WORKMAN COMPENSATION INSURANCE: ESSENTIAL FOR SUSTAINABLE DEVELOPMENT IN MANUFACTURING COMPANY IN NIGERIA

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ABSTRACT

Workmen compensation is a policy affected by an employer on the employee in an organization which provides cover for financial benefits in respect of injuries, permanent or temporary disability or death of employees that arises during the course of work. Equitable compensation provided for the employee as a benefit will definitely increase the productivity of the organization and also there is possibility for such company to achieve its selective goals and objectives. Recently, companies do not comply to rules and laws by not effecting this policy on their workers. It is in this line that the research work aims at analyzing the effect of workmen compensation insurance on the employee performance of manufacturing companies in Nigeria. The study was carried out with 297 out of the 346 questionnaires that were administered and distributed to the staff of the manufacturing companies in Agbara, Ogun state. Data collected was analyzed, using STATA 10 data analysis statistical package to examine how workmen compensation policy affects the employee's performance in manufacturing companies. Factor analysis was employed to make the regression analysis possible. The result of the analysis at 5 % level of significance ($p < 0.000$) shows that workmen compensation policy has significant and positive effect on employee performance, which will eventually increase the overall performance,

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productivity and outputs of manufacturing companies. Workmen compensation was also found to be a source of morale to workers in order to perform effectively and efficiently. To this end, it is recommended that manufacturing companies operating in Nigeria, should ensure that their companies' boards of directors comply with the employers' liability (Compulsory Insurance) Act 2004 as well as other statutes and also make sure all employees are insured by obtaining workmen compensation insurance policy.
Keyword: Workmen compensation, Sustainable Development, Manufacturing Company, Death benefit, Disablement benefit, Medical benefit.

INTRODUCTION

Insurance in its modern form was introduced into Nigeria by the British, the fact that until quite recently most of the leading insurance companies in Nigeria were either partly or wholly British-owned, has meant that the theory and practice of insurance in Nigeria has to a large extent, followed the British pattern (Akinpelu, 2008). Richard (2012) opines that every organization needs active and productive workers in order for the organization to perform better in terms of productivity and overall performance to achieve the organizational goals and objectives. Workers can only perform better when there is motivation, incentive and standard welfare for the workers to enjoy during their services. One of the vital methods of motivating workers in an organization is to effect a policy on the lives of the workers during and throughout their working period in the organisation. Proper security measure will increase workers effectiveness and efficiency; employee will be rest assured of having a maximum security whenever risk or peril occurs during working period, since the workers are under an insurance policy, which covers their statutory liability for accidental injury, permanent disability or death caused to employee during the course of their service delivery. Workers compensation is a form of insurance policy taken by an employer of labour on behalf of the employee, to provide benefit to employee who may sustain an injury resulting to death or permanent disability in the course of their duties, which is legislated by law (Wikipedia, 2017). Workmen compensation insurance policy is one of the insurance policies, which serve as potential favor to all manufacturing workers provided by employer on the lives of employee. In this, employees do not contribute to the payment of the premium charged by the insurance company, as this is the obligation of the organization. The workplace health and safety Act 2011 (WHSA) assign statutory liability and duty of care to all principal contractor, therefore have significant duties of care and potential liability for injury to any workers on the site of workplace under their control, irrespective of whether or not there is a direct employment relationship with the worker in the workplace (Darin & McMullen, 2013). The Act (or ordinance) imposed a strictly liability on employers of labour. However, benefits are irrespective of whether or not the employee was contributory negligent. No compensation, however, need to be made where death or incapacity was caused by a deliberate act, or self-inflicted by the employee. It is worthy to note that, it is the employer who pays the victim whenever accident occurs during the working period. For this reason, the employer effects an insurance policy to cover himself against such risks or liability. By its nature, workmen's compensation insurance is a type of social insurance, privately financed and statutorily mandatory to be acquired by the employer of an organization.

STATEMENT OF THE PROBLEM

All employees should have access to workman's compensation insurance policy, it is part of organization duties and obligation to provide for all their workers, the policy as it is legislated by laws that worker who sustain injuries in the course of work, should be entitle to some benefits stated in the policy. However, most of the organizations denied their workers for not effecting liability insurance policy and the little ones that provides, were erratic premium payers, which indirectly affects the lives of the workers, since the idea of life is to have uninterrupted usage of health (Richard, 2012). Also in return, it affects the organization output, since maximum capacity could not be achieved due to anxiety of risk or unexpected event which may occur during the working period and resulted into temporary or permanent disability for the workers. Employer's liability policy is an integral part of workers motivation techniques which should be paramount for top management whenever decision are to be made in considering staff welfare. Workers performs an important role in all organization in terms of products, markets, sales and manufacturing of goods, and also the performance of any manufacturers is determined and measured by its profitability. Prior to these problems, the study tends to analyze the effect of workmen compensation insurance policy on productivity of casual staff in selected manufacturing companies in Nigeria.

LITERATURE REVIEW

Insurance

Insurance is a contract that exists between two parties, the insured (policyholder) and the insurance company who provides covers on the life and properties of the policyholders against loss as long as the policyholder meets certain conditions stipulated in the insurance contract. The policyholder pays a premium to obtain insurance coverage, if a policyholder experiences a loss, the insured files claims for reimbursement with the insurance company. Raji, (2018) defines insurance as a contract that exist between two parties called insured or policyholder who pay a certain sum of money called premium in other to secure risk on his life and property to an insurer or insurance company who indemnify the later whenever loss materializes.

Employer Liability

With the industrial revolution in Britain and subsequent industrialization which prompted many to work in factories under unsafe working conditions since employers are more concerned with profit in this respect. The view then was that industrial injury was a particular risk and not the responsibility of the employer. The common principle applying was "volenti-non-fit-injuria" which means that the employee had consented to run the risk of injury by being employed.

Employer's liability (compulsory Insurance) Act 1969 which came into effect 1st January, 1972 was a modification of this Act. Thus when an employer is held legally liable to pay damages to an injured employee or the representative of someone fatally injured, he can claim against his employer's liability policy (Chikeleze, 2002; Raji, 2018). The amount of compensation must be the amount he himself has had to pay out. Medical and lawyer fees associated with the employee's injury are also covered by the policy. The aim of the policy is to ensure that the employer does not suffer financially but should be compensated for any money he may have to pay in respect of a claim. The policy is restricted to damages payable in respect of injury and does not apply when property of the employee is damaged.
Raji, O. A (2018) defined employer liability as the policy taken by the fault employer the employee is entitled to

claim damages from the employer. According to Stein BC he said workmen compensation is an imposed duty on employers to make limited payments to the victim of industrial accidents irrespective of whether those injuries were caused by wrong doing (Richard, 2012). This type of coverage protects the company its director and officers current and former employees expenses involved in defending against claims or lawsuits related to employment (regardless of the outcome) and Employers Liability insurance provides for indemnification of the employer if the case is settled or a verdict is obtained against the employee (Darin & McMullen, 2013). The Workers' Compensation law requires most employers to provide benefits to eligible employees who have injuries arising out of and in the course of employment. Workers' compensation was developed to benefits both the employer and the employee. It provides employee who are injured while on the job with a means of receiving compensation for injuries, and it protects employers against liability for employees' injuries. Before workers compensation was established in this country in the early 1900s, an injured workers only recourse was to pursue legal action against the employer. To be successful, the employee had to prove that the employer was negligent. Cases were often difficult to prove and took years to settle. By 1947, all states required employers to purchase workers' compensation insurance (Valerius, Bayes & Newby, 2005)

Types of Benefits in Workmen compensation Benefits

Valerius *et al* (2005) opines that workers compensation insurance covers injuries, illness, and job-related death. Injuries are not related to job occurrences. They may occur while performing an off-site site service for the company, such as driving to the post office on behalf of the company. Accidents such as falls in the company parking lot are also covered under workers' compensation rules. Occupational diseases or illness develop as a result of workplace conditions or activities. These include lung disorders caused poor air quality, repetitive motion illness may develop rapidly or over the course of many years.

Medical benefits: A worker who sustains injury during the working period, injury sustained when travelling in the course of duty, becomes ill due to work or commuting is eligible to receive this benefit for the medical treatment are payable from the first day of the injury. Cash benefits vary from state to state and are generally not paid for the first seven days of disability. In most states, a worker must be disabled more than seven calendar days before benefits are paid. However, if the disability extends beyond fourteen days a worker may become eligible for cash benefits for the first seven days retrospectively. Different states have different methods of determining wage- loss benefits. Usually, the benefits are a percentage of the worker's salary before the injury. For example, it is not uncommon for workers to be compensated at two-third of their average weekly wage, up to a weekly maximum. The weekly maximums differ from state to state, as do the formulas for determining a worker's average weekly wage.
When an individual is fatally injured on the job, worker's compensation pays death benefits to the employee's survivors. Funeral expenses may also be paid.

Covers Injuries and Illness
States determines the types of injuries that are covered under workers compensation. Generally, an injury is covered if it meets all of the following criteria:

- It results in personal injury or death.

- It occurs by accident.
- It arises out of employment.
- It occurs during the course of employment.

An accident can be either an immediate event or the unexpected result of an occurrence over time. A worker who cuts a finger while using a box cutter is an example of an immediate accident. An employee who suffers a repetitive stress injury that developed over the course of several years is an example of an un-expected result over time (Valerius *et al,* 2005).

Disability Benefit: This benefit is categorized to different types which include injury without disablement, with temporary disablement and also permanent disablement.

Injury without Disablement: A worker is injured on the job, requires treatment but is able to resume working within several days. All medical expenses are to be paid by the workers compensation insurance.

Injury with Temporary Disablement: A worker is injured on the job, requires treatment, and is unable to return to work within several days. All medical expenses are paid by workers compensation insurance and the employee receives compensation for lost wages. Compensation varies from state to state, and is usually a percentage of the workers salary before injury. Before an injured employee can return to work the physician must file a doctor final report indicating that the individual is fit to return to work and resume normal job activities.

Injury with Permanent Disability

A worker is injured on the job requires treatment is unable to return to work and is not expected to be able to return to his or her regular job in the future. Usually this is an individual who has been on temporary disability for an extended period of time and is still unable to resume work. At that time the physician record files a report stating that the individual is permanently disabled. The state worker compensation office or the insurance carrier may request an additional medical opinion before a final determination is made. An impartial physician is called in to provide an independent medical examination (IME) Once the IME report is submitted, a final determination of disability is made .and a settlement is reached. The length of coverage varies from state to state. When an employee is rated as having a permanent disability, all medical expenses are paid by workers compensation insurance and the workers receive compensation for lost wages. The amount of compensation depend on a number of factors, including whether the disability is partial or total , the age of the employee, the job performed before the injury and other factors. Partial disability is generally classified by percentage and varies by severity. For example, a worker who has lost the use of a hand would receive less compensation than a worker paralyzed from the waist down (Valerius *et al,* 2005).

Death Benefit: This is accrued to the spouse or the next of kin, it is the money acquired by the beneficiary of the deceased person when the employee dies within the working period or during the course of work.

Compensation

Compensation can be define as the output and benefit that employee receive in form of pay, wage and also same reward like monetary exchange for the employees to increase the performance (Holt, 1993). Accoding to ivanceikh (1989) define compensation as the tool used to attract the employee and motivate employee to increase their performance. The term compensation refers to a type of defense mechanism in which people overachieve in one area to compensate for failures in another. For example, individuals with poor family lives may direct their energy into excelling above and beyond what is required at work.

Workmen Compensation under the 1958 Ordinance

The compensation granted under the workmen compensation does not cover damage to the employee's property. Under the 1958 ordinance, coverage excludes non-manual workers whose earning exceed ₦1,600 per annum, domestic servants, those employed in agricultural or handicraft work by an employer who normally employs less than ten workers and government employees. Here benefits are payable on temporary incapacity: permanent incapacity: death and other incapacity benefits which includes transport and medical expenses. The amount of benefits payable are: on temporary incapacities – A monthly benefit of 2/3 of the employees earning at the date of incapacitation subject to a maximum of N40 per month: on permanent incapacity if totally incapacitated, a lump sum equal to 54 months earning, subject to a minimum of N600 and a maximum of N3.200: on death- a lump sum equal to 42 months earning subject to a minimum N400 and a maximum of N1.600 where there is a dependant left, but where there is no dependant the amount is reduced.

One thing appear sadly conspicuous from the provisions of this ordinance, it is grossly inadequate with regard to limited coverage and insignificant amount of benefit in the light of current cost of living. Thus, to remedy this defect the federal military government of Nigeria promulgated the workmen compensation decree 1987. The decree introduced considerable changes among which are

a. All employees are to be protected including casual and non- Nigerians
b. No salary differentiation i.e. it include all employees whether earning more or less than N1600
c. Increased level of compensation with regard to death 42 month earning; permanent disablement 54month earning; for temporary total disablement the benefits payable for 24month is: full salary for the first six month, half salary for the next three month: one quarter salary for the remaining 15month period.
d. Unlimited medical and transport expenses- the decree gives no limit and allows for any reasonable expenses incurred within or (with approval) outside Nigeria

Workmen compensation insurance is compulsory for most employers and even made compulsory by some countries of the world. In Nigeria, it is not yet compulsory, but there has been intense agitation from various quarters calling on the government to make it compulsory on employers of labour. It is hoped that in future with rapid increase in industrialization workmen compensation will be made compulsory. Curled from element of insurance by Remi O. O. (2014 *Ed*).

METHODOLOGY

Ordinal Probit regression model (OPM), is derived through adjustment to a model adopted from Long (2012) as follows;

$Pr(y \leq j | x) = Pr(y^* < \Gamma_j | x)$

$Pr(y \leq j/x) = \Lambda\ (\Gamma j - \beta 0 - X'\beta)$ *for* $j = 1, J - 1$*..Long (2012)*

X_i = regressors (independent variables)

Γ = threshold; β_0 = intercept; β = coefficients of regressors

Λ = is a cumulative distribution function (CDF), it represents the probability that a random variable e_i will be as small or smaller than $b_0+b_1X_i$

j = lowest response category for WB; *J* = highest response category for Dependent variable
After adjustment, the model implicitly becomes;
Employees Performance = *f* (Workmen Compensation Policy)

Pr (EMP ≤ j|WCP) = Λ (Γ_j - β_0 - X'β) for j ranges from 1 to 5 (With the use of 5 likert scale)

Pr (EMP ≤ j|WCP) = Λ (Γ_j - β_0 - X'β) for j ranges from 1 to 5

$Pr\ (EMP \leq 5|WCP) = (\Gamma_1 - \beta_0 - (X_1\beta_1+X_2\beta_2+X_3\beta_3+X_4\beta_4+X_5\beta_5)$

The model is explicitly expressed as;
$Pr\ (EMP \leq 5|WCP) = \Gamma_1 - \beta_0 - (MEDB\beta_{medb} + DISB\beta_{disb} + DTHB\beta_{dthb})$

EMP = Employee Performance
WCP = Workmen Compensation Policy
MEDB = Medical Benefit; $\beta_{medb,}$*= coefficient of MEDB*
DISB =Disability Benefit; $\beta_{disb,}$*= coefficient of DISB*
DTHB =Death Benefit; $\beta_{dthb,}$*= coefficient of DTHB*
Γ *= threshold;* β_0 *= intercept;*
ε *= stochastic/error term*

The study expects all the predictors in this model to have positive relationship with the employee's performance. Mathematically, *a priori* expectation is stated as; $\beta_{medb,}$ $\beta_{disb,}$ $\beta_{dthb,}$ <0.

Firstly, a pre survey was conducted to ascertain the total number of the manufacturing company in Sango Ota which we arrived at one hundred and fourteen (114) in total which make up our population of the study. Total number of fifty (50) manufacturing companies out of the total population was sampled. The addition of all the contract staff as given by each management of the sampled manufacturing companies is about 4,543 contract staff of all the fifty (50) manufacturing companies. Krejce and Morgan (1970)'s table for determining sample size from a given population was employed which resulted to 346. Out of the 346 questionnaire administered, only 297 questionnaires was filled correctly and returned. Primary data was adopted with the use of a well-constructed and self-administered questionnaire. The best method to draw inferential conclusion is Binary regression method while Ordinal regression method suits ordered or ranked questions (Nunnaly, 1978; and Long, 2012). The study applies 5 likert scales which are used as the basis of the question. In order to create representative probability-based sample, the researcher used stratified and systematic random sampling methods.

Presentation, Interpretation and Discussion of Findings

Source	SS	df	MS		
				Number of obs =	328
				F(3, 324) =	184.80
Model	29.2791272	3	9.75970908	Prob > F =	0.0000
Residual	17.1111105	324	.052812069	R-squared =	0.6311
				Adj R-squared =	0.6277
Total	46.3902377	327	.14186617	Root MSE =	.22981

EMP	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
MEDB	.4586341	.0328786	13.95	0.000	.3939515	.5233167
DISB	-.326902	.0434951	-7.52	0.000	-.4124705	-.2413335
DTHB	.2202549	.084984	2.59	0.010	.0530649	.3874449
_cons	2.837938	.5132978	5.53	0.000	1.828121	3.847755

Source: STATA 12 Outputs, 2018

The information in the table above reveals the outcome of the OLS multiple regression analysis conducted shows the R^2 value which is 0.631. This indicates that about 63.1% variation workmen compensation is explained by the independent variables proxied which are medical benefit, disability benefit and death. The R^2 value also shows the strength of the model, the closer to one the better the result, (Tabachnick and Fidell, 2007). The adjusted R^2 shows that after adjusting for the degree of freedom, the model could explain about 62.8% of the systematic variation in workmen compensation. The f-statistic which is 0.00 indicates that the model is fit. The overall performance of the model is quite good because the p-value is 0.000 which indicates that the model is significant. All the variables are significant at 5% level which indicates that medical benefits, disability benefits and death benefit have significant impact on the performance of workers. The result reveals that all the variables have significant impact on employee performance which means that if manufacturing companies implement and also perform their duties in insuring their workers; this will make the workers to feel safe and will be willing to work with rest of mind. The result also shows that medical benefits and death benefit have positive relationship with employee performance while disabilities have negative relationship with employee performance. It can be deduced from this that most manufacturing companies perform their duties in terms of medical benefits and death benefits but fails to perform their duties on the disability benefits.

CONCLUSION

The research work focuses on investigating the effect of workmen compensation on the employee performance in manufacturing companies, based on the findings, Workers perform when there is better and reliable benefits, Morales and compensation from their employer which means that equitable compensation will result to high productivity of employee and achievement of organizational goals. It also indicates that organization that practice total compensation on their employee is likely to succeed in achieving their aims and objectives.

RECOMMENDATIONS

Based on the findings and conclusion of the research work, the study recommends that;

i. Insurance companies should use seminar, conferences and constructive advertisements to create public awareness about their product as Nigerians are still naïve to the functions and importance of insurance companies and their policies.
ii. Manufacturing companies operating in Nigeria should ensure that their companies boards of directors comply with the employers' liability (Compulsory Insurance) Act 2004 as well as other statutes.
iii. Government should enforce law and be made compulsorily for companies to take workmen's compensation on all their employees.
iv. Management should design, formulate and implement compensation strategy objectively in order to enhance the attainment of overall organizational goals with the view of getting the best contributive and supportive effect from organizational workers.

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