievement of the strategic goals
- HRM functions
- Raising efficiency
- Clarity
- Performance principle

The incentive system has to take part in the implementation of the corporate strategy. To this end, the individual and organizational goals have to be reflected upon its development. The system has to refer to the acceptance, common goals and targets of the employees. The functions and operations of the human resource management have to be in harmonic accordance and support with the other company sectors. It has to coincide with the criteria of the efficient and economic operations of the company. The requirements and the remuneration system have to match. The synergy between these factors has to occur in the knowledge that the company's financial resources are limited.

The performance principle has to be accomplished. The leadership has to keep in mind that the incentive tool will have a positive impact on the working performance only if the appropriate remuneration is available. The result which is claimed by a surplus of power can be only achieved and reserved if the necessary additional compensation is provided. It should be clear and absolute comprehensible. The company's incentive system should reflect the organizational goals and the wage policy to the employees since this is the only way to achieve the desired effects. During its implementation and accomplishment, the communication is the most essential element. However, these basic requirements also appear on the side of the employees:

- The enforcement of workers' interests
- The differentiation

The incentive scheme has to provide the employees with the opportunity to be able to assert their interests and evolve them to their satisfaction. The motivation is only applicable effectively at the company if the benefit system provides an opportunity to enforce the interests. In case of the benefit system, it is significant that the return value has to be in line with the performance. The employees as well as the organization consider this equivalent. For both parties the acceptability is the fundamental condition. On the one hand, the deliberation of the ratios is influenced by the invested energy and on the other hand there is the offered income. The system has to align to the differentiated objectives of the individuals and the group. In different groups different values or needs exist. Therefore, the provided conditions of the benefit system have to adapt these changing forms of conduct (Poór, 2005).

IV.II NECESSARY ACTION FOR THE PREPARATION OF THE SYSTEM

The company's internal and external conditions have to be considered upon the design of the benefit system.

During the internal research work it is important to define the intentions of the future system and with it the starting point in the design process. The starting point is followed by the selection of tools which are consistent with the organization's strategic goals.

There are many different compensation models available in the Hungarian and foreign practice. In the initial planning phase, several alternatives are offered to be able selecting the one which is mostly aligned with the organization's business policy. According to the existing compensation elements, three different systems can be implemented.

First, we must consider the selection of compensational elements from the list. At this type of "cafeteria" system, the employer compiles customized packages of various fringe benefit elements. Of course, the employer has to take the operative regulations of the tax system into account at the preparation of the packages. It has to be based on the multiplying numbers during the determination of the gross value. The offered amount -for the employee- should be multiplied with these multipliers. In this way, the offered amount cannot exceed the annual allocation. The alternative has several advantages, but the disadvantages can be ignored neither.

Advantages:

- This system offers the largest selection of choices for the employees. They perceive in practice that the introduced new cafeteria system has many beneficial alternatives for them.
- The individual designed lists show factually the individual needs. In case of larger organizations, the workforce constitution is characterized by diversity and it is very difficult to create a package to satisfy the majority of employees, or meet with these requirements.
- During the preparation of packages, the opportunity is open for personal meeting, communication and exchange of information between the organization and its employees.
- A further advantage is the development of the decisions by the staff. Since the benefit packages for employees have to be selected for a fiscal year, an ex-post facto adjustment is not possible. They need to assume the consequences of their decision.

Disadvantages:

- About the selection of fringe benefits, the employees should fill in a detailed declaration what used to be a major task in their opinion. Therefore, the organization has to provide personal support.
- If the declaration is made on paper, mistakes will occur most likely. If these errors are not being corrected in time during the matter, it can affect the compliance of the deadlines negatively.
- The data processing and the maintenance functions of the system impose an additional burden to the organization. A significant loss of working time occurs in the initial phase.

Secondly, there is another type of cafeteria system, which allows employees to choose from different packages. The packages are pre-assembled with different compositions, designed for separable groups' needs. Certainly, the calculated gross value shall not exceed the amount of planned framework for the current year. Based on the declaration, employees have the opportunity to take the most appropriate package. This system has also its advantages and disadvantages.

Advantages:

- The employees have the possibility to choose between several packages prepared by the organization. This way the organization does not have to count on the multipliers, and this simplifies the administration.
- The personal attendance of human resources professionals dispensing and helping to infill the declaration. This is much easier, but during its introduction, the activity is not negligible.
- Processing the data of such a declaration is easier if the selected package is simply indicated, so the use and loss of time is not significant.

Disadvantages:

- The opportunities of the employees are limited with the prepared packages, which worsens the prospects of the system's flexibility.
- Benefit packages made by employers cannot correlate with the needs of all employees, especially at large companies.

Ultimately, there is the combined use of the two benefit systems mentioned above. Employees can decide which option they want to choose: pre-defined packages or self-selected determinations in extension of the spent amount of allowances.

Advantages:

- At this solution, each of the aforementioned advantages can be found.
- All employees can choose their most convenient option.

Disadvantages:

- The completion of the declaration becomes more or less difficult, depending on the benefit systems choices. Despite of the choices, presence of professionals is needed.
- Explaining the substantial differences between the two approaches means more work for the responsible professionals.

The management of solution requires two different tasks and a separate method is needed to process the data (Poór, 2005).

IV.III FRINGE BENEFITS AND EMPLOYERS

Employers typically have more to gain by offering fringe benefits packages. This is because Hungarian law favors

solutions such as offering meals, holiday time and school attendance (tuition reimbursement) and job training. Therefore, employers enjoy a supportive tax environment when offering these sorts of benefits.

TABLE I.
AN INDIVIDUAL'S NET INCOME IN EACH TAX CASE.

Comparison	
Tax-free income	1 000 HUF
Supporter's donation	881 HUF
Fringe benefit	737 HUF
A particular defined benefit	661 HUF
Wage	510 HUF

The tax rates of fringe benefits can be determined when its market value is increased at 19%. at the 119% tax base, 16% need to be paid as Personal Income Tax (PIT) and 14% as a favorable tax rate for health care contribution. At total, the burden of fringe benefits is 35.7%. De facto, it means that from an employer's contribution of 1000 HUF, the employee gets 736.9 HUF finally and the rest is statutory levies. As it used to be in the cafeteria system, the amount of benefit tax is deducted from the employee.

§ 70. of the CXVII. Personal Income Tax in 1995 states the list of those benefits which burden the employers even if the benefits extend the individual's' income. Some benefits are determined under 51.17% tax burden according to the tax base of the product or service's market value. What is unusual about fringe benefits and particularly defined benefits is that it goes against the personal income tax principles, the tax burden of the benefits must be paid by the employer. In line with this principle, some ordained benefits are not considered 'cheap' due to the costs, but based on the advantage that the taxpaying party is the employer (PIT Law, 1995)

IV.II HOW CAN THESE BURDENS BE DEFINED?

As in the case of fringe benefits, the benefit value which is equal to the market value must be increased to about 19%. From the increased 119% tax base, 16% PIT has to be paid, moreover the non-preferential 27% of healthcare contribution. That means 51.17% tax burden on the 100% tax base. These can include official or business trip related dining expenses or other services, private use of phone, small value gifts, representation and business gifts.

TABLE II.
FRINGE BENEFITS' PUBLIC BURDEN IN CASE OF 1000 HUF

Tax rate	16%
Effective tax burden	19.04%
Health Care Contribution tax base	<i>same as the PIT base</i>
Health Care Contribution rate	14%
Effective tax burden	16.66%
All tax burden	35.7%
From 1000 HUF allowance the net is	736.9 HUF

V. RESEARCH AMONG HUNGARIANS WITH 5+ YEARS OF WORK EXPERIENCE RECEIVING FRINGE BENEFITS

The data featured in this study was collected via survey where participants answered anonymously. The survey questionnaire only included closed-ended questions to simplify the answer options. This was the best option to collect data from employees because they are in the focus of the benefits systems. From this point of view, it is possible to distinguish the kind of compensation particulars they truly receive and which ones they really desire. The survey questionnaire was distributed in online and hardcopy formats in Hungarian. Participants were inhabitants of Budapest, where an established infrastructure has been developed, including the surrounding towns where several multinational companies are based. In addition to a strong for-profit business presence, the public sector has been involved in the research on employees within the government, local councils, health services and educational institutions.

The survey receives a total of 122 responses, however, 6 were not evaluated in relation to this particular topic. Amongst the participants, 81 were female and 31 were male. Primarily, participants were within 41-50 years of age. Secondary age group of participants was between 31-40 years of age. The survey included 17 questions and it took maximally 10 minutes to fill in. The first four questions collect general information such as gender, age, educational level and job position. The rest of the questions are related to the cafeteria/fringe benefit system.

V.I ANALYSIS AND EVALUATION OF THE ANALYSIS AND EVALUATION OF THE QUESTIONNAIRES

Based on their age, the respondents were categorized into six different groups from 18 to up to 60 years old. Employees under 18 years of age were not considered to have an enough experience to contribute a relevant

opinion on the fringe benefit system. The first group, 18-23 year old, gave only 2 responses (1.7%), while the group of 24-30 year old contributed 29 responses (25%), from the third group -31-40 year old contributed 33 responses (28.4%). Most of the answers were given by the fourth group, 41-50 years old with a total of 38 responses (31.7%). Actually, these were the employees who entered the labor market during the introduction of the cafeteria system.

This group has the most relevant opinion regarding this topic. The age group of 51-61 years is represented by 11 answers (9.5%). and finally, workers over 62 years submitted 3 questionnaires; this was 2.6% of the 116 as a whole. educated on a low level, 41.4% are skilled on a middle level and this means the secondary vocational school. But most of them, 46.5% have a diploma of higher educational level. Following the categorization of education level, participants were then identified by positions held; leader, subordinate or the "other" alternative. According to this classification, 15 leaders and 101 subordinates are represented. The second part of the questionnaire collected information about the benefits of the cafeteria system through 14 questions.

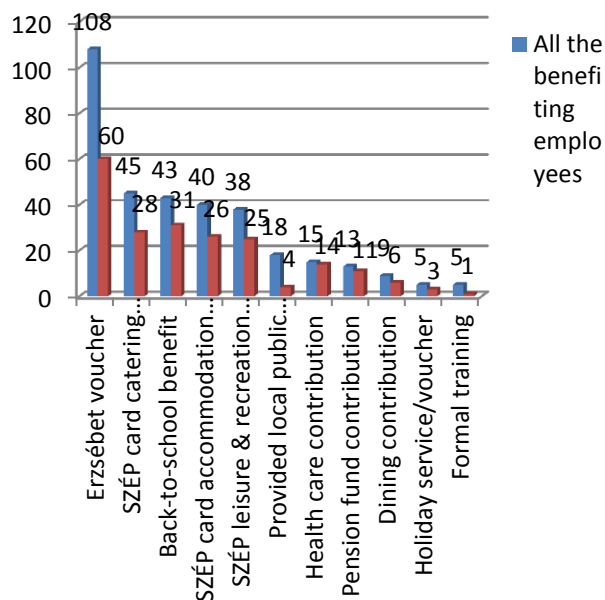
Question number 6 of the survey deals with the topic of fringe benefits, specifically. It poses whether or not they are given at the participant's current place of work. This was Participants were categorized into three groups according to their educational qualifications: low level, middle level and higher education. 12.1% of the respondents are an essential question to decide if the respondent was suitable to participate in the research or not. Out of the 116 respondents, only six replied 'no' to this question. in some situations, the responder did not belong to a certain group to receive benefits.

Part of the survey intended to collect data about the application of the eleven possible benefits that an employee could receive in the private sector.

Table 3 clearly shows that the Erzsébet voucher is the most popular one among employees, even in the private sector. The second and third most supported ones are the SZÉP card with its catering subaccount and the support of the enrolment for the schoolchildren (Back-to-school benefit). The SZÉP card's leisure and accommodation subaccounts follow in the order of the fourth and fifth place. It proves that the program is well-trying and useful for the employees. The ratio of the popularity is similar between the public and the private sector among these benefits.

It is apparent by the Table III, that the voluntary health insurance fund and the voluntary pension contribution are used almost exclusively as a private sector benefit element. The figure reflects that other benefits are offered less extensively to the employees by the employers. An exception constitutes the local public transport contribution in the public sector. According to the 48.3% of respondents, employers tend to provide the same benefits for each group or sector. There are also a high percentage of workplaces which vary in the range of benefits offered.

TABLE III



A small proportion of respondents, 13.8%, declared that their organization provides the benefits only for specific groups.

The public and the private sector do not show a significant difference. A question focusing on the possibilities presented to employees on how they can gain access to different compensation elements. In some cases, they have the options to choose the desired benefits or the extendable packages from a list of benefits. In other cases, they only have the non-optional, pre-determined packages which are provided by the employers.

Table 5 shows that most employers prepare fixed benefit packages for the employees. Out of all respondents, 60 stated they could not personalize their benefits at all. In contrast, 51 respondents reported to having the opportunity to personalize their benefits packages. However, this mainly occurred in the private sector. The prepared yet expandable benefits packages were only an option to a small portion of respondents. Based on this data, it can be inferred that the public sector has less benefits to offer its employees than the private sector.

Question number 10 in the survey was formulated to discover whether or not companies assess the need of

their employees in the context of the benefits system that is offered. The number of “yes” or “no” answers are nearly the same; 56 voted positively and 60 responded negatively. This result means that more than half of the companies represented by employees are interested in meeting the needs of their workers. Question eleven measured the employees' level of satisfaction relating to the benefits provided by the company. Respondents could convey their level of satisfaction on a ten-point scale, “0” being not satisfied at all and “10” being very satisfied. The post-processing average value was at 4.28. Meaning that on average respondents were moderately satisfied. The following question then went on to try and assess the respondents' needs: By which benefit elements would they wish to see expanded in their existing package.

The greatest need among the respondents was the local travel pass. 45 participants require it from their employer, 31 of these 45 workers belong to the private sector. A large number of employees also demanded the implementation of the daily meal at the workplace as a fringe benefit. Several people are looking for the leisure and the accommodation subaccount of the SZÉP card, the pension fund and health care contribution. The comparison between Figure 3 and Figure 6 obviously shows that the demand for benefits is much greater than the actual provided elements. One reason could be that the decreased limit of the annual framework from 500,000 HUF in 2014. The new regulation has been in effect since January of 2015. The research demonstrates that the Erzsébet voucher is the most popular benefit. Employees who do not have the voucher included in their package have expressed a desire for it.

Question 13 was designed to identify ways to influence the effect of the corporate benefit system on the employees before their job selection. To express the importance of the benefit system, the employees used the scale-measuring method from zero “did not affect me” to five “significantly influencing” during the decision. After the evaluation, a 2.25 average value was given based on the 0-5 scale. This shows that the employees are approximately affected moderately by the organization's benefits during the job selection. The deviation is 1.76 from the average value.

TABLE IV
SELECTION POSSIBILITIES OF FRINGE BENEFITS ON THE BASIS OF ALL THE RESPONDENTS IN COMPARISON TO THE PRIVATE SECTOR EMPLOYEES

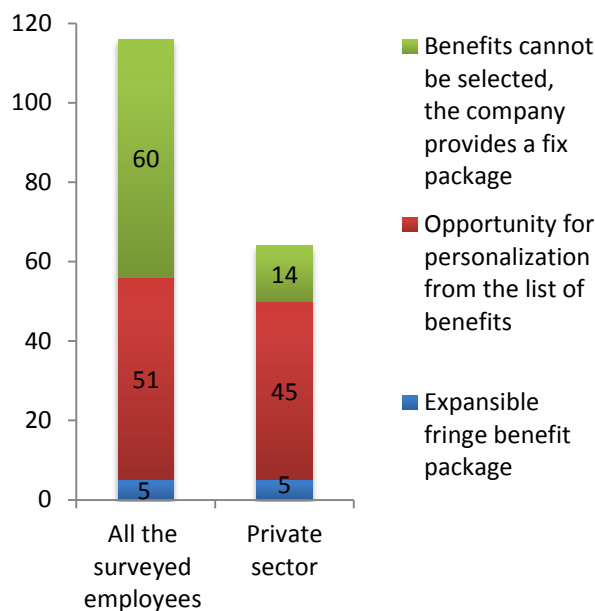
Interestingly, not the amount of payment, but the “good atmosphere and working conditions” has been marked as the most important factor. The “stable job” comes second, thirdly the “work-personal life balance” was voted, the “payment” has the fourth place with 36 % in the most important category. 25 % of the responders consider the „style and personality of the leader” and the “geographical proximity” also very important.

The incentive effect of the fringe benefits is measured among the employees on a 0-5 scale where the "0" means "does not encourage at all" and the "5" is "very motivating". The average value is 2.59. It shows that the benefits are a bit more motivating than the medium level. Therefore, the system is effective. The deviation of the employees' opinion is 1.76. Question 15 was intended to assess whether or not the employees perceive the change of the annual benefit allocation limit compared to the previous years and if they do, in which way do they perceive it. Three possible answers were available to determine the amount of value: “increased”, “decreased” and “unchanged”. By all respondents, only 12 reported increased benefit values compared to the last years. A little more, 15 people experienced decreased fringe benefits, while the rest, 89, did not notice any major change in this case.

Question 16 provided three options; yes, no and maybe. The question was about the employee's willingness to accomplish additional work for a higher share of benefits. Surprisingly, the feedback was quite positive. Only 17 workers would not assume extra performance, while 60 are willing to do extra efforts in case of increasing benefit values. The answer "maybe" appeared 39 times. This could be also indicated as a sign of willingness to turn to "yes" in the near future. In conclusion, the fringe benefits have incentive strength.

The last question, number 17, measured the satisfaction about the domestic tax system's structure. The judgment could be expressed on a zero to ten scale, where the "0" value means "not satisfied at all", and the "10" is "very satisfied". Based on the evaluated responses, quite surprising results have been detected. The average value of the satisfaction (10) or dissatisfaction (0) is 2.27 about the current national tax system. This is an extremely low value. The reason for this result might be the ‘not satisfied at all’ answer of 28 responders. Probably they had some very negative experience with the tax system due to the regulation.

The research also intended to seek for any correlation between the employees' satisfaction about the fringe benefits and the present Hungarian tax system. To ascertain the association between the two qualitative criteria, the Chuprov's coefficient and Cramer's V have been applied. According to both indicators, it is determined that beside the value 0.3, there is no



significant relationship between the opinion about the fringe benefit system and the domestic tax system.

The Figure 8 shows that the results, based on the responses, give value pairs per each respondent. They are shown as a separated coordinate point. These points are placed scattered, which illustrates clearly that there is no unequivocal correlation between the given answers. Otherwise, in case of a function-orientated relationship, the points would gather around a straight line or closely around.

The evaluation of the questionnaires resulted in the three hypotheses in the prologue. Based on the received responses, it can be determined that the employees' satisfaction level about the fringe benefits, received from their employer, is slightly below the ordinary value. Despite this statement, the fringe benefits still have the incentive effect on their performance as more than 50% of the responders submitted this. The hypothesis is proved by the motivating effects of the benefits. Most of the employees are willing to do additional work or to perform better for the common goals.

The third hypothesis was not confirmed, as the perception of the fringe benefits does not affect the employee's view about the Hungarian tax system. Figure 8 shows that there is no significant connection between these opinions.

VI. CONCLUSION

The focus of this thesis is how the Hungarian fringe benefit system is used by human resource management as a way to increase employee work performance levels.

The development of the tax burden of the Hungarian cafeteria system has become an important factor for the

companies who provide fringe benefits as a part of their compensation packages. This paper has discussed the relationship between employee satisfaction and the fringe benefits system. It also determines the expectations that employees have regarding the fringe benefits system. The discussion served to address the three hypotheses mentioned in the introduction.

The responses that were gathered by the questionnaire sent out to members of the Hungarian workforce reflect that employers usually do not inform their employees about the actual benefits system's opportunities. In parallel the employee's needs and preferences are rarely assessed among organizations even if the tax burden is the same between several fringe benefit forms. It can be assumed that as a consequence of these conditions, the employers are not aware of the real expectations of their workforce. However, according to respondents, the increasing allocation of incentive tools could lead to the willingness to perform additional work and increase motivation for more effective productivity.

To conclude, the data has shown that the workforce can be motivated sufficiently for effective work if adequate information and consideration of personal needs is assessed on the side of the employer. Despite the fact that the majority of workers are not satisfied with the current Hungarian tax system, they are "moderately satisfied" with the cafeteria scheme. Unfortunately, workers do not consider the cafeteria scheme as a product of the tax system, even if the benefits belong officially to the personal income tax system.

It would be a profitable investment for both employers and employees to seek a balance of the aforementioned conditions. Workers should ask employers for a clear and detailed explanation of the fringe benefits system and employers should find it in their best interest to inform employees of this system. The result would lead to increased productivity and profits.

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