

FLEXIBLE BENEFITS – CAFETERIA PLAN HOW THE CHARACTERISTICS OF THE FIRMS AFFECT THE SYSTEM OF CAFETERIA PLANS

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ABSTRACT

This article reviews the relevant concepts related to the subject, starting off by the general questions of motivation to the strategic significance of fringe benefits. We present what international trends can be observed in this area. In the course of our research, we primarily sought to find out how tax and financial changes affect the management of the companies/institutions and the cafeteria plans. Secondly, we examined connections between the external factors and internal features which influence the organization's decisions in the areas above mentioned.

Keywords: Motivation, Flexible benefits, Cafeteria plans, International experience.

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INTRODUCTION

The basic task of human resource management is to ensure the human resources needed to achieve the organizational goals. However, it is not enough to acquire the desired

workforce through recruiting and selection; they must be trained and motivated in order to behave that way which enables them to achieve the organizational goals and to perform their duties effectively (László-Poór, 2016). Employees have independent personalities and

interests, and therefore their influence is a complex challenge, and cornerstone to this is the human resource policy and, specifically, the human resource management of employee compensation and remuneration. Incentive management is a priority area of the HRM in retaining and motivating the human resources needed to attain the strategic goals of the organization (Petró, 2014). Most of today's organizations consider their human resources to be their most valuable assets and consider them to be the contributor to organizational success or failure and, in managing them, they do not only see the high cost ratio associated with them, but rather the rewarding investment opportunity (Karoliny, 2017).

The remuneration system applicable to the employer can be divided into two main areas: on the one hand, wages, which are due to the employer's statutory obligation, and on the other hand, the fringe benefits, the application of which is based on unilateral decisions by the employer, with few exceptions (e.g. statutory requirements). Fringe benefits may be granted under a fixed system and adapted to the different needs of each employee in the form they choose. The latter system, optional fringe benefits, is called a cafeteria system. The cafeteria plan is a flexible tool for managing the benefits of employee fringe benefits within the organization, which plays an important role in the effective formulation of the employer's financial incentive system. The system of optional fringe benefits has been in Hungary for 20 years now. Legislation changes make employers every year reconsider them. A number of research studies deal with the recognition of the choice of optional fringe benefit schemes in Hungary. In our secondary research, based on the 2017 Cafeteria - Hungary Survey, we sought to find out how tax and financial changes affect the benefit management of the companies/ institutions and the cafeteria system. We were also looking for correlations between the external factors and internal factors that influence the organization's decision. Before we go over the results of the research, let us look at the most important concepts related to this topic.

COMPENSATION – MANAGEMENT OF INCENTIVES AND REWARDS

The function of the compensation system is, therefore, to meet the needs of the employees in

line with the organization's strategy and to increase the motivation and commitment of the employees towards the employer (László-Poór, 2016). According to Hámori et al. (1998), incentives and rewards are useful for exploring and utilizing the human resources, thus ultimately leading to an increase in the efficiency of work and therefore deserve all attention. The compensation system is a tool in the hands of the management, which promotes the fulfillment of organizational goals and strengthens the employee's attachment to the company. The employees are interested in fulfilling an organization's goal if the employer helps to meet their needs at a higher standard (László et al., 2013). The incentive system plays a key role in achieving organizational goals by attracting and retaining people with appropriate efficiency and motivation (Bakacsi et al., 2000). The aim of the correct incentive policy is therefore to develop and operate a system that will help achieve the organizational goals by developing methods for acquiring, retaining and motivating the right workforce (László et al., 2013).

The compensation system will perform its task efficiently only if its planning process also includes an analysis of the expected environmental impacts and constraints. When developing the system of incentives and rewards, the employer must explore the labor market situation, as well as the importance and the value of the job, i.e. its price. The company's culture and its established traditions cannot be ignored, either. The examination of human behaviors is crucial because they are influenced by needs, values, attitudes, norms and customs. A well-designed incentive-reward system fits in with organizational culture, supports organizational changes, but does not, in itself, change the expectations and values of employees (Bakacsi et al., 2000).

The compensation system is a broad category as it includes both material and non-material rewards, financial and non-financial, 'moral' recognition. There is a narrower and wider interpretation: in the narrower sense we mean remuneration by compensation, (the compensation itself). In this view, the elements of the remuneration system are the wage system and the system of fringe benefits, which together provide the most important financial incentives and rewards. Compensation in a broader scope includes, besides the above, non-financial incentives and rewards (external,

internal motivations, security needs, promotion and job enrichment, etc.).

REMUNERATION SYSTEMS

Compensation strategy and remuneration systems are one of the central issues of HRM, an effective tool for increasing business performance by aligning individual and organizational goals (Armstrong, 2010; Brown 2001; Gilmore-Williams, 2013; Torrington et al., 2014) while serving not only the organization's, but also the workers' benefit. (Armstrong-Taylor, 2014; Jones-George, 2015; Mondy-Martocchio, 2016). It is worth designing a remuneration system with respect to the technology and the culture of the organization, whereas it is also possible that some groups of the organization benefit from a different remuneration logic (Bakacsi et al., 2000). The development of a remuneration package can be influenced both by internal and external factors. Internal factors are: the organization's remuneration principles, the value of the job, the ability of the employer to pay, and the compensation philosophy (Mondy-Martocchio, 2016). External factors are: labor market conditions, regional payment conditions, collective agreements, and legal regulations. It depends on the compensation philosophy of the organization which factors to put emphasis on when developing a specific remuneration package (Elbert et al., 2000).

By direct remuneration, we mean the wage forms and methods developed by the organizations and the systems which are formed by them, which comprise various variations of the basic wage and the variable pay. Fringe benefits are elements of indirect remuneration that the employer provides to the employee besides the wage and supplement; thus they are part of the total remuneration package for employees. Providing attractive benefits is an important tool for an organization that will help attract and retain a high quality workforce (Messmer, 2007; Urbancová-Snydrová, 2017). An essential part and tool of employee relations is the measurement of employee satisfaction, and in this context, the development of remuneration and benefit systems for the employer and the increase of the benefits (László, 2016). Although the benefits mean considerable costs on the side of the organization, their reduction or withdrawal is hardly acceptable to workers and employee

advocacy organizations. The retention or elimination of fringe benefits is influenced by the employer's point of view (the proportion of benefits in the full compensation package, the number of competitors' offers, the role of benefits in attracting and retaining employees, compliance with the law), and employee's aspects (requirements, satisfaction of needs, and satisfaction in general) (Milkovich et al., 2011).

FLEXIBLE BENEFITS - CAFETERIA

The cafeteria plan is a remuneration form which is provided by the company to the employee. It is derived from the English word 'cafeteria' which means coffee shop or self-service restaurant. The cafeteria system started from the United States in the 1970s and its expansion in Hungary began in the second half of the 1990s. According to some opinions (Bakacsi et al., 2000; László et al., 2017; Milkovich et al., 2011; Poór et al., 2013a), it has become a means of retaining employees and maintaining a favorable organizational atmosphere. Benefits to employees in work income are an expression of workplace's care, a part of the incentives and rewards system. A flexible benefit program offers a choice between multiple elements or their levels (Bakacsi, 2003). According to their preferences, the employees can choose freely from the benefit elements up to a certain amount, which allows them to meet different needs (Bakacsi et al., 2000; László et al., 2017). A series of research demonstrates that flexible benefits largely contribute to employee satisfaction (Stewart-Brown, 2014). The result of a well-structured benefit package is a long-term loyal commitment to the organization (László et al., 2017). From this point of view, it is not negligible what the degree, complexity and usability of the benefits provided by the company are, compared to the cafeteria benefits provided by the competitors. A well-established flexible benefit system enhances the organization's labor market reputation (Bakacsi et al., 2000), where it can gain competitive advantage. Flexible benefits make cost management more transparent for employers. The costs can be embedded in human resource costs, in the corporate business plan, and by HR controlling how the process can be planned and verified. There is a way to correct errors and feedback. Flexible benefit schemes shape the organizational culture, and require some degree

of autonomy from the employees too (Poór et al., 2013b).

An efficient and flexible cafeteria system requires careful planning, careful process analysis, smooth operation and a continuous two-way communication. If any of these factors is missing, the system will not work and will not be successful. After the introduction of the system, the return on the expense will be reflected in the increasing satisfaction of the employees. Establishing benefit principles is the key to system implementation, which is a complex process that requires the proper carefulness. For larger companies, involvement of interest representatives and the Works Council is also needed in this process as the Collective Agreement can only be modified by trade union agreement and the Work Council has the right to co-decision on welfare issues (Fata et al., 2013). The development of the benefit system requires a thorough planning, in which it is necessary to define the categories of beneficiaries, the types of benefits, the rate and the proportion within the incentive package, the eligibility criteria, the method eligibility and the combinations of options. Based on the literature data, 6 to 12 items of benefits are the optimal quantity that still provide enough choice for the employees, and the establishment of system records is relatively easy to solve.

There are many different cafeteria models in both domestic and international practice (Foot et al., 2016; László et al., 2017; Miranda-Springer, 2004). There are many benefits of free choosing from the list to provide the widest possible choice, so the list reflects the needs of the employee. It is a disadvantage that collecting the statements of the employees requires more work or extra administration (Mondy-Martocchio, 2016). In the case of packet selection, the organization compiles packages of different configurations for different groups of workers. It is an advantage to make the statements simpler, so the administration involved is less. The disadvantage is that the choice of employees is confined to the selection of the proposed packages and that the assembled packages cannot reflect the real needs of all employees. In the case of a combined solution, employees can decide whether to choose from pre-designed packages or whether they want to determine the individual benefit elements. The advantage is that the employees can choose between the right choices according to their needs. It is a

disadvantage that the two types of statements mean more communication and administration.

At workplaces, employees need to meet more demanding standards of performance, for which they expect competitive income and benefits. A great advantage of the cafeteria system is that the employer is able to satisfy the various needs of the employees individually. It provides the opportunity to use different benefits each year; however, this increases the administrative burden on the employer compared to the fixed pay-out benefits. It is of great importance also to ensure the non-discriminatory use of benefits, which means that all employees have the same conditions and the same opportunity to choose between the benefits. Over the years, most companies - in cooperation with interest representatives - have been continuously improving their cafeteria system based on employee feedback.

The role of cafeteria plans is also underlined by the fact that there has been a great lack of labor in Hungary and in the neighboring countries. A well-managed fringe benefit system can also help in this situation (Fata, 2016).

CAFETERIA IN HUNGARY

Before we get to the results, it is important to mention how employers define the cafeteria budget of the given year. The company's internal capabilities greatly influence the size of the budget in 2017. The most common way of defining the fringe benefit value is a fixed amount covering all employees, or a different amount for a group of employees, but uniform within each group. The fringe benefit value may also be determined on the basis of a percentage of the basic salary. The Cafeteria - Hungary research report of 2017 provides detailed information on the fringe benefit values that the organizations determined for this year (Poór et al., 2017). The amount of cafeteria that can be spent by the staff in a taxable year varies considerably from one organization to another. According to recent final research reports of Cafeteria - Hungary (Poór J. et al., 2013c, 2014, 2015, 2016, 2017), the availability of an amount below HUF 100,000 and above HUF 500,000 is very rare. The majority of organizations operating cafeteria provide employees a sum of between HUF 150,000 and HUF 400,000. Depending on the change in the gross amount, the net amount may remain unchanged or

change in a favorable or unfavorable direction, depending on how much the change in the gross amount of funds or the change in the public rates and taxes of the cafeteria items offered or to their employees has changed. More than half of the organizations operating Cafeteria do not change the total amount year by year. Less than one quarter of the companies increase the amount of funds, thus increasing the total amount of staff allowances. Overall, it can be said that the vast majority of companies seek to maintain or even increase the value of net employee benefits.

In the year 2017, the change in the cafeteria, on the one hand, relates to the tax- and contribution burdens, and on the other hand, the restructuring of the benefit elements for preferential or non-preferential categories. The health contribution decreased from 27% to 22%, which has a positive impact on the tax burden on cafeteria items. As a result of this change, the tax rate on preferential benefits was 43.66% and the reduced tax rate decreased from 34.51% to 34.22% (Adóvilág, 2017). The Erzsébet voucher, the voluntary pension fund and voluntary health fund contributions were removed from the group of preferential benefits, while mobility housing allowances and nursery and crèche services were included in them.

HYPOTHESES

H1: There is a correlation between the factors involved in the establishment/maintaining of cafeteria and the sectoral location of companies. In the business sector, it is more important to increase employees' commitment and satisfaction through cafeteria benefits than in the public sector. The incentive system that can be applied to an organization is influenced by factors outside and inside the organization. The incentive policy is defined by the organization's value system, area of operation, sectoral classification, economic status, dynamics, income generation and financing ability. In organizing the incentive system, besides the organizational conditions, the employer must also consider providing the benefit or conditions that are appropriate to the value system and needs of the given employee group. (László - Poór, 2016)

H2: There is a correlation between the factors involved in the establishment/maintaining of cafeteria and the time when cafeteria is introduced. The later the given

organization introduces cafeteria, the more important it is to acquire, retain and increase employees' commitment and satisfaction; as a result of which the employer's competitiveness will grow. Recently, the employer's perception is increasingly characterized by the fact, that an attractive job offers a competitive remuneration package, a part of which is the cafeteria system, which does not represent a clear surplus in terms of employee motivation. Benefits, including cafeteria, are increasingly a "basic requirement" whose presence or absence rather affects employees' satisfaction. (Poór et al., 2013a)

H3: There is a correlation between the factors determining the amount of the cafeteria budget and the size of the organization. For companies with more than 250 employees, the market position of their benefit package is a much more important factor than it is for the companies with less than 250 employees. Lots of research supports the fact that differences in HR systems depend to a large extent on organizational size. (Poór, 2013) Morley et al., (2017) supported the fact that in the countries of Central and Eastern Europe the organizational dimension has a significant correlation with the number of trade union members and the influence of trade unions. An essential part of employee relations is the development of remuneration and benefit systems in the employer's relationship with the measurement of employees' satisfaction and the increase in the level of benefits. (László, 2016) Employee satisfaction is also influenced by the degree, complexity and usability of the benefits and services provided by the company, compared to the cafeteria benefits provided by the competitors.

H4: The annual turnover of companies influences the possibility of further development of the cafeteria system. Companies with an annual turnover of HUF 5 billion and above are improving their cafeteria system year by year, adding new elements provided by law, while the companies with an annual turnover below HUF 5 billion are aiming at maintaining the level. For companies operating a cafeteria system it is important that the system contributes to the competitiveness of the income package. Taking into account the economic and legal conditions, the organization plans every year to maintain or further develop its cafeteria system. The annual audit also

provides an analysis of the direct and indirect effects of regulatory changes. (Poór et al., 2013a)

CHARACTERISTICS OF THE SAMPLE

The sample, which was the basis of our previously quoted research, was provided by the Cafeteria-Hungary research which has been carried out on a similar and regular basis every year since 2013. This research was carried out using a similar method and a questionnaire - only with the corrections required by the tax- and contribution changes. The collection of data was done primarily by online questionnaire method and secondarily by personal data collection. Our typical respondents are HR specialists at larger organizations, while at small companies where there was no such specialist management, the owner answered our questionnaire. Especially during the data collection, interviewing data collectors made a shorter or longer analysis. During the 2017 Cafeteria - Hungary research, when we sent e-mails to over 10,000 organizations, of which 448 responses (4.48%) could be evaluated. In the questionnaire survey participated 307 domestic-owned, 118 foreign, and 23 mixed ownership companies. More than three-quarters of the respondents belong to the competitive sector, 13% to the public sector and 5% to the non-profit sector. 25% of them work in the industry, 16% in the commercial and the financial sector and 23% in other categories. Overall, businesses in service areas come to about half of the total sample. The vast majority of respondents (41%) operate in the Central Hungarian region, 29% in Transdanubia, and 21% in the Great Plain. The vast majority of the respondents are small and medium-sized enterprises and micro-enterprises are present, they account for 75% of the respondents. One-fourth of the respondent organizations have a staff of over 250 people. 22% of respondents have annual revenue below HUF 50 million, 23% of the respondents with an annual turnover of HUF 50-500 million, and 55% of them have a turnover exceeding HUF 500 million.

THE METHOD OF DATA COLLECTION OF EMPIRICAL RESEARCH

The questionnaire method is a quantitative research method that allows the identification of connection points and causal relationships between the obtained figures. Collecting credible data on corporate results and processes without a good relationship is very difficult. This

difficulty was overcome by previous surveys, thanks to which participants, having known the nature of the research, were not reluctant to answer the questions posed by researchers. Participation in the survey was voluntary and free of charge. Cafeteria - Hungary's 2017 survey included the following question groups in the form of closed/structured, semi-open/semi-structured questions:

- The characteristics of the examined companies/institutions: the most important organizational and economic characteristics from the point of the research (industry, main business area of the company, owner, number of employees, annual turnover, geographical location).
- General information on fringe benefits: Does the organization provide fringe benefits, if it does, in what form, for what circles of employees,
- Guaranteed benefits: what fixed benefits are available to employees
- Flexible benefits: What benefits are available in a flexible choice cafeteria
- Operation: features related to the introduction and maintaining of the cafeteria system (cafeteria, administration, IT support, operating costs, employee satisfaction measurement).
- Cafeteria budget: the characteristics of the budget (the definition of the budget and its change compared to the previous year, the external and internal factors influencing the total amount).
- Actualities: providing new benefits to this year (housing support aiming mobility, kindergarten- and nursery service).
- Designated cafeteria: whether companies involved in the research plan to introduce cafeteria soon.
- Future role of fringe benefits: what are the factors influencing the maintaining or elimination of cafeteria?

DATA PROCESSING METHODS OF THE EMPIRICAL RESEARCH

The collected answers were analyzed by using the Statistical Package for the Social Sciences (SPSS) statistical program. The final set of data includes a huge set of information, but "we can produce true results and information by analysis and interpretation based on scientific methods"

(Sajtos - Mitev, 2007, p. 7). Most of the measurement scales are not metric variables and within them there are nominal and ordinal variables.

Accordingly, we applied the following statistical methods:

- Descriptive statistical indicators were calculated to sum up the answers to the questions in the questionnaire, which also contributed to answering some research questions by numerical characterization of aggregated data. The number of evaluable responses was different for each question, so while defining the distribution ratios we did not consider the total sample, but the number of evaluable answers was considered to be 100%.

- Correlations were investigated to reveal relationships between quality criteria. Cross-table analysis is a widely-used statistical method that helps to find the link between two or more nonmetric or categorized metric variables by collating the combined frequency distributions in a table. The statistical significance of associative relationships was verified by the Pearson's chi-square test, and we found out whether there was any statistically demonstrable correlation between the variables examined. The chi-square test compares observations per cell to the expected number of cases that would be obtained if there were no correlation between the two variables. One disadvantage of the chi-square test is that it is very sensitive to sample size. Generally, it is suitable for examination each variable measured on each scale possible, however, mostly it is used to nonmetric or to categorized metric scales, and the number of observations in cells is bound to a minimum limit (Sajtos - Mitev, 2007). The basic condition for the reliability of the chi-square test is that the expected frequency is at least one in each cell; this value depends on the marginal frequency, and the expected frequency can be less than 5, in a maximum of 20% of the cells (Sajtos-Mitev, 2007). The null hypothesis was rejected when the empirical significance level (p-value) was less than or equaled 5%. If the p value was between 5 and 10%, we found that there was a tendency of correlation between the examined variables

- The strength of the relationship between two nominal or nominal and ordinal variables

was examined by using the Cramer V association coefficient. The coefficient value (V-value) is interpreted in an interval between zero and one and the closer it is to one, the closer relationship it indicates.

- The analysis of variance is also an analysis method for comparing the expected value of two or more multitudes (Analysis of Variance = ANOVA), which examines whether there is a difference between the average of two or more groups or what effect one (or more) independent variables can have on one (or more) dependent variables. (Sajtos - Mitev, 2007). For the applicability of the variance analysis, the following conditions must be fulfilled: the dependent variable should be measured in the interval scale and should be normal within the group and have the same deviation at different levels of the independent variable (variance homogeneity).

BENEFITS PROVIDED BY THE RESPONDENT ORGANIZATIONS

Benefits are an important element of an organization's incentive system. Employers can provide fixed elements for the workers or within the cafeteria system they can offer the possibility of free choice between each item. At 100% of the respondents with over 1,000 employees there are benefits, while the proportion of them is much lower (67%) under 10 employees. This result is in line with the general experience that the modern HR solutions are less present in SMEs - small and medium sized enterprises. (Karoliny et al., 2000; Kiss-Poór, 2006; Poór, 2013). 89% of respondent organizations applied fringe benefits to their remuneration policies in 2017. 4% of them indicated that the benefits were limited to certain groups of workers, 58% provided benefits uniformly for all employees, and 37% for all employees, but differently for each group of workers. 27% of the respondent companies/institutions provide fringe benefits to their employees only in the form of fixed benefits. 43% of organizations have only a flexible cafeteria system with individual choices, while 30% of organizations providing fringe benefits have certain fixed items and they also operate a cafeteria system. These benefit forms are present in different proportions in organizations of different sizes (Figure 1).

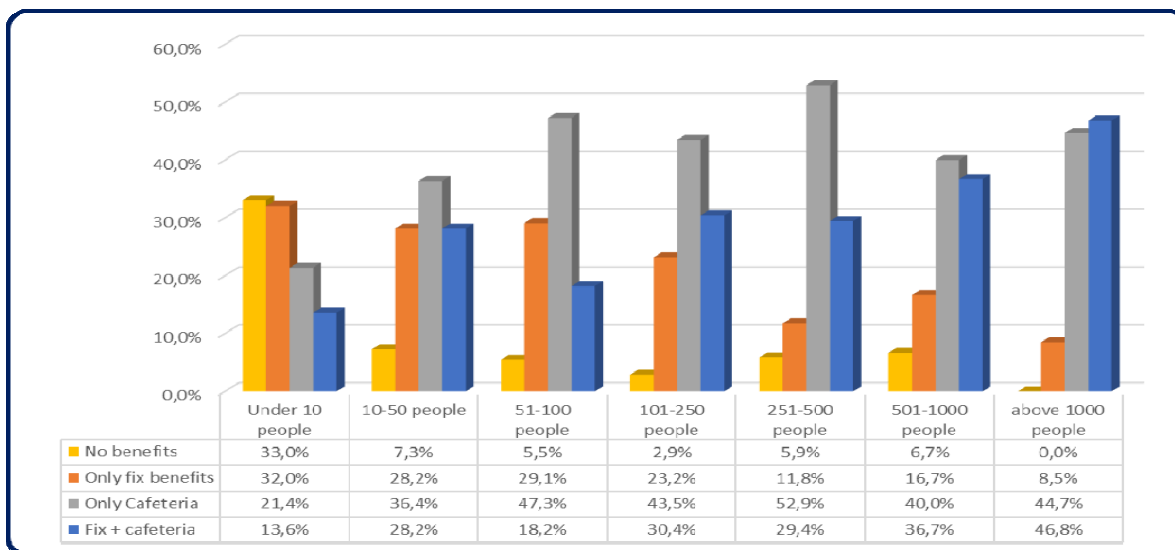


Figure 1. Distribution of benefit forms by staff number categories (N = 448)

Source: Authors own research using the Cafeteria - Hungary Final Research Report of 2017

It can be seen that the number of the employees does influence whether the organization provide benefits or not, And if they do, whether they are fixed and/or in form of cafeteria. In one-third of enterprises fewer than 10 employees there are no fringe benefits. With the increasing number of employees, the number of respondents decrease who only provide fixed benefits: It is characteristic of 32% of enterprises with 10 employees, 8.5% of companies with over 1000 employees, while the proportion of respondents offering fixed benefits and cafeteria is higher in organizations with a larger headcount. Nearly half (47%) of organizations with more than 1000 employees provide fixed and cafeteria benefits to their employees. Nearly half of the organizations with more than 50 employees operate only a cafeteria system.

At those 169 respondent companies which only provide a cafeteria system, the SZÉP card was the most popular item of the choice. 96% of them provide this opportunity to their employees. This was followed by the voluntary health fund contribution (80%), while the Erzsébet voucher and Voluntary Pension Fund contribution took the third place with 74% (Figure 2).

Organizations are reluctant to outsource their administration of their benefit systems, 87% of the respondent organizations resolve it, 10% partly administer it in-house, partly outsource the tasks involved, while only 2% outsource fully this activity. More than a quarter of the

organizations which operate cafeteria employ an IT solution through which workers can keep track of their cafeteria balance and their benefits during the year (employee self-desk). Adapting the administration to changes in tax laws for year to year means difficulty only for a small fraction of the organizations (5%), while for 23% of them it does not cause any problems. Clearly, it is a problem for organizations that are less likely to use software solutions for cafeteria administration.

RESULTS

Below there are the related results along the established hypotheses.

- 1) *There is a connection between the factors involved in the establishment/maintenance of cafeteria and the sectoral location of the companies. In the business/competitive sector, it is more important to increase employees' commitment and satisfaction through cafeteria benefits than in the public sector.*

The incentive system that can be applied to an organization is influenced by factors in- and outside the organization. The incentive policy is defined by the organization's value system, area of operation, sector classification, economic status, dynamics, income generation and financing ability. In establishing the incentive system, besides the organizational conditions, the employer must also consider providing benefits or conditions that are adapted to the

values and needs of the given employee group (László-Poór, 2016).

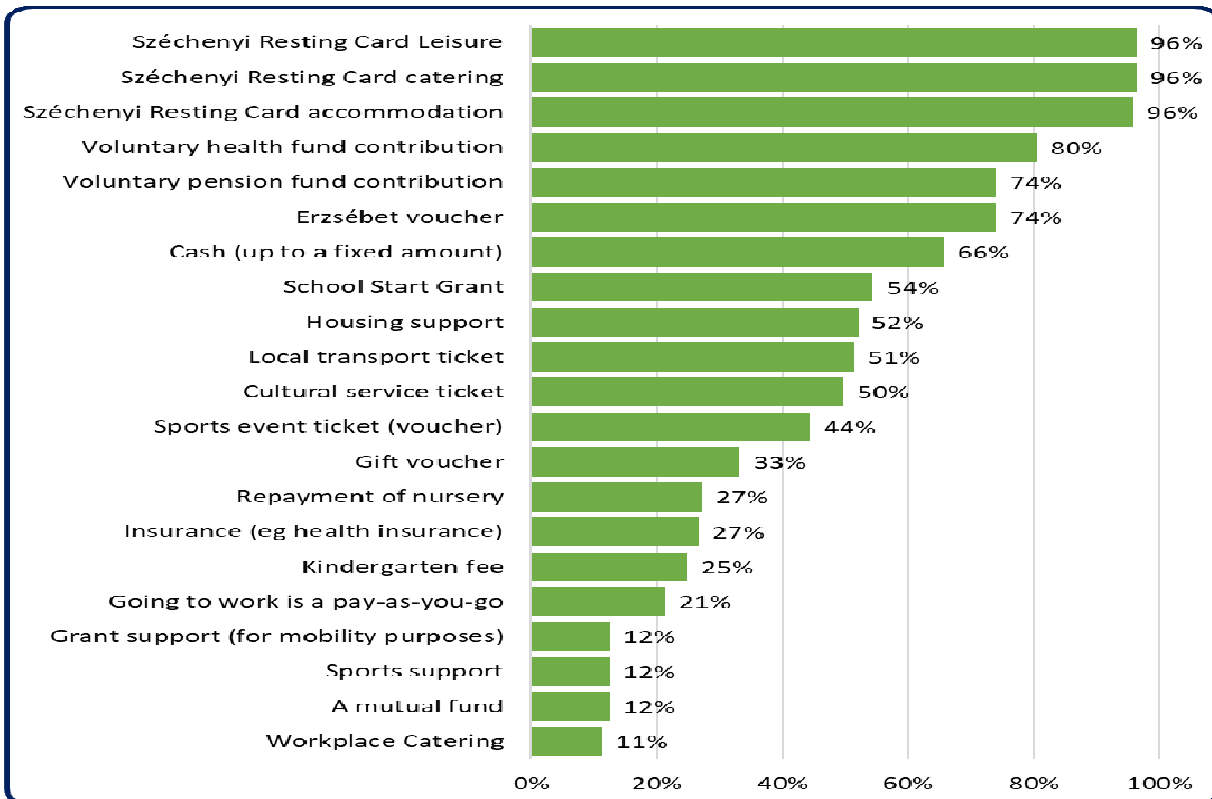


Figure 2. Distribution of cafeteria items provided by organizations (N = 169)

Source: Authors' own research using the Cafeteria - Hungary Final Research Report of 2017

According to the 299 respondents, the establishment and maintenance of cafeteria is an important aspect of *increasing employee commitment and satisfaction, and cost efficiency*, which can be achieved by using a cafeteria system compared to wage payments and the *plannability* and *predictability* of costs. 52% of respondents consider it very important that significant tax savings are achieved by using the cafeteria system, 83% of the respondents considered that important and very important. The fact that workers appreciate and realize the value of benefits and cafeteria represents predictable, well-plannable costs for organizations, 76% of organizations evaluated as very important, or important. Organizations belonging to the competitive sector considered the most important employee's commitment and satisfaction (average = 4.38), while for those who belong to the public and non-profit sectors predictability and plannability of the cafeteria were the most important aspects (average = 4.07 and 4.71) (Table 1).

Based on the results of the ANOVA research,

between the organizations' area of operation and the fact that the commitment and satisfaction of the employees can be increased by establishing/maintaining the cafeteria, a significant correlation can be demonstrated on a 90% confidence level (Sig = 0.053), but the connection is very weak (Eta = 0.14). The cafeteria is a well-plannable cost factor in the competitive sphere and in the public sphere, the deviation values show the high heterogeneity of the responses, this factor was equally considered the least important and very important, whereas in the non-profit sphere this factor was only evaluated as important and very important. The ANOVA / Welch test shows a significant correlation (Sig = 0.001), and the connection is also weak (Eta = 0.132). In the public sector and the non-profit sector, tax savings by cafeteria are the third most important aspect compared to the wage payment, but the deviation values refer to the high heterogeneity of the responses. According to the result of the Welch test (Sig = 0.219), there is no significant correlation between the two variables.

Table 1: Factors considered important for the establishment/maintenance of cafeteria by area of operation (N = 299)

Factors of establishing/maintaining the cafeteria system		Increasing employees' commitment.	Plannability and predictability of cafeteria costs	Tax savings by cafeteria system compared to wage payments.
Business sector	Average	4,38	4,23	4,28
	N	236	236	236
	Deviation	,975	1,014	,979
Public sector	Average	4,02	4,07	3,93
	N	46	46	46
	Deviation	,954	,975	1,218
Non-profit	Average	4,53	4,71	4,18
	N	17	17	17
	Deviation	,943	,470	1,286
Total	Average	4,33	4,23	4,22
	N	299	299	299
	Deviation	,977	,992	1,041

Source: Authors' own research

Overall, the least important criteria are: employer competitiveness is growing (average = 3.57), workers more appreciate and realize the value of benefits (average = 3.63) and with the introduction of cafeteria, the acquisition and retention of workers (average = 69) and increase of employee motivation (mean = 3.72). Organizations belonging to the competitive sector consider the least important factor that workers more appreciate and realize the value of benefits (average = 3.66), in contrast with these, organizations belonging to the public and non-profit sectors - not surprisingly - marked employers' competitiveness (mean = 2.91 and 3.29). A significant (Sig = 0,000) weak (Eta = 0,254) correlation can be observed between the sector and the increasing of employer's competitiveness, while no significant correlation can be detected for the other variables.

So, the analysis shows that there is a correlation between the factors involved in the establishment/maintenance of cafeteria and the sectoral location of firms, and in the business sector it is a much more important aspect to increase the commitment and satisfaction of employees through cafeteria benefits, than in the public sector.

Factors affecting the establishment of

cafeteria were also researched among the 23 respondents who would like to introduce the cafeteria in the future. Of the 23 organizations, 22 belonged to the competitive sphere. For them, cafeteria took the first place because the most important aspect was predictability and well-plannability of costs, (4.45), while the second most important aspect was that using the cafeteria system tax savings could be achieved compared to the wage payment (4.32) and increasing employee's commitment and satisfaction took only the third place (4.27).

- 2) There is a correlation between the factors involved in the establishment/maintenance of cafeteria and the time when cafeteria is introduced. The later the introduction of cafeteria to a given organization happens, the more important it becomes to acquire and retain employees and to increase employees' commitment, satisfaction and employer's competitiveness.

Recently, the employer's approach is increasingly characterized by the fact that an attractive job offers a competitive remuneration package, which contains the cafeteria system. Benefits, including cafeteria, are increasingly a basic requirement whose presence or absence

affects employees' satisfaction (Poór et al., 2013a).

Figure 3 shows the timing of the introduction of existing cafeteria systems. The columns represent the percentage of organizations introducing the cafeteria system in a given year, and the area diagram expresses the percentage

of systems introduced up to that time. The cafeteria system was implemented in the largest proportion between 2006 and 2008; after 2012 the introduction of cafeteria systems decreased, due to the fact, that employers offering flexible benefits had already used this option.

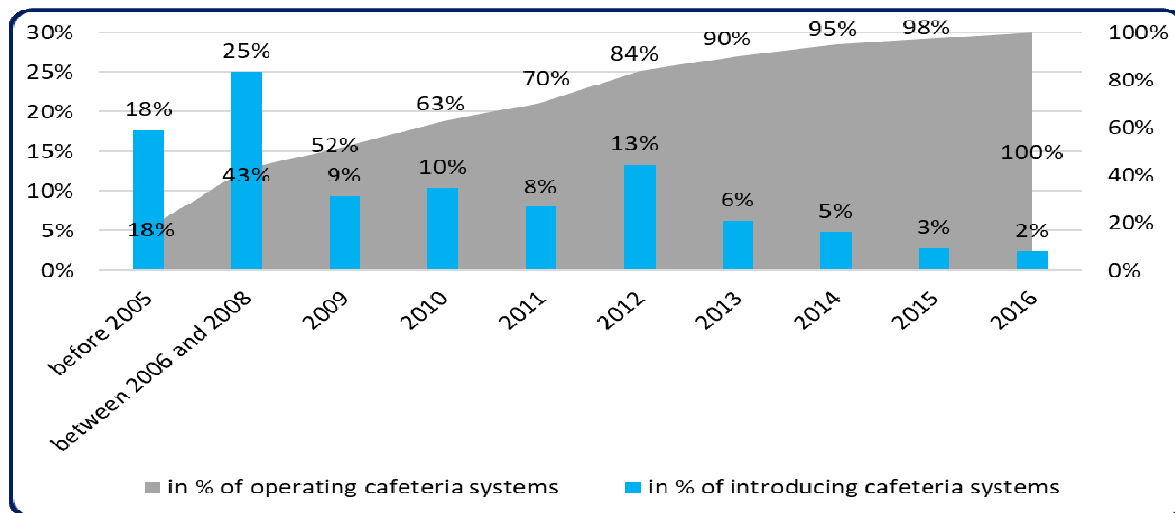


Figure 3. Time trends of currently operating cafeteria systems

Source: Authors' own research using the Cafeteria - Hungary Final Research Report of 2017

The timing of the introduction of cafeteria was grouped into four categories: (1) Pre-2006, (2) 2006-2010, (3) 2011-2014 and (4) 2015-2016. Organizations that introduced cafeteria in 2005 or before (average = 4.44) and in 2015 and 2016 (mean = 4.73) regarded the improvement of employee commitment and satisfaction the most important factor. In the latter case, the deviation values show the homogeneity of the responses, the respondents consider this to be equally important and very important factor. At the same time, organizations that introduced cafeteria between 2006 and 2010 considered predictability and plannability (mean = 4.43) the most important, while for those who did this in 2011-2014 (average = 4.33) significant tax savings were the most important factor. Based on the results of the ANOVA / Welch tests, the time between the introduction of the cafeteria and the fact that the cafeteria represents a predictable and plannable cost there is a significant (Sig = 0.016) weak (Eta = 0.185) correlation. Similarly, there is a significant (Sig = 0.007) weak (Eta = 0.150) correlation in relation to the increase of employee's commitment and satisfaction, while there is no correlation between the variables in tax savings.

While overall the least important aspect is that cafeteria is a means of acquiring and retaining workers, for those who recently introduced it (2015-2016) it has a much greater importance. While the average of the answers in the whole sample is 3.66, at them 4.53, and the standard deviation is also lower, indicating the homogeneity of the responses. The fact that the cafeteria can increase the employer's competitiveness is also the end of the criterion list. If not to the same extent as the former factor, the cafeteria has a much greater significance in those companies who recently introduced it (average of 4.00 compared to the 3.58 average of the total sample), and the standard deviation also here shows the homogeneity of responses. Based on the results of the ANOVA / Welch tests, the time between the date of introduction of the cafeteria and the fact that cafeteria is a tool for acquiring and retaining employees there is a significant correlation (Sig = 0.000), the relationship is weak (Eta = 0.20). Making the cafeteria increase the employer's competitiveness shows at a 90% confidence level a weak (Eta = 0.155) significant (Sig = 0.068) correlation.

There is therefore a correlation between the

time of introduction of the cafeteria and the factors influencing the establishment/maintenance of the cafeteria. Companies that introduced cafeteria in the past 1-2 years considered the acquisition and retention of employees, the commitment of employees and the satisfaction of their employees and the competitiveness of the employer more important than those who had done so earlier.

- 3) There is a correlation between the factors determining the amount of the cafeteria and the size of the organization. In the case of larger companies, the market position of their benefit package is more specified than in smaller ones.

Our assumption is based on the fact that the differences in HR systems depend to a large extent on organizational size, which is supported by numerous research (Poór, 2013).

According to the respondent organizations, a set of factors determines the amount of cafeteria's annual budget, and most organizations have identified more than one factor. The two most important ones are the changes in the public rates and taxes imposed on benefits (49%) and the effectiveness of the organizations (33%). 15-15% of organizations marked the expected wage rise and the market position of the benefit package as influencing factors (Table 2). The latter is judged very differently by companies of different sizes, while one-fourth of organizations employing at least 250 people, only 11% of the smaller ones consider this a decisive factor. The chi-square test correlation between the market position of the benefits and the organization's staff ($p = 0.008$), Cramer V = 0.243, which is the strength of the relationship, is weak.

Table 2. Distribution of factors influencing the determination of the cafeteria budget in 2017 by staff (N = 291)

Factors which influenced the determination of the budget in 2017		Company's success	Changes in the public rates and taxes imposed on benefits	Market position of the benefit package	Expected pay rise
Total headcount	Below 10 people	42%	56%	3%	25%
	Between 10-50 people	27%	51%	7%	13%
	Between 51-100 people	27%	59%	14%	0%
	Between 101-250 people	33%	42%	19%	15%
	Between 251-500 people	50%	36%	18%	18%
	Between 501-1000 people	29%	54%	33%	13%
	Over 1000 people	30%	49%	23%	21%
Total		33%	49%	15%	15%

Source: Authors' own research

In determining the budget of 2017, inflation and the change in the minimum wage defined by the law, were the least influential factors for the organizations and the new annual amount was only put in line after that. There is no correlation between these factors and the organizational staff on the basis of the chi-square test result.

There is therefore a correlation between the choice of factors determining the cafeteria

budget and the size of the organization. In the case of larger companies a more dominant factor is the market position of their benefit package, than in the case of the smaller ones.

- 4) The size of the annual turnover of companies influences the possibility of further development of the cafeteria system. Companies with an annual

turnover of over HUF 5 billion and above are developing their cafeteria system year by year, adding new elements to the benefits provided by law, while companies with annual sales below HUF 5 billion tend to keep up the level.

For companies operating a cafeteria system it is important that the system contributes to the competitiveness of the remuneration package. Taking the economic and legal conditions into account, the organization plans every year to maintain or further develop its cafeteria system. The annual audit also provides an analysis of the direct and indirect effects of regulatory changes in the environment (Poór et al., 2013a).

The further development of the cafeteria system was examined from the point of view, whether the new elements provided by law allow organizations to expand their benefit palette or not. From the 1st of January 2017, the scope of tax-free benefits was extended with mobility housing allowance. If the employers choose to provide such a kind of benefit to their employees, they can do so under the rules provided by law. 17% of respondents included mobility allowances in the tax-free benefit package in 2017, and 10% of respondents plan to introduce this benefit element later. The rate of uncertain employer is 7%, and 66% of organizations - despite the tax exemption - do not include this element into their benefit package. 23% of the companies with a turnover below 5 billion HUF and 37% of those with over 5 billion decided to allow the choice of mobility allowance for mobility purposes. Based on the chi-squared test, a significant correlation ($p = 0,000$) was found between the introduction of a given benefit element and the size of the organization's revenue, the relationship was weak (Cramer $V = 0.253$).

Regarding the provision of nursery and crèche services, 10% replied that such benefits were already applied in 2016 and in 2017, 23% introduced for their employees a benefit like that from the year 2017, while 8% of respondents plan to introduce them but only later. 52% of the respondents do not think about such a benefit elements, and 7% were unable to answer this question. 32% of the companies with revenues below HUF 5 billion decided on the introduction of the mentioned benefit elements, while in the case of a revenue with more than HUF 5 billion, more than half (55%) of the companies did decide to do so. Based on the

chi-squared test, a significant correlation ($p = 0.002$) was observed between the introduction of the given benefit elements and the size of the organization's revenue, the relationship was weak (Cramer $= 0.243$).

With respect to **retirement savings**, 53% of the respondents are savings for retirement years available, although they do not treat this as a special consideration in the benefit package, while 18% of the respondents consciously apply it to their retirement policy. 34% of those with a turnover below HUF 5 billion and 20% of companies with revenues above HUF 5 billion do not provide such benefits at all. Based on the results of the chi-squares test, a significant correlation ($p = 0.005$) can be detected between the provision of this benefit element and the size of the organization's revenue, the relationship is weak (Cramer $V = 0.194$).

Therefore the size of the turnover of the companies influences the possibility of further development of the cafeteria system; there is a correlation between the introduction of all the three researched elements and the size of the revenue of the organizations. Companies with a turnover above HUF 5 billion prefer to use the development opportunities provided by the law each year, enriching the benefit package with the benefits most suited to the needs of the employees, while of those with less than HUF 5 billion turnovers this is less typical.

INTERNATIONAL OUTLOOK

The following is a comparison with the Cranet international database to control that we described previously above.

The previously mentioned Cranet research which was founded in 1989 and has had a pioneer role in the research of the HRM model of European and later other regions, has outgrown the old continent and have become global. At the beginning, only the universities of the Western European countries were members of the research network.

Today, researchers from 41 countries are included in the world's largest non-profit HR research network. The methodology of Cranet research compared to the beginnings (Brewster et al., 1991 and Brewster, 1994) has not changed significantly until now, but widened. With the help of a questionnaire consisting of seven main parts and about sixty - factual data, which does not ask about an opinion –provides not only

spatial - countries, regions - but also temporal comparison and longitudinal analysis (Karoliny et al., 2010).

The questionnaire used in the Cranet research consists of seven parts. In the fifth part of the questionnaire, we also ask about incentive and benefit issues. In the 2014-2015 sample the worldwide valid responses were 6093. We

received a total of 272 answers in Hungary (Cranet, 2017). The responses are analyzed on the basis of three major samples - the whole world, Central and Eastern European countries and Hungary.

We introduce the respondent organizations in three research groups on the basis of the following characteristics (%):

Table 3. Distribution of respondent organizations by sector

Sector	Total	CEE	Hungary
Private	69,5%	71,7%	63,8%
Public	22,7%	25,2%	32,8%
Non profit	4,3%	1,3%	3,0%
Mix (public and private)	3,5%	1,8%	0,4%
Total	100,0%	100,0%	100,0%

Source: Authors' own research

Based on the analysis of the samples, it can be seen that the audited organizations are mostly part of the public sector and, to a lesser extent, the private sector, and non-profit and mixed-type on the periphery. Globally, the distribution

of countries by sector is similar to that in Central and Eastern European countries, but in Hungary the proportion of public sector is higher.

Table 4. Distribution by main sector (%)

Sector	Total	CEE	Hungary
Industry and Construction industry	32,0%	35,1%	24,4%
Services	50,0%	51,0%	73,7%
Agriculture	3,1%	4,9%	1,9%
Others	14,9%	9,0%	0,0%
Total	100,0%	100%	100,0%

Source: Authors' own research

Only few of the respondents deal with agriculture; half of the surveyed organizations around the world and in our region supply services. The sectoral distribution of Central and

Eastern European countries does not differ significantly from all countries, but the proportion of organizations engaged in the service sector is much higher in Hungary.

Table 5. Distribution by number of employees (%)

Size	Total	CEE	Hungary
Below 100	8,1%	10,0%	30,0%
100 – 250	23,9%	33,9%	21,6%
251 – 1000	40,0%	38,6%	29,6%
1001 – 5000	20,5%	14,1%	14,4%
over 5000	7,5%	3,4%	4,4%
Total	100,0%	100,0%	100,0%

Source: Authors' own research

Overall, the size of the company is between 250 and 1000 people. Large companies over 5000 people are 7.5% of all respondents, while in Central and Eastern Europe it is still significantly lower, 3.4%. In Hungary, the proportion of organizations employing fewer than 100 employees is significantly higher (30%) than in the region as a whole.

We examined how much the ownership, organization and organizational size of organizations affect the use of flexible benefits.

From the private sector organizations, 44% of all respondents and regional respondents use

flexible bonuses, in Hungary this ratio is 56%. At the same time, there is no significant difference in the proportion of organizations using flexible benefits in the public sector, which is 23% in the region and in Hungary, and 27% globally. The Chi squared test shows a significant correlation in all three cases, the Cramer'sV coefficient's value which shows the strength of the relationship is 0.146 for all organizations, 0.194 in the region, and 0.324 for the Hungarian organizations. So the strongest link between the sector and the use of flexible benefits can be observed in our country.

Table 6. Distribution of flexible benefits (%)

Sector	Total	CEE	Hungary
Private	44,1%	43,6%	56,2%
Public	27,5%	23,3%	23,0%
Nonprofit	32,3%	9,1%	25,0%
Mix (public and private)	34,5%	35,7%	0,0%
Total	39,5%	37,9%	44,2%

Source: Authors' own research

With regard to all the organizations surveyed, the industry has the largest proportion of flexible benefits, 44%, but the other sectors are not far behind. The proportions are even more balanced in the Central and Eastern European region, but here too - to a minimum - the industry has the leading role (39%), but in Hungary, the proportion of those using flexible benefits is 57%, while in agriculture it is lower.

The Chi square test shows a significant correlation only with the sector for the whole sample, but the value of the Cramer'sV coefficient (0.063) which shows the strength of the link, indicates only a weak connection. The test cannot be performed on Hungarian companies, because its conditions are not met, but it is clear from the table that there are significant differences between the various sectors.

Table 7. Distribution by usage of flexible benefits in different sectors

Sector	Total	CEE	Hungary
Industry and Construction industry	43,7%	39,3%	56,9%
Services	37,0%	38,4%	45,5%
Agriculture	35,3%	33,8%	25,0%
Others	39,3%	35,2%	
Total	39,4%	38,2%	47,8%

Source: Authors' own research

Regarding the size of organization, there is no significant difference in the use of flexible benefits. Globally, organizations with over 5,000 employees use them in the largest proportion (46%), but the others are not too much behind (37-40%). In Central and Eastern Europe, rates are very similar, while in Hungary the organizations use them at a slightly higher rate, but in the case of large companies, there is a reverse trend: in Hungary, only 33% of

organizations with over 5000 people employ flexible benefits.

The Chi squared test shows a significant correlation between the use of flexible benefits and the organizational size for the whole sample, but the connection is very weak (Cramer'sV = 0.048). There is no significant relationship between the variables in the sample in Central and Eastern Europe and Hungary.

Table 8. Distribution of organizations using flexible benefits by organizational size

Size (employees)	Total	CEE	Hungary
Below 100	38,2%	36,1%	43,2%
100 – 250	36,8%	37,1%	43,1%
251 – 1000	38,1%	36,4%	45,0%
1001 – 5000	39,8%	39,8%	46,2%
over 5000	46,2%	43,9%	33,3%
Total	38,7%	37,4%	43,7%

Source: Authors' own research

CONCLUSION

Our results show that, in most cases, organizational features influence the various variables associated with the cafeteria system. In the business sector, it is much more a matter of increasing the commitment and satisfaction of employees through cafeteria benefits than in the public sector, and the later the introduction of cafeteria is made to the organization, the more important it becomes to acquire and retain workers, to increase employees' commitment and satisfaction, as well as the impact on the employer's competitiveness.

Much research points out that differences in HR systems depend to a large extent on

organizational size (Poór, 2013), and according to our results, this is the case for flexible benefits as well. The number of employees in the organizations is correlated with the factors that companies take into account when deciding on the amount of cafeteria: companies over 250 people make decisions based on other factors than those under 250 people. The most significant difference is the assessment of the market position of the benefit package: larger firms regard this as a decisive factor rather than the smaller ones.

The research results also supported the fact that the size of annual turnover of companies influences the possibility of further developing of the cafeteria system. From the results it can

be concluded that companies with an annual turnover of HUF 5 billion and over year have been improving their cafeteria system year by year, adding new elements that are best adapted to the needs of employees, while the companies with an annual turnover below HUF 5 billion tend to keep up the level. An important factor for employers is the plannability of the cost of benefits, which includes not only the tax and contribution burden, but also the costs of administration, and in many cases these costs are much too burdensome for the employers. If the system is simplified over the long term, it encourages employers to broaden the benefit range and to ensure a flexible choice between benefits.

It is the moral responsibility and interest of companies to create the conditions in which it is worth working. It is in the company's own interest that satisfied employees reinforce the company's position on the labor market by enhancing the reputation of the company. More and more workplaces strive to meet the personal needs of employees on a possible high level. Successful organizations consider human resources to be the most valuable assets and consider them to be the depository of organizational success or failure. While managing them they not only consider the high cost ratio associated with them, but also the returnable investment option.

Profound changes have taken place in the labor market over the last few years. Not only did some professions become a shortage, but in almost every region and sector nationwide appeared the lack of proper workforce.

Nowadays, it is the same problem to gain a skilled tiler worker, an anesthetist or software developer. Benefits contribute to increase the employee's commitment to the organization, express employer's concern with employees, create a more favorable working environment, provide attractive incentives and make taxation more favorable. They rarely directly affect performance, but they help to develop and strengthen a positive relationship with the organization.

In recent times, a new aspect has come to the fore in designing the right benefit system, which is nothing but the knowledge of generational differences.

In fact, the generation problem cannot be a problem if we have knowledge of what the generation's expectations, value systems, and

peculiarities are. It is natural that different generations of different value-order and material situations with different socialization processes in different ages, or for certain employees, certain benefit elements have different importance. Therefore, in defining the benefits strategy of the organization, we must be aware of what the generational expectations mean for our company. It is important to accurately assess and analyze what motivates a group of our employees, comparing this with opportunities and competing challenges. Without it, it is difficult to gain stable and committed employees who are not searching in the labor market for a new opportunity.

The success of the company requires the effective work of all active generation teams. However, it is clear how diverse these groups are and how their life-styles and needs differ, though they need to be consciously retained and motivated parallel.

Incentive management is a priority area of HRM; its primary objectives are the acquisition, retention and motivation of the human resources required to achieve the strategic goals of the organization. The great advantage of the cafeteria system is that the employer is able to satisfy the various needs of the employees individually, making it possible to use different benefits every year. Overall, companies currently operating the cafeteria system continue to consider cafeteria benefits as an important element of the remuneration package, with optimizing cost-effectiveness and HR considerations organizations adapt themselves to the changing legal environment.

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