

# Fringe Benefits Administration and Employees' Commitment in the Lagos State Civil Service, Nigeria

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## Abstract

The study explored the relationship between administration of fringe benefits and employees' commitment to the service of Lagos State Government, Nigeria. A total 285 copies of questionnaire were administered on various categories of workers in the state public service through systematic sampling technique, out of which 272 were recovered. Pearson Product Moment Correlation Coefficient ( $r$ ) statistical technique revealed that provision of transportation scheme ( $r=0.974$ ;  $p\leq 0.05$ ), provision of medical services ( $r= 0.982$ ;  $p\leq 0.05$ ) and official quarters ( $r= 0.431$ ;  $\leq 0.05$ ) were the correlates of workers' commitment to service. The findings therefore add new knowledge that can be used to improve organizational practices for the retention of valuable staff members in the Nigerian Civil Service.

**Keywords:** Organizational commitment, fringe benefits, Civil service and administration.

## Introduction

Organizations exist in order to render specific products or services to the society. For an organization to be able to actualize its goals in the society, stakeholders in the organization must work towards achieving the set goals and objectives. Therefore, it is expected of management and employees to put in optimum efforts. Thus, it is important for management to build into it, factors that will induce people to contribute effectively and efficiently, by meeting their needs in addition to payment of salaries and wages. One of the ways by which an organization can create a satisfying and motivating climate, is by providing fringe benefits for its members of staff.

Fringe benefits are wide range of benefits and services that employees receive as an integral part of their total compensation package. Essentially, fringe benefits constitute indirect compensation as they are usually extended as a condition of employment and not directly related to performance of concerned employee. Fringe benefit is something of value apart from the agreed regular monetary payment of salaries and wages given to an employee by an employer (French and Seward, 1977). According to Crane (1979), fringe benefits are forms of supplementary compensation that can provide mutual advantages to both the employers and employees in terms of increased productivity, job satisfaction and improved standard of living.

## Conceptual Framework and Relevant Literature

The term "fringe benefits" was coined by the War Labour Board during the World War II to describe the various indirect benefits which industry had devised to attract and retain labour when direct wage increases were prohibited. Fringe benefits encompass a broad range of benefits; other than wages and salaries that organizations provide for their employees. Among others, they include worker's compensation in form of social security and unemployment insurance, housing (employer-provided or employer-paid), group insurance (health, dental, life etc.), disability and income protection, retirement benefits, day-care, tuition reimbursement, sick leave, vacation (paid and not paid), profit sharing, fund for education and other specialized benefits. They are offered to employees at the discretion of the management. Others include free or subsidized transportation, salary advance, employee stock-ownership scheme, performance awards and prizes, provision of lunchroom, payment of company-picnic, among others. The purpose of fringe benefits is to increase the economic security of staff members and in doing so, improve workers' retention.

The concept of fringe benefit is critical to organizational improved performance and sustenance. According to Schein (1988), when people are recruited, selected, trained and allocated responsibilities, management must focus on creating enabling environment that facilitates high level of performance over a long period of time and also to make it possible for individuals to meet some of their most important needs through the provision of incentives not expressly stated in their appointment letters. To this end, organizations must create an atmosphere for achieving satisfaction among employees as well as establish the best workable solutions for an optimal reward strategy by building into every aspect of an organization's climate those things which can induce people to act in a desired way. This is usually achieved by providing fringe benefits for its members of staff which could ultimately lead to better individual and organizational performance (Jensen and McMullen, 2007).

One of the oldest motivational strategies that have been in vogue in organizations over the decades is the financial incentives, otherwise known as salaries and wages. For the vast majority of people, the possibility

of higher financial income is meant to spur co-operation and higher efforts for the achievement of improved productivity (Williams, 1978). Also, Tobes (1977) stressed that the idea of money as a prime motivation dies hard. He noted that financial incentive in the society represents the power to save or the power to spend money, buy things that people value, thus, providing a psychological lift through the acquisition of economic goods. Therefore, financial incentive is looked upon as an instrument for motivation; however, it is believed among many that fringe benefit is a potent motivation factor. To this end, many scholars such as Donaldson and Scannel (1979), have contended that man is primarily motivated to achieve desired goal through financial incentives. On the contrary, Whyte (1959); Brown (1974); Elton Mayo (1954); and Herzberg (1968) have argued that financial incentive is less significant to motivate workers and to engage in their duties judiciously and efficiently. To these scholars, financial incentive is important to gear people to work hard but does not guarantee continued improved performance and retention. To support the argument put in place by the critics of financial incentive; that it is capable of ensuring continued improved performance and retention. Mennels (1976), in his work titled "exchange theory" looks at many studies in the literature, and argues that social exchange as a regulated form of behavior in the context of the societal rules and norms, it is much more important when determining what motivates individuals. In other words, social exchange, presupposes a process of reciprocity, that is, exchange is a matter of give and take and people enter new social relationships because they find them rewarding and continue to participate because of anticipated reward.

As such, many studies in the literature, have examined the impacts of fringe benefits on workers' performance; and by extension on organization's productivity (Al-Nsour, 2012; Scheepers, 2009; Pouliakas 2008; Pinar, 2008; Arnolds and Venter, 2007; Kaya, 2007 and Sezen 2002). According to Lawler (2003), successes and survivals of organizations are determined by the way workers are remunerated and rewarded. Also, Dixit and Bhati (2012), argue that poor compensation packages have been a major factor affecting employees' commitment and productivity. They argue that for any organization to achieve its set objectives in any competitive society, employers must have a thorough understanding of what drives employees to perform efficiently and reward them accordingly. Armstrong (2007), equally noted that there is absolute need for employees to be motivated through adequate incentives plans and reward systems as this will invariably encourage them to be proactive and have the right attitude to work, thereby promoting improved organizational productivity and commitment. In doing this, Spector (1997) stressed that organizations often provide fringe benefits and other "perks" to their employees in order to create a more comfortable workplace, increase overall productivity and facilitate greater level of efficiencies. He submitted that employers should therefore understand the potential tax implications of fringe benefits both to the organizations and to the employees.

In the opinion of Glen (2006), fringe benefits have been singled out of the compensation packages as capable of ensuring job satisfaction, influencing people's attitude towards better performance in an enduring manner. Also, Mowday, Steer and Porter (1979) submitted that job satisfaction is affected by personal and organizational factors, which cause an emotional reaction affecting organizational commitment. The consequences of job satisfaction include better job performance and a reduction in withdrawal and counter-productive behavior (Morrison, 2008). Since job satisfaction involves employees affect or emotions, it influences are organizations well-being with regards to job productivity, employee turnover, absenteeism and life satisfaction (Sempene, Rieger and Roodt, 2002; Spector 2008). Conversely, employees who are adequately exposed to adequate fringe benefits are crucial to an organization's success, and therefore efforts must be made to understand workforce in an organization with the purpose ensuring the administration of appropriate compensation schemes; fringe benefits because this can be a driving force in strengthening organizational commitment, (Schein 1996). It is in realization of this fact that made the concept of organizational commitment attractive to several scholars and researchers to better understand the intensity, quality and stability of employees' dedication to the organization (Lumbey, 2010). In their research work, Allen and Meyer (1990) identified a link between administration of fringe benefits and organizational commitment and concluded that employees who are strongly committed to the organization are less likely to leave it.

In light of the fact that there abounds research efforts that have established the relationship between administrations of fringe benefits in developed countries (See, Lumbey, 2010; Allen and Meyer, 1990; Schein, 1996; Morrison, 2008) this study is set out to add empirical research to the current conceptual base, relating to the relationship between these variables as manifested in the Lagos State Civil Service

### **Methodology**

This study employed survey research design. Well-structured questionnaires were employed to gather relevant data from various categories of civil servants in the Lagos State Civil Service from officers on grade levels 04 to 17; to cut across all the ministries in the state. The sample frame for this study was 9,500, out of which three (3) percent were selected through systematic random sampling. Altogether, a total of 285 sets of questionnaire were administered out of which 272 were recovered. This sample size was considered adequate because it is in line with the assertion of Smith (1976), who argues that picking three (3) percent out of a population of between

8000 and 12000 would be representative enough, at 98 percent level of reliability. Also, hypotheses formulated for the study acted as guides in the process of data analysis. Pearson Product Moment Correlation Coefficient (r), statistical techniques was adopted to ascertain the relationship between administration of fringe benefits and employees' commitment to duties in the Lagos State Civil Service.

**Table 1: Demographic and Socio-Economic Characteristics of Respondents**

Particulars of Respondents	Frequency	Percentage
<b>Sex:</b>		
Male	164	60.2
Female	108	39.7
<b>Total</b>	<b>272</b>	<b>100</b>
<b>Status:</b>		
Junior	92	33.8
Senior	180	66.1
<b>Total</b>	<b>272</b>	<b>100</b>
<b>Length of service:</b>		
0 – 10	73	26.8
11 – 20	60	22.0
21 – 30	84	30.8
31 – 35	55	20.2
<b>Total</b>	<b>272</b>	<b>100</b>
<b>Educational Qualification:</b>		
WAEC/ GCE/ NECO	68	25.0
ND/NCE	79	29.0
HND/BA/B.Sc.	<b>75</b>	27.6
M.Sc./Professional Qualifications	50	18.4
<b>Total</b>	<b>272</b>	<b>100</b>
<b>Age</b>		
21 – 30years	63	23.6
31 – 40years	112	41.1
41 – 50years	60	22.0
51 – 60years	37	13.6
<b>Total</b>	<b>272</b>	<b>100</b>

Source: Field Survey, 2014.

**Data Presentation and Discussion of Findings**

Demographic data of respondents in Table 1 revealed that majority of the respondents were males representing 164 (60.20%), while female respondents were 108 (39.71%). Analysis of employment status of the respondents showed that majority of them were on senior cadre, 180 (66.18%) and the remaining were on junior employment cadre. This disparity may not be unconnected with the fact that employees on grade levels 01 and 03 were excluded from the sample frame, because it was assumed that they may not be adequately informed of the importance of this survey. On the issue of length of service, most of the respondents, 84 (30.88%) had served Lagos State Government for upward period of between 21 and 30 years. Next to this set of respondents were the people that had served for between 0-10years, also, 60 (22.06%) and 55 (20.22%) had served for between 10 and 20years and 31 and 35years, respectively

**Table 2: Results of Pearson's Product Moment Correlation showing the relationship between provision of transportation scheme, medical services and official quarters and Employees Commitment to Service**

Variable	Correlation Coeff. (r)	P-value	Decision
Transportation scheme provision	0.974	0.05	S
Medical service provision	0.982	0.05	S
Provision of official quarters	0.431	0.05	S

Source: Field survey, 2015.

Level of significance= 0.05, degree of freedom = 528; critical r = 0.088

S= Significance

The coefficient of correlation (r) of 0.974 as shown in Table 2 indicated a positive relationship between the provision of transportation facilities for Lagos State Civil Servants and their commitment to the service of the state. This shows that the more the provision of transportation scheme, the more committed civil servants in Lagos state are. This finding is in agreement with Kotze and Roodt (2005) who revealed a strong

relationship between perquisites of office such as group insurance, disability income protection, retirement benefits, day-care facilities, official vehicles and tuition reimbursement and employees' commitment.

Also, positive significant relationship existed between provision of medical services ( $r= 0.982$ ;  $p\leq 0.05$ ) and staff members commitment to the service of the state. This implies that when medical services are provided, staff members become more committed to the service of the state than when this is not provided. This is an indicative of the fact that there is a positive relationship between provision of medical services and civil servants commitment to the employment of Lagos State Government. This finding is consistent with the position of earlier findings (Dockel, Basson and Coetzee, 2006; Mc Donald and Makin, 2000; Meyer and Allen 1997) that positive relationships between job satisfaction and commitment variables such as provision of medical services to employees.

In addition, it was revealed that provision of official quarters ( $r= 0.431$ ;  $p\leq 0.05$ ) significantly correlated with the staff commitment to the service of the state. This showed that, there is a positive relationship between provision of official quarters for civil servant in Lagos State and workers' commitment to duties. This finding is in line with the research conducted by Meyer *et al.* (1993), which showed positive relationship between provision of housing for workers and affective and normative commitment to employment.

The variables were identified the crucial correlates of staff members commitment to the service of the state based on the findings in the study. The above findings support the findings of Martin and Roodt (2008), who stated that employees value certain conditions of work, and that if these conditions are evident and congruent with the individual's own needs, employees will be more satisfied and committed and would be less likely to leave the organization. They are also in congruent with the position of Westlund and Hannon (2008), who found out that satisfaction with the nature of work, was noted to be significantly related to employees' intention to remain with an organization.

### Conclusion and Recommendations

In view of the findings of this study, the following, deductions and recommendations are imperative:

- i. The results of the study suggest that in order to create a working environment that encourages people to stay with their respective organizations, management need to review their fringe benefit packages, periodically in order to encourage workers to be much more committed to their employment.
- ii. Management must ensure that fringe benefits are geared towards the needs of workers and that reward schemes generally are clearly and visibly linked to performance.

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