

Monetization of Fringe Benefits and Employee Performance in Public Service Organization in Anambra State.

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Abstract: *This paper explores the effect of monetization of fringe benefits on employee performance in public service organizations. It specifically investigates the effect of monetization of fringe benefits on employee commitment. Survey research design was adopted and the major instrument used for data collection was questionnaire which was structured utilizing four point likert scale. A total of 193 workers comprising 101 males and 92 females participated in the study. Descriptive and inferential statistics such as frequency distribution, mean and standard deviation, spearman correlation coefficient were used to analyze data. The result reveals that there is a weak but significant relationship between monetization of fringe benefits and employee commitment in public sector organization. The study concludes that Public service remains very critical and crucial to national development and democratic stability in developing societies. To ensure increase in employee and organization performance, employees of government institutions need to be motivated in quantifiable and non quantifiable attributes to ensure increase in performance and improve the standard of living. It was therefore recommends that Economic regulation of the policy should be encouraged. Agencies like the CBN should be involved in implementation as increased pay of workers is directly linked to economic turbulent issues like inflation, and scarcity that undermine the potential benefits of such policy.*

Keywords: Monetization of Fringe benefits, employee performance, employee commitment.

Background of the study

The monetization policy is one of the federal government measures or reforms in the public sector organization under the Obasanjo's administration to reduce the cost of governance, facilitate budgetary control, minimize waste and abuse of public facilities, obtain savings for capital projects and promote a culture of discipline and maintenance. The word monetization was first used in Mexico as a policy employed by the government to address the problem associated with workers welfare (Ekaete, 2003). These benefits in kind, largely a carryover from the colonial era, include highly subsidized residential accommodation, transport facilities, chauffeur- driven vehicles (for the senior echelon of the service), free medical services and highly subsidized utilities, such as electricity, potable water and telephone. Since 1986 when Nigeria first launched its structural adjustment programme, a good of public reforms have been implemented. One of such reforms is monetization of fringe benefits of the public servants. This reform took its root from the growth of public sector which put greater strain and stress on government budgets as the number of public officers who were entitled to fringe benefits escalated. The replacement of fringe benefits that were previously provided in kind, through additional monetary allowances and the consequent withdrawal of government from the maintenance cost obligation that attended these benefits. In 2005, Russia transformed most of its in kind fringe benefits into monetary compensation. Nigeria government introduced the monetization of fringe benefits as a reform agenda to reinvent the public interest by public servant. Stephen (2010) in his own submission advocated that there is significant relationship between monetization of fringe benefits and development unlike in the past that money was sunk unnecessary on maintenance and purchase of facilities. Fringe benefits are an ever present and always controversial feature of organization life in the Nigeria public service (Aminat, 2010)

STATEMENT OF THE PROBLEM

Over the years the cost of governance has continued to rise partly because of the benefits in kind that the various tiers of government had to provide to public servants. Governmental organizations, ministries and agencies have suffered with high level of spending (expenditure) in maintaining its facilities and amenities such as housing, car and a lot of others allotted its officers. It costs government a lot of funds to construct, purchase or rent residential accommodation for public servants. Large amount of resources are occasionally spent on renovation, maintenance and furnishing of these residential accommodations as well as on the purchase, fueling and maintenance of official vehicles for public servants. The Nigeria public service was oversized and poorly remunerated, resulting in poor service delivery, inefficiencies, ineffectiveness and poor performance (Olukemi and Babatunde, 2013). Public servant generally received low pay and several fringe benefits such as free housing, free vehicles and various other allowances that often led to waste and misuse of government resources. Moreover, a weak incentive structure in the public service which did not foster good performance resulted in a weak work ethic and poor service delivery or ineffective service delivery by many government ministries, often characterized by hidden or outright corrupt behavior on the part of many public servants.

However, past research has shown that low productivity and performance is recorded in almost all public sector organizations in Nigeria (mgbog, 2001. Ezulike 2001 and iheriorhanma 2006) and finding from other study do revealed that the low productivity and performance associated with Nigeria public servants could be raised if they are provided with some financial incentives (Tango,2005). Aminat (2010) asserts that the attitude of Nigeria workers especially the public servants in terms of productivity and output compared to the more developed countries in recent times is becoming alarming. This could be attributed to uneven reward system, poor income, unqualified /unskilled manpower and unfavorable social, economic and political infrastructure of the country.

Objective of the study

The study explores the effect of monetization of fringe benefits on employee performance of selected public service organizations in Anambra state. But specifically

- 1) Investigate the effect of monetization of fringe benefits on employee commitment in public service organization.

Research Question

- 1) What is the effect of monetization of fringe benefits on employee commitment in public service organization?

Hypothesis

- 1) There is a significant positive relationship between monetization of fringe benefits and employee commitment in public service organization.

MONETIZATION OF FRINGE BENEFITS IN THE PUBLIC SERVICE OF THE FEDERATION

The committee of the monetization of fringe benefits in the public service of the federation was set up by President Olusegun Obasanjo on November 11, 2003 under the chairmanship of the secretary to the government of the federation, Chief J. Ekaette. The establishment of the committee became necessary because over the years, the cost of governance has continued to escalate, arising mostly from the burden of providing basic amenities to public servants by the government. These amenities include residential accommodation, transport facilities, medical services and utilities such as electricity, water and telephone. The merits of monetization include efficiency in resource allocation, equity in the provision of amenities and encouragement of public servants to own personal houses. It also enables public servants to plan for a more comfortable post service life. Furthermore, it minimizes waste, misuse and abuse of public facilities. Monetization of facilities is expected to reduce capital cost, maintenance and running cost, it will also promote observance of maintenance culture and discipline in the use of public utilities since individuals will pay such services, in addition it will curb submission of spurious medical bills and if that is done there will be a lot of savings and that will enable government to undertake more capital projects for development purposes. For these reasons, the concept of monetization has gained worldwide acceptance even in Nigeria. Some organizations such as the central bank o Nigeria (CBN), Nigeria telecommunication limited (NITEL), federal mortgage bank of Nigeria (FMBN), the Nigeria national petroleum corporation (NNPC) and most private sector organizations have adopted it with positive results (Aloko, 2003, Mustapha, 2011). It is also hoped that rent will come down as public servants who make up to 80% of the tenants, will have little money to offer to the landlords. It will also promote the observance of maintenance culture and discipline in the use of public utilities since the individuals will now have to pay for such services, which hitherto were paid for by government. In addition the monetization of medical treatment will go a long way in curbing submission of spurious bills and delays in processing refund of medical bills. Finally, it is believed that savings made from monetization will enable government to prosecute more capital projects. Government has already signed into law the certain political, public and judicial office holders (salaries and allowances etc) Act, 2002 and it was substantially adopted in making recommendations on the monetization of fringe benefits of civil and other public servants not covered under the Act.

The monetization policy has far reaching impact on government planning, budgeting and fiscal discipline, and would positively impact on the national value systems and ethics. Thus the policy has the following benefits (Fayomi, 2013). It enables the government to get the true picture of what it costs to maintain a political office holder or public servant in office and therefore lead to a more realistic budgeting and budget implementation, provides the most transparent avenue for disbursement of remuneration and fringe benefits from employers to employees, curbs the excess of public officers for instance unlike in the past, political office holders are now to drive to office and back in their personal cars with their personal drivers, corrects the wrong public perception of government utilities such as telephone, electricity as limitless resources which hitherto were used without caution, stop the practice where in renovating official quarters and changing furniture items, the discarded items were in many cases not accounted for, giving room for abuse, minimizes unauthorized journeys at government expense, ensure equity in the allocation of scare resource. Ensure that public officers develop and imbibe discipline culture of frugal use of public utilities, encourage public officers to own their vehicles, houses, furniture and thereby assist them to plan better for their retirement, enable the public servants to plan for a more comfortable post service life and encouraged productivity because of the euphoria of increase income.

MONETIZATION POLICY IN NIGERIA

The employees' benefits were provided in kind by the government of Nigeria until 2003 when the then president, Olusegun Obasanjo introduced the monetization of fringe benefits in public service. This was informed by certain factors; over 85 percent of public sector expenditure went to overhead costs. The federal government, through a circular reference no.SGF/19/S47/C.1/11/371, dated June 27, 2003, adopted the implementation of the monetization policy in the federal public service. The policy was to commence on July 1, 2003. However, in December 9, 2003, president Obasanjo through a letter, reference No. PRESS/36-1, addressed to the head of service of the federation, amended certain provision in the aforementioned circular and gave the commencement date of the policy as October 1, 2003. Contrary to the October 1, 2003, the policy did not take off until June, 2004, and as confirmed by the Head of service of the federation, the policy in the meantime was restricted to the ministries excluding the parastatal, commissions, boards and agencies (Bakare, 2011). According to the monetization policy, residential accommodation was monetized at 50% of the annual basic salaries of officers on grade levels 01-06 in the public services, 60% for grade levels 07-14 and 75% for grade 15-17, including federal permanent secretaries and head of services of the federation, all grade levels in the public service of the federation were to receive 25% of their annual basic salary while grade level 01-06 were to receive 15% of their annual basic salary as utility allowance as against 20% for officers on grade level 17, that is permanent secretaries and head of services of the federation.

It has been asserted that one strategy of ensuring good governance is to adopt public policy that is capable of minimizing fraud, preventing wasteful use of public funds and facilities as well as checking abuse of power by public officials. The federal government recurrent and capital expenditure profile for 1999-2002, Ekaette (2003) & Fayomi (2013) noted that the expenditure profile four past four years had shown recurrent expenditure rising at the expense of capital expenditure. He explained that between 1999 and 2002, the increase in recurrent expenditure rose sharply from N449.67 billion (1999); N461.61 billion (2000); N579.33 billion (2001); N697.78 billion (2002); while capital expenditure was N498.02 billion (1999). N 239.45 billion (2000), N438.7 billion (2001); and N321.39 billion (2002). This implies that the percentage of recurrent over total expenditure was 47.45% in 1999; 65.84% in 2000; 56.91% in 2001 and 68.44% in 2002. Fayomi (2013) asserted that such an unpleasant trend could not be encouraged stressing that no sensible government should be devoting over 60% of its revenue to sustain a public work force that is less than 1% of its population, leaving very insignificant accrued revenue for national developmental projects or infrastructures. The monetization policy has far reaching impact on government planning, budgeting and fiscal discipline and would positively impact on the national value systems and ethics.

THE THRUST OF MONETIZATION POLICY

The components of monetization policy as it affects the fringe benefits of the public servants according to the policy Act 2002 and Aluko (2003) in Nigeria comprises the followings;

Residential accommodation: provision of residential accommodation should be monetized at 100% of annual basic salary as residential accommodation allowance which should be paid to enable an officer to pay for accommodation of his choice. In order to avoid exerting undue strain on present occupants of federal government quarters and to fund the monetization of residential accommodation effectively, in the first year of the monetization exercise, current occupants of government owned quarters would pay 100% of their accommodation allowance as rent for the quarter they occupy. Also government residential quarters across the country would be sold off by public auction at the end of the first year of commencement of the monetization policy with present occupiers being given the first option to purchase the houses but at the price of the highest bidder. The provision of residential accommodation should be monetized as follows:

GL 01 – GL 06 (50% of annual basic salary), GL 07 – GL 14 (60% of annual basic salary), GL 15 and above (75% of annual basic salary).

Furniture allowance: the payment of 300% of annual basic salary is recommended as furniture allowance in line with the provision of the "certain political, public and judicial office holders (salaries and allowance etc) Act, 2002". However, considering the likely problem to be faced in paying huge furniture allowance of 300% of annual basic salary en bloc, this allowance would be paid annually at the rate of 75%, which amounts to 300% in four years.

Motor vehicle loan and transportation: the provision of motor vehicles to public officers is to be monetized by provision of motor vehicle loan of 350% of the annual basic salary in line with the provision of "certain political, public and judicial office holders (salaries and allowances) Act 2002". The loan however would be recovered in six (6) years for both public servants and political office holders. In granting the loan, government would retain the existing interest rate of 4% on motor vehicle loan. For the successful monetization of this service, government would ensure that no new vehicles would be purchased by all ministries, extra ministerial Department and federal government agencies. Officers currently entitled to government vehicles would return them to the presidency for disposal. Each ministry/ agency would be allowed a specific number approved by government, of utility vehicles including buses for essential office services (out of station duty tours and meeting). No ministry/ agency will exceed the

number without prior approval. A committee is to be set up to handle the issue of disposal of vehicles. In disposing the excess vehicles, an entitled officer would be allowed to purchase one car for personal use at approved discounted value. Where there is the need to purchase new vehicles by the ministry, extra ministerial department or agency, a request shall be made for approval. Provision of drivers to entitled officers would be monetized as follows: SFG/Minister/HOS 2drivers N239, 172 p.a, permanent secretary 1 driver N119, 586 p.a. and Director 1 driver N 119, 586 p.a.

Fuelling/ maintenance and transport: in line with current economic realities 30% of annual basic salary as provided for in the 'certain political, public and judicial office holders (salaries and allowances) Act 2002' is recommended as fuelling/ maintenance and transport allowance.

Medical allowance: the provision in the public service rules chapter 9, section 09203 has been prone to abuse and sharp practices, particularly with the submission of fake bills as claims to government. Government is therefore proposing the payment of 10% of an officer's annual basic salary as medical allowance. However, special cases requiring government intervention would be considered on merit.

Meal subsidy: the allowance had already been monetized through the provision in the circulars Nos. SWC.04IVOL IV, 1991 dated 5th May, 2002 and SWC.04/S.1/VOL IV/136, dated 15th May 2000, issued by the national salaries, incomes and wages commission as follows: GL.01 – 06 N6, 000 per annum, GL 07 – 10 N7, 400 per annum, GL 12 – 14 N9,600 per annum, GL.15 – 17 N10,800 per annum, Permanent secretary N16, 200 per annum, Head of service N16, 200 per annum.

Entertainment allowance: the allowance for public servants had already been monetized through the provision in the circulars Nos. SWC.04.VOL/991, dated 5th May, 2000 and SWC.04/S.1/VOL IV/136, dated 15th may, 2000, issued by the national salaries, incomes and wages commission and the Act stipulates 10% of annual basic salary for political office holders as follows: GL.15 N8, 400 per annum, GL.16 – 17 N9,600 per annum, Permanent secretary N27, 000 per annum, Head of service N 27,000 per annum, political office holders 10% of annual basic salary.

Leave grant: the grant had already been monetized through the provision in the public service rules, chapter 13, section 13213 at 10% of annual basic salary.

Domestic servant allowance: this allowance has already been monetized for public servants. The provision of the Act is recommended to be retained for political office holders. The provisions for domestic servants' allowances will be as follows: GL 15 - 1 Domestic servant N119, 586 per annum, GL 16 – 2 domestic servants N239,172 per annum, GL 17 – 3 domestic servants N358,704 per annum, Permanent secretary 4 domestic servants N478,344 per annum, political office holder 75% of annual basic salary.

Methodology

Population of the study

The population consisted of a both junior and senior staff of selected public service organizations which include federal environmental protection agency (FEPA), consumer protection council (CPC), National orientation agency (NOA), and corporate affairs commission (CAC). The targeted population for this study is 193; the. A total number of 52 Staff of federal environmental protection agency (FEPA), consumer protection council (CPC) 46 staff, National orientation agency (NOA) 31 staff, and corporate affairs commission (CAC) 62 staff. This was drawn from the data provided by the human resources department.

Method for Data Collection

Both primary and secondary data were employed. The primary source was structured questionnaire. Secondary sources involved the use of available materials in forms journal, conference papers and internet. The instrument was structured to place the respondents on objective response for each statement on four point likert scale.

Reliability and validity of the instrument

To test for the reliability of the instrument Cranach alpha was used at 5% level of significant while content and construct validity was used to validate the instrument.

Method of data analysis

Spearman product moment correlation was used to test the hypothesis

Demographic profile of the respondents

Gender distribution of respondents reveals that 52% of the respondents are male while 47% are female. The academic qualification of respondents indicating that 21% of the respondents had P.hd, 51.8% had M.Sc/ MBA and 28.4% had B.sc respectively.

Therefore the respondents are literate enough to give valid responses on the research topic. Working experience of the respondents which implies that 20.7% had 15 years and above e working experience, 26.4% had 5 – 10 years working experience, 25.9% had 5 year and below working experience. The categories of staff of the respondents indicating that 60.1% of the respondents are middle staff while 39.9% of the respondents are the senior staff.

ANALYSIS AND PRESENTATION OF DATA
Summary and Description statistics of questionnaire

s/n	Frequency distribution	SA	A	D	SD
1	Monetization of fringe benefits has provided the most transparent avenue for disbursement of remuneration from employer to employee.	159 82.4%	34 17.6%	-	-
2	Monetization policy has ensured equitable disbursement of fringe benefits.	146 75.6%	47 24.4%	-	-
3	Monetization of fringe benefits has positive impact on employee values and ethics.	97 50.3%	96 49.7%	-	-

From the table above 84.4% strongly agree that Monetization of fringe benefits has provided the most transparent avenue for disbursement of remuneration from employer to employee, while 17.6% of the respondents agree. 75.6% strongly agree that Monetization policy has ensured equitable disbursement of fringe benefits while 24.4% of the respondents agree. 50.3% strongly agree that Monetization of fringe benefits has positive impact on employee values and ethics, 49.7% of the respondents agree.

s/n	Descriptive statistics	N	Mean	Std. deviation
1	Monetization of fringe benefits has provided the most transparent avenue for disbursement of remuneration from employer to employee.	193	3.8238	.38195
2	Monetization policy has ensured equitable disbursement of fringe benefits.	193	3.7565	.43032
3	Monetization of fringe benefits has positive impact on employee values and ethics.	193	3.6642	.42032-

s/n	Mean Rank	N Statistic	Mean statistic	Skewness statistic	Std. Erro	Mean Rank
1	Monetization of fringe benefits has provided the most transparent avenue for disbursement of remuneration from employer to employee.	193	3.8238	-1.713	.175	1 st
2	Monetization policy has ensured equitable disbursement of fringe benefits.	193	3.7565	-1.204	.175	2 nd
3	Monetization of fringe benefits has positive impact on employee values and ethics.	193	3.7565	-696	.175	3 rd

s/n	Frequency distribution	SA	A	D	SD
1	I perform my work delightfully and seriously since my benefits	142 73.6%	51 26.4%	-	-
2	I come to work more regularly and punctually	130 67.4%	63 32.6%	-	-
3	I do not contribute positively to the progress and growth of the organization.	-	-	77 39.9%	116 60.1%

It is discovered from the table above that 73.6% strongly agree that they perform their work delightfully and seriously since the introduction of monetization policy while 26.4% of the respondents slightly agree. 67.4% strongly agree that they come to work more regularly and punctually, 32.6% of the respondents agree. It was also observed that 39.9% disagree that they do not contribute positively to the progress and growth of the organization while 60.1% of the respondents strongly disagree.

s/n	Descriptive statistics	N	Mean	Std. Deviation.
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1	I perform my work delightfully and seriously since my benefits	193	3.7358	.44208
2	I come to work more regularly and punctually	193	3.6736	.47012
3	I do not contribute positively of the progress and growth of the organization.	193	1.3990	.49096

s/n	Mean Rank	N statistic	Mean Statistic	Skewness statistic	Std. error	Mean Rank
1	I perform my work delightfully and seriously since my benefits	193	3.8031	-1.536	.175	1 st
2	I come to work more regularly and punctually	193	3.7720	-1.307	.175	2 nd
3	I do not contribute positively of the progress and growth of the organization.	193	3.7358	- 1.078	.175	3 rd

Test of hypothesis

H0: There is no significant relationship between monetization of fringe benefits and employee commitment in public service organization.

Correlation result for hypothesis					
		TOTMFB	TOTEC		
Spearman’s rho	TOTMFB	Correlation coefficient	1.000	.142	
		Sig. (2- tailed)	.	.049	
		N	193	193	
		Correlation coefficient	.142	1.000	
		Sig. (2- tailed)	.049	.	
		N	193	193	
Correlation is significant at the 0.05 level (2-tailed)					

Summary of Finding

The result reveals that there is a weak but significant relationship between monetization of fringe benefits and employee commitment in public sector organization.

Conclusion

Public service remains very critical and crucial to national development and democratic stability in developing societies. An efficient public service act as catalyst in the development of nations. While on the other hand, its inefficiency can constitute as one of the heaviest millstone round the neck of developing nations. To be at utmost performance, employees of government institutions need to be motivated in quantifiable and non quantifiable attributes to ensure increase in performance. One measure adopted by the Nigeria government is monetization of fringe benefits in public service organization aimed at improving the welfare and living conditions of workers.

Recommendations

Political detachment of the policy from the national governance systems should also be stimulated. It is a widely known fact that politically motivated programmes are stalled from inception, as different interests groups declare intentions. One major setback of monetization policy in Nigeria is the political undertone behind its implementation.

Proper documentation of payment plans- monetized benefits and who gets what should be made. As with most financial plans in the country, corruption has eaten deep in its financial arrangement, possible independent consultants should be employed to administer the policy initiatives.

Economic regulation of the policy should be encouraged. Agencies like the CBN should be involved in implementation as increased pay of workers is directly linked to economic turbulent issues like inflation, and scarcity that undermine the potential benefits of such policy.

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