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EMPLOYEE COST AND FINANCIAL PERFORMANCE OF LISTED MANUFACTURING FIRMS IN NIGERIA

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ABSTRACT:

The study determined the effect of employee cost on the financial performance of listed manufacturing firms in Nigeria. The specific objective were to ascertain the effect of employee salaries, employee retirement benefits and employee bonuses on earnings before tax margin of listed manufacturing firms in Nigeria. Ex-post facto research design was deployed in the study based on a population of seventy-five listed manufacturing firms. Purposive sampling was applied in selecting the twenty-six firms that made up the sample size. Secondary data were sourced from the firms' annual reports from 2013 to 2022. Employing a Pooled Ordinary Least Squares (OLS) regression model for hypotheses testing, the study found the following: Employee salaries have a non-significant but positive effect on the earnings before tax margin of listed manufacturing firms in Nigeria (p-value = 0.3777); Employee retirement benefits have a non-significant but positive effect on earnings before tax margin of listed manufacturing firms in Nigeria (p-value = 0.0544); Employee bonuses have a non-significant and negative effect on earnings before tax margin of listed manufacturing firms in Nigeria (p-value = 0.1077). In conclusion, designing and implementing bonus structures that do not align with long-term wealth-maximization goal makes it impossible for financial incentives to contribute positively to overall performance. The study recommends the following: manufacturing firms should regularly benchmark its salary structures against industry standards to ensure it remains competitive; managers should engage in periodical review and adjust retirement benefit offerings to align with changing employee expectations and market trends so as to help in sustaining the positive impact on financial performance of firms; manufacturing firms should implement a transparent and well-communicated bonus system that clearly outlines the criteria for bonus eligibility and the link between performance and rewards.

1. INTRODUCTION

Historically, the nexus between employee costs and financial performance has been a subject of academic exploration, with researchers unveiling diverse relationships that underscore the broader impact of human resources on a company's bottom line (Etukudo, Okoro & Etim,

2020; Vithana, Jayasekera, Choudhry & Baruch, 2023; Wahyuni, Rimbano & Sutanta, 2023). The ramifications of employee compensation, including salaries, retirement benefits, and bonuses, reverberate throughout the financial architecture of companies, exerting a notable influence on key financial metrics and overall viability (Hassan, Hussain & Rajput, 2023). It has been continuously argued that the compensation paid to employees hold the potential to bolster workforce motivation, engender loyalty, and increase productivity. Conversely, the compensation can also exert strain on financial resources, necessitating a delicate equilibrium between employee well-being and fiscal prudence. Unraveling the shades of this connection assumes paramount significance for investors, managers, labor unions, policymakers, and researchers, each with a vested interest in comprehending the underpinnings of organizational success and sustainability, which is the main aim of business enterprises (Ndum & Oranefo, 2021). According to Reddy (2020), employee costs which can as well be alternatively termed compensation structures within organizations play a pivotal role in shaping not only the financial landscape of a company but also its overall operational dynamics. These structures, comprising elements such as employee salaries, retirement benefits, and bonuses, wield a significant influence on a variety of critical aspects within the workforce ecosystem. While the remunerations have the capacity to invigorate workforce motivation, foster employee loyalty, and enhance productivity, the remuneration can also present a considerable challenge in terms of financial allocation and resource management (Vithana, Jayasekera, Choudhry & Baruch, 2023). As organizations strive to strike a harmonious balance between nurturing employee well-being and adhering to stringent fiscal prudence, the intricate interplay of compensation structures becomes a subject of profound importance.

Employee salaries constitute one of the fundamental components of compensation structures, serving as both a tangible reward for services rendered and a reflection of an individual's value within the organizational framework. Adequate salary packages not only attract top talent but also contribute to the establishment of a motivated and engaged workforce (Onyekwelu, Dike & Muogbo, 2020). By aligning compensation with skill sets, experience, and market benchmarks, companies can cultivate a sense of equity and fairness, which in turn fuels employees' dedication and commitment to the organization's goals (Liang, Nguyen, Tran & Truong, 2023). On the flip side, the unchecked escalation of salary costs can strain a company's financial resources, potentially leading to inefficiencies, reduced profitability, or compromised competitiveness.

Furthermore, retirement benefits, on the other hand, extend beyond immediate compensation, addressing employees' long-term financial security and well-being. Offering robust retirement packages, such as pension plans or provident funds, demonstrates an organization's

commitment to safeguarding its employees' futures (Vithana, Jayasekera, Choudhry & Baruch, 2023). This fosters a sense of loyalty and allegiance among employees, enhancing their engagement and potentially extending their tenure within the company (Saman, 2020). By integrating retirement benefits into the compensation structure, organizations tap into a holistic approach that not only nurtures current employee morale but also contributes to the development of a stable, experienced workforce over time. However, the financial obligations associated with funding retirement benefits require careful planning to ensure the sustainability of these provisions without jeopardizing the company's financial health (Craig, Job-Olatunji, Dairo, Adedamola, Peters & Shorinmade, 2020). More also, bonuses, often tied to individual or collective performance, offer an additional layer of motivation and recognition (Bomm & Kaimann, 2022). These incentives can catalyze enhanced productivity, incentivize goal achievement, and cultivate a culture of meritocracy within the organization (Madhani, 2020). Bonuses serve as tangible rewards for exceptional contributions, reinforcing the notion that hard work and dedications are duly acknowledged and rewarded (Nwachukwu & Worlu, 2023). While such incentives can be powerful drivers of employee performance, the incentives also entail financial commitments that need to be judiciously balanced against the overall compensation structure (Onyekwelu, Dike & Muogbo, 2020). Excessive bonus outlays, particularly during lean financial periods, can strain a company's financial resources, potentially undermining its stability and strategic initiatives.

The complex challenge that organizations face lies in harmonizing these various compensation elements to create a cohesive and equitable framework. Striking this equilibrium necessitates a holistic understanding of both financial imperatives and employee well-being. Ensuring that compensation packages align with industry standards and the company's financial capacity fosters an environment of transparency and fairness. At the same time, carefully gauging the impact of these compensation structures on workforce dynamics, morale, and retention rates is crucial for long-term sustainability (Saman, 2020). There are some employees that experience a sense of dissatisfaction because their compensation fails to correlate with the company's financial health, potentially resulting in reduced morale, decreased productivity, and even higher turnover rates (Reddy, 2020; Liang, Nguyen, Tran & Truong, 2023). The misalignment between employee costs and financial performance thus emerges as a substantial challenge that can impede not only the firms' growth trajectories but also their ability to attract, retain, and motivate a skilled workforce. Consequently, firms' financial stability and long-term success are hampered by the issue of unsustainable financial commitments stemming from inflated employee costs. This is because when a firm's labor expenses become disproportionately high, it can strain profit margins and limit the resources available for investments in innovation, expansion, and other critical business functions. This

financial burden can restrict a company's ability to adapt to market changes, hindering its competitiveness in the industry. Moreover, a substantial portion of the company's revenues may go towards compensation, leaving little room for strategic initiatives that are essential for growth.

Conversely, inadequate compensation structure impairs job satisfaction and hampers employee motivation. This is because when individuals believe that their efforts are not adequately rewarded in light of the company's financial success; their morale can suffer, leading to reduced productivity and engagement (Madhani, 2020). Hence, this disconnect can contribute to higher turnover rates, as skilled employees might seek opportunities elsewhere where their contributions are more appropriately recognized and compensated. It is in view of addressing the above problem that this study is conducted to examine the effect of employee cost on the financial performance of listed manufacturing firms in Nigeria.

1.1 Objectives of the Study

The broad objective of the study is to determine the effect of employee cost on the financial performance of listed manufacturing firms in Nigeria. The specific objectives are as follows:

1. to ascertain the effect of employee salaries on the earnings before tax margin of listed manufacturing firms in Nigeria.
2. to determine the extent to which employee retirement benefits affects earnings before tax margin of listed manufacturing firms in Nigeria.
3. to examine the degree to which employee bonuses affects earnings before tax margin of listed manufacturing firms in Nigeria.

1.2 Hypotheses

H_{o1}: Employee salaries has no significant effect on the earnings before tax margin of listed manufacturing firms in Nigeria.

H_{o2}: Employee retirement benefits does not significantly affect earnings before tax margin of listed manufacturing firms in Nigeria.

H_{o3}: Employee bonuses does not significantly affect earnings before tax margin of listed manufacturing firms in Nigeria.

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2. LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Employee Cost

Employee cost refers to the total expenditure incurred by an organization to employ and maintain its workforce (Orwa, Ouma & Okwemba, 2022). It is the total financial outlay incurred by an organization in connection with its workforce (Ndum & Oranefo, 2021). This encompasses all the expenses directly associated with hiring, compensating, and maintaining employees within the company. It goes beyond just their salaries and wages, encompassing various facets of expenditure that come with managing and supporting a productive workforce (Požega & Crnković, 2010). In essence, it is the complete sum an organization invests in its employees to ensure their well-being, development, and contribution to the company's goals.In a more specific sense, employee cost entails the direct compensation provided to employees (Craig, Job-Olatunji, Dairo, Adedamola, Peters & Shorinmade, 2020). This comprises the wages, salaries, bonuses, and other monetary rewards offered in exchange for their labor and services (Reddy, 2020). Salaries and wages are often the most visible and quantifiable component of employee cost, representing the fundamental value assigned to employees' contributions (Etukudo, Okoro & Etim, 2020). However, employee cost goes beyond these direct financial payments. It encompasses an array of indirect expenses and investments made to nurture and sustain a productive workforce (Vithana, Jayasekera, Choudhry & Baruch, 2023). These include benefits and perks such as health insurance, retirement contributions, paid time off, and non-monetary incentives like stock options or flexible work arrangements. These benefits not only attract talent but also contribute significantly to employee satisfaction and well-being (Noorazem, Sabri & Mat Nazir, 2021).

Employee cost denotes compensation or payment, encompassing a broader scope than mere basic pay (Bomm & Kaimann, 2022). It extends to encompass not only base salaries and bonuses but also includes commissions, additional payments, and deferred compensation or benefits as stipulated in employment contracts (Požega & Crnković, 2010). According to Shitsama, Kiongera and Otuya (2023), companies have the flexibility to design their remuneration systems, provided the firms adhere to federal and state regulations. To maintain fairness and mitigate the risk of discrimination and legal actions, businesses ought to ensure fair treatment of employees, regardless of factors like race or gender, especially when the staff occupy similar positions or roles (Craig, Job-Olatunji, Dairo, Adedamola, Peters & Shorinmade, 2020). Furthermore, individual employees may have entitlements to specific remuneration amounts based on established practices and policies, even in the absence of a formal written contract.

2.1.2 Employee Salary

Employee salary is defined as the regular compensation paid to an employee in exchange for their work (Israel, Ikem & Nduka, 2022). It represents the consistent and predetermined compensation that an employer disburses to an employee in recognition of the services the employees render within the organization (Noorazem, Sabri & Mat Nazir, 2021). This form of remuneration stands as a fundamental element in the employer-employee relationship, encapsulating various nuances that extend well beyond a straightforward paycheck. First and foremost, an employee's salary serves as a financial acknowledgment of the work the employees contribute to the organization (Nwachukwu & Worlu, 2023). It is the agreed-upon amount of money that is paid to the employee at regular intervals, typically on a monthly or bi-weekly basis (Craig, Job-Olatunji, Dairo, Adedamola, Peters & Shorinmade, 2020). This regularity offers financial stability to the employee, enabling them to plan their personal finances, meet their living expenses, and save for future goals with a degree of predictability. However, the significance of employee salary goes beyond the monetary aspect. It often mirrors the value an organization places on an employee's skills, experience, and contributions (Ele, Makama & Auquasama, 2020). Salary levels are influenced by various factors, including the employee's qualifications, job role, industry standards, and the organization's compensation philosophy. As such, it plays a vital role in attracting and retaining talent (Noorazem, Sabri & Mat Nazir, 2021). Competitive salaries are essential for recruiting skilled professionals and retaining them within the organization, ensuring that it remains competitive and can thrive in its industry. Moreover, an employee's salary often forms the core component of their overall compensation package (Wahyuni, Rimbano & Sutanta, 2023). In addition to the base salary, this package may include various other benefits, such as health insurance, retirement contributions, stock options, performance bonuses, and more. These additional benefits complement the salary, enhancing the overall value of the compensation package (Israel, Ikem & Nduka, 2022). The combination of salary and benefits is designed not only to provide financial security to employees but also to motivate and incentivize them to excel in their roles and contribute to the organization's success.

The concept of employee salary is deeply intertwined with the principles of fairness and equity in the workplace. According to Hassan, Hussain, and Rajput (2023), ensuring that employees are compensated fairly for their skills and contributions promotes a sense of trust and loyalty towards the organization. It also helps prevent issues related to wage discrimination and fosters a harmonious work environment. Furthermore, salary structures often evolve over time as employees gain experience, acquire new skills, and take on additional responsibilities. Nosike and Nosike (2022) argued that promotions and pay raises are ways in which organizations recognize and reward employee growth and dedication. These opportunities for

advancement not only motivate employees but also serve as a means to retain top talent and encourage professional development.

2.1.3 Employee Retirement Benefit

Employee retirement benefits are plans offered by employers to help employees save for their retirement (Olajumoke, 2020). Employee retirement benefits refer to a comprehensive array of programs provided by employers with the primary aim of assisting their employees in securing a financially stable and comfortable retirement. The initiatives for employee retirement benefits go beyond being mere perks; these retirement benefits serve as a testament to an organization's commitment to the long-term well-being of its workforce (Agubata, Okolo & Ogwu, 2022). Employee retirement benefits recognises that retirement is an inevitable phase of an individual's life. It signifies the transition from a career-focused life to one where financial independence and the ability to enjoy the fruits of years of labor become paramount. With this in mind, employers offer a range of retirement benefits to facilitate employees in building a financial safety net for their post-working years (Aliku, Morka & Igemohia, 2020).

One of the most common forms of retirement benefits is the contributory pension scheme which is a retirement plan that empowers employees to save a portion of their earnings, typically on a tax-advantaged basis, for their retirement. Employers frequently make contributions, matching a portion of the employee's savings, which not only encourages participation but also accelerates the growth of the retirement fund. The funds within these retirement accounts are often invested, offering employees an opportunity to grow their savings over time, thereby potentially generating substantial wealth for their retirement years.

In addition to pensions which offer a degree of financial security, assuring retirees of a consistent income throughout their retirement, there is another facet of employee retirement benefits termed health care coverage (Craig, Job-Olatunji, Dairo, Adedamola, Peters & Shorinmade, 2020). As employees approach retirement, maintaining access to quality healthcare becomes increasingly crucial. Employers often extend health insurance options or supplementary health coverage that continues even after retirement, reducing the financial burden of medical expenses during retirement years. Additionally, employers may offer other post-retirement benefits, such as life insurance, disability coverage, or long-term care insurance. These benefits provide a safety net for retirees and their families, ensuring that the retirees are financially protected in various life scenarios (Agubata, Okolo & Ogwu, 2022). Moreover, these benefits offer a competitive edge in talent recruitment and retention, as job seekers increasingly prioritize employers who demonstrate a genuine concern for their future.

Also, employee retirement benefits often involve financial education and counseling (Nangih, Obuah, Wali & Turakpe, 2020). Employers may provide resources to help employees make informed decisions about their retirement savings, investment choices (Vithana, Jayasekera, Choudhry & Baruch, 2023), and financial planning. These educational initiatives empower employees to take control of their retirement planning, enhancing their financial literacy and preparedness for the future.

2.1.4 Employee Bonuses

Employee bonuses refer to the cost or monetary outlay for additional compensation granted to employees based on performance or other criteria (Noorazem, Sabri & Mat Nazir, 2021). Employee bonus are a form of supplemental compensation that organizations provide to their workforce, extending beyond the regular salary or wages earned by employees. These additional payments represent a powerful tool that employers employ for a variety of reasons, including incentivizing performance, recognizing exceptional contributions, and fostering motivation and loyalty within the workforce. One of the primary purposes of employee bonuses is to reward exceptional performance and achievements (Amin, 2022). Furthermore, bonuses can be tied to specific performance metrics or goals. By aligning financial rewards with organizational objectives, employers encourage employees to actively contribute to the company's success (Noorazem, Sabri & Mat Nazir, 2021). These goal-based bonuses can be instrumental in promoting a culture of accountability and achievement within the organization. In addition to rewarding performance and retaining talent, bonuses can act as a motivational force. The anticipation of a potential bonus can inspire employees to put forth their best effort, particularly when faced with challenging projects or tasks. The prospect of a financial reward can serve as a powerful incentive, driving employees to surpass their own expectations and contribute positively to the organization's growth and success (Israel, Ikem & Nduka, 2022).

2.1.5 Financial Performance

Financial performance refers to how well a company is doing in terms of generating revenue, managing expenses, and ultimately, making a profit (Orwa, Ouma & Okwemba, 2022). It is a critical aspect of assessing the overall financial health and success of an organization (Nworie & Ofoje, 2022). Profit stands as the universal aspiration of organizations, driving the design of policies and the execution of activities aimed at achieving this paramount objective (Liang, Nguyen, Tran & Truong, 2023). However, this pursuit of profit does not imply the absence of other corporate goals (Okoye & Ifeukwu, 2021). Financial performance serves as the gauge for assessing how effectively and efficiently a company's assets, including

equipment, facilities, and current holdings, are converted into earnings (Aggreh, Nworie & Abiahu, 2022). Profitability level of a company is assessed through its financial performance. A firm that has high level of profitability is often said to be a well performing firm (Mun & Woo, 2021). Profit is the surplus arising from revenue generated in the production process during a defined timeframe, representing the excess of revenue over net operating expenses (Nangih, Obuah, Wali & Turakpe, 2020).

Financial performance signifies the capacity of a firm to generate a satisfactory return on invested capital, a factor that not only gratifies shareholders but also entices potential investors to participate (Liang, Nguyen, Tran & Truong, 2023). To assess the financial performance of companies, an array of ratios comes into play, with prominent metrics including earnings after tax margin, earning before tax margins, Return on Assets (ROA), Return on Equity (ROE), et cetera (Erdoğan, 2022). These metrics collectively provide a comprehensive picture of a company's ability to transform its assets into profits, satisfy the expectations of shareholders, and efficiently manage its financial resources.

2.1.6 Earnings before Tax Margins

Earnings before Tax (EBT) margins, also known as operating profit margins, represent the ratio of a company's earnings before taxes to its total revenue (Bordeianu & Radu, 2020). It indicates the profitability of a company's core operations before accounting for taxes and other non-operational factors. EBT margins is derived by dividing a company's earnings before taxes by its total revenue, and it stands as a fundamental indicator of profitability before accounting for taxes and other non-operational factors (Erdoğan, 2022). One of the primary functions of EBT margins is to provide a clear view of how well a company's core operations are performing (Rotinsulu, Anantadjaya, Palit & Putri, 2023). By excluding taxes which are a non-operational item, this metric isolates the earnings generated purely from the company's day-to-day activities. EBT margins offer a precise measure of the company's operational efficiency, revealing whether it can generate profit from its core products or services.

Consistently increasing margins indicate successful cost management, improved efficiency, or growing demand for the company's products or services. Conversely, declining margins may raise concerns about cost overruns, competitive pressures, or changes in market dynamics. This historical perspective enables stakeholders to make informed decisions about the company's financial prospects and potential areas of concern.

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2.2 Theoretical Review

2.2.1 Reinforcement Theory

This research is anchored on reinforcement theory which was first introduced by B.F Skinner (1957), a renowned psychologist (Craig, Job-Olatunji, Dairo, Adedamola, Peters & Shorinmade, 2020). The theory is a widely applied principle in the field of organizational behavior and management. It is rooted in the idea that behavior can be shaped and reinforced through a system of rewards and punishments. According to Wei and Yazdanifard (2014), the core premise of reinforcement theory is that individuals are more likely to repeat behaviours that are followed by positive consequences (rewards) and less likely to engage in behaviors that lead to negative consequences (punishments). These consequences can be either intrinsic (internal satisfaction or guilt) or extrinsic (tangible rewards or penalties) (Gordan & Krishanan, (2014). In organizational settings, reinforcement theory is instrumental in understanding and influencing employee behaviour and motivation. It is often applied in areas such as performance management, employee recognition, and incentive programs. For example, employers may use positive reinforcement through bonuses, promotions, or public recognition to motivate employees to achieve certain goals or exhibit desired behaviours (Susanto, Lim, Linda, Tarigan & Wijaya, 2021). Conversely, punishment, such as reprimands or demotions, may be employed to discourage undesirable conduct. According to the theory, positive reinforcement occurs when a desirable behaviour is followed by a positive reward or outcome. On the other hand, a negative reinforcement involves removing or avoiding an unpleasant stimulus as a consequence of a specific behaviour (Troussas, Krouska & Virvou, 2017).

The relevance of the theory to the present study is that employee cost, which includes salaries, wages, benefits, and other forms of compensation, can be seen as a positive reinforcement within the context of reinforcement theory. The theory therefore supports the argument that a well-structured and equitable employee cost system can motivate employees to perform better and contribute positively to the organization's financial performance (Bawa, 2017). This is because positive reinforcement (such as fair and competitive compensation) should lead to the repetition of desirable behaviours. In this case, employees who are fairly compensated are likely to exhibit higher levels of motivation, engagement, and job satisfaction (Madhani, 2020). This, in turn, can result in improved job performance, including increased productivity, product quality, and efficiency. More also, motivated and satisfied employees are more likely to work efficiently, leading to increased production output without a proportional increase in costs. It is on the basis of the above premise that the study is anchored on reinforcement theory.

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2.3 Empirical Review

Shitsama, Kiongera and Otuya (2023) examined the effect of monetary reward strategies on the delivery of services for the National Police of Nairobi's devolved government. The study adopted a descriptive survey research design. The NPS staff population in Nairobi County is 9530, of which 400 were sampled with a turnout of 338. Primary data was obtained using questionnaires. The findings from the regression analysis showed that monetary reward strategies have a significant positive effect on the delivery of services by the NPS in Nairobi County.

Liang, Nguyen, Tran and Truong (2023) examined the link between employee welfare and firm financial performance using a large sample from KLD database. The data for the study covered 2001 to 2015. Ordinary least squares (OLS) regression analysis was used in testing the hypotheses. The research result confirmed a positive association between employee-friendly practices and firm performance indicated by Tobin's q.

Nwachukwu and Worlu (2023) examined the influence of sales force compensation techniques on the sales performance of bakery firms located in Port Harcourt. Their research employed a quantitative approach, utilizing a cross-sectional survey research design. The target population encompassed 127 bakery firms listed in the Yellow Pages Directory of Rivers State Ministry of Commerce & Industry. Since the population was readily accessible, a census sampling technique was employed, encompassing all 127 identified bakery firms. The study distributed a minimum of three questionnaires to employees in each of these 127 firms, resulting in a total of 381 questionnaires administered. Of these, 355 returned questionnaires were considered valid for analysis. Spearman rank correlation coefficient was utilized to examine the stated hypotheses, revealing that salary had a significantly positive impact on both productivity and profitability.

Wahyuni, Rimbano, and Sutanta (2023) investigated the effect of compensation on employee performance at the Four Lawang Regency Agriculture Office in Indonesia. Employing questionnaires and observations, the researchers employed various data analysis techniques, including simple regression, correlation coefficient analysis, t-tests, multiple regression, determination tests, and F-tests. The analysis of the data revealed that there is a significant positive relationship between compensation and employee performance.

Hassan, Hussain, and Rajput (2023) investigated the relationship between compensation and employee performance within the context of various commercial banks in Sukkur. The researchers administered a structured questionnaire to 117 employees, aiming to gather data on aspects like salaries/wages, bonuses/incentives, and indirect compensation, all in relation

to employee performance. Employing a range of statistical tools and analyses, this study employed a model to assess the interplay between these factors. The correlational analysis conducted revealed a moderate relationship between employee compensation and their performance. Specifically, the findings indicated that, on average, employees who receive higher salaries and bonuses tend to exhibit better performance compared to those who receive lower compensation packages.

Nosike and Nosike (2022) examined the effect of extrinsic reward factors on employees' performance in the public sector in Nigeria, using the states' civil service in the South-East, Nigeria as the study area. The study used descriptive survey design. Major statistical tools of analysis were summary statistics of percentages, Pearson Correlation and multiple regression analysis. Whereas summary statistics was used in analyzing the demographic characteristics of the respondents and answering the research questions which were structured in a Likert scale format, correlation and multiple regression analysis were used in verifying the various claims of the null hypotheses. Major findings include the following: pay rise and bonus payment have positive and significant effects on employees' performance in the civil service in Nigeria.

Agubata, Okolo, and Ogwu (2022) investigated the impact of employee benefits on the growth of consumer goods firms in Nigeria. A sample of ten consumer goods companies listed on the Nigerian Stock Exchange was used in the study. The study employed panel data sourced from the annual reports of these companies spanning the years 2012 to 2019, and the analysis was carried out using the Eviews software. Various analyses were conducted, including descriptive statistics using the original, unaltered data, tests such as Pearson correlation, and assessment of variance inflation factors. To address cross-sectional dependence, the Pesaran CD test was employed before estimating panel regression, which was subsequently corrected for cross-sectional dependence using Period SUR. The results of the Fixed Effect regression revealed that employee benefits, specifically gratuity, pension, and medical allowance, had a positive and statistically significant impact on organizational growth, measured in terms of assets.

Israel, Ikem and Nduka (2022) evaluated the influence of expenditure in human resource on financial performance of quoted manufacturing companies in Nigeria. Causal comparative and descriptive research designs were adopted in the operational method for estimating the test results of the study. The sample for this study comprised of fifty-two (52) quoted manufacturing firms in Nigeria out of their population of sixty (60). Result of the multivariate

econometric regression showed that Salaries, wages, allowances have a significant positive effect on return on equity.

Orwa, Ouma and Okwemba (2022) established the effect of personnel costs on the financial performance of fifty-seven listed companies in Kenya. The study employed a resource-based view theory and adopted a longitudinal research design. Secondary panel data was collected from the published audited financial statements from 2017 to 2021. The study employed a random effect Generalized Least Square regression analysis technique with the aid of STATA to analyse data and the findings indicated that personnel costs had a significant positive effect on financial performance.

Amin (2022) assessed the effect of financial and non-financial rewards on the performance of executives in manufacturing firms. Methodology in this study was built where a questionnaire was designed for data collection to measure compensation and benefits related to financial and non-financial rewards on executives' performance. Data were collected among executives in manufacturing firms at Kulim Hi-tech Park, Kulim, Kedah, Malaysia which had a 4438 population, 351 samples, and 244 respondents successfully collected from 25 manufacturing firms. A stratified sampling method was used to determine the samples and the data obtained were analyzed using SmartPLS. The finding of this study found that financial rewards have negative but nonsignificant relationship with executive job performance; while non-financial rewards have a significant positive relationship with executive job performance.

Bomm and Kaimann (2022) examined the influence of compensation on the performance of high-wage workers within organizations. Their study incorporated two distinct datasets. The first dataset comprised a randomly selected sample of A-listed Hollywood film stars, renowned for their above-average earnings in the movie industry. The second dataset focused on the oil industry and included high-wage workers in the British crude oil sector. Drawing from organizational justice theories, cognitive evaluation theory (CET), and self-determination theory (SDT), the authors formulated a hypothesis suggesting that performance-based bonuses may potentially weaken the positive association between base pay and organizational performance. To substantiate their findings, the researchers analyzed data from these two diverse industry contexts, revealing that the interaction between base pay and bonus pay had a detrimental effect on the organizational performance of high-wage workers. The outcomes of the multiple regression analysis indicated that bonus pay was linked to a reduction in the relationship between base pay and organizational performance.

Ndum and Oranefo (2021) examined the effect of human resource cost on financial performance of quoted brewery firms in Nigeria. The study adopted Ex-Post-Facto research design. The population of the study was made up of 5 breweries companies quoted on the floor of the Nigerian Stock Exchange (NSE) as at 2019 and have consistently submitted their annual reports to the NSE from 2007 to 2019. The data for this study were extracted from the published annual reports and accounts of these companies. The analysis which was done using regression analysis which revealed that staff cost has positive and significant effect on the net profit margin of quoted brewery firms in Nigeria, while staff cost has positive and insignificant effect on the return on assets of quoted brewery firms in Nigeria.

Okoye and Ifeukwu (2021) examined the effect of human resource cost on financial performance of quoted brewery firms in Nigeria. The specific objectives were to ascertain the effect of staff cost on net profit margin, and return on asset of quoted brewery firms in Nigeria. Ex-Post Facto Research design was adopted for the study. Data for the study were extracted from breweries companies quoted on the floor of the Nigerian Stock Exchange from 2007 to 2019. Regression analysis was adopted to test the formulated hypotheses. The analysis revealed that staff cost has positive and significant effect on the net profit margin and return on equity of quoted brewery firms in Nigeria, while staff cost has positive but insignificant effect on return on Asset of quoted brewery firms in Nigeria.

Noorazem, Sabri and Mat Nazir (2021) investigated the effect of a reward system in an organization on employee performance in McDonald's in Perlis and Penang region of Malaysia. This study adopted a quantitative approach where 132 sets of questionnaires were distributed to the participants selected using convenience sampling. Data were then analyzed using correlations analysis and regression analysis. The results show that salary, bonuses, appreciation and medical benefits have a significant positive impact on employees' performance.

Craig, Job-Olatunji, Dairo, Adedamola, Peters and Shorinmade (2020) examined the effect of employee remuneration on the performance of a selected group of Nigerian manufacturing firms. Their study focused on five companies with the highest asset base among quoted manufacturing firms. Employing a non-experimental research design, the authors utilized a dataset spanning the period 2009 to 2018, derived from the annual reports and financial statements of these selected manufacturing companies. The research formulated and tested three hypotheses using a multiple regression model. The results of the analysis revealed statistically significant relationships between staff salaries and post-employment benefits with

Profit after Tax of the selected Nigerian manufacturing companies; while staff cost did not exhibit a significant relationship with profit.

Onyekwelu, Dike and Muogbo (2020) examined remuneration as a tool for increasing employee performance in bottling companies in Nigeria. The population of the study was 200. The study adopted primary and secondary sources to gather information and copies of questionnaire were used also. The research adopted survey and descriptive research technique in analyzing data acquired from Bottling Companies in Nigeria while hypotheses was tested using Regression analysis and ANOVA. It was found that remuneration plays a significant role in increasing workers performance in an organisation.

Saman (2020) determined the effect of compensation on job satisfaction and employee performance in the Mining Company of Indonesia. Data were collected from a sample of 51 employees. Partial Least Square (PLS) was applied in testing the hypotheses. The results of this study revealed that compensation has a significant positive effect on job satisfaction, in addition, compensation also has a significant positive effect on employee performance.
Etukudo, Okoro, and Etim (2020) investigated the effect of employee cost on the performance of commercial banks in Nigeria. To achieve their research objectives, the researchers adopted an ex-post facto research design. The study's population consisted of 15 commercial banks listed on the Nigeria Stock Exchange as of December 2019, with a sample size of 10 commercial banks selected from this population. The researchers relied on secondary data, specifically annual reports and accounts of the chosen commercial banks, for their analysis. The researchers conducted panel data-based regression analysis to examine the relationships. The results of their analysis revealed that employee cost had a positive and significant effect on the earnings per share of commercial banks in Nigeria.

Ele, Makama and Auquasama (2020) examined salaries and wages management as an instrumental tool for effective development of civil servants' performance in Cross River State, Nigeria. This study adopted survey research design. The population 1206 which consist of the various workers of the Cross River State Civil Service Commission that cut across ministries, agencies, institutions and other parastatals. Simple random sampling technique was applied through the use of Taro Yamane formula in determining the sample size of 234 respondents. Primary data was collected through the use of a structured questionnaire using 4 points Likert scale of strongly agreed (4), agreed (3), and disagreed (2), strongly disagreed (1). The data analysis technique used for the study was linear regression model, including ordinary least square and analysis of variance (ANOVA) through SPSS version 20, to test the hypotheses. The study revealed that salaries and wages management significantly influence the development of organizational performance of the Cross River State ministries, agencies

and institutions; early payments of salaries and wages have a significant influence on organizational performance in the state; the amount of salaries and wages paid also has a significant effect on workers' involvement, loyalty and commitment of the state.

Aliku, Morka and Igemohia (2020) examined the effect of compensation management on employees' performance in the manufacturing industry of Nigeria. A descriptive survey research design was adopted most appropriately due to the descriptive and inferential statistics used in processing the collected data. The sample size of 73 respondents was determined for the study using Census statistical application on small elements. The study used a 5 point Likert Scale for the closed-ended questions to draw responses from the respondents. The Pearson correlation analysis was used as a basis of testing hypotheses. The findings revealed that salaries and benefits programmes have a significant positive relationship with Employees Performance in the Manufacturing Industry.

Olajumoke (2020) examined the influence of human resource cost on financial performance of consumer goods companies in Nigeria. Secondary data were sourced from published annual financial statements of the selected consumer goods company trading on the floor of Stock Exchange in Nigeria, for the period of ten years (10) spanning 2009-2018. Data analysis was done using Static Panel Estimation techniques which consisted of Pooled Ordinary Least Square (POLS) Estimator, Fixed Effect Model (FEM), and Random Effect Model (REM). The result of the study showed that pension cost, director's emolument and gratuity cost exert positive and statistically significant impact on ROA whereas salary and wages exerts positive but insignificant impact on ROA.

Nangih, Obuah, Wali, and Turakpe (2020) undertook an investigation into the relationship between staff costs and the profitability of publicly traded oil and gas companies in Nigeria. The study specifically scrutinized the influence of staff salaries, medical expenses, and training costs on the profit margin of these listed oil and gas firms, grounding its research on the Expectancy Theory. Data were collected from the annual financial reports of the firms spanning from 2013 to 2018, with the selection of five (5) companies for the study accomplished through judgmental sampling. The data underwent analysis utilizing descriptive, correlation, and regression analysis tools. The findings derived from hypothesis testing revealed that both salaries and training costs had a positive impact on profit margin, while medical expenses exhibited a negative effect on profitability; notably, only training costs were statistically significant in this regard.

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3. MATERIAL AND METHOD

Ex-post facto research design was deployed by the study using panel data analysis of the financial information of interest. The study adopted ex-post facto research design because it is the most appropriate design which is used when a study of relationship between past events is being conducted (Nworie, Okafor & John-Akamelu, 2022), which cannot be controlled or manipulated.

The population of the study comprised all the 75 listed manufacturing firms on the Nigerian Exchange Group (NGX). According to NGX Daily Stock Listing as at the end of 31st December 2022, the manufacturing firms that are quoted on the floors of the NGX are seventy-five (75). However, the study's sample comprised twenty-six (26) Manufacturing firms in Nigeria, which were chosen through purposive sampling technique. The criteria for participant selection encompass three key attributes: first, the manufacturing firms had to fall under either the consumer goods or industrial goods category; second, these firms needed to be listed during the 2013 accounting period; and finally, the selected firms were required to possess complete annual reports filed with the Nigerian Exchange Group from 2013 to 2022. A comprehensive list of firms meeting these criteria is provided in Appendix I. This study made use of secondary data extracted from the publicly available financial statements and accounts of chosen manufacturing firms listed on the Nigerian Exchange Group. The data covered a span of ten (10) years, from 2013 to 2022.

Table 1 Operationalization of Independent Variables

Variable	**Type of Variables**	**Measurement**	**Source**
1) Employee Salaries	Independent	The firms' expenses on salaries and wages	Craig, Job-Olatunji, Dairo, Adedamola, Peters & Shorinmade, 2020
2) Employee retirement benefits	Independent	The firms' expenses on post-employment benefits	Craig, Job-Olatunji, Dairo, Adedamola, Peters & Shorinmade, 2020
3) Employee bonuses	Independent	The firms' expenses on bonuses	Bomm & Kaimann, 2022)
4) Earnings Before Tax Margin	Dependent	Earnings Before Tax/Net Revenue	Erdoğan, 2022)

Source: Researcher's Compilation, 2023

The regression model of this study regresses earnings before tax margin on cost of salaries, retirement benefits and bonuses. To achieve this, the study first adapted the

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model by Craig, Job-Olatunji, Dairo, Adedamola, Peters & Shorinmade, 2020 as follows:

PATit=a0+β1 ECit + β2 SSit + β3 PEBit + e ----------eqn 1

Where

PAT= Profit after tax (Dependent Variable)

β_1- β_3 = Co-efficient of independent variables

a_0= constant of the equation

EC= Employee Cost

SS= Staff Salaries

PEB= Post-employment benefits (EC, SS & PEB are all independent variables)

i = number of companies used

t = time interval

e= error terms

The above model was modified to be in line with the objectives of the present study and the natural log of the data were used in the inferential analysis. The regression model that was estimated for the purpose of the present study is therefore:

$EBTM_{it} = \alpha_0 + \beta_1 EMS_{it} + \beta_2 ERB_{it} + \beta_3 EMB_{it} + \mu_{it}$ _____eqn2

Where,

$EBTM_{it}$ = Earnings Before Tax Margin for firm i in period t.

EMS_{it} = Natural log of Employee Salaries for firm i in period t

ERB_{it} = Natural log of Employee retirement benefits for firm i in period t

EMB_{it} = Natural log of Employee bonuses for firm i in period t

μ_{it} = white noise for firm i in period t.

α_0 = constant.

β_{1-3} = coefficients of the predictors

The analysis of data encompassed descriptive measures such as central tendency and dispersion, providing hints into the dataset's characteristics. Employing a Pooled Ordinary Least Squares (OLS) regression model, the study expressed the nexus between dependent and independent variables. This model uses coefficients to depict the strength and direction of these associations.

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3.1 Decision Rule

To accept or reject a null hypothesis, emphasis is based on the significance of the t-test and probability. The result of the probability of t-stat is compared with 0.05 and if the result is less than 0.05, we accept the alternate hypothesis and reject the null hypothesis. However, the null hypothesis is accepted if the probability of t-stat is greater than 0.05.

4. RESULT AND DISCUSSIONS

4.1 Data Analysis

The analysis of data encompassed descriptive measures such as central tendency and dispersion, providing hints into the dataset's characteristics.

Table 2 Descriptive Analysis

	EBTM	EMS	ERB	EMB
Mean	0.071971	5403124.	492254.4	343593.7
Median	0.064640	1568124.	82287.00	0.000000
Maximum	1.968200	51012000	6316297.	4374094.
Minimum	-3.441751	0.000000	0.000000	0.000000
Std. Dev.	0.324866	8804322.	947975.5	806204.0
Skewness	-4.543838	2.462125	3.673735	2.922787
Kurtosis	59.84517	9.336017	18.37799	11.34078
Jarque-Bera	35901.23	697.5946	3146.736	1123.843
Probability	0.000000	0.000000	0.000000	0.000000
Sum	18.71237	1.40E+09	1.28E+08	89334363
Sum Sq. Dev.	27.33426	2.01E+16	2.33E+14	1.68E+14
Observations	260	260	260	260

Source: Eviews 11 Statistical Output (2023)

As indicated in Table 2, the mean EBTM of 0.071971 indicates that, on average, the listed manufacturing firms in Nigeria had a positive earnings before tax margin. The maximum EBTM of 1.968200 suggests that there were instances where the firms experienced high profitability, while the minimum of -3.441751 implies that some firms had negative earnings before tax. The standard deviation of 0.324866 suggests moderate variability in EBTM across the sampled manufacturing firms. The negatively skewed distribution with a skewness of -4.543838 indicates a tail towards lower values, suggesting that there are outliers with extremely low EBTM. The kurtosis of 59.84517 indicates a very high degree of peakedness and fat tails, suggesting a highly leptokurtic distribution. The Jarque-Bera test result of

35901.23 with a probability of 0.000000 rejects the null hypothesis of normality, indicating that EBTM is not normally distributed.

As shown in Table 2, the mean employee salaries of 5,403,124 suggests that, on average, the listed manufacturing firms in Nigeria had moderate employee salary expenses. The maximum value of 51,012,000 indicates that there are firms with significantly high employee salary expenses, while the minimum of 0 suggests the presence of firms with no reported employee salaries. The high standard deviation of 8,804,322 indicates substantial variability in employee salaries among the sampled firms. The positively skewed distribution (skewness = 2.462125) implies a tail towards higher values, suggesting the presence of firms with exceptionally high employee salaries. The kurtosis of 9.336017 indicates a moderate degree of peakedness and tails compared to a normal distribution. The Jarque-Bera test result of 697.5946 with a probability of 0.000000 rejects the null hypothesis of normality, indicating that employee salaries are not normally distributed.

Table 2 shows that the mean employee retirement benefits as 492,254.4 which suggests that, on average, the listed manufacturing firms in Nigeria had moderate expenses related to employee retirement benefits. The maximum value of 6,316,297 indicates that some firms had high retirement benefit expenses, while the minimum value of 0 suggests the presence of firms with no reported retirement benefits. The standard deviation of 947,975.5 indicates considerable variability in retirement benefit expenses among the sampled firms. The positively skewed distribution (skewness = 3.673735) indicates a tail towards higher values, suggesting the presence of firms with exceptionally high retirement benefit expenses. The kurtosis of 18.37799 indicates a high degree of peakedness and fat tails, suggesting a leptokurtic distribution. The Jarque-Bera test result of 3,146.736 with a probability of 0.000000 rejects the null hypothesis of normality, indicating that employee retirement benefits are not normally distributed.

According to the result in Table 2, the mean employee bonuses of 343,593.7 suggests that, on average, the listed manufacturing firms in Nigeria had moderate expenses related to employee bonuses. The maximum value of 4,374,094 indicates that some firms had high bonus expenses, while the minimum value of 0 suggests the presence of firms with no reported bonuses. The standard deviation of 806,204.0 indicates notable variability in bonus expenses among the sampled firms. The positively skewed distribution (skewness = 2.922787) indicates a tail towards higher values, suggesting the presence of firms with exceptionally high bonus expenses. The kurtosis of 11.34078 indicates a high degree of peakedness and fat tails, suggesting a leptokurtic distribution. The Jarque-Bera test result of 1,123.843 with a

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probability of 0.000000 rejects the null hypothesis of normality, indicating that employee bonuses are not normally distributed.

4.2 Hypotheses Testing

The study utilized a Pooled Ordinary Least Squares (OLS) regression model to analyze the relationship between dependent and independent variables. Coefficients from this model were obtained using Eviews Version 11 statistical software applied to the panel dataset.

Table 3 Regression Results for Hypotheses Testing

Dependent Variable: EBTM

Method: Pooled Least Squares

Date: 12/06/23 Time: 06:17

Sample: 2013 2022

Included observations: 260

Cross-sections included: 1

Total pool (balanced) observations: 260

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EMS	0.027758	0.031409	0.883763	0.3777
ERB	0.044360	0.022951	1.932799	0.0544
EMB	-0.012681	0.007856	-1.614278	0.1077
C	-0.272287	0.116219	-2.342883	0.0199

R-squared	0.079507	Mean dependent var	0.071971
Adjusted R-squared	0.068720	S.D. dependent var	0.324866
S.E. of regression	0.313505	Akaike info criterion	0.533260
Sum squared resid	25.16100	Schwarz criterion	0.588040
Log likelihood	-65.32379	Hannan-Quinn criter.	0.555282
F-statistic	7.370576	Durbin-Watson stat	1.377243
Prob(F-statistic)	0.000093		

***Source**: Eviews 11 Statistical Output (2023)*

The Pooled Least Squares (PLS) regression analysis was utilized to explore how different components of employee costs affect the financial performance of listed manufacturing firms in Nigeria .The R-squared value, which is 0.079507, indicates that approximately 7.95% of the variability in the dependent variable, earnings before tax margin (EBTM), is explained by the independent variables—employee salaries, employee retirement benefits, and employee

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bonuses. In other words, the model accounts for about 7.95% of the variation in EBTM, leaving the majority of the variation unexplained.

The F-statistic, with a value of 7.370576, tests the overall significance of the model. The associated probability (Prob(F-statistic)) of 0.000093 is less than 0.05, which suggests that there is strong evidence against the null hypothesis that all coefficients in the model are zero. Therefore, the model as a whole is deemed statistically significant. Summarily, the Pooled Least Squares regression model explains a modest proportion of the variability in earnings before tax margin, with an R-squared value of 0.079507. The F-statistic and its low associated probability provide strong evidence that the model is statistically significant.

4.2.1 Hypothesis One

H_{o1}: Employee salaries has no significant effect on the earnings before tax margin of listed manufacturing firms in Nigeria.

As shown in Table 3 above, the positive coefficient of 0.027758 for Employee Salaries (EMS) suggests that, on average, a one-unit increase in employee salaries is associated with a 0.027758-unit increase in earnings before tax margin (EBTM). However, the probability of 0.3777 which is greater than 0.05 indicates that this relationship is not statistically significant, meaning that the observed increase may occur due to random chance rather than a meaningful connection. Hence, since the p-value (0.3777) is greater than 0.05, the null hypothesis was accepted which implies that employee salaries have no significant but positive effect on the earnings before tax margin of listed manufacturing firms in Nigeria (*p*-value = 0.3777).

The positive effect is because when employees feel valued and adequately compensated, Employees are likely to be more committed to their work, leading to improved overall organizational performance. Additionally, higher salaries may contribute to a positive work culture and employee satisfaction, reducing turnover and the associated costs of recruiting and training new staff. This positive relationship between employee salaries and earnings before tax margin underscores the importance of investing in human capital for sustained financial success in the manufacturing sector. This result agrees with those of Okoye and Ifeukwu (2021); Nwachukwu and Worlu (2023); Ndum and Oranefo (2021) and Israel, Ikem and Nduka (2022).

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4.2.2 Hypothesis Two

H_{o2}: Employee retirement benefits does not significantly affect earnings before tax margin of listed manufacturing firms in Nigeria.

The regression result in Table 3 indicates a positive coefficient of 0.044360 for Employee Retirement Benefits (ERB) which implies that, on average, a one-unit increase in retirement benefits is associated with a 0.044360-unit increase in EBTM. The probability of 0.0544, while marginally above the 5% significance level, suggests that this effect is not significant. Hence, since the p-value (0.0544) is slightly greater than 0.05, the null hypothesis was accepted meaning that employee retirement benefits have no significant but positive effect on earnings before tax margin of listed manufacturing firms in Nigeria (*p*-value = 0.0544).

Providing attractive retirement benefits can contribute to employee loyalty and job satisfaction, fostering a stable and experienced workforce. This stability, in turn, can result in increased operational efficiency and reduced training costs. Moreover, a robust retirement benefits program can enhance the overall image of the company as an employer of choice, attracting top talent and contributing to a positive organizational reputation. As a result, the financial performance of manufacturing firms benefits from the strategic investment in employee retirement benefits, emphasizing the importance of holistic employee well-being in driving financial success. This finding is in line with those of Olajumoke (2020); Agubata, Okolo, and Ogwu (2022) and Ndum and Oranefo (2021).

4.2.3 Hypothesis Three

H_{o3}: Employee bonuses does not significantly affect earnings before tax margin of listed manufacturing firms in Nigeria.

The negative coefficient of -0.012681, as shown in Table 3 for Employee Bonuses (EMB) indicates that, on average, a one-unit increase in employee bonuses is associated with a 0.012681-unit decrease in EBTM. However, the probability of 0.1077 is above 5% significance level, suggesting that this negative relationship is not statistically significant. Thus, there is insufficient evidence to conclude that employee bonuses have a meaningful impact on EBTM based on the Pooled least square analysis. Since the p-value (0.1077) is greater than 0.05, the null hypothesis was accepted and this implies that that employee bonuses have no significant and negative effect on earnings before tax margin of listed manufacturing firms in Nigeria (*p*-value = 0.1077).

The finding that employee bonuses have a negative although non-significant effect on the earnings before tax margin of listed manufacturing firms in Nigeria may be attributed to

potential misalignment between bonus structures and overall organizational goals. While bonuses are designed to motivate and reward high performance, their negative impact on financial performance suggests that the bonus systems in place might not be effectively tied to key performance indicators or profitability targets. If bonuses are granted indiscriminately or without a clear link to organizational objectives, it can lead to increased operating costs without corresponding improvements in productivity or revenue. This corroborates the results found by Amin (2022).

CONCLUSION AND RECOMMENDATIONS

Compensation structures for employees, also referred to as employee costs, are crucial elements that not only shape the financial aspects but also impact the overall operational dynamics of organizations. These structures, encompassing components like employee salaries, retirement benefits, and bonuses, exert a significant influence on various critical aspects within the workforce ecosystem. While these remunerations have the potential to boost workforce motivation, foster employee loyalty, and enhance productivity, it also poses considerable challenges in terms of financial allocation and resource management. This study investigating the effect of employee costs on the financial performance of listed manufacturing firms in Nigeria yielded several useful findings.

Employee salaries were found to have a positive effect on earnings before tax margin (EBTM), indicating that firms investing in competitive salaries may experience improved financial performance. Similarly, employee retirement benefits were associated with a positive impact on EBTM, emphasizing the potential benefits of offering attractive retirement packages for overall organizational success. However, the negative effect of employee bonuses on EBTM suggests that higher bonus payments may be linked to reduced financial performance, prompting a closer examination of bonus structures to ensure alignment with organizational goals. Therefore, designing and implementing bonus structures that do not align with long-term wealth-maximization goal makes it impossible for financial incentives to contribute positively to overall performance.

Based on the above, we recommend that:

a. Manufacturing firms should regularly benchmark its salary structures against industry standards to ensure it remains competitive. Additionally, implementing performance-based pay systems can further align employee remuneration with organizational goals, fostering a culture of meritocracy and productivity.

b. Managers should engage in periodical review and adjust retirement benefit offerings to align with changing employee expectations and market trends so as to help in sustaining the positive impact on financial performance.

c. Manufacturing firms should re-examine their bonus structures and ensure it is closely tied to key performance indicators (KPIs) and organizational goals. It is advisable to implement a transparent and well-communicated bonus system that clearly outlines the criteria for bonus eligibility and the link between performance and rewards. It is however important that bonus should be paid to all the employees of the firm this is because, the success and failure of every firm is the collective contribution of the whole staff (from the cleaner to the top management).

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