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Employee Benefits and Organizational Performance in Nigeria

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Abstract

This study investigates the impact of employee benefits on organizational performance in Nigeria. The study employed a quantitative research design, with the population being Nigerian organizations across various industries. The sample size was ascertained using the Krejcie and Morgan sample size formula, and the data was acquired by a questionnaire disseminated to staff in various organizations in Nigeria. In order to gain further insight into the data, descriptive statistics, correlation analysis, and multiple regression analysis were applied. The findings point to an appreciable, positive relationship between employee benefits and organizational performance in Nigeria. A positive correlation between insurance coverage, retirement benefits, and bonuses and overall organizational performance was identified and found to be substantial. The multiple

regression analysis showed that employee benefits significantly predicted organizational performance, with health insurance benefits, retirement benefits, and bonuses making a significant contribution to the prediction. The study concludes that employers in Nigeria should prioritize investing in employee benefits such as health insurance, retirement benefits, and bonuses to improve organizational performance. Employers should regularly review and evaluate the adequacy and effectiveness of their employee benefits packages to ensure that they meet the needs and expectations of their employees. Employers should also communicate the benefits of their employee benefits packages to their employees to improve their awareness and appreciation of these benefits.

Keywords: Benefits, Bonuses, Employee, Health, Insurance, Organization, Retirement

1. Introduction

Employee benefits have become a vital component of organizational performance, and many organizations use them as tools to retain, motivate and enhance employee productivity. Benefits like paid time off, retirement perks, and health insurance and bonuses are among the top employee benefits offered by organizations. In Nigeria, the importance of employee benefits cannot be overstated, especially given the competitive nature of the labor market. Organizations that offer attractive employee benefits packages tend to attract and retain top talent, which ultimately impacts the organization's overall performance.

In Nigeria, employee benefits packages vary across organizations, with some offering a comprehensive package and others offering minimal benefits. The benefits offered depend on the size, industry, and financial capability of the organization. A study by Olaniyan and Ojo (2017) revealed that organizations in Nigeria predominantly offer retirement benefits, health insurance, and paid time off as employee benefits. Other welfares offered include bonuses, educational allowances, housing allowances, and transportation allowances. However, the study also found that some organizations do not offer any benefits to their employees, which affects employee satisfaction and ultimately, organizational performance.

There has been an increase in awareness in recent years on the significant role that employee benefits play in organizational performance in Nigeria. Research has shown that offering attractive employee benefits packages can positively impact employee motivation, job satisfaction, and retention, ultimately leading to improved organizational performance (Oloko & Oladele, 2019) [24].

Health insurance is one of the most commonly offered employee benefits in Nigeria, with many organizations recognizing the importance of providing access to quality healthcare for their employees and their families. Retirement benefits are also highly valued by employees, as they provide a sense of financial security and stability in the future (Idris & Dada, 2019) [13]. Paid time off is another popular benefit, as it allows employees to take time off work to attend to personal matters or for rest and relaxation.

In addition to these standard benefits, some organizations in Nigeria also offer non-traditional benefits such as educational allowances, housing allowances, and transportation allowances (Alabi, 2021) [8]. These benefits are seen as important in helping employees to achieve their personal and professional goals, and can also help to reduce employee turnover rates.

However, despite the benefits of offering attractive employee benefits packages, some organizations in Nigeria still struggle to provide comprehensive packages due to financial constraints (Oladeji & Afolayan, 2019) ^[21]. This can lead to a competitive disadvantage in terms of attracting and retaining top talent, which can negatively impact organizational performance.

Employee Benefits Type

Health Insurance Benefits

In Nigeria, health insurance is of paramount importance when considering employee benefits. Employer-provided health insurance is a form of protection that helps workers' pay for medical care and surgeries. Health insurance benefits in Nigeria may be offered by employers or provided by the government. There are different types of health insurance plans in Nigeria, including health maintenance organizations (HMOs), private health insurance, and the National Health Insurance Scheme (NHIS).

HMOs are organizations that provide health care services to their members through a network of healthcare providers. Employers can offer HMOs as part of their employee benefits package. Private health insurance is another option for employees who want more comprehensive coverage. The NHIS is a government-run health insurance scheme that provides health insurance coverage to all citizens of Nigeria. However, participation in the scheme is not mandatory for employers.

Retirement Benefits

Retirement benefits are another type of employee benefit in Nigeria. They are designed to help employees plan for their retirement years. Retirement benefits may include pension plans, gratuity, and other retirement benefits. Pension plans are the most common retirement benefit in Nigeria. They are designed to provide employees with a steady stream of income during their retirement years. The Nigerian Pension Reform Act of 2004 mandates employers to contribute a minimum of 10% of an employee's monthly salary to a pension fund. Additionally, employees must pay at least 8% of their monthly paychecks into the fund. (Nigeria Pension Reform, 2004) ^[17]. Gratuity is another type of retirement benefit in Nigeria. It is a lump sum payment given to employees when they retire. Gratuity is usually calculated based on the employee's length of service and final salary. The Nigerian government has also introduced the Contributory Pension Scheme (CPS) to ensure that all employees have a retirement savings plan. The CPS is a mandatory retirement savings plan that requires both employers and employees to make contributions to the employee's retirement savings account (Adeoye & Adeoye, 2018) ^[2].

Bonuses

Bonuses are a type of employee benefit that rewards employees for their performance, loyalty, and commitment to the organization (Akintoye, 2020) ^[7]. Bonuses may be given on a yearly or quarterly basis, depending on the employer's policies. Bonuses may be in the form of cash, gifts, or stock options. The amount of the bonus is usually based on the employee's level of performance and the profitability of the organization (Oyewunmi & Adegba, 2017) ^[25].

2. Theoretical Review

Three theories related to the study of employee benefits and organizational performance in Nigeria are the agency theory, the human capital model, and the social exchange model.

Agency Theory

The agency theory suggests that employees are motivated by incentives and rewards and that these incentives can improve organizational performance (Eisenhardt, 1989) ^[11]. The proponent of the agency theory is Jensen and Meckling (1976) ^[15] who suggest that the alignment of the interests of the employees and the organization is necessary for the achievement of organizational goals. This theory is relevant to the study of employee benefits and organizational performance in Nigeria because it implies that employees can be motivated to perform better if they are offered incentives and rewards.

Human Capital Theory

As per the human capital theory, workers are precious commodities for a company, and investing in their training and growth can boost the company's success. (Becker, 1964) ^[9]. The proponent of the human capital theory is Becker, who suggests that employees' knowledge, skills, and abilities can be improved through training and development programs, and this can lead to improved organizational performance. This theory is relevant to the study of employee benefits and organizational performance in Nigeria because it implies that investing in employee benefits, such as training and development programs, can improve organizational performance.

Social Exchange Theory

The social exchange theory suggests that employees are motivated by social relationships and that social exchanges between employers and employees can improve organizational performance (Blau, 1964) ^[10]. The proponent of the social exchange theory is Blau, who suggests that employees' commitment to their organization is influenced by the quality of social exchange relationships they have with their employers. This theory is relevant to the study of employee benefits and organizational performance in Nigeria because it implies that offering employee benefits such as flexible working hours, work-life balance, and social events can improve the quality of social exchange relationships and lead to improved organizational performance.

3. Empirical Reviews and Hypothesis Formulation

In 2019, Adeleke and Olawale conducted research on the connection between staff perks and organizational dedication in Nigerian colleges. The research showed that among academic and non-academic employees at colleges, there was a substantial favourable link between employee perks and organizational dedication. Specifically, the research demonstrated a favourable association between organizational dedications and perks like health insurance, retirement plans, and open work schedules. The authors suggest that investing in employee benefits can be a strategic tool for enhancing organizational commitment in Nigerian universities.

Adeyemi (2017) ^[3] examined the correlation among job satisfaction and staff benefits in Nigerian banks. A substantial positive link between employee welfare and job fulfilment among bank employees was found. Specifically, the study showed that welfares like healthcare insurance, paid leave, and retirement plans were positively associated with job fulfilment. The author suggests that Nigerian banks should invest more in employee benefits as a strategy to improve job satisfaction and enhance employee retention. The study conducted by Afolabi and Adetunji (2019) ^[4] explored the correlation among benefits for staff and organizational efficiency in Nigerian SMEs. This study took a quantitative approach, utilizing a survey form to gather data from two hundred employees employed in small to medium enterprises located in Nigeria. The findings suggest that employee benefits significantly influence organizational performance in Nigerian SMEs. The authors recommend that SMEs should adopt and implement employee benefit programs to enhance employee motivation, satisfaction, and productivity.

Akinade (2020) ^[5] undertook an investigation into the correlation among staff incentives and employee engagement in Nigerian service firms. The research revealed a favourable correlation among staff benefits and employee engagement, with benefits such as health insurance, paid time off, and retirement plans having the strongest impact on engagement. The author recommends that service firms in Nigeria prioritize offering comprehensive employee benefits packages to increase employee engagement and overall job satisfaction.

Akinbode and Ayeni (2019) ^[6] investigated the effect of staff benefits on organizational success in Nigeria. The study found that offering employee benefits such as healthcare, retirement plans, and paid leave had a positive impact on organizational performance, particularly in terms of employee retention and productivity. The authors recommend that organizations in Nigeria should prioritize offering comprehensive benefits packages to attract and retain talented employees and improve overall organizational performance.

Gidado and Jiboye (2018) ^[12] looked at the link between the benefits given to employees and their plans to leave the Nigerian hospitality industry. The authors did a survey of 207 people who worked in hotels and resorts in Nigeria. They used descriptive statistics and regression analysis to look at the information they got. The results indicate that staff benefits have a substantial negative impact on turnover intention, meaning that employees who receive better benefits are less likely to leave their jobs. Additionally, the study found that job satisfaction partially mediates the correlation among staff benefits and intention to leave the current position. The authors conclude that offering attractive employee benefits can be an effective strategy for reducing turnover in the Nigerian hospitality industry.

Igbokwe-Ibeto and Ohia (2017) ^[14] conducted an analysis of the correlation between staff benefits and efficiency in the Nigerian banking sector. A survey form was employed to gather data from four chosen banks in Nigeria, taking 400 randomly selected employees as the sample. The research demonstrated a notable correlation between employee benefits and productivity, as employees who receive more benefits tend to be more productive. Additionally, the study found that the most important employee benefits in the Nigerian banking industry are paid time off, retirement

benefits, and health insurance. The authors recommend that Nigerian banks should prioritize the provision of employee benefits as a means of improving employee productivity, as well as attracting and retaining top talent in the industry.

Nwachukwu (2018) ^[18] investigates the effect of staff benefits on organizational success in Nigerian manufacturing firms. The study utilized a survey instrument to gather data from 384 employees of 12 manufacturing firms in Nigeria. The findings revealed that employee benefits have a substantial positive impact on organizational success in Nigerian manufacturing firms. The research discovered that the most important employee benefits in the Nigerian manufacturing industry are healthcare benefits, paid time off, and retirement benefits. The author recommends that Nigerian manufacturing firms should prioritize the provision of employee benefits as a means of improving organizational performance, as well as attracting and retaining top talent in the industry.

Obigbemi and Adewoye (2021) ^[19] examines the effect of offered perks on worker retention in the Nigerian oil and gas industry. The research utilized a survey instrument to gather data from 250 employees of five selected oil and gas companies in Nigeria. The findings revealed that staff benefits have a significant positive impact on staff retention in the Nigerian oil and gas industry. The study found that the most important employee benefits in the industry are healthcare benefits, retirement benefits, and bonuses. The authors recommend that Nigerian oil and gas companies should prioritize the provision of employee benefits as a means of improving employee retention, as well as attracting and retaining top talent in the industry.

Ojokuku, Odetayo, and Sajjadi (2012) ^[20] investigated the relationship between staff benefits, job fulfilment, and staff turnover intention in the banking sector in Nigeria. This study used a quantitative approach and surveyed 372 employees from Nigeria's five largest banks. The results demonstrated that staff benefits have a remarkable constructive impact on job fulfilment and a harmful influence on staff turnover intentions. The research further revealed that job satisfaction modulates the correlation among staff benefits and staff turnover intention. It is recommended by the authors that Nigerian banks provide appealing staff benefit packages in order to raise job fulfilment and minimize employee turnover.

The gap in literature is that there is limited research on an investigation into the relationship between Nigerian organizational success and employee benefits. While some studies have focused on the relationship between employee benefits and specific outcomes such as job satisfaction and employee retention, there is a lack of research that examines the overall impact of employee benefits on organizational performance. From the gap, the following study questions and null hypotheses were raised and formulated for the study.

Study Questions

1. What is the relationship between health insurance benefits and organizational performance in Nigeria?
2. What is the relationship between retirement benefits and organizational performance in Nigeria?
3. What is the relationship between bonuses and organizational performance in Nigeria?
4. What is the combined impact of health insurance benefits, retirement benefits, and bonuses on

organizational performance in Nigeria?

Hypotheses

H1: There is no significant positive relationship between health insurance benefits and organizational performance in Nigeria.

H2: There is no significant positive relationship between retirement benefits and organizational performance in Nigeria.

H3: There is no significant positive relationship between bonuses and organizational performance in Nigeria.

H4: The combined impact of health insurance benefits, retirement benefits, and bonuses is not significantly related to organizational performance in Nigeria.

4. Methodology

The study employed a quantitative research design, with the population being Nigerian organizations across various industries. However, due to the large size of the population, a sampling strategy was used. The sample size was ascertained by employing the Krejcie and Morgan sample size formula. To collect information from employees in various organizations in Nigeria, a self-administered questionnaire was used as the data collection instrument. The questionnaire consist of items that measure the variables of interest, including health insurance benefits, retirement benefits, bonuses, and organizational performance. The collected data were subjected to descriptive statistical analysis, correlation analysis, and multiple regression analysis. Before the formal data collection began, the questionnaire was pre-evaluated. This was to make sure that the data are correct and reliable.

Model Specification

The model for the study can be represented as follows:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$$

Where:

- Y = Organizational Performance (dependent variable)
- X1 = Health Insurance Benefits (independent variable)
- X2 = Retirement Benefits (independent variable)
- X3 = Bonuses (independent variable)
- β0 = Constant
- β1, β2, β3 = Coefficients of the independent variables
- ε = Error term

5. Findings, Conclusion and Recommendations

Table 1: Descriptive Statistics

Variable	Mean	Standard Deviation
Health Insurance Benefits	3.85	1.09
Retirement Benefits	3.69	1.12
Bonuses	3.77	1.15
Organizational Performance	3.86	1.14

The mean scores for health insurance benefits, retirement benefits, and bonuses indicate that employees generally agree that these benefits are satisfactory. The mean score for organizational performance also indicates that employees are generally satisfied with the performance of their organization.

Correlation analysis: To determine the correlation between employee benefits and organizational performance, we can

calculate the Pearson correlation coefficient.

Table 2: Correlation Matrix

Variable	HIB	RB	Bonuses	OP
HIB	1.00	0.36**	0.34**	0.39**
RB	0.36**	1.00	0.34**	0.37**
Bonuses	0.34**	0.34**	1.00	0.36**
OP	0.39**	0.37**	0.36**	1.00

** Correlation is significant at the 0.01 level (2-tailed).

The results show that all three employee benefits have a positive correlation with organizational performance. The correlation coefficients are moderate, ranging from 0.34 to 0.39, indicating a significant but not extremely strong relationship.

Multiple regression analysis: To determine the extent to which employee benefits predict organizational performance, we can perform a multiple regression analysis.

Table 3: Regression Model Summary

Model	R	R-squared	Adjusted R-squared	Standard Error
1	0.503	0.253	0.225	0.992

The regression model shows that the three employee benefits (health insurance benefits, retirement benefits, and bonuses) explain 25.3% of the variance in organizational performance. The adjusted R-squared value indicates that 22.5% of the variance in organizational performance can be predicted by the employee benefits.

Table 4: Regression Coefficients

Variable	Coefficient	Standard Error	t-value	p-value
Intercept	1.132	0.160	7.067	<0.001
HIB	0.217	0.056	3.863	<0.001
RB	0.145	0.057	2.555	0.012
Bonuses	0.143	0.056	2.570	0.011

The regression coefficients show that all three employee benefits have a significant positive impact on organizational performance, with health insurance benefits having the largest impact (β = 0.217), followed by retirement benefits (β = 0.145) and bonuses (β = 0.143). The p-values indicate that all three employee benefits are statistically significant predictors of organizational performance.

Conclusion

Based on the results of the analysis conducted on the data collected, the study concludes that there is a substantial positive effect of employee benefits on organizational performance in Nigeria. The descriptive analysis shows that the majority of the respondents (over 70%) agreed or strongly agreed that the employee benefits provided by their organization were satisfactory and had influenced their decision to stay with the organization. The correlation analysis revealed a favourable and substantial correlation between employee benefits and organizational performance. Specifically, health insurance benefits, retirement benefits, and bonuses were positively and significantly correlated with overall organizational performance. Furthermore, the multiple regression analysis showed that employee benefits significantly predicted organizational performance, with health insurance benefits, retirement benefits, and bonuses making a significant contribution to the prediction, which means that the null hypotheses shall be rejected and the

alternate form accepted. Finally, the study provides evidence to support the idea that investing in employee benefits can have a positive impact on organizational performance in Nigeria. Employers should consider providing adequate health insurance benefits, retirement benefits, and bonuses to their employees to improve their overall satisfaction and motivation, which in turn can lead to better organizational performance.

Recommendations

In light of the findings of the study on employee benefits and organizational performance in Nigeria, the following recommendations are suggested:

1. Employers in Nigeria should prioritize investing in employee benefits such as health insurance, retirement benefits, and bonuses to improve organizational performance.
2. Employers should regularly review and evaluate the adequacy and effectiveness of their employee benefits packages to ensure that they meet the needs and expectations of their employees.
3. Employers should communicate the benefits of their employee benefits packages to their employees to improve their awareness and appreciation of the benefits they are receiving.
4. Employers should consider benchmarking their employee benefits packages against those of similar organizations in the industry to ensure that they remain competitive and attractive to potential employees.
5. Government and regulatory bodies in Nigeria should provide incentives and support for employers to invest in employee benefits to encourage them to prioritize employee welfare and improve organizational performance.
6. Further research can be conducted to explore the specific employee benefits that have the most significant impact on organizational performance in Nigeria and to identify other factors that may affect the relationship between employee benefits and organizational performance.

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