Employee Benefits and Continuance Commitment in the Nigerian Manufacturing Industry.

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Abstract: The study examined the effect of Employee benefits on Continuance Commitment in the Nigerian manufacturing industry. A total of 357 employees were randomly drawn from a population of 3386 employees of 31 manufacturing companies in Rivers State Nigeria. The instruments used for data collection were questionnaire and oral interview. A total of 210 copies of the questionnaire were retrieved and analyzed. Spearman’s Rank Correlation Statistical tool was used to test the hypotheses. The findings revealed that Employee benefits are significantly related to economic exchange and few alternatives. Based on these findings we concluded that Employee benefits have significant influence on Continuance Commitment. The study therefore recommends that the benefit program or plan developed must be subject to modification to suit changing circumstances in the society. Also organizations should use their rewards to strategically channel their efforts in a way that will drive organizational success.

Key Words: Employee Benefits, Continuance Commitment, Economic exchange, Reward management.

I. Introduction

With the current economic trend, every organization strives for lasting success. They want to successfully implement business strategies, achieve their goals, gain competitive advantage and optimize the use of human capital. Work force is considered to be one of the most important determinants of organizational competitiveness. Capability of an organization to properly utilize its resources put the company on competitive edge. As a matter of fact human resource is the major driving force of exploitation of all other resources, and is considered to be the vital asset of the organization. Acquiring, maintaining and retaining best workforce is an important success factor in today's organizations.

High productivity in Nigerian manufacturing companies has been constrained by many factors. One of the main factors is high turnover of skilled workers. Most of the manufacturing companies in Nigeria are facing major challenges in preventing the loss of their employees to competitors, as well as changing technology in manufacturing processes. These challenges have therefore; created the need to change the organizations to be more supportive to the newer technology, while, at the same time, finding innovative ways of retaining talents. Therefore there is the need for manufacturing companies to ensure that the contribution of people to their organization is recognized by both financial and non financial means, in order to spur, motivate, and retain them. Employees want to be convinced that their employers are interested and committed to their welfare before they can bring out their all in the service of the employers and ensure the organization’s success. To achieve the stated objective management need to carefully consider what benefits might best suit the organization, the acceptance of such benefits by the employees, the total cost involved, the amount available for the provision of benefits and how the results will be evaluated (Amah, 2010).

Commitment can result in a stable and productive workforce (Morrow, 1993). It enables employees to release their creativity and to contribute towards organizational development initiatives (Walton, 1985). Committed members are normally achievement and innovation orientated with the ultimate aim of engaging in and improving performance (Morrow, 1993). Other positive effects of commitment include feelings of affiliation, attachment and citizenship behavior, which tend to improve organizational efficiency and effectiveness (Williams &Anderson, 1991).

A great deal has been written about employee benefits and its effect on continuance commitment in the past decade (Beer et al. 1984, Meyer and Allen 1997, Ricketta 2002, Cohen 2003, Namutebi, 2006, Armstrong and Murlis, 2007, Newman et al 2012) Despite these number of studies, little empirical studies exist on employee benefits and its effect on continuance commitment in the manufacturing industry in developing countries especially in Nigeria. To bridge this gap, this study examines the effect of employee benefits on continuance commitment in manufacturing organizations. By exploring the relationship between employee benefits and continuance commitment, organizations can enhance their competitive advantage and effectiveness.
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II. Literature Review

Employee benefits are programs an employer uses to supplement the cash compensation that employees receive, to protect the employee and his or her family from financial risks. Employee benefits are essential for the development of corporate industrial relations. Examples include retirement plans, child care, elder care, hospitalization programs, social security, vacation and paid holidays (Christoph, 1996). The purpose of employee benefits is to increase the economic security of staff members, and in doing so, improve worker retention across the organization.

Employee benefits represent virtually any form of compensation other than direct wages and paid for in whole or in part by the employer, even if provided by a third party.

Benefits vary and serve different social and economic needs. Several benefits are required by law. Some of the benefits include employer contributions to Social Security, Medicare, unemployment insurance and worker's compensation insurance. Benefits that to be given to the employees as provided for by law is for the security of the employees in their future life when they are no longer in the employment.

Amah (2010) mentioned that employee benefits such as health insurance, vacation pay or retirement pension are the important indirect financial rewards. The benefits given by the employer are not only a mechanism to improve the employees' performance, but it also helps to attract applicants in the recruitment process. Amah (2010) mentioned that piece rates, commissions, tips, bonuses, stock options and others, offered by employers, including health, life and dental insurance, retirement plans, maternity leave or child care provision could give a big impact towards the performance and commitment of the employees. They also add that offering fringe benefits may promote greater work effort from the employees.

Employee benefits are essential for the development of corporate industrial relations. Benefits have always been seen as an employee reward and it can create a sense of ongoing employer appreciation. Benefits, however, are not just to serve the employee but also benefit the management in a long term. Amah (2010) found that few individual employers saw the need to address issues related to employee benefits. Positive feelings created by good benefits may help to change workers to be more hard working. This will eventually results in low turnover, and creating the employees performance. According Amah (2010) there are three objectives of benefit programmes. The first is to meet the lowest physical and psychological demands of employees so that they could fully engage themselves in work. The second is to compete with other corporations at an equal level. When similar employee benefits is adopted by competitors, it is necessary to offer the same level of benefit programme in order to maintain competitiveness. The third objective is to provide social and welfare services.

Amah et al (2013) agreed that employees want to receive more than just a salary from their job. Other than the pay received, employee expect other rewards for coming to work. The extra rewards given could motivate and encourage them to perform their best. They believe that loyalty of the employees can be sustained when they get more than just a salary.

Everyone works with an expectation of some rewards. Employee benefits are essential for the development of corporate industrial relations. According to Amah et al., (2013), the hygiene factor (salary, working condition etc) will affect the employees' work-motivation and thus productivity and their organization commitment. They argue that employee benefits satisfaction may influence worker's attitudes such as organizational commitment. Therefore an understanding of benefit satisfaction may lead to an increased understanding of other employee attitudes and behaviours (Williams, 1995). The results may help improve industry service quality and also to improve employees' organization commitment.

III. Continuance Commitment

Continuance commitment is generally defined as willingness to remain in an organization because of personal investment in the form of nontransferable investments such as close working relationships with co-workers, retirement investments and career investments, acquired job skills which are unique to a particular organization, years of employment in a particular organization, involvement in the community in which the employer is located, and other benefits that make it too costly for one to leave and seek employment elsewhere.

Continuance commitment evolved from Becker’s (1960) side-bet theory, which posits that employees maintain membership with their organization as a way to preserve accumulated side-bets (e.g., pension). This extrinsic form of commitment derives from instrumental principles that are based on compliance (O’Reilly & Chatman, 1986). Compliance entails behaviors that are initiated and maintained in order to satisfy external constraints, such as obtaining a reward or avoiding a loss (Becker et al., 1996). Because CC derives primarily from external constraints (i.e., rewards and punishments delivered by one self sources), this form of commitment is not self-determined (Gagne´ & Deci, 2005). It is, however, important to note that while the perceived bond underlying employees’ Continuance commitment to the other party is not self-determined (i.e., it exists as a means to other ends), the ends themselves may be intrinsically desirable (e.g., opportunities for personal growth) and valued for reasons other than compliance-based motivations.
Meyer and Allen (1997) define continuance commitment as “awareness of the costs associated with leaving the Organization”. It is calculative in nature because of the individual’s perception or weighing of costs and risks associated with leaving the current Organization (Meyer & Allen, 1997). Meyer and Allen (1991) further state that “employees whose primary link to the Organization is based on continuance commitment remain because they need to do so”. This indicates the difference between continuance and affective commitment. The latter entails that individuals stay in the Organization because they want to.

Romzek (1990) describes continuance commitment as a transactional attachment. He argues that employees calculate their investment in the Organization based on what they put in and what they stand to gain if they remain with the organization. In addition to the fear of losing investments, individuals develop continuance commitment because of perceived lack of alternatives. Continuance commitment therefore reflects a calculation of the cost of leaving versus the benefits of staying.

Continuance commitment (CC), involves appraisals of personal investments tied to one’s current employment and the availability of employment alternatives (Meyer & Allen, 1984). Employees with strong CC maintain their current employment because it provides them with desirable personal outcomes that they are unwilling to forego or because they perceive a lack of employment opportunities elsewhere.

Continuance commitment can be regarded as an instrumental attachment to the Organization, where the individual's association with the Organization is based on an assessment of economic benefits gained (Beck & Wilson, 2000). Organizational members develop commitment to an Organization because of the positive extrinsic rewards obtained through the effort-bargain without identifying with the Organization’s goals and values. The strength of continuance commitment, which implies the need to stay, is determined by the perceived costs of leaving the Organization (Meyer & Allen, 1984). Best (1994) indicates that “continuance Organizational commitment will therefore be the strongest when availability of alternatives are few and the number of investments are high”. This argument supports the view that when given better alternatives, employees may leave the Organization. Meyer et al (1990) also maintain that "accrued investments and poor employment alternatives tend to force individuals to maintain their line of action and are responsible for these individuals being committed because they need to”.

This implies that individuals stay in the Organization, because they are lured by other accumulated investments which they could lose, such as pension plans, seniority or Organization specific skills. The need to stay is “profit” associated with continued participation, and termination of service is a “cost” associated with leaving. Tetrick (1995) support the profit notion by describing the concept continuance Organizational commitment as “an exchange framework, whereby performance and loyalty are offered in return for material benefits and rewards”. Therefore, in order to retain employees who are continuance committed, the Organization needs to give more attention and recognition to those elements that boost the employee’s morale to be affectively committed.

The “exchanged-based definition” (Alluto, Hrebinak & Alonso, 1973) holds that individuals are committed to the Organization as far as they hold their positions, irrespective of the stressful conditions they experience. However, should they be given alternative benefits, they will be willing to leave the Organization. Continuance commitment is also associated with the compliance stage of organizational commitment, where the employee is calculative with the need to stay in the Organization when evaluating the rewards (Beck & Wilson, 2000). It centralizes around the employee accepting the influence of others mainly to benefit from them, through remuneration or promotion (O’Reilly, 1989). At this stage, attitudes and behaviours are adopted not because of shared beliefs but simply to gain specific rewards. This implies that at this stage employees stay in the Organization because of what they receive (Meyer & Allen, 1997).

**Measures of Continuance Commitment**

Taing et al., (2011) supported two dimensions of continuance commitment; Economic exchanges (EE) and Few alternatives (FA).

**Economic Exchanges (EE)**

Economic exchanges are defined as commitment that develops when an employee perceives desirable economic exchange opportunities at their current job. (Taing et al., 2011). This type of commitment is based on the perception that the organization provides favorable economic exchanges (Shore, Tetrick, Lynch, & Barksdale, 2006).

Investments can be either work related or non-work related, and commitment to an Organization can be developed as employees make side bets/investments which would be lost if employment to their Organization was terminated (Meyer and Allen, 1991). Rusbult and Farrel (1983) in Meyer and Allen (1991) has the same viewpoint as Meyer and Allen (1991), that commitment to an organization increases as the magnitude of employee investments within that Organization increase.

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Costs associated with leaving an organization may include a wide variety of entities, some of which are measurable and others which are more intangible. Some measurable losses may be in the area areas of salary, accrued vacation, retirement investment or pension plan, health insurance, life insurance, and company-sponsored items such as a vehicle or cellular telephone. Intangible losses may include transferability of skills, transferability of education, seniority, status, and job security.

**Few Alternatives (FA)**

Few alternatives is defined as commitment that develops when an employee feels a sense of being trapped in their current position. (Taing et al., 2011). The lack of alternatives element states that the more specific an employee’s skills become to a particular organization the less likely they will leave (Scholl, 1981). Clugston et al. (2000) felt that employees’ perceptions regarding their alternative job prospects and the cost associated with leaving their current Organization have an effect on the employees’ continuous commitment. Rusbult and Farrel (1983, in Meyer and Allen, 1991: 72) also showed that commitment increased as the attractiveness of alternative job prospects decreased. Meyer and Allen (1991) and Iverson and Buttigieg (1999) in Yu and Egri, (2005) are in agreement with the above views and they state that continuous commitment will develop as a function of a lack of alternative job opportunities.

**Employee Benefits and Continuance Commitment**

Several studies have indicated that employee benefits are conducive to organizational commitment. SoonYew et al., (2008) findings suggested that both mandatory and fringe benefits were having significant and positive relationship with organizational commitment and fringe benefits having higher relationship as compared to mandatory benefits. This finding proposed that when employees received more fringe benefits, their organization commitment tend to be higher. From the foregoing, the following hypotheses are derived:

- **HO₁**: Employee benefits have no significant effect on economic exchange.
- **HO₂**: Employee benefits have significant effect on few alternatives

**IV. Research Methodology**

This correlational study was conducted as a cross-sectional survey. The study units for data generation were employees in 31 registered and functional manufacturing companies in Port Harcourt and the micro-level of analysis was adopted. A sample size of 357 employees was determined using the Taro Yamen’s formula (Baridam, 2001). After cleaning, 210 copies of the instrument were used for the analysis. In selecting the respondents the simple random sampling technique was adopted.

**Employee benefit** - This dimension was measured using four items of benefits adopted from De Beer (1987) Work Motivation and Satisfaction Questionnaire.

**Economic Exchange** - A six-item scale was developed based on the 12-item multidimensional scale developed by Taing, et al 2011.

**Few Alternatives** - A six-item scale was developed based on the 12-item multidimensional scale developed by Taing, et al 2011. A five-point Likert type scale was used (ranging from 5-strongly agree to 1-strongly disagree) for all.

For test of reliability of the scale, the following Cronbach’s alpha coefficients were obtained: Employee benefit (0.85), Economic Exchange (0.85), Few Alternatives (0.83). In accordance with Nunnaly (1978) model, which recommends a bench mark of 0.70, the reliability levels of the study scale are acceptable. Spearman’s Rank Correlation Statistical tool was used to test the hypothesis. The result as presented was obtained.

**RESEARCH RESULTS AND FINDINGS**

Frequencies and descriptives were used in our primary analysis which focused on the study demographics and univariate analysis respectively. The results show that 64% of the respondents were males while 36% were females. 39% of the respondents have spent 0-9 years on their jobs while 28% have spent between 10 and 20 years. 33% of the respondents have spent over 20 years on their present employments. On educational qualification, we had the following distribution: 7% High School, 5% Diploma, 64% HND/BSc, 5% Masters. 6% of the respondents had stayed less than a year. 12% have stayed 1-2 years, 21% had stayed 3-5 years, 28% had stayed 6-10 years, while 33% had stayed 10 years and above.

**HYPOTHESIS 1 (H₀₁): There is no significant relationship between employee benefit and economic exchanges.**
Table 1. Results of Spearman Correlations for items of Employee benefit and Economic Exchanges.

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<td>Sig. (2-tailed)</td>
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Regarding hypothesis 3, correlation analysis was conducted with economic exchanges as the dependant variable and employee benefits as the independent variable. Results show that, (r= 0.435, P < 0.05). This figure suggests that there is positive and significant relationship between employee benefits and economic exchanges. Thus, null hypothesis was rejected and alternative hypothesis accepted.

HYPOTHESIS 2 (H₀): There is no significant relationship between employee benefits and few alternatives.

Table 2. Results of Spearman Correlations for items of Employee benefit and Few Alternatives.

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Regarding hypothesis 4, correlation analysis was conducted with economic exchanges as the dependant variable and employee benefits as the independent variable. Results show that, (r= 0.600, P < 0.05). This figure suggests that there is positive and significant relationship between employee benefits and few alternatives. Thus, null hypothesis was rejected and alternative hypothesis accepted.

V. Discussion And Implications

The first and second hypotheses sought to examine the effect of employee benefits on the measures of continuance commitment, in manufacturing companies in Nigeria. The hypotheses were that there is no significant relationship between employee benefits and measures of continuance commitment (economic exchanges and few alternatives). The hypotheses were tested using spearman rank correlation technique and from the analysis of collected data, a positive and significant relationship was revealed between employee benefits and measures of continuance commitment. This finding is in line with the earlier findings of SoonYew et al., (2008), which suggested that when employees received more benefits, their organization commitment tend to be higher.

i. Based on the discussions above, the following conclusions were made: The implementation of employee benefits significantly enhances employees’ continuance commitment (economic exchanges and few alternatives) within the Nigeria work environment and the manufacturing sector to be specific.

ii. Policymakers, administrators and managers of manufacturing companies should utilize the rewards management programme which structures the base pay and compensation package, to attract the right people to the organization. Once they are on board, the organization should use its rewards and recognition programmes to strategically channel their efforts in a way that will drive organizational success.

LIMITATIONS OF THE STUDY

The fact that this is a study of the manufacturing industry, limits the extent to which generalizations of any outcome of this study can be applied to all other sectors and industries in the Nigerian economy. The study can be carried out in other sectors of the economy. It can also be carried out in other countries.

References


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