

An Assessment of the Criteria used in Allocating Different Types of Employee Benefits at the Kenya Pipeline Company, Eldoret, Kenya

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Abstract

This paper is based on a study that assessed the types and criteria for awarding employee benefits at the Kenya Pipeline Company, Eldoret branch. Interpretive case study methodology and descriptive survey research design was used to obtain in-depth information from the respondents. The target population comprised 180 employees at the KPC, Eldoret branch. Stratified random sampling was used to draw a sample of 49 employees and purposive sampling to select 6 senior management staff. Data was collected using a questionnaire, document analysis and an interview schedules. Documents analyzed included the company's journals and the strategic plan. Descriptive and inferential statistics were used to analyze the data. The study established that the Company utilizes Collective Bargaining Agreement (CBA) and company policy in awarding equal employee benefits. The following equal employee benefits are awarded by KPC to its employees: schemes such as loans, pension and an assortment of insurance policies, knick-knacks, paid time off in form of leaves and holidays, counselling services, bonding sessions, payment for over time, protective gears and casual wear. Given the high global economic inflation, companies should consider harmonizing the benefits package so as to cushion itself against employee attrition and its employees against the harsh effects of inflation. From its findings and recommendations, the study helps managers increase employee motivation and morale which in turn will translate to high performance. The study also adds knowledge to the existing database which can be referred to by researchers and scholars.

Keywords: criteria, types, employee benefits, Kenya pipeline company, Kenya

INTRODUCTION

Successful companies have a history of good reward systems by means of employee benefits awarded to staff differentially based on individual performance. The concern of the study, on which this paper is based, was that some companies award equal employee benefits regardless of individual performance. This gap of disregarding individual employee effort in allocation of benefits is detrimental, especially to hardworking employees leading to low performance. The award of equal benefits fails to recognize workforce diversity. In most Kenyan state corporations and organizations, employee benefits are awarded equally for a specific job grade (GOK, 2007). This in return has contributed to high labour turnover; loss of talent, increased labour costs unmet targets and in most organizations such as KPC has not yet attained the top ten positions in national rankings of performance since the inception of performance contracting in Kenya. This paper critically examines the types of benefits and criteria of allocation employee benefits to ensure better organizational performance.

Human Motivation Theories and Employee Benefits

Abraham Maslow is renowned for proposing the Hierarchy of Needs Theory in 1943. This theory is a

classical depiction of human motivation. The theory is based on the assumption that there is a hierarchy of five needs within each individual. These five needs are: physiological; Safety; Social; Esteem needs, and Self-actualization needs. According to Maslow (1943), individuals are motivated by unsatisfied needs. As each of these needs is significantly satisfied, it drives and forces the next need to emerge. Maslow groups the five needs into two categories, namely Higher-order needs and Lower-order needs. The physiological and the safety needs constituted the lower-order needs. The Lower-order needs are mainly satisfied externally. The social, esteem, and self-actualization needs constituted the Higher-order needs. The Higher-order needs are generally satisfied internally. Thus, we can conclude that during boom period, the employees lower-order needs are significantly met.

In 1959, Frederick Herzberg, a behavioural scientist, proposed a two-factor (motivator-hygiene) theory. According to Herzberg, there are some job factors that result in satisfaction while there are other job factors that prevent dissatisfaction. To Herzberg, the opposite of "Satisfaction" is "No satisfaction" and the opposite of "Dissatisfaction" is "No Dissatisfaction" (Herzberg, 1959). Some of these factors are as follows:

- **Hygiene factors** - Hygiene factors are those job factors which are essential for existence of motivation at workplace. These do not lead to positive satisfaction for long-term. But if these factors are non-existent at workplace, then they lead to dissatisfaction. These factors are extrinsic to work. Hygiene factors are also called as dissatisfiers or maintenance factors as they are required to avoid dissatisfaction. The hygiene factors symbolize the physiological needs which individuals want and expect to be fulfilled. Hygiene factors include: Pay; Company Policies and administrative policies; Fringe benefits; Physical Working conditions; Status; Interpersonal relations, and Job Security.
- **Motivational factors** - According to Herzberg, the hygiene factors cannot be regarded as motivators. The motivational factors yield positive satisfaction. These factors are inherent to work. These factors motivate the employees for a superior performance. These factors are called satisfiers. These are factors involved in performing the job. Employees find these factors intrinsically rewarding. The motivators symbolized the psychological needs that were perceived as an additional benefit. Motivational factors include: Recognition; Sense of achievement; Growth and promotional opportunities; Responsibility, and Meaningfulness of the work.

Douglas McGregor formulated Theory X and Theory Y in 1960, suggesting two aspects of human behaviour at work. One of these is negative, called as Theory X, and the other is positive, so-called Theory Y. According to McGregor (2002), the perception of managers on the nature of individuals is based on various assumptions. The Theory X assumes that an average employee intrinsically does not like work and tries to escape it whenever possible. Therefore, employees need formal direction; they must be persuaded, compelled, or warned with punishment so as to achieve organizational goals. It also assumes that many employees rank job security on top and they have little or no ambition, and that employees generally dislike responsibilities, and resist change.

On the other hand, the Theory Y assumes that employees can perceive their job as relaxing and normal. They exercise their physical and mental efforts in an inherent manner in their jobs. Moreover, employees may not require only threat, external control and coercion to work, but they can use self-direction and self-control if they are dedicated and sincere to achieve the organizational objectives. The theory also assumes that if the job is rewarding and satisfying, then it will result in employees' loyalty and commitment to organization, and that an average

employee can learn to admit and recognize the responsibility. In fact, he can even learn to obtain responsibility. Lastly, that the employees have skills and capabilities, and their logical capabilities should be fully utilized.

Vroom's (1964) Expectancy Theory explains that when employees are given choices they choose the option that promises to give them the greatest reward. There are three basic elements of his expectancy theory: expectancy, instrumentality and valence.

- **Expectancy** - This is an individual's belief that by making a great deal of effort he will accomplish a lot. An individual's expectancy in relation to the effort plays a key part in his behaviour. If an individual feels that no matter how hard he works the company will not pay any attention, he will not make much effort. This belief or perception is generally based on an individual's past experience, self confidence or the difficulty of achieving set goals.
- **Instrumentality** - Even if an individual works hard, if his efforts are not going to be rewarded, there is going to be a lack of motivation. The instrumentality is the belief that if he works hard the outcomes will earn him reward which can be in a form of salary increase or promotion, or some form of recognition. Instrumentality depends on trust and company policies.
- **Valence** - This simply refers to the value an individual places on an event or outcome. Even if an employee believes that his contribution will lead to an improvement in the company's performance and that his award will be commensurate with his effort and contribution, he will be poorly motivated if those rewards have a low valence to him. It is the value that this individual attaches to the outcome that matters (Vroom, 1964).

The core of the Equity Theory is the principle of balance or equity. As per this motivation theory, an individual's motivation level is correlated to his perception of equity, fairness and justice practiced by the management. Higher is individual's perception of fairness, greater is the motivation level and vice versa. While evaluating fairness, an employee compares the job input (in terms of contribution) to outcome (in terms of compensation) and also compares the same with that of another peer of equal cadre/category. D/I ratio (output-input ratio) is used to make such a comparison. Equity is perceived when this ratio is equal. Equity tension arises when the ratio is unequal.

The Equity Theory assumes that individuals are concerned both with their own rewards and also with

what others get in their comparison. In addition, employees expect a fair and equitable return for their contribution to their jobs. They also decide what their equitable return should be after comparing their inputs and outcomes with those of their colleagues. Lastly, employees who perceive themselves as being in an inequitable scenario will attempt to reduce the inequity either by distorting inputs and/or outcomes psychologically, by altering inputs and/or outputs directly, or by quitting the organization (Business Knowledge Centre, 2010).

PROBLEM STATEMENT

Successful companies have a history of good reward systems by means of employee benefits awarded to staff differentially based on individual performance. The concern of the study, on which this paper is based, was that some companies award equal employee benefits regardless of individual performance. This gap of disregarding individual employee effort in allocation of benefits is detrimental, especially to hardworking employees leading to low performance. The award of equal benefits fails to recognize workforce diversity. In most Kenyan state corporations and organizations, employee benefits are awarded equally for a specific job grade (GOK, 2007). This in return has contributed to high labour turnover; loss of talent, increased labour costs unmet targets and in most organizations such as KPC has not yet attained the top ten positions in national rankings of performance since the inception of performance contracting in Kenya. This paper critically examines the types of benefits and criteria of allocation employee benefits to ensure better organizational performance.

LIMITATION OF THE STUDY

The study was conducted at the Kenya Pipeline Company, Eldoret branch in Wareng County of Kenya. The findings on the types of criteria used in allocating different employee benefits may not necessarily apply to other branches of the KPC spread across Kenya as well as other similar firms due to unique challenges related to contexts. However, the study provides a framework for establishing appropriate methods of allocating employee benefits in organizations that could be adopted in analysing other similar companies.

MATERIALS AND METHODS

The study targeted employees of the Kenya Pipeline Company (KPC) who work at the Eldoret branch. The branch has eleven departments with a population of 180 employees. Twenty are in senior management and 160 are in middle and junior level management. The study used an interpretive case study. Quantitative analysis was used to strengthen the qualitative aspect. A descriptive research design was adopted for the study. Stratified sampling was used to draw a representative sample of 30% from senior,

mid and junior level management employees into the study. Systematic sampling was then employed to draw respondents from the 11 departments existing in KPC, Eldoret branch namely; Administration, Instrumentation and Control, Security, Finance, IT, Operations, Mechanical, Electrical, Procurement, Quality Control and Health and Safety departments. From a population of 180 employees, 6 senior management staff and 48 staff drawn from middle level and junior level were selected to constitute a sample size of 54 respondents. The six (6) senior management staff were interviewed whereas the forty-nine (49) employees were given questionnaires to fill.

Questionnaires, interview schedule and document analysis were used to obtain the required data for this study. Data analysis was done with the aid of the Statistical Package of Social Science (SPSS). The output was then presented in the form of frequency tables, graphs and correlations.

RESULTS

Types of Equal Employee Benefits Offered by Kenya Pipeline Company

All the respondents identified the following as types of equal employee benefits offered by the company:

- **Schemes** such as house purchase loans and other forms of personal loans, pension scheme, personal accident insurance as well as disability insurance.
- **Knick-nacks** such as calendars, umbrellas, stationery and diaries are provided by the company to its employees.
- **Paid time off** – in form of leaves and holidays. Participants in the study indicated that the company recognizes the following forms of leaves; maternity, paternity, sick, bereavement, annual, study and compassionate leaves. It also recognizes the three official holidays namely: Madaraka Day, Labour Day and Jamhuri Day. According to the respondents, salary deductions are made for employees who choose to take other forms of holidays.
- **Counselling services** such as psycho social and voluntary counselling and testing services. The company has a room designated for counselling services.
- **Bonding sessions** such as a common breakfast held annually and prayer sessions held every first Friday of the month.
- **Payment for over time:** Employees at the company work for eight hours as from 8:00 am-5:00pm. Any other hours outside the eight hours is considered as overtime. Employees in the security and operations departments work in an eight hour shift. They are entitled to shift allowance which includes lunch and supper allowances.

- **Protective gears:** According to the responses from the managers, protective gears are mandatory for all except those who work in the offices. The company provides protective gears such as helmets, coats, gloves and footwear. The company's drivers and security personnel are provided with uniforms.
- **Casual wear:** Employees at the company are allowed to wear casual wear on Fridays.

The employees, however, did not identify the following as equal employee benefit offered by the company: subsidized meals, fuel cost and recreational facilities. In congruence, the managers outline all the benefits above as basic benefits and union based benefits accorded to its members. In addition, they pointed out that the company had one gymnasium situated at the headquarters in Nairobi that is accessible to all KPC employees. They also indicated that the company owns Morendat Training Institute situated in Naivasha, which offers conference, accommodation and recreational activities and is accessible to the employees at a subsidized cost.

Nature of Equal Employee Benefits

There are many ways to acknowledge contributions and good performance. They range from establishing a formal cash incentive to recognition awards programmes. The respondents felt that the nature of employee benefits in the company was varied. They ranged from monetary (32.7%), non-monetary (12.2%) to non-defined benefits (4.1%) as indicated by the respondents. A majority of the respondents felt that the company utilizes both monetary and non monetary benefits as indicated by 51% of the respondents. From the interview with the managers, they named the award of monetary rewards as well as tokens and incentives as forms of employee benefits. The tokens ranged from certificates of recognition and appreciation to cards for occasions such as weddings, birthdays and anniversaries.

A majority of the company's employees (75.5%) were very satisfied with the employee benefits offered by the company, 16.3% were satisfied, 6.1% were least satisfied and 2% were neutral about the equal employee benefits. Data obtained from the managers indicated that 83.3% and 16.7% were respectively very satisfied and satisfied with the benefits offered by the company. All the managers, however, spelled out the need to improve on the benefits package so as to cushion against the current high inflation rates.

It was noticed that most employees identified both monetary and non-monetary nature of equal employee benefits (21). Most of them however indicated monetary rewards (12) as opposed to non monetary rewards (2). A Chi-square test of independence was carried out to establish whether or

not there was a relationship between the nature of employee benefits and the level of satisfaction. There was no significant relationship between the nature of employee benefits and employee level of satisfaction at KPC. The X^2 - test statistic (14.318, $\alpha = 0.111$, $p = 0.05$) established a statistically significant ($p = 0.05$) influence ($\alpha = 0.111$) between the nature of employee benefits and the employee level of satisfaction.

Recreational Activities Offered by KPC

The respondents' frequencies on the types of recreational facilities offered by the company were as follows: a majority identified parties, sporting activities and trips (81.63%) as recreational facilities offered by the company, followed by those who cited team building activities (8.16%), parties and sporting activities (6.12%), and parties and team building activities (4.08%). A majority of the employees felt that the recreational activities were held annually (73.5%); others indicated that they were need-based (18.4%) and a few felt that it was held bi-annually (8.2%). Responses from the managers outlined that the company hosted inter station volleyball tournament on a rotational basis annually. According to the managers, a party is usually held at the end of the sporting event whereby participants at the tournament are awarded certificates of appreciation. Team building activities are held quarterly at the departmental level. All these activities are open to all cadres of employees. The frequencies of these recreational activities were presented below:

Criteria Used in Awarding Equal Employee Benefits

The question 'what criterion is used in award equal employee benefits?' sought to ascertain the criteria used by KPC to award benefits to its employee. A majority of the respondents (91.8 %) indicated that the principle decisive factor in the award of equal employee benefits at the company was through CBA and the company policy; 6.1% felt that it was tagged to friendships and 2% identified customer satisfaction as a factor in the award of equal employee benefits. Responses from interviews with the managers give further details about the criteria used in the award of the benefits. A majority of the managers interviewed indicated that for the unionizable employees, a two-year CBA is negotiated between the union and the company's management. They also indicated that policy-based awards such as annual increments, long service awards, hardship, and duty allowance were subject to review from time to time. The study also established that the award of the benefits was governed by a structure as indicated by 57.1% of the respondents who, strongly agreed (22.4%) and agreed (34.7%) respectively. A significant number of the respondents were impartial (30.6%). In addition, 8.2% disagreed and 4.1% strongly disagreed.

DISCUSSION

The Kenya Pipeline Company provides its staff with an array of benefit packages ranging from schemes, knick-knacks and overtime to paid time off. Thompson (2003) argues that a retirement plan allows employees to prepare for their future, securing their financial stability after they have aged out of the work force. Thompson (ibid.) further highlights that paid leave allows sick employees to stay home and recover without jeopardizing their pay checks. Maternity and paternity leave are given to new parents who need to stay home with newborn children. Some employees simply need a mental health day to recuperate from the stress at work; personal days give them that option. In addition, Thompson counsels that employees who work all day, every day, without a break in sight, will generally be less productive on the job. The provision of these benefits espouses attraction and high retention as well as improved productivity at the company.

Thompson (2011) argues that good benefits provide important resources that not only build a positive working relationship between the employer and the employees but also promote good work habits and financial practices. According to Rondeau (2004), it is essential that employees experience ongoing motivation from their companies so as to perform their work to the best of their abilities. A company that recognizes that its employees are valuable and deserve to receive a certain amount of praise and recognition will benefit from increased productivity and employee satisfaction and retention; this in turn will affect customer satisfaction (Rondeau, 2004).

It is ostensible that the company predominantly awards monetary benefits to its employees in addition to tokens and incentives. It is postulated that incentives are most commonly associated with cash rewards. This can be effective in some environments, but should not be considered the only option. Depending on the resources the company afford, it might consider offering a trip, a day off, gift certificates, a trial promotion, a special plaque, or devoting organizational time toward something in the recipient's honour. Considering that not everyone is equally motivated by money (Fire Light Group, 2011).

Respondents in the study identified recreational activities such as parties, sporting events and team building activities as those offered by the company. Driskell *et al.* (2006) regard team building as an important factor in any environment. They emphasize that its focus is to specialize in bringing out the best in a team to ensure self development, positive communication, leadership skills and the ability to work closely together as a team to problem solve.

The company utilizes company policy, collective bargaining agreement (CBA), customer satisfaction and friendship. From the foregoing, it is evident that the company mainly uses CBA and the policy of the company to award equal employee benefits. Despite the existence of a structure governing the award of benefits, the percentage of the impartial respondents and those who disagree implies that the structure may not be well streamlined. It is imperative that the company re-examines its policy guidelines and the collective bargaining process so as to make it equitable and competitive.

CONCLUSION AND RECOMMENDATIONS

The high retention, boosted morale, feeling of ownership and productivity at the Kenya Pipeline Company may be attributed to the colossal array of benefit packages that the company provides to its employees. The company awards quality equal employee benefits package as indicated by the types of benefit packages and the employees' level of satisfaction with the benefits. It utilizes MacGregor principle that employees should be praised and recognized for their accomplishments by the managers.

The company also draws from Frederick Herzberg's two factor theory in its provision of equal employee benefits to the employees. Hygiene factors such as fringe benefits like pension schemes, health insurance, personal accident and disability are provided. The Company also provides paid off time in forms of leaves, holidays and vacation. There is provision of protective gears and counselling to ensure well being of the employees. Job security is evidenced as there is low labour turnover. Lastly, interpersonal relations are enhanced through sharing of a common annual breakfast and prayer sessions that are held every first Friday of every month.

There are motivators to ensure there is high morale and satisfied employees in KPC. The employees receive recognition for their achievements and there are opportunities for growth through promotion and opportunity to hold responsibility. The criterion used in the award of equal employee benefits is seemingly vague to most employees at the company. In situations whereby policies and processes of awarding benefits are unclear or indefinite, employees will consider such processes as being biased. Given the high global economic inflation, companies, KPC included, should consider harmonizing the benefits package so as to cushion itself against employee attrition and its employees against the harsh effects of inflation. In addition, they could consider award additional equal employee benefits such as paid vacations and personal days off. There is also need for companies to focus and intensify strategies that will encourage employees to pursue personal professional development.

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