

**EMPLOYEES' SATISFACTION WITH BENEFITS
AND EMPLOYEES' MOTIVATION IN GANSU,
CHINA**



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UNIVERSITY MALAYSIA SABAH
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AND EMPLOYEES' MOTIVATION IN GANSU,
CHINA**

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2006

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DECLARATION

The materials in this thesis are original except for quotations, excerpts, summaries and references, which have been duly acknowledged.

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ABSTRACT

The main objective of this study is to explore the employees' satisfaction with benefits and its influence on employee's motivation in Gansu, China. Three constructs of the employees' satisfaction with benefits were identified - sufficiency, fulfillment, and form. The questionnaire using five-point Likert Scale on employees' satisfaction with benefits was built. This study would also try to determine whether age, gender, job tenure, job position, and organizational types play a role in moderating the relationship between employee's satisfaction with benefits and employees' motivation. The sample of this study focused on the company including state, private, and foreign invested in Lanzhou city of China. A total of 100 respondents coming from twelve companies were targeted. However, only 80 questionnaires were returned and collected for analysis giving an 80% response rate. For this study, the researcher used questionnaires as the main study instrument. The research findings showed that there exist significant relationship between satisfaction with benefits and motivation where six hypotheses were supported and thirteen hypotheses were not supported while five hypotheses were partially supported. The model explained 29.4% variance of employee's motivation in relation to the employees' satisfaction with benefits in Gansu. Nevertheless, relationship between employees' satisfaction with benefits and employee's motivation was not moderated by job position and moderated by age, gender, job tenure, and organizational types partially. Therefore, it is hope that this research will benefit the employers to provide more benefits to motivate the employees and also hope the employees would understand the significance of benefits and therefore would be able to protect their own benefits.

ABSTRAK

KEPUASAN PEKERJA DENGAN FAEDAH DAN MOTIVASI PEKERJA DI GANSU, CHINA

Objektif utama kajian ini adalah untuk meneroka kepuasan pekerja dengan faedah dan pengaruhnya ke atas motivasi pekerja di Gansu, China. Tiga konstruk kepuasan pekerja dengan faedah akan dikenal pasti iaitu kecukupan, pemenuhan dan jenis. Soal selidik menggunakan skala Likert lima-mata dibina. Kajian ini juga ingin mengenal pasti sama ada umur, gender, tempoh bekerja, kedudukan kerja dan jenis organisasi memainkan peranan sebagai penyederhana dalam perhubungan di antara kepuasan pekerja dengan faedah dan motivasi pekerja. Sampel untuk kajian ini meliputi syarikat negeri, swasta dan pelaburan asing di Bandar Lanzhou di China. Seramai 100 orang responden dikenal pasti daripada 12 buah syarikat terpilih. Walaubagaimanapun hanya 80 soal-selidik telah dikembalikan dan dikutip untuk dianalisis yang memberikan kadar maklumbalas 80%. Untuk kajian ini, pengkaji menggunakan soal-selidik sebagai instrumen utama kajian. Hasil kajian menunjukkan terdapat perhubungan yang signifikan di antara kepuasan pekerja dengan faedah dan motivasi pekerja di mana enam hipotesis telah disokong, 13 hipotesis ditolak dan lima hipotesis disokong secara separuh. Model menunjukkan bahawa 29.4% varians dalam motivasi pekerja adalah disebabkan oleh kepuasan pekerja dengan faedah. Kajian juga menunjukkan bahawa perhubungan di antara kepuasan pekerja dengan motivasi pekerja tidak disederhanakan oleh kedudukan kerja tetapi disederhanakan sebahagiannya oleh umur, gender, tempoh bekerja dan jenis organisasi. Sehubungan itu, adalah diharapkan kajian ini akan memberi faedah kepada majikan untuk menawarkan lebih banyak faedah untuk memotivasikan pekerja dan adalah juga diharapkan para pekerja akan lebih memahami kepentingan faedah yang diberikan oleh majikan dan oleh itu berupaya untuk memelihara faedah yang mereka peroleh.

TABLE OF CONTENTS

	PAGE
TITLE	i
DECLARATION	ii
ACKNOWLEDGEMENT	iii
ABSTRACT	iv
ABSTRAK	v
TABLE OF CONTENTS	vi
LIST OF TABLES	ix
LIST OF FIGURES	x
LIST OF APPENDICES	xi

CHAPTER 1: INTRODUCTION

1.1. Introduction	1
1.2. Statement of the problem	4
1.3. Research Questions	5
1.4. Objective of the study	5
1.5. Significance of the study	5
1.6. Scope of study	6
1.7. Structure of the study	6

CHAPTER 2: LITERATURE REVIEW

2.1. Introduction	8
2.2. Employees' benefits	8
2.3. Benefits types	10
2.4. Motivation and the significance of implementing the employees' benefits	16
2.5. The strategy for implementing the employees' benefits	19

2.6. The effect of Age, Gender, Job Tenure, Job position, and Organizational Ownership	20
2.7. Conclusion	22

CHAPTER 3: RESEARCH METHODOLOGY

3.1. Introduction	23
3.2. The conceptual framework	23
3.3. Research hypothesis	24
3.4. Research design	29
3.5. Sample design	30
3.6. Instrument	30
3.7. Reliability	31
3.8. Data analysis	32
3.9. Summary	33

CHAPTER 4: RESEARCH FINDINGS

4.1. Introduction	34
4.2. Questionnaire and Sample size	34
4.3. Respondent Profile	34
4.4. Respondents individual Profile	36
4.5. Items in Benefits Plans	40
4.6. Reliability of Measurement	43
4.7. Level of Satisfaction with Benefits Plans	44
4.8. Level of Motivation	44
4.9. Hypotheses Testing	45

4.10. Summary of the Finding	58
------------------------------	----

CHAPTER 5: DISCUSSION AND CONCLUSION

5.1. Introduction	63
-------------------	----

5.2. Research Findings and Discussions	63
--	----

5.2.1. Number of benefits items	64
---------------------------------	----

5.2.2. Level of the motivation	64
--------------------------------	----

5.2.3. Poor level of satisfaction with benefits plans has been fulfilled by the companies to motivate the employees in Gansu	65
--	----

5.2.4. There is significant relationship between the employees' satisfaction with benefits and employees' motivation	66
--	----

5.2.5. Moderating Effects	66
---------------------------	----

5.3. Implication and Recommendation	68
-------------------------------------	----

5.4. Limitation of the study	70
------------------------------	----

5.5. Suggestion for Future Research	70
-------------------------------------	----

5.6. Conclusion	71
-----------------	----

REFERENCE

73

APPENDICES

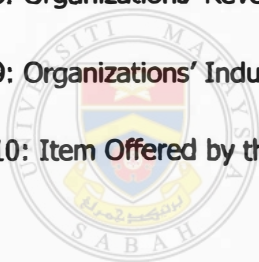
78

LIST OF TABLES

	PAGE
Table 4.1: Selected Company Profiles	35
Table 4.2: Items in Benefits Plans	41
Table 4.3(a): Respondent Individual Profile	41
Table 4.3(b): Respondents' Company Profiles	42
Table 4.4: Cronbach's Alpha Coefficient Value for Variables	43
Table 4.5: Descriptive Statistics of the Independent Variables	44
Table 4.6: Descriptive Statistics of the Dependent Variables	45
Table 4.7: Summary of the Simple Regression Model between Employees' satisfaction with Benefits and Employee's Motivation	45
Table 4.8: Summary of the Simple Regression Model that the Age has a Moderating Effect on the Relationship between Employee's Satisfaction with Benefits and Employee's Motivation	48
Table 4.9: Summary of the Simple Regression Model that the gender has a moderating effect on the relationship between employee's satisfaction with benefits and Employee's Motivation	50
Table 4.10: Summary of the Simple Regression Model that the tenure has a moderating effect on the relationship between employee's satisfaction with benefits and Employee's Motivation	52
Table 4.11: Summary of the Simple Regression Model that the Position has a Moderating Effect on the Relationship between Employee's satisfaction with Benefits and Employee's Motivation	54
Table 4.12: Summary of the Simple Regression Model that the organization types have a moderating effect on the relationship between employees' satisfaction with benefits and Employees' Motivation	56
Table 4.13: Summary Table of Regression Analysis Result	58

LIST OF FIGURES

	PAGE
Figure 3.1: Conceptual Framework	24
Figure 4.1: Respondents' Gender	36
Figure 4.2: Respondents' Age	37
Figure 4.3: Respondents' Tenure	37
Figure 4.4: Respondents' Position	38
Figure 4.5: Respondents' Understanding Level	38
Figure 4.6: Organizations' Types	38
Figure 4.7: Number of Employees in Organization	39
Figure 4.8: Organizations' Revenue	40
Figure 4.9: Organizations' Industry	40
Figure 4.10: Item Offered by their Companies of Respondents'	41



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LIST OF APPENDICES

	PAGE
APPENDIX A: Questionnaire	78
APPENDIX B: Respondent Profile	83
APPENDIX C: Cronbach's Alpha Reliability Test	90
APPENDIX D: Descriptive Analysis	96
APPENDIX E: Multiple Regression Analysis	97



UMS
UNIVERSITI MALAYSIA SABAH

CHAPTER 1

INTRODUCTION

1.1 Introduction

"Love me, and love my family."

This is a Chinese saying. It means that if you want to get anything you should pay more. The ancients know this, but, how about us? Moreover, how about in the modern enterprises?

Since the first benefits regulation of the world--the retirement benefits (Social Security Act of 1935) was set up in U.S., benefits have become into the major parts of employee's income and enterprises administration. Some people think that benefits will cost much money of companies and make the cash flow difficult, so they advise the enterprises abrogate the benefits. Others believe that the benefit are the responsibility of government, it should be administered by government. But, a little pay can take back more profits. For such reason, enterprises created its benefits for its employees; not just the employees can increase their income, but with the hope that the employees can create more profits for the enterprise with the benefits catalyze. But what is the level when the enterprises carry out their benefits, and what ownership benefits can be operated?

Perhaps now more than ever before, for virtually any benefits available, for example, direct financial compensation and indirect financial compensation, have been

taken widely in US. The result of this is many companies made more profits through catalyzing their employees. The employee also would spend any cash for any benefits that they might want. They need not to worry about the future. "They can not stay a complicate field" (Freedom, 1994). So if the companies solve these problems for their employees, and the employees will hard work for them.

Although the American law only asks 10 percent including social security, unemployment compensation, and workers' compensation, but more than half of the benefits are decided by the owner. According to statistic, benefits cost the employer 3 percent of total wages and salaries in 1929; by 1949, the cost was up to 16 percent; and in the 1970s, it was nearly 30 percent. By 2001, the benefits and services slice of labor costs ranged from 20 to 60 percent of payroll. This figure can be broken down as follows: 8.7 percent of payroll went for legally required social insurance payments, 5.1 percent for private pension plans, 9.8 percent to insurance plans, and the remaining 14 percent for all other ownership of benefits (Ivancevich, 2005).

Some employers provide these programs for labor market reasons, that is, to keep the organization competitive in recruiting and retaining employees. Others provide them to keep a union out or because the union has won them during negotiations. Another reason often given for providing benefits and services is that they increase employees' performance. Is this reasoning valid? As a matter of fact the benefits have become crucial to attracting, retaining, and motivating employees. A report by the National Study of the Changing Work Force found that 43 percent of employees who changed jobs rated employees' benefits as "very important" in their

decision, while only 35 percent said the same for salary or wages (Ivancevich, 2005). Based on this point the benefits, which are part of a group benefits plan, are designed to safeguard employees and their families against problems due to sickness, accidents, or retirement, and have made whacking purpose in the US or other developed countries. Today the benefits have become very important for the human resource managers, but how about it in Gansu, China?

Since 1980s, Chinese government implements the opening economy policies. Many enterprises take this opportunity trending their profits. The labor market is also becoming very scorching. So the employees would decide their jobs by conceding the providing benefits, especially for younger employees. But fewer employers would attract the employees through supporting predominant benefits policies. Only state companies create their own benefits policies because of the laws ask. Private companies, foreign investing companies seem standing out the area. It seems that the employers didn't understand that there are any systems abided by them. They also didn't understand what is the positivity of implementing the employees' benefits? And how to carry out it and motivate the employees?

On this point, this research is aimed to explore the diagnostic approach to benefits in enterprises in Gansu. Which represents the human resource managers' decisions of employing the employees. The diagnostic approach to benefits and motivation based on previous research by Balkin (2005) and Maslow & Kaplan (1998). The research also investigate the relationship between the employee's satisfactions with benefits and the employees' motivation.

1.2 Statement of the Problem

Benefits policies are considered by most as a more effective approach to motivate the employees' actions in the labor market areas. But how about it is in Gansu, China? Is the level of the employees' satisfaction with benefits higher? All employers would provide the benefits, and all employers understand the significance of implementing the employees' benefits? However, the fact is not so. Especially, private businesses and foreign invested businesses are not so. Clearly, benefits give some contribution to level of job satisfaction. Employee's job satisfaction needs to be fulfilled in order to motivate them to work harder. Major benefits attempt to protect employees and their dependents from financial risk associated with illness, disability, unemployment, and old age. The United States is a model in implementing the employee's benefits. The employer provides most of an employee's benefits. The benefits, which are part of a group benefits plan, are designed to safeguard employees and their families against problems due to sickness, accidents, or retirement. The benefits have become the main part of employees' needs. If needs are not fulfilled, job satisfaction was affected and in future it will affect the employees' level of motivation. For instance, IBM Company provides cutting-edge benefits by providing innovation, cutting-edge benefits that satisfy specific employee needs, a company is in a better position to attract and retain talented employees who are in scarce supply. This study will determine the level of satisfaction with benefits among the employees. Specifically, it seeks to examine the relationship between the independent variable (employee's

satisfaction with benefits) and dependent variable (employees' motivation) and the level of being moderated by employees' age, gender, job tenure, job position, and organizational ownership.

1.3 Research Questions

RQ1: How many items of benefits have been offered to the employees by employers in the respective organization?

RQ1: What is the level of satisfaction with respect to benefits plan and level of motivation among the employees in Gansu, China?

RQ1: What is the effect or influence of satisfaction with benefits towards the employees' motivation?

1.4 Objectives of the Study

- 1) To investigate how many items of employees' benefits offered by the respective organization.
- 2) To examine the level of satisfaction with benefits and the level of motivation among the employees.
- 3) To find the relationship between satisfaction with benefits and motivation among the employees selected organizations in Gansu, China.

1.5 Significance of the Study

The results of the proposed study will help the local employers to understand the

employees' benefits item and the significance of implementing the employees' benefits and what can be done to motivate the employees. It also helps the employers to understand that the employee's satisfaction with benefits also is affected by the employee's age, gender, job tenure, job position, and organizational ownership in order that they can use the employees' benefits to meet the employee's satisfaction with benefits to motivate the employees and create more values for company. The information is essential for local employers to make informed decisions concerning benefits positioning, repositioning and differential advantages.

1.6 Scope of Study

The study was carried out in Gansu, China. The respondents are the employers, CEO, owners, and the employees working in Lanzhou, Gansu, China.

1.7 Structure of the Study

The introduction of this study, problem statement, objectives, significance, background of research methodology, and scope were explained in Chapter 1. In Chapter 2, elaborates a literature review on the employees' benefits, the employee's satisfaction with benefits, and the employees' motivation. The conceptual framework and the research methodology of the study were exhibited in Chapter 3 through the development of eight hypotheses testing. The result of the data analyses were presented in Chapter 4. The focus of this study in examining the level of employee's satisfaction with benefits affect on the employees' motivation, following the implication,

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limitation and recommendation future research of the study were highlighted in Chapter 5.



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CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter deals with survey of literature review in the area of employee benefits and its determinants, which is divided into five main sections. The second section discussed on benefits definition and benefits anatomy. The third section describes about benefits ownership and benefits association. This is followed by fourth section, which described the motivation of employees', the significance of implementing the employees' benefits, and understanding on how to meet the employees' satisfaction with benefits as a cue or signal for motivating the employees. The final section discusses the strategy for implementing the employees' benefits.

2.2 Employees' Benefits

It is best to start by explaining what employees' benefits are not, in order to dispel some common misconceptions. It is not surprising to find that some people think that the basis of modern-day employees' benefits is mainly the additional cash for employees. This is true only to the extent that they are all used to consider the problem without thinking about it carefully. In this way the employers give the employees a little money instead of the employees' benefits in any small companies in Gansu in the foretime. Fortunately, the employers have thought that the employees'

benefits policies are an important part of enterprises administration recently. But what are the employees' benefits?

The employees' benefits are group membership rewards that provide security for employees and their family members. They are sometimes called indirect compensation because they are given to employees in the form of a plan (such as health insurance) rather than cash. A benefits package complements the base-compensation and pay-incentives components of total compensation (Balkin 2004).

Employee benefits protect employees from risks that could jeopardize their health and financial security. They provide coverage for sickness, injury, unemployment, and old age and death. They may also provide services or facilities that many employees find valuable, such as child-care services or an exercise center. Individual could purchase their own health insurance and save for their own retirement. Certainly the money that employers spend on benefits could be given instead to employees in cash, and they could spend that cash for any benefits they might want. That amount is not insignificant. Benefits must be viewed as part of total compensation, and total compensation is one of the key strategic decision areas in human resources. Total compensation includes money paid directly (such as wages and salaries), money paid indirectly (such as benefits), and no monetary rewards (such as praise, job satisfaction, and recognition). Too often, both managers and employees think of only wages and salaries as total compensation and fail to consider the additional 40% contributed by benefits (Mathis, 1997).

2.3 Benefits Types

Crossing about 80 years developing the employees' benefits has formed a consummate system in U.S. Today it has been utilized by the enterprises of the world widely.

1. Legally required benefits. With only a few exceptions, all employers are legally required to provide: (1) Social Security; (2) Workers' compensation; (3) Unemployment insurance and (4) family and medical leave. All other benefits are provided by employers voluntarily.

2. Health insurance. Health insurance covers hospital costs, physician charges, and the costs of other medical services. Because of its importance, health insurance is usually considered separately from other ownership of insurance.

a) **Retirement.** Retirement benefits provide income to employees after they retire.

b) **Insurance.** Insurance plans protect employees or their dependents from financial difficulties that can arise as a result of disability or death.

c) **Paid time off.** Time-off plans give employees time off with or without pay, depending on the plan.

Social Security provides (1) income for retirees, the disabled, and survivors of deceased workers and (2) health care for the aged through the Medicare program.