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Employee Relations and Financial Performance of Quoted Manufacturing Firms in Nigeria

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ABSTRACT

The recent global economic revolution in the manufacturing industry has made the retention of quality employees in companies' payroll a significant factor in determining company's financial performance. This study therefore examined the effect of employee relations on financial performance of quoted manufacturing firms in Nigeria. This study covered 40 manufacturing firms listed on the Nigerian Stock Exchange as at December, 2022. Data were collected from secondary sources through the published annual reports of the selected firms and fact book for the period of 2012 to 2022. Data collected were analysed using descriptive statistics and panel data regression analysis. The findings of the study revealed that health and safety co-eff. = 0.6185; t = -2.85, emoluments co-eff. = -0.0897; t = -2.07, pension co-eff. =0.5894; t = 1.52 which are variables for proxy of employee relations had significant effect on financial performance of the manufacturing firms; while social welfare co-eff. = -0.0312; t = 1.32 was insignificant. The study concluded that, health and safety, emolument, pension of employees must be given priority by employers in the manufacturing sector in order to increase the financial performance. It is therefore recommended that these factors should be integrated into the policies and strategic plans of listed manufacturing firms as it is capable of enhancing their financial performance.

Keywords: Emolument, financial performance, health and safety, pension, social welfare, manufacturing sector

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1 INTRODUCTION

The global drive for best business practices among companies around the world has made the objectives of companies move away from the ideologies of agency theory; where companies were concerned about maximization of wealth of its owners through profit and capital appreciation (Amin, 2022). In recent time, despite the competitive business environment, employee relations still play crucial functions in human resource management which leads to effective employee performance and financial performance (Abolo, 2021). Most firms in Nigeria seems to throw employee relations behind them by not giving it special attention and priority. As a result, they are still struggling to establish and maintain effective employee relations (Giami & Iwo, 2021). This causes unnecessary disputes in the organizations which in turn affect their financial performance. Poor relations between the employer and employees among organizations operating in the global and local markets has become the challenge (Abolo, 2021).

According to Ndum and Oranefo (2021) employee relations is one of the most pervasive techniques for improving financial performance. Employees are the indispensable mechanism and key element of gaining competitive advantage for any organization and good relations are essential tool for financial performance actualization of corporate entities (Craig et. al., 2020). It has further become necessary in view of advancement in modern world to take a critical look at employee relations. Thus, the role played by employee relations can no longer be over-emphasized. It is also generally agreed that at each level of organizational existence, employee relation is critical to adequately prepare them to meet the financial goals of the organization, thereby enhancing organizational financial performance (Giami & Iwo, 2021).

The survival of any firm in the competitive society lies in its ability to train its human resource to be creative, innovative, inventive who will invariably enhance financial performance and increase competitive advantage (Onyekwelu, et al. 2020). Despite the fact that employee relations is one of the pillars of organizational financial performance, the complexities attached to employee relations practice in terms of control over labour process, degree of regulatory protections and certainty of continuing in employment have made many companies drifted to non-standard employee relations compare with the International Labour Organization (ILO) standard of decent work place agenda (Aliku, et al., 2020). Unhealthy employee interactions between firms functioning in both the global and local economies have become an issue (Olajumoke, 2020).

The consideration of organizational outcomes of employee relations has become a significant topic in academia and in practice over several decades, the focus of employee relations has shifted from one of sharing power and improving workers' rights to one of improved financial performance, financial efficiencies and other organizational outcomes (Giami & Iwo, 2021). Also the growth in financial sectors of the economy output has been a key element in the successful transformation of most economics that have seen sustained rises in the per capital income (Nangih, et al., 2020). Thus, In order to increase work commitment and maximum productivity to improving work performance and behavior, employers need to permit a high degree of employee relations (Olajumoke, 2020)

The manufacturing sector has been considered as being pivotal to the achievement of economic growth and development in any economy (Nwachukwu & Worlu, 2023). The several policies and programmes adopted at one point or the other in order to achieve employee relations development in Nigeria underscore this fact. For instance, Manufacturing firms account for a substantial proportion of total economic activities. In Nigeria, the sub- sector is responsible for about 10% of total GDP (Gross Domestic Product) annually, but little is probably known about the influence of its employee relations on firm financial performance (Nworie & Ofoje, 2022). The particular focus on this sector emanates from the conviction that the sector is a potential instrument of modernization, a job creators and a sector of positive spillover effect (Okoye & Ifeukwu, 2021). However the broad objective of the study is to examine the impact of employee relations on financial performance of quoted manufacturing firms in Nigeria. Specifically, the study aimed to identify various employee relations practices and its effect on financial performance of quoted Manufacturing firms in Nigeria such as Health and Safety, Emoluments, Pension and Social Welfare.

The study is designed into five sections comprising the introductory part; following by review of literature, to describe the concepts of variables of the study, theoretical review as well as review of related studies; the methodology section explain the research design, source of data, model specification, measurement of variables and data analysis techniques. The fourth section presents analysis and discussion of findings in order to show the extract of analysis and discussion of relating issues. The conclusion and recommendations are enumerated in the concluding section.

2 LITERATURE REVIEW

2.1 Conceptual clarification

2.1.1 Financial performance

Financial performance is the measure of organizations accomplishment on the goals, policies and operations stipulated in monetary terms to measure Company's performance (Abolo, 2021). Financial performance of a company, being one of the major characteristics defines competitiveness, potentials of the business and economic interests of the company's management and reliability of present or future contractors (Ndum & Oranefo, 2021). In the Manufacturing firms context, financial performance is the ability of manufacturing firms to keep on going towards achieving its objectives without donor support (Saman, 2020). The main aim of every manufacturing firm is to have operations that are profitable in order to maintain stability and improve on sustainability and growth. Thus, manufacturing firms should seek to maximize performance in many areas, whether it is social or economic (Reddy, 2020). Good firm financial performance in employees view is measured by how better represent the employee at the end of a period, than it was at the beginning. This study therefore measure financial performance from the perspective of profitability. The profitability of the manufacturing firms are measured by the profit after tax and interest as stated in the financial statement of the firms (Wahyuni, 2023). This measurement is applicable in this study because it form a component of the residue that accrues to employees and best explain how the welfare of the employees are considered out of the residual profit

2.1.2 Employee Relations

Employee relations' refers to a companies' efforts to manage relationships between employers and employees; as such it is concerned with how to gain employees' commitment to the achievement of organizational business goals and objectives in a number of different situations (Saman, 2020).
Good employee relations results in a highly committed, motivated and loyal employees in an organizations workforce (Wahyuni, 2023). Employee relations is one of the most pervasive techniques for improving employees' performance in enhancing its financial performance. Employees are the indispensable asset and key element of gaining competitive advantage of any organization and good relations is essential tool for its actualization (Giami & Iwo, 2021). It is also agreed that at each level of organizational existence, employee relations is critical in achieving the financial performance target. Employee relations in the context of this study is represented by the health and safety, emoluments, salaries and wages, pension, social welfare (Ndum & Oranefo, 2021).

Health and safety function is directly related to the elements of the human resources management cycle-selection, appraisal, rewards and training. Maintenance of a healthy and safe workplace can be facilitated in the selection process by selecting applicants with personality traits that decrease the likelihood of accidents (Nworie & Ofoje, 2022). Safe work behavior can be encouraged by a reward system that ties bonus payments to the safety record of a work group or section. The shared responsibility model; a new approach to occupational health and safety, assumes that the best way to reduce levels of occupational accidents and disease relies on the cooperation of both employers and employees (Aliku, et al., 2020). In order to maintain a safe and healthy work place, workers and supervisors must be taught to keep a health and safety mind set. Such mindedness does not always accompany the acquisition of skill or knowledge on equipment operation (Balogun & Omotoye, 2020). Most persons learn how to drive an automobile, for example, with relatively little difficulty. An attitude of maturity is however, necessary. The health and safety in the study is measured using dummy variable. If shown in policy statement 1, if not 0.

Craig et al. (2020) define emoluments as pay or reward given to individuals for work done. Emoluments can also be referred to as monetary or financial benefits in form of salaries, wages, bonuses, incentives, allowances and benefits that is accrued or given to an employee or group of employees by the employer (firm) as a result services rendered by the employee(s), commitment to the organization or reward for employers are essentially the benefit from employment or an amount received as salary, fees or as part of profit considered as emoluments (Nangih, et al., 2020). When emoluments engagement level among employees increases, it increases 3employees' productivity which in turn, improves the financial performance. Emolument is measured in the study as ratio of salaries and wages to turnover as reported.

Pension plan is a retirement plan that requires an employer to make contributions into a pool of funds set aside for a worker's future benefit (Agusioma, et al., 2019). The pool of funds is invested on the employee's behalf, and the earnings on the investments generate income to the worker upon retirement. Pension is a regularly paid stipend as benefit due to a person in consideration of past services. It is referred to as a sum set aside for retirement purposes. It is a form of arrangement that hopes that at retirement, retirees will not be stranded financially (Abolo, 2021). Pension is simply the amount set aside either by employer or employee or both to ensure that at retirement, there is something for employees to fall back on as income. Pension is an amount paid by government or company to an employee after working for some specific period of time, considered too old or ill to work or have reached the statutory age of retirement (Ndum & Oranefo, 2021). Retirement plans do a much better job of retaining employees than attracting employees, there is a stronger evidence supporting a relationship between retirement plan characteristics and employee retention thus, retirement benefits can be effective at retaining employee up to a certain age or service and then encourage them to leave after that point. Pension is measured in the study as log paid as stated in the annual reports.

The various welfare measures provided by the employer will have immediate impact on the health, physical and mental efficiency, alertness, morale and overall efficiency of the worker and thereby contributing to the higher productivity. The basic propose of employee welfare is to enrich the life of employees and to keep them happy and conducted (Abolo, 2021). Welfare measures may be both statutory and non-statutory; laws require the employer to extend certain benefits to employees in addition to wages or salaries. Social welfare such as universal medical care, insurance for employees, financial aid, free post- secondary education for children of employees, subsidized public housing. It is measured in the study as health insurance scheme and other packages given to employees as stated in annual report of the firm (Wahyuni, et al., 2023).

2.1.3 Employee relations and financial performance

Profitability is often used as a measure to assess the achievements and financial performance of the company or as the basis of assessment measures, such as earnings per share (Bansal & Sharma, 2019). Profitability is an indication of the success of an enterprise, although not all companies make profits as its primary purpose, but it will require effort to maintain profits. Profitability ratios include profit after taxes (PAT), return on assets (ROA), net profit margin (NPM), and others which are clear indicators to financial performance (Sule, 2015). The increased interest in employee relations, social and governance issues stimulated a dynamic development of econometric and financial literature focusing on the relationship between employers, employees and firm profitability. Friedman argued that robust employee relations contributes positively to company's profit, i.e. in terms of achieving profitability and well-being of employees (Agubata, et al., 2022).

Onyekwelu et al., (2020) focused their study on Nigeria. Using a sample of forty audited financial statements of quoted companies in Nigeria, their study examined the impact of employees activities on financial performance measured with Return on Equity (ROE) and Return on Assets (ROA). The results show that employee relations has a positive and significant relationship with the financial performance. These results reinforce the accumulating body of empirical support for the positive impact of employee relations on financial performance. Financial performance is the measure of organizations accomplishment on the goals, policies and operations stipulated in monetary terms. Profitability ratio measures company's performance (Nangih, et al., 2020). Profitability is simply the capacity to make a profit, and a profit is what is left over from income earned after deducting all costs and expenses related to earning, the income which is a way to measure a company's performance it involves the financial health and can be compared between similar firms in the same industry (Onyekwelu, et al., 2020). The above assertions lead to the development of the hypothesis that in a null form that:

H_{o1}: Employee relations do not affect financial performance of listed Manufacturing firms in Nigeria

2.2 Theoretical Review

2.2.1 Stakeholder theory

The stakeholder theory is developed by Richard Edward Freeman in 1984. Which provides a distinction between the narrow and wide concept of the essence of stakeholders (Mayndarto & Augustine, 2021). The narrow concept defines the relevant groups that directly enhance the key economic interests of a corporation. It emphasizes the significance of sustaining the moral relations between the corporations and represents the core of the normative theory (Orwa, et al., 2022). The wide concept is based on empirical reality where corporations actually influence interests of others and are dependent on someone. This concept is the core of the descriptive stakeholder theory. Both concepts are based on two assumptions: stakeholders are individuals and groups that influence the corporation and are dependent on the corporation, they either create expenses or brings benefits to the corporation. Stakeholder theory demands that the interest of all various stakeholders such as suppliers, employees, customers, governments, communities, should be considered in managerial decision making for optimal performance (Nosike & Nosike, 2022). The theory also suggests that corporations should relate well with all their stakeholders because these relations can represent intangible assets and if they are positive and based on honesty and trust, could attract greater benefits for the corporation. If the effect is negative, involving dishonesty and distrust, the outcome will be adverse (Mayndarto & Augustine, 2021). It is this stakeholder theory as supported by the second strand of the literature that popularized the issue of firms' corporate social responsibility towards the employees.

2.3 Empirical Review

Several empirical studies have been conducted to investigate the effect of employee relation on financial performance locally and internationally. Onyekwelu et al. (2020) examined remuneration as a tool for increasing Employee Performance in Nigerian. The study adopts primary and secondary sources to gather information, and copies of the questionnaire were also used. The research adopted a survey and descriptive research technique in analyzing data acquired from Bottling Companies in Nigeria, while hypotheses were tested using Regression analysis and ANOVA. It was found that remuneration assumes a significant role in increasing workers' performance in an organization. The study, therefore, suggests that organization ought to embrace the right remuneration tool that meets the craving of their workers to increase their output.

Balogun et al (2020) investigated the impact of remuneration and employee performance in Global Communication Limited, Lagos, Nigeria. The descriptive research design was adopted. The questionnaire format was employed for data collection, which was made into several sections, and 120 copies were distributed for data collection. Both the descriptive and inferential statistics were adopted for data analysis. The result revealed that there is a significant relationship between remuneration scheme and employee performance in Global Communications Limited, and also, there is a significant problem affecting the payment scheme and the performance of employees in Global Communications Limited. The study recommended that organizations like Global communication limited should use more work-related remunerations rewards design to motivate their employees.

Omodero (2018) examine the effect of employee relations costs on the financial performance of firms in Nigerian. Secondary data used, the OLS technique was employed in analyzing the data, and the results indicate that personnel benefit costs have a positive and significant effect on profitability, explaining about 73.9% of the variations in Profit after tax of firms in Nigeria. The results, however, reveal no significant effect of Personnel Benefit Costs on firm turnover. The paper, therefore, concludes that investments in human resources have positive trade-off effects on the profitability and growth of firms and recommends a greater commitment to manpower development and training and a conducive working environment to enhance the capacity of employees to drive positive improvements in corporate financial performance.

Mohammed, et al. (2017) conducted a study to review a range of literature on employee relations in Algeria and draws on the authors' research over the years in the field, including recent interviews with unions' representatives. The study is a conceptual review of existing literatures. The finding provides evidence to suggest that the Algerian system of employee relations is a product of interactions and intersections between historical circumstances and different institutional arrangements and configurations to enable the state to hold together its power and control over unions.

Iwu (2016) mentioned that as a scheme, pension is the periodic payment granted to an employee for services rendered, based on contractual legal enforceable agreement, paid by an employer at the agreed time of termination of employment. According to him, payments are usually in monthly installments. He further stated that pension plans may be contributory or non-contributory; fixed or variable benefits; group or individual; insured or trustee; private or public, and single or multi-employer. The income from pension to an individual in advanced countries, may be supplemented by social security benefits, which apply to all citizens in such country whether or not they belong to the working class. However, since most citizens in such countries might have at one time or another, been workers, it would appear that social security benefits are co-terminus with the working class. It is different from gratuity (Adegbayi, 2005; Ozor, 2006).

Tiwari (2014) conducted a study on employee welfare facilities and its impact on employees' efficiency. The study established that the employee welfare facilities provided by the company to employees are satisfied and it is commendable, but still of scope is there for further improvement. So that efficiency, effectiveness and productivity can be enhanced to accomplish the organizational goals. Health, safety and welfare are the measures of promoting the efficiency of employee. The various welfare measures provided by the employer will have immediate impact on the health, physical and mental efficiency, alertness, morale and overall efficiency of the worker and thereby contributing to the higher productivity.

Zhang (2014), conducted a study on the Impact of Performance Management System on Employee performance and productivity in United Kingdom, and found out that It is important for a company to plan, manage and reward the performance. In doing so, company's productivity would be developed and profit would be increased as well through supervising the whole process of performance management. The findings showed that continuous communication within organization and personnel development impact significantly and positively on employee productivity. However, the results show that performance management has a positive relationship with employee productivity.

Idemobi and Onyeizugbe (2013) conducted a study on performance management as an imperative for employee productivity. Data were collected using questionnaires administered to respondents selected from five public organizations in Delta state. These data was analyzed using statistical summarization techniques and chi-square for empirical testing of the hypotheses that guided the study. Results showed that performance review techniques have significant effect on employees' performance and productivity. Based on the findings, the study concludes that the absence of performance management system will contribute to the high rate of business failures in the Delta state public sector. The study recommends that organizations in the Delta public sector should establish and adopt incentive systems that will motivate employees to work better after performance management review exercise.

Ibojo and Asabi (2014) examined the effects of Compensation Management and Employees Performance in the Manufacturing Sector, case study of a Reputable Organization in the Food and Beverage Industry. The objective was then to determine the extent at which compensation management affect employees' performance, explore relationship between compensation management and improved productivity, in a bid to achieve this Primary and secondary sources were used. The use of questionnaire was employed to gather necessary and relevant data from the respondents. This results shows that there is a significant relationship between compensation management and improved productivity. From the results of the study, it was then concluded that there is a significant relationship between good welfare service and employees performance. Also, there is a positive significant relationship between compensation and improved employee productivity.

Osibanjo et al. (2014), conducted a study on Compensation packages: A strategic tool for employees' productivity and retention. The study examined the rate at which employees in private universities in Nigeria jump from one university to the other which is becoming more disturbing and could be as a result of differing compensation packages which attracts competent employees. The results showed strong relationship between compensation packages and employees' productivity, which indicated that there is also a strong correlation between compensation (bonus, incentives, allowances and fringe benefits) and employee's productivity. However, the researcher concluded that management and decision makers should endeavor to review compensation packages at various levels in order to earn employees satisfaction and prevent high labor turnover among the member of staffs.

3 METHODOLOGY

This study employed the longitudinal research design. The design was adopted because the study covered a period of time, across some firm and selected years. The target population of the study comprised of the 67 listed manufacturing firms on Nigerian Exchange Group as at year ended 2022. Data were collected from annual reports of selected listed firms over the period of 2012 to 2022. The annual reports were obtained from the website of these firms and fact book Purposive sampling techniques was used to select 40 manufacturing firms whose stocks were actively traded on the stock market during the sample period with relevant data readily available. Data were analysed using descriptive and panel regression. The descriptive statistics showed the mean, median, minimum value and maximum values, skewness and kurtosis of the variables. Panel regression was used to analyse data after conducting Hausman specification test to determine the estimation method adopted between pooled regression, fixed effect and random effect.

The analytical model for this study was specified based on the model established in the extant literatures and theories that link employees' relations financial performance. Most of the studies conducted used profit after tax as measurement for financial performance these variables in parts (Joseph & Michah, 2016; Gennard & Judge, 2008; Mohammed, et al., 2017) salary as the proxy for employee relation. Thus this current study used Health and safety, Emolument, pension as proxy for employee relation and return on asset as proxy for financial performance.

The model to determine the effect of employee relations on financial performance in listed manufacturing firms in Nigeria is stated as:

FP = f(EMR) ……………………………………………………………… (i)

FP = f(HES, EMU, PEN, SOW) ………………………………… (ii)

$FP = \beta_0 + \beta_1 HES_{it} + \beta_2 EMU_{it} + \beta_3 PEN_{it} + \beta_4 SOW_{it} + \varepsilon$……….. (iii)

FP = Financial Performance (measured as Profit after tax in annual report in firm 'i' in period 't')
HES = Health and Safety (measured as 1 if shown in policy statement otherwise, 0 in firm 'i' in period 't')
EMU = Emoluments (measured as the ratio of salaries and wages to turnover in firm 'i' in period 't')
PEN = Pension (measured as log of the pension paid stated in the annual reports in firm 'i' in period 't')
SOW = Social Welfare (health insurance schemes, and other welfare packages given to employees as stated in firm 'i' in period 't')
ε = Error term

The a-prior expectation based on literature reviewed and theoretical background is that employee relation proxies examined in this study will have positive and significant effect on financial performance of manufacturing firms in Nigeria. Thus $\beta_1, \beta_2, \beta_3, \beta_4 > 0$.

4 DATA ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Descriptive Statistics

The study obtained the descriptive properties of the study variables with a view to explore their distribution which is a key to the consistency and efficiency of the model. The result of the descriptive statistics is reported in Table 4.1 and it indicate that on the average basis, returns on assets for the manufacturing firms listed on Nigeria exchange Group is 1.609893 and this highly varies across the countries with standard deviation value of 1.13345 and coefficient of variation of 70 percent. The mean of standard error shows 0.0540351 which imply that the difference between the population mean and the sample mean is 5.4 percent. The minimum value of returns of assets for manufacturing firms is -1.731604 and the maximum of 3.932295. The data for returns on assets is negatively skewed indicating -0.585283 and have leptokurtic kurtosis of 3.344124. Likewise from the table, occupational health and safety disclosure for the manufacturing firms listed on Nigeria stock of exchange has average value of 0.8772727 implying about 87 percent disclosure and this moderately varies across the countries with standard deviation value of 0.2597648 and coefficient of variation of 29.61 percent. The mean of standard error shows 0.0123838 which imply that the difference between the population mean and the maximum is 1. The minimum value of occupational health and safety is 0 and the manufacturing occupational health and safety is negatively skewed indicating -2.012388 and have leptokurtic kurtosis 5.902005.

Table 4.1 shows that emoluments for the manufacturing firms listed on Nigeria exchange Group has average value of ₦26,900,000 and this highly varies across the countries with standard deviation value of 128,000,000 and coefficient of variation of over 400 percent. The mean of standard error shows 6,094,267 which imply that the difference between the population mean and the sample mean is high. The minimum value of emolument is 15,578 and the firm with the maximum emolument has the value of maximum of ₦1,330,000,000. The data for emolument of employee is positively skewed indicating 8.431636 and have kurtosis value of 9.995728. Also on the table, it is shown that pension cost for the manufacturing firms listed on Nigeria exchange Group has average value of ₦2,136.815 and this highly varies across the companies with standard deviation value of ₦128,000,000 and coefficient of variation of over 600 percent. The mean of standard error shows ₦698,134 which imply that the difference between the population mean and the sample mean is high. The minimum value of pension cost for the sampled companies is ₦0 and the firm with the maximum pension cost throughout the period considered has the maximum value of ₦26,000,000. The data for pension cost is positively skewed indicating 14.15152 and have kurtosis value of 4.613339. Lastly from the table, social cost has an average value of 76,024,210 and standard deviation of ₦4,080,455 implying a high variation having coefficient of variation of 5.36 percent. The mean of standard error shows ₦194,528 which imply that the difference between the population mean and the sample mean is 100 percent. The minimum value of social cost is 0 and the manufacturing firms with the maximum social cost has the value of maximum of ₦53,600,000. The data for variable is positively skewed indicating 9.690791 and have kurtosis value of 1.326939.

Table 4.1: Descriptive Statistics

Variables	ROA	OHS	EML	PSC	SOC
Observations	440	440	440	440	440
Mean	1.609893	.8772727	26,900,000	2,136,815	760,242
Std. Dev.	1.13345	.2597648	128,000,000	14,600,000	4,080,455
C. V.	.7040529	.2961049	4.759933	6.853281	5.367309
S.E (mean)	.0540351	.0123838	6,094,267	698,134	194,528
Min	-1.731604	0	15,578	0	0
Max	3.932295	1	1,330,000	26,000,000	53,600,000
Skewness	-.585283	-2.012388	8.431636	14.15152	9.690791
Kurtosis	3.344124	5.902005	9.995728	4.613339	1.326939

Researcher's Computation (2024)

4.2 Test of Variables

4.2.1 Correlation Matrix of Dependent and Independent Variables

The linear association or relationship between the dependent and explanatory variables was tested using the pairwise correlation coefficient. The correlation analysis equally helped in detecting the likelihood multicollinearity among the study variables of which the presence of multicollinearity could have a devastating effect on the standard error of the variables. The result shows that the relationship returns on assets and occupational health and safety (OHS) is positive and the relationship is significant at 5 percent, implying that one time improvement in occupational health and safety will cause an increase of about 12.92 percent in returns on assets of the firms and this is evidenced by coefficient of 0.1292 and probability value of 0.0067.

From table 4.2, the relationship between emoluments (EML) and returns on assets is negative and insignificant. This implies that an increase in emoluments will cause a decrease of 3.79 percent on the returns on assets of the manufacturing firms and this is evidenced by coefficient of -0.0379 and probability value of 0.4276. Likewise, the relationship between pension cost (PSC) and returns on assets is positive and significant. This implies that an increase in pension cost will cause an increase of 9.90 percent on the returns on assets of the manufacturing firms and this is evidenced by coefficient of 0.0990* and probability value of 0.0378. The relationship between social welfare cost (SOC) and returns on assets is positive and insignificant. This implies that an increase in social cost will cause an increase of 9.02 percent on the returns on assets of the manufacturing firms and this is evidenced by coefficient of 0.0902* and probability value of 0.0586.

The relationship between the all the individual explanatory variable shows a positive one. And none of the relationship shows a likelihood of multicollinearity as they are no too high and above the threshold of the 0.7 expected.

Table 4.2: Correlation Analysis of Study Variables

	OBS	ROA	OHS	EML	PSC	SOC
ROA	440	1.0000				
OHS	440	0.1292*	1.0000			
		0.0067				
EML	440	-0.0379	0.1355*	1.0000		
		0.4276	0.0044			
PSC	440	0.0990*	0.2248*	0.6512*	1.0000	
		0.0378	0.0000	0.0000		
SOC	440	0.0902	0.0966*	0.2546*	0.2868*	1.0000
		0.0586	0.0428	0.0000	0.0000	

Source: Researchers' Computation (2024). * 5 percent; ** 10 percent

4.2.3 Normality Test

The normality of data distribution is an assumption of running a linear model which assures that the p-values for the t-test and F-test will be valid. The normality of residuals was conducted using Shapiro Wilks test of normality and the result is presented in table 4.3. Since the values are lesser than 0.05 as indicated on the table at 5% level of significant therefore, the null hypothesis is that the data is normally distributed across the models will be rejected. For this reason, it is concluded that the residuals of the models are abnormally distributed.

Table 4.3: Shapiro-Wilk W Test for Data Normality

Variables	Obs	W	V	z	Prob>z
residuals	440	0.82275	53.150	9.495	0.00000

Skewness/Kurtosis tests for Normality

Variable	Obs	Pr(Skewness)	Pr(Kurtosis)	joint ------ adj chi2(2)	Prob>chi2
residual	440	0.0000	0.0000	.	0.0000

Source: Researchers' Computation (2024)

4.2.4 Multicollinearity Test

The Variance Inflation Factor (VIF) value is used to investigate the relationship between the variables themselves and the result is not found to be significant conclude that there is multicollinearity because the variance inflation factor and tolerance values are comparatively beyond the established rule of thumb. Based on the evidence presented in Table 4.4, it can be concluded that there is no multi-collinearity problem. This is because the VIF values for all the variables are less than 10 and the tolerance values for all the variables are greater than 0.10 (rule of thumb). Therefore, the study can rely on regression co-efficient to predict the level of impact of independent variables on dependent variables and the outcome of the findings can be considered valid.

Table 4.4: Tolerance and VIF Value

Variable	VIF	1/VIF
PSC	1.84	0.543388
EML	1.75	0.570736
SOC	1.10	0.908574
OHS	1.10	0.908574
Mean VIF	1.44	

Source: Researchers' Computation (2024)

4.3.4 Test for Heteroskedasticity and Auto-Correlation

The heteroskedasticity test was conducted to check the validity of homoscedasticity assumption that variance in the residuals are constant as the absence of homoscedasticity violate the assumption and may lead to wrong inference. Heteroscedasticity test was conducted using Breusch-Pagan / Cook-Weisberg test and data for the study was also tested for auto-correlation using Wooldridge test for autocorrelation in panel data. Based on the result in table 4.5, The Breush-pagan test for heteroskedasticity for model specified revealed the absence of heteroskedascity given the probability value of 0.8689 which is higher than the expected 0.05 implying that error term is not constant across the residuals and the probability for auto correlation is significant at 5 percent showing p-value of 0.0004 implying that there is first order correlation.

Table 4.5: Test for Heteroskedasticity and Auto-Correlation

	Heteroskedasticity			Auto-correlation	
chi2(1)	=	0.61	F(1, 39)	=	50.772
Prob > chi2	=	0.4363	Prob > F	=	0.0000

Source: Researchers' Computation (2024)

The cross-sectional dependence test is presented in Table 4.6. The result indicate that null hypothesis that there is no cross-sectional dependence is strongly accepted as the probability value indicated 0.8831 and the average absolute correlation of the residuals as obtained by using the abs parameter shows 0.318 which is considered a moderate number. Hence, there is sufficient evidence to conclude that employee relations and returns on assets under fixed effect condition did not exhibits cross-sectional dependence.

Table 4.6: Pesaran's test of Cross Sectional Independence

Null Hypothesis	Statistics	Probability
no cross-sectional dependence (P>0.05)	0.147	0.8831
Average absolute value of the off-diagonal elements	0.318	

Source: Researchers' Computation (2024)

4.3.5 Panel Unit Root Test of the Variables

Panel variables have the tendency of been non-stationary at level which may likely affect the parameter stability and consistency of the model. However, in order to identify the stationary conditions of the variables, the study uses Levin, Lin & Chu t* and Im-Pesaran-Shin unit-root test. The null hypothesis assumption of the unit root test is that all panels contain unit roots while the alternate hypothesis implies that some panels are stationary. The results of unit root tests were displayed in table 4.7. It shows that all the variables are integrated of order zero that is 1(0). Therefore, it is not necessary to conduct the co-integration test in order to determine the long run relationship among the variables. The panel least square is capable of estimating an efficient model and that is less spurious.

Table 4.7: Panel Unit Root Test

Variable	Levin, Lin & Chu t*		Im-Pesaran-Shin unit-root test	
	test-statistics	P-value	Z-statistics	P-value
Returns on Assets	-8.6222	0.0000	-4.2757	0.0000
health and safety	-5.7741	0.0000	-2.4103	0.0080
Emoluments	-86.4769	0.0000	-2.8838	0.0020
Pension Cost	-14.7988	0.0000	-4.2161	0.0000
Social Cost	-20.6822	0.0000	-3.8415	0.0001

Source: Researchers' Computations (2024)

4.4 Employee Relations and Financial Performance of Quoted Manufacturing Firms

The regressed results showing how employee relations such as occupational health and safety, emoluments, pension cost and social cost affect financial performance of listed manufacturing firms as presented in Table 4.8. All necessary test on variables to meet the basis for a Best Linear Un-bias Estimate (BLUE) was carried out and the results were presented alongside the regression for interpretation. The Hausman specification test was also conducted and the result shows p-value of 0.2108 which is insignificant at 5%. This implies that the variation in unique features across entities is assumed to be random in the model. Breusch and Pagan Lagrangian multiplier test for random effects is used to specify the appropriate between OLS and random-effect model and the results support the random effect model. However, due to the problem of serial auto correlation discovered in the data for the study, feasible general least square was considered to manage the error. The t-statistics and probability value is the basis of judgment used is interpretation of results.

The overall result of the regression shows that employee relations have positive and significant effect on the financial performance of the manufacturing companies. The model analysed is considered significant since the probability-value of the model is 0.0039 which is less than the 0.05 criterion and also, the R-square test affirm that the explanatory variables in are capable of explaining up to 16.97 percent changes in financial performance measured in terms of returns on assets. The implication of the result is that the employee relations is positively been affected by the extent of employee relations and this may be attributed to the fact that the level of investment in ensuring employee expectation as a key stakeholder is meant and been inculcated in the administration system of the companies.

For the individual results, Table 4.8 shows that occupational health and safety (OHS) have positive and significant effect on returns on assets of manufacturing firms showing t-statistics of -2.85 and probability of 0.004. Furthermore from table 4.8, employee emoluments (EML) have negative and significant effect on the returns on assets of the manufacturing firm showing t-statistics of -2.07 and probability of 0.039. Also, pension cost (PSC) have positive and significant effect on the returns on assets of the manufacturing firm showing t-statistics of 1.52 and probability of 0.130. Lastly from table 4.8, the effect of social cost (SOC) on returns on assets of the manufacturing firms is positive and significant at 5 percent level. It has t-statistics of 1.32 and probability of 0.188.

The implication of the findings is that employee is an important key stakeholders and that proper management of its relations with the companies will boost the overall performance and in turn maximize shareholders wealth. It further proves the point that employee relations is one of the pillar and crucial functions of organizational as companies compliance with the international labour organization (ILO) standard of decent work place agenda, the employees increase their work commitment and they achieve maximum productivity. Hence, the manufacturing firms need to improve on the employees working environment through occupational health and safety to permit a positive level employee relations and increased financial performance.

The findings of the study corroborates the results of similar studies such as Joseph and Michah (2017) who conducted a study to determine the impact of employees' relations on financial performance in Nigeria within 2010 to 2014. The findings indicate employee relations have significant effect on the financial performance of the institutions. The findings negate the result of Onyekwelu et al. (2020) which examine remuneration as a tool for increasing Employee Performance in Nigerian and it was found that remuneration assumes a significant role in increasing workers' performance in an organization. It equally negate the result of Omodero (2018) which examine the effect of employee relations costs on the financial performance of firms in Nigerian and the results indicate that personnel benefit costs have a positive and significant effect on profitability.

Table 4.8: FGLS Regression

ROA	Coef.	Std. Err.	Z	P>|z|
OHC	.6185365	.2168318	2.85	0.004
EML	-.0897067	.0434083	-2.07	0.039
PSC	.0589475	.0388938	1.52	0.130
SOC	.0312938	.0237499	1.32	0.188
_cons	1.260008	.2738445	4.60	0.000

Number of Obs = 440
Number of groups = 40
Wald chi2(4) = 15.41
Prob > Chi2 = 0.009
R-squared = 0.1697
Hausman specification Test chi2(4) = 5.85 Prob>chi2 = 0.2108

Breusch and Pagan Lagrangian multiplier test for random effects

chibar2(01) = 331.65 Prob > chibar2 = 0.00

Source: Panel Regression Analysis (2024)

4.5 Policy Implication of Findings

The implication of this findings should motivate companies in reviewing the companies' human resource policy by prescribing high level of employee relations by engaging thorough occupational health and safety policy, constant reviewing of emoluments package that reflect current economic condition. Social cost generated through engagement with the employee to meet their expectations to show the organization commitment to the welfare of the employees. This is because employee relations have significant influence on firm performance as revealed by the study and this is in tandem with the assumption of stakeholders' theory earlier discussed which presents the fact that business owe their stakeholders' that are individuals or groups accountability. This could be done by creating value for all the employee as an important stakeholders. A lack of employee relations might cause a poor employee performance while financial performance of such firm will suffer setback and this can only be averted using an effective employee relations. Also, labour unions can regularly engage the management for more efficient policies that will encourage better relations.

5 CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The study examined the effect of employee relations on the financial performance of manufacturing firms in Nigeria and employee relations was viewed from the aspect of occupational health and safety, emoluments, pension cost and social cost. The study is motivated from the fact that the companies in Nigeria are falling short of standard employee relations as prescribed by the international labour organization. Hence, finding out the effect of their level of their employee relations on their financial performance so that they could key into the advantage of good employee relations. The findings shows that employee relations have significant effect on financial performance of listed manufacturing firms in Nigeria. The empirical results supports previous researchers who admit the significant effect of employee relations on financial performance.

The study concluded that, health and safety, emolument, pension of employees must be given priority by employers in the manufacturing sector in order to increase the financial performance.

5.2 Recommendations

Based on the findings, it is therefore recommended that health and safety, emolument, pension of employees should be integrated into the policies and strategic plans of listed manufacturing firms as they are capable of enhancing their financial performance.

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