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THE EFFECTIVENESS OF EMPLOYEE BENEFIT ADMINISTRATION IN TELECOMMUNICATION SECTOR IN KENYA

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ABSTRACT

The study sought to find out the effectiveness of employee benefits administration in the telecommunication sector in Kenya. The specific objective was to determine whether the benefits are competitive in the telecommunication industry and to find out whether the objectives of benefits administration are clearly defined in the telecommunication industry. The study applied a stratified random sampling technique to select a total of 75 respondents. The study used semi-structured questionnaires as the main data collection instruments and was pretested through a pilot study where a reliability of 0.875 was actualized. The finding revealed that competitiveness was a major factor that affected employees benefits administration process in the organization since most of the employees were not satisfied with the offered salaries and benefits. Most of the employees did not clearly understand the organization's employee reward practices and this denied the employees knowledge to claim their rightful benefits. The study concluded that competition and clear benefits objectives are the key notable factors affecting the effectiveness of employees' benefits administration in telecommunication industries in Kenya. The organization human resource management should provide employees with competitive salaries and benefits that include medical, dental, tuition reimbursement for degree programs associated with career advancement and finally the organization human resource management should form clear employees objectives based on the employees benefits administration policies.

1.1 Introduction

Employee benefits are the extras or perks a person receives from his employer. These perks are in addition to the basic pay an

employee receives in exchange for his work. For example, some common employee benefits include vacation pay and personal leave. Some types of employee benefits are required by law while others are optional. The list of legally required employee benefits varies from place to

place (Armstrong, 2003). In many places, employers are required to provide certain employee benefits. For example, employers in some places are required to pay certain taxes for the benefit of their employees. Often, employers are required by law to carry certain types of insurance as well. An employer may be required to have insurance that provides coverage if an employee is hurt on the job, for instance. Sometimes employers are also required to carry disability insurance to provide at least some income for employees who become disabled, even if the disability is not the result of a work-related injury (Atefah, 1996). Benefits administration involves the creation and management of employee benefits, as well as providing a means for employees to be trained in understanding how the benefits work, and what types of standards employees must meet in order to qualify for the benefits. Often, benefits administration occurs within the Human Resources department of a larger company, although smaller companies may designate the function of benefits administration to other areas or individuals (Chris, 2003). Much of the work of the administrator is devoted to coordinating a benefits plan that is currently in place. Benefits administration involves spending a lot of the day making sure benefit plans are running smoothly. This will often include a review of accumulation of personal days, vacation days, and sick days (Anderson, 2006).

1.2 Statement of the Problem

Many telecommunication companies have been faced with competition and in order to cope with this competition, they have come up with various strategies which makes them to be

competitive (Meryer 2001). They have developed the best benefit programs that are good for the employee, but does not place undue pressure on the company to meet them. The main purpose of this study was to investigate the effectiveness of the employee benefits administration in telecommunication industries in Kenya. The specific objectives were, to find out whether the benefits are competitive in the telecommunication industry and to find out whether the objectives of benefits administration are clearly defined in the telecommunication industry

2.0 Literature Review

Anderson (2006) argued that increased competition often has a negative connotation on employees' benefits administration. For instance, when a competitor enters an industry it takes market share from established companies. But competition can also be beneficial for a business, particularly when employees compete with each other in a healthy way for recognition and rewards. Buttrick, (2009) on the other hand contended that many companies have problems with benefits that lead to unmotivated employees. Offering of competitive employees' salaries and implementing competitive employee's benefit program helps to motivate workers. Sometimes all the employee needs is a challenge. Competition in the workplace can fire up even the most detached and uninterested worker, especially if a valuable reward is involved. Dubois, (2004) suggested that one competitive benefits in the workplace can lead to increased employees productivity. When competing for a prize, whether it is recognition or a monetary benefit, employees tend to work harder and more efficiently to meet their goals.

An increase in productivity is often associated with an increase in profits for the business. Gollwitzer, (1999) affirmed that when members of the workforce must compete in the workplace, they sometimes become more focused on the particulars of the job. To succeed, they have to learn as much about the company, its products, its competitors and the industry as a whole as possible. For instance, if sales professionals must compete to achieve the highest sales figures in their department, they benefit by learning as much as possible about the product to strengthen their sales pitches.

Wallace (2003) contended that if a manager decides to introduce an atmosphere of competition in the workplace, it is important that he does so in a way that doesn't alienate workers or cause conflict. After implementing a benefit program that fosters healthy competition, the manager should meet with all employees to explain the program in detail. The benefits program should have a clear reward such as a salary raise or a bonus and this increases the level of employees' job satisfaction and hence minimizes turnover rates. The manager should keep the program short and focused on the objective to keep employees interested. After implementation, the manager must monitor the progress of the program to ensure that it is beneficial to the company

2.1 Empirical Review

A study by Anderson, (2006) found out that in many American firms there are a number of benefits available to the employees and former employees of a business, depending on the region and company. Common and sometimes legally required employee benefits include leave benefits, health benefits, and

unemployment benefits. Leave benefits are sick days, vacation days, and other paid and unpaid days an employee takes off work. Health benefits are usually contracted through a health insurance company and might be available in addition to life insurance and other types of insurance. Lastly, unemployment benefits are what the employee receives if he or she is fired or laid off. Leave benefits are often employment benefits required by law, and they let the employee take a number of days off per year. Whether the leave days are paid for depend on local laws, though a company might offer an employee extra leave days. Normally, an employee has a certain number of leave days that are paid and a certain number that are unpaid. Some countries have laws that require employers to give a large number of leave days compared to most other countries (Andrew, 2003).

A study by Brawley (2006), in many UK companies, health benefits is a major benefit of being employed. Some employers offer better health benefits than others, sometimes making the job highly sought after. Occasionally, people get certain jobs solely for the health insurance that an employer offers for the employee, the employee's immediate family, or both. Still, other employers offer little to no health benefits because health care is paid for by the government, because they do not want the extra expense, or for other reasons. Similar to health insurance offered by employers, life insurance, dental insurance, and vision insurance might also be available employment benefits. Sometimes the latter two are not covered under a health insurance plan or are covered in a very limited manner, in which case they can be purchased separately to provide fuller overall health insurance. These types of

insurance usually do not influence a potential employee's decision on whether to join a company, but many people acquire them because of their low price. (Bell, 2003).

A study by Blackburn (2003) found out that unemployment benefits are beneficial if an employee is fired or laid off due to company cutbacks. These unemployment benefits are normally provided by the local government and are commonly given in the form of a monthly check that is a percentage of what the former employee earned at his or her work each month. Sometimes unemployment benefits include rent assistance and job placement, among other things related to supporting the former employee and finding him or a new job.

Often, employers provide employee benefits that are beyond those required by law. Employers often do this because good benefit packages help them attract qualified employees. For example, a person may receive similar job offers from two different companies. If the pay is about the same, the job candidate may choose the company that provides the best benefits package. In some cases, employee benefits are seen as so important that a job applicant may consider taking a lower-paying job if the employee benefits are very attractive (Charan, 2002). A study by Chung (2006) in South Africa and other Africa countries, for many people, health care coverage is among the most desirable benefits. There are countless people who do not have medical coverage and have to pay out of pocket for doctor and dentist visits. A single hospitalization, even for something relatively minor, has the potential to cost an uninsured person a great deal in medical fees. If an individual has a family to care for, the potential

costs may be even higher. As such, companies that offer generous medical coverage benefits may have an easier time attracting and keeping employees.

Another in-demand employee benefit is vacation time. Many companies offer paid vacation days for employees who have worked for them for a significant period of time. These days can be used for any purpose the employee sees fit. He may use them to travel around the world or even to simply relax at home. Some companies offer each employee a set number of days, while others increase vacation time as employees gain seniority (Chung, 2006).

3.0 Research Design

The study adopted a descriptive research design since the study gathered quantitative and qualitative data that describes the nature of employees' benefits administration problems in telecommunication organizations. The study applied a stratified random sampling technique to select 75 respondents. This was in agreement with Graham (2002) who indicated that 5% is an adequate sample from random sampling. The study collected both primary and secondary data. Primary data was gathered using semi-structured questionnaires where the respondents were issued with the questionnaires. Descriptive statistics data analysis method was applied to analyze numerical data gathered using closed-ended questions. The instrument was reliable since the obtained data from all research variables had a value of 0.875.

4.0 Findings

The correlation results are as per table 1.

Table 1 Correlation Table

Benefits Communication Flexibility		Competition		Clear Objectives		
Benefits	Pearson Correlation	1	.116	.415**	.217	.164
	Sig. (2-tailed)			.378	.001	.097
	N		60	60	60	60
Competition	Pearson Correlation	.217	.478**	.141	1	.579**
	Sig. (2-tailed)	.097	.000	.282		.000
	N	60	60	60	60	60
Objectives	Pearson Correlation	.164	.534**	.180	.579**	1
	Sig. (2-tailed)	.210	.000	.170	.000	
	N	60	60	60	60	60

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

The results showed that competition had a correlation of 0.217 and clear objectives had a correlation of 0.164.

5.0 Summary of the Findings

The study found out that the competition was a major factor that affected employee's benefits administration process in the organization since most of the employees were not satisfied with the offered salaries and benefits. This was found to lower the level of employee motivation and this confided with findings by Buttrick, (2009) that offering competitive salaries and implementing competitive employee's benefits program helps to motivate workers. The study also noted that the offered salaries were not competitive and this lowered

the level of employees' motivation hence affecting the realization of increased employee productivity. This supported argument by Dubois, (2004) that competitive benefits in the workplace can lead to increased employees' productivity. The study further realized that most employees were aware that there existed organization in other industries that offered better employees benefits such as medical benefits, housing benefits and traveling benefits and this helped to minimize staff turnover rates in such industries.

The study noted that the lack of clearly defined employees' benefits objectives hindered effective execution of employee benefits administration functions. The study revealed that most of the employees did not clearly

understand organizations employee reward practices and this denied the employees knowledge to claim their right benefits hence this supported argument by Dan Crim (2006) that employees should clearly understand the organization rewarding practices like benefits objectives so that they can claim their right benefits. The study identified that the reward practices employed in the organization were not guided by any objectives since there also lacked clearly defined objectives that outlined the goals of employees' benefits. There lacked a discussion forum on employee benefits between organization managers and the employees and this affected the formulation of clear rewarding objectives that affected the allocation of flexible employees benefits. This was found to influence the existence of poor benefit structures and lack of specified employees' benefits responsibility.

5.1 Conclusion

Flexibility is a key factor that greatly affects the effectiveness of the employees' benefits administration in organizations. Flexible benefits schemes enable employers to allow staff to select the benefits that suit them. Benefits with high level of flexibility help the organization to effectively execute employees' benefits administration functions since flex is seen as a popular way to integrate benefits packages during mergers and acquisitions and at other times of company change

Competition is a very important factor that should be put under consideration by the organization management when deciding on types of benefits to offer. Competitive benefits such as bonuses, medical benefits, housing, traveling and tuition reimbursement for degree programs associated with career advancement

are examples of competitive benefits in modern Telecommunication industry that should not be ignored. To ensure that benefits remain competitive, benefits administrators should compare the organization benefits and benefits offered in other organizations in order to structure benefits that create an increased level of job satisfaction amongst most employees and helps in minimization of staff turnover rates.

To improve the competitive nature of the employees benefits the organization human resource management should provide employees with competitive salaries and benefits that include medical, dental, optical, long-term disability, life and long-term care insurance, health and dependent care, flexible spending accounts, profit sharing, tuition reimbursement for degree programs associated with career advancement, employee assistance program with confidential professional resources for resolving personal problems, and referrals for child and elder care services. The employees should also be provided with paid holidays and personal days, vacation accruals with a minimum of 12 days and flexible working schedules to balance work and family matters

The organization human resource management should form clearly defined employee benefit objectives based on the employee's benefits administration policies. The objectives should be specific, measurable, realistic, attainable and tangible. The human resource management should interact with employees, gain a complete understanding of the current performance environment, and identify the primary causes of performance shortcomings. Substantiate business priorities and determine

where employee benefits will have the greatest impact. The human resource management should identify what needs to be accomplished and why that is important to the company and the employees, ensure consistency with the organization's vision and values and finally confirm that results will be measurable and objectively evaluated.

Further studies need to be done on the challenges of employee benefits administration in various industries.

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