

The use of fringe benefits among Hungarian companies

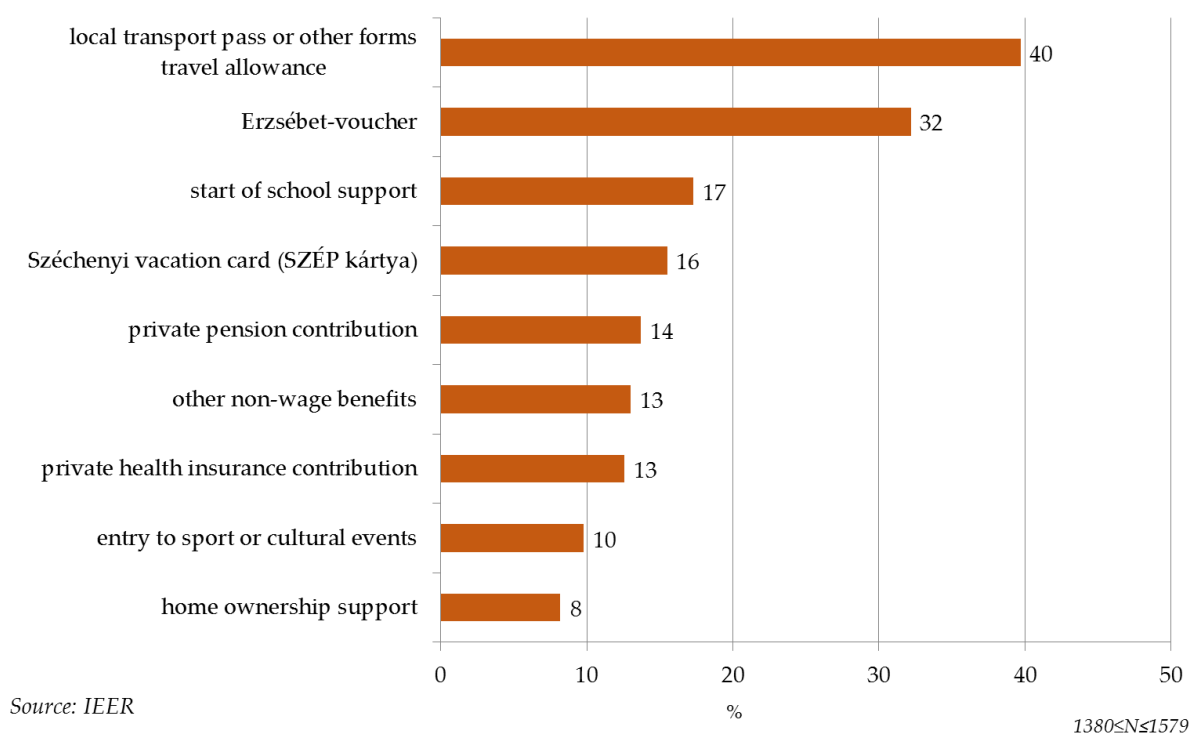
Summary

In its ongoing analysis of Hungarian companies, the Institute for Economic and Enterprise Research (IEER) examined the practices relating to the use of fringe benefits among domestic enterprises. The analysis is based on the data of the April 2016 Business Climate survey of 1,771 domestic enterprises employing at least one person; they were questioned in relation to the non-wage benefits they provide. The results show that 55% of companies with a minimum of one employee provided at least one form of fringe benefits in 2016, the most popular non-wage benefits being considered were local travel allowances and the Erzsébet vouchers (food coupons, but sometimes used for non-food purchases). The use of fringe benefits is associated with a company's size, the economic sector it operates in, and its level of foreign ownership, as well as a firm's business situation: the highest proportion of those that provide fringe benefits are typically medium and large sized companies, those that are foreign-owned, firms operating in the manufacturing sector, and those in a good business situation. For 83% of responding companies, the amount allocated to fringe benefits has not changed over the past year, while for 7% it declined compared to the previous year, and 11% reported that it increased. Those raising fringe benefits were characteristically those in a good business situation and those companies that lifted wages in 2015. Overall, domestic enterprises consider the role of fringe benefits as having a medium effect when making their company attractive to employees.

Within the framework of the Business Climate survey of April 2016, the Institute for Economic and Enterprise Research (IEER) interviewed 2,800 domestic companies on the use of fringe benefits. The following analysis summarizes the results obtained from the replies of 1,771 companies with at least one employee.

In the case of companies with at least one employee, 55% of them had workers who received at least one type of non-wage benefit in 2016. The fringe benefits most frequently used by respondents in 2016 are local transport tickets or other forms of travel assistance (40%) and the Erzsébet voucher (32%). In addition, 17% of responding companies provide school support for their employees and 16% vacation cards (SZÉP card). Among other non-wage benefits (13%), respondents most often mentioned gift certificates and gifts, the possibility of free meals at work, language school training support, and special discounts for company products (see Figure 1).

1. Figure: Fringe benefits employed by respondent companies, percentage



The use of fringe benefits are primarily and characteristically utilized by medium-sized and large enterprises: in the case of firms with less than 10 employees, only 45% of surveyed firms use some form of fringe benefits, while among companies with between 10 and 49 people the figure was 82%; for those with between 50 and 250 people it was 93%, while large companies with more than 250 staff it was 95%. Among large companies the most prevalent forms of support are Erzsébet vouchers (86% of companies used these), local travel allowance (81%) and vacation cards (69%), while for smaller firms school support was included in third place.

In terms of economic sector, we can conclude from the data that the highest proportion of those offering fringe benefits are among manufacturing companies (79%), for those in the construction industry it is 60%, while for respondents operating in the field of retail and services 56% provide non-wage benefits. In addition, based on our results companies with a foreign ownership stake most commonly provide fringe benefits: while for purely domestic-owned business respondents 59% used at least one type of fringe benefit, in the case of partly foreign owned companies the rate was 72%, while for companies with a foreign ownership stake of over fifty percent it was 89%.

Fringe benefits were more common among respondents of companies that considered their current business situation as good, 73% had used at least one type of non-wage benefits, whereas in the case of those companies reporting an unsatisfactory business situation it was 61%, with the ratio for those in a bad business situation at 41%. In addition, the use of fringe benefits was more usual among those companies which raised wages the previous year (70%

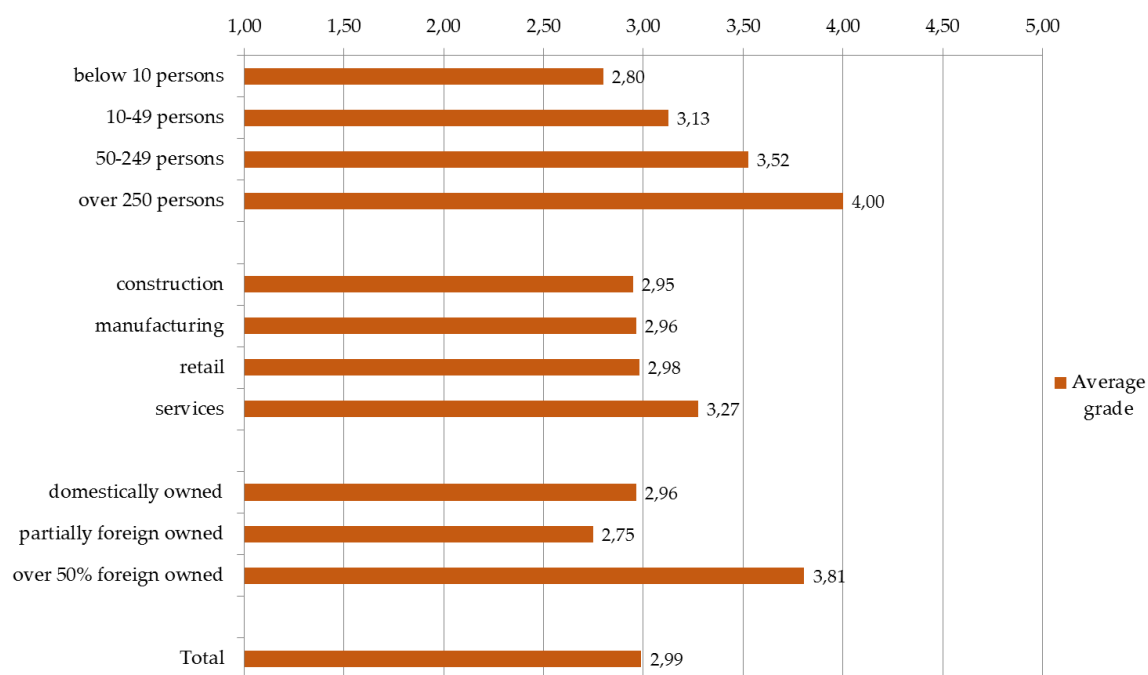
provided fringe benefits) than those for which wages have not changed (40%) or decreased (35%).

The amount allocated to fringe benefits has not changed over the past year among 83% of responding companies, while for 7% it decreased compared to the previous year, and for 11% it increased. Not surprisingly, among the respondents with a good evaluation of their business situation the share of companies raising fringe benefits was higher at 16% compared to those with an unsatisfactory business situation (9%) and those in a poor business situation (5%).

Among firms that had increased wages 13% also raised the amount of non-wage benefits. Simultaneously, respondents from companies that have reduced wages did not raise the amount for fringe benefits, while for 28% this amount was reduced. That is, responding companies did not compensate wage cuts with fringe benefits; indeed, for nearly a third of them austerity measures extended to non-wage benefits as well.

When asked on a scale of one to five to consider how appropriate of a tool fringe benefits were to make their companies more attractive among employees, 37% of respondents regarded it as an appropriate or a rather appropriate option, while 34% regarded it as less appropriate or inappropriate, while 29 % viewed the role of fringe benefits as somewhere in the middle. Evaluating the role of fringe benefits by grades the best score was given by those companies which provide one or more fringe benefit (see Figure 2).

2. Figure: Average assessment fringe benefits based on number of employees, economic sector and foreign ownership ratio



Source: IEER

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