



Employee Benefits and Earnings Per Share: The Case of Consumer Goods Firms in Nigeria

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Abstract

The development of an economy involves the agglomeration of the output of various firms across the sectors. Firms' output is basically a function of employees' motivation. Thus, meeting the employees' aspirations is an essential condition. The study aims at examining the effect of employees benefits on financial performance of consumer goods sector in Nigeria using panel dataset from ten consumer goods firms listed on the Nigerian Stock Exchange (NSE) and ranges from 2012 to 2019. To achieve the stated aim this study employed the panel Random effect modeling approach after subjecting the dataset to series of tests to validate its conformity with statistical prescriptions. The study's findings show that, in varied degrees, gratuity (GRY), medical allowance (MDA), and salary (SAY) has statistically significant influence on earnings per share (EPS), which is utilized as the measure of organizational development in the study. Gratuity and medical have negative effect, while Pension (PSN) and Salary were found to have positive effect. However, Pension is statistically insignificant. The implication of the findings is that an increase in salary has the tendency of enhancing organizational development. Thus, for organizational development through employees' benefits, salary increment will have to be given a serious consideration and maybe Pension too.

Keywords: Employee benefits, Earnings per share, Organizational development, Random effect, Cross sectional dependence, Consumer goods sector.

JEL Classification: J54; N1; F63; P36; C33; C5.

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Contribution of this paper to the literature

The study assessed the impact of employees benefits on organizational development (using earnings per share) in the consumers goods firms in Nigeria.

1. Introduction

In the Environmental, Social and Governance (ESG) sustainability indicators, the social (S) is important to investors, and employee benefit is one of the most important factors in that category. It falls along a continuum, from addressing immediate financial needs to supporting planning for longer-term financial goals. This means that employee benefit is a crucial criterion for organizational success and survival. So for a business to make a long-term profit, it must be socially accountable, particularly to its employees. It is evident that employees and employers are partners in the maintenance of production. The two are pillars of the central economy, because efficient production of goods and services is inextricably linked to the health of the nation. In other words, the existence of a healthy and pleasant industrial relations in business, is critical not only for employers and employees, but also for the society.

Employee benefits are any type of compensation provided by the organization that is not part of the regular remunerations paid for in full or in part by the employer (Akomolafe, Emerole, & Dickson, 2018). On the other hand, Erbas and Arat (2012) considers employee benefits to be remuneration in addition to direct earnings or salary. The benefits program is one of the company's sources of compensation. A well-designed reward system can be a powerful motivator. The purpose of a reward is to improve the physical and mental health of employees, for their productivity to be enhanced. Employee Benefits covered under IAS 19 include, wages and salary, compensated absences (paid vacation and sick leave), profit sharing programs, bonuses, medical and life insurance benefits during work, housing benefits, free or subsidized products or services offered to employees, pension benefits, post-employment medical and life insurance benefits, long-term or sabbatical leave. Share based payment, is another form of employee benefit covered under IFRS 2.

Employee benefits programs, according to Christensen, Lentz, Mortensen, Neumann, and Werwatz (2005), can be "smart investments" that yield profits in the form of increased efficiency. Manzoor (2012) found a positive link between employee motivation and organizational effectiveness, implying that the more individuals are motivated to complete tasks, the better the organization's performance and success will be. In other words, failure by an employer to adequately reward his employees, can lead to demotivation in terms of low productivity, internal conflicts, absenteeism, high turnover, lack of commitment and loyalty, lateness to work, strike etc. For benefits to have a positive influence on an individual employee, it requires organizations to design and implement reward system that satisfies the employee aspirations. The differences in personality and nature of the employees means that employees are motivated to work hard if certain benefit packages offered by the organization speak to their needs. This is to say that motivated people perform well (Suri, 2016), So, motivation is an important determinant of job satisfaction and forthcoming performance. According to Andersen and Pallesen (2008). Employees are more likely to be motivated and hence perform better if they find the incentive program to be encouraging. Stovall (2013) concluded in his study that organizations using effective reward programs better accomplish organizational objectives and also influence employees behaviour. In other words, as employees are inspired, their morale and sense of worth are elevated, resulting in increased productivity and improved organizational output, which translates to increased profitability (Borjas, 2010). Employee-friendly benefits, according to Ekere and Amah (2014), encourage employees to be devoted to their organizations and to give their all, resulting in improved organizational performance. In reality, it is the benefits that attract and retain talented and high-performing employees. Undoubtedly, employees who are happy at work, are less likely to quit job. In this way, productivity and profitability of the organizations, will be impacted. Given that the entire output of an economy is the agglomeration of the numerous firms' output across sectors, multiplier effects will boost the economy's output, as the high rate of performance of firms contribute effectively to income per capita of individuals and to the national income at large.

Unfortunately, while employees are concerned about having more favourable working circumstances, some companies are comfortable attempting to decrease costs through their employee structure (Milkovitch and Newman (2014). This is common in developing countries, because the rate of unemployment is high, employers feel they can always replace workers who do not comply with their tyrannical policies. In Nigeria, employees work conditions and benefits differ between industries and organizations, resulting in the willingness of most workers to migrate from one firm to another in quest of better benefits and working conditions. As a result, fewer people invest their time and skills in the growth and productivity of the company where they work. According to Ajayi (2012) and Idemobi, Onyeizugbe, and Akpunonu (2011), Nigeria is suffering industrial turbulence as a result of poor pay, strikes, low employee job satisfaction, and bad social relationships with co-workers. This is a strong evidence linking employee benefit to certain elements important to corporate performance, such as employee productivity and turnover. In affirmation, (Akomolafe et al., 2018), stressed that, poor reward systems are to blame for low performance and inefficiency in many public and private companies. Consequently, the quality of work, the duration of projects, and the revenues of businesses have been harmed (Abdullahi, Bilau, Enegbuma, Ajagbe, & Ali, 2011), causing a backlash in other areas of the economy.

On a macroeconomic level, poor reward systems leads to an exodus of trained workers to other countries where they believe their skills will be better compensated (Christensen, McDonald, Altman, & Palmer, 2018). making the necessary resources for the development of the nation scarce, thereby limiting the output growth of the economy. Yamin and Luna (2016), confirmed that provision of financial benefits is one of the factors that pull the migrants into advanced countries. Nigerians are today considered one of Africa's most migratory communities, with Nigerians living on practically every continent (Adeagbo & Ayandibu, 2014). According to Adeosun and Popogbe (2021), the net emigration rate in Nigeria has remained negative for the past 30 years, implying that the emigration rate is higher than the immigration rate. They remarked that the brain drain syndrome caused by human capital flight will have a significant negative impact on the Nigerian economy and suggest that the country now more than ever requires high-quality human capital to advance the economy. Therefore, Ndulu (2010) advised

that African countries should be able to secure skilled labour and use repatriation techniques to return educated and skilled migrants to their home countries.

Studies have shown that much of economic growth and development take place through the performance of the existing organizations. For example, Brito and Vieira (2013) in their study, assert that firms are important factor of economic development in every country. High performance, according to the argument, demonstrates management effectiveness and efficiency in utilizing company's resources, which benefits the country's economy as a whole (Rehman, Zhang, & Ali, 2014). An Organization's financial performance can be measured by its earnings. The earnings determine its growth, diversification, investments, return on investment for capital providers, provision of employment and Shareholders' value maximization (Inyiama, 2015). The performance and managerial efficiency of those who manage the firms at a given time should be reflected in the value of ordinary shares. Thus, Earnings Per Share is regarded as one of the key indicators of managerial effectiveness and firm performance. In other words, a firm with good earnings per share is said to be performing well, and by extension, contributes to the economic development of the nation.

Given the assertion above, this study seeks to find out the effect of employee benefits on the performance of consumer goods sector in Nigeria, with the view to determine the financial benefits that mostly influence the performance of employees that translated to firm performance. Specifically, the study seeks to find out the effect of Gratuity; Salary; Pension and Medical allowance on Earning per share, used as the measure for firm performance. The justification for the use of earning per share as a measure of performance is based on the premise that good financial performance compensates shareholders for their investment. As a result, more investment is encouraged, resulting in economic growth. Poor performance, on the other hand, can lead to failure and catastrophe, both of which have negative consequences for economic growth (Ongore & Kusa, 2013).

To achieve these objectives, the assertions formulated are stated in null form as follows; Gratuity; Salary; Pension and Medical allowance have no significant relationship on Earning per share. The findings cannot be generalized because this study covers only the consumer goods sector of which does not represent the overall scenario of Nigeria. The outcome could be critical because it would assist state agencies in developing and implementing policies that would encourage the sustainability, expansion, and development of enterprises in terms of organizational productivity by identifying strategies to ensure that employees are appropriately motivated in their different organizations, hence raising general productivity and performance levels.

2. Empirical Review

Numerous existing research have shown that there exist a positive relationship between employee benefits and employee motivation, productivity and performance. According to Geomani (2012), motivation plays a critical role in the success of any organization's growth. His study provided evidence that reward systems and employee motivation have positive impact on organizational performance. Suri (2016) found that compensation has great impact on organizational effectiveness. Tausif (2012) investigated the relationship between non-monetary incentives (such as promotion, work enrichment, and job autonomy) and employee job satisfaction in Pakistan's educational sector. The result indicates that Non-financial benefits are important drivers of job happiness. Kee, bin Ahmad, and Abdullah (2016), investigated the link between financial compensation and organizational commitment among 150 workers in selected banks in Bera, a town in the state of Pahang, Malaysia, using salary, bonuses, and merit pay as financial compensation. The result revealed a significant link between financial compensation and organizational commitment, with merit-based pay being the most influential element in determining organizational commitment among the bank employees studied. In Mogadishu, Ali, Dahie, and Ali (2016) conducted a survey research on the relationship between teacher motivation and school performance the mediating effect of teacher's job satisfaction. Using 80 respondents from Secondary Schools in Mogadishu, the study revealed a significant positive relationship between teachers motivation, job satisfaction and school performance. Owusu (2012) examined the impact of motivation on employees job performance in commercial Banks in Ghana. It was discovered that enhanced salaries to workers, fringe benefits and promotions influenced performance of employees. In Nigeria, Agwu (2013) assessed the impact of fair reward system on employees' of Agip Oil Company limited Port-Harcourt job performance. The study concluded that implementation of fair rewards significantly influenced the employees job performance. Similarly, Ekere and Amah (2014) investigated the impact of employee benefits on employee satisfaction and performance, at private medical companies in Port Harcourt, Nigeria. The findings show that benefits and salary in the private medical sector were poor, resulting in low job satisfaction and poor job performance. The effect of retirement schemes on employee performance was examined by Dugguh and Iliya (2018), using a sample of 266 staff of Ashaka Cement Plc Nigeria. The regression result, revealed that excellent retirement plans had an impact on the employees performance.

A number of the existing research both in Nigeria and other foreign countries documented that financial benefits are more effective than non-financial incentives. For example, Erbasi and Arat (2012) looked at the impact of fringe benefits in the food sector in Turkey's central Anatolian region and discovered that monetary awards are more essential than non-monetary rewards in terms of inspiring workers to improve their performance. Similarly, the study of Kim and Cho (2016) shows that effect of monetary factors (e.g., salary, incentive, pension) is slightly of higher importance than the effect of nonmonetary factors such as word of mouth, job position or employment status and perceived job importance. Another stream of research, focused on the link between non financial incentive and effective employee motivation. For instance, Zirra, Oaya, Mambula, and Anyatonwu (2019), examined the impact of fringe benefits on employee performance using Nasco Group the result shows that health protection benefits, retirement benefits and recognition have a positive and significant impact on employee performance. According to praise and acknowledgment are excellent strategies of inspiring employee behaviour in the workplace since they are regarded as the most essential incentives. Al-Nsour (2012) investigated the impact of monetary and moral incentives on organizational performance of Jordanian university staff. The study revealed that moral incentives has a significant relationship with Organizational performance in the five sampled universities in Jordanian. Hakim (2020) discovered that salary, career development, work environment, and job satisfaction all had a favourable and significant effect on organizational commitment at PT Jakarta Tourisindo., This is supported by the study of Manzoor (2012), which indicated that the use of employee empowerment and

recognition for enhancing employee motivation can lead to organizational effectiveness. Thus, Akomolafe et al. (2018) concluded that employee benefits, when properly organized, increase company profitability; and suggested continual training and development programs to strengthen employees' competencies in their various duties and operations.

3. Methodology

The panel modelling approach will be used in this study's analysis. The necessity to model a type of data that contains both time and cross-sectional components led to the development of the panel model. The pooled OLS, the fixed effect, the random effect, and the Panel ARDL can all be used to estimate this type of data. The fundamental disadvantage of the pooled OLS is that it does not account for the data's individual characteristics. This problem associated with the usage of the pooled OLS can be addressed by the fixed and random effects. The fixed effect model was created to investigate the causes of variations in an entity. Because it compensates for time-invariant differences among the cross-sections under examination, the fixed-effect model cannot be argued to be biased when time-invariant attributes are excluded. In this study, the fixed effect model equation is as follows:

$$EPS_{it} = \alpha_1 + \beta_1 GRY_{it} + \beta_2 PNS_{it} + \beta_3 MDA_{it} + \beta_4 SAY_{it} + \varepsilon_i + \mu_{it} \quad (1)$$

Where EPS is the dependent variable (Earnings per Share); GRY, PNS, MDA and SAY represent the independent variables gratuity, pension, medical allowance, and salary, respectively. α_1 is the intercept of the regression also known as constant and $\beta_1, \beta_2, \beta_3$ and β_4 are the parameters of the independent variables. μ is the error term that is used to capture the variables not included in this model and ε is used to denote the fixed effect in the model. The i and t in the equations denotes the cross-sections and time, respectively.

Furthermore, when it is discovered that the fluctuations between entities (cross-sections or time) are random and uncorrelated with the independent variables, the random effect model is used. The random effect model has the advantage of being able to absorb time-invariant variables, as opposed to the fixed effect model, which includes them in the intercept. Again, this is our random effect model for the study:

$$EPS_{it} = \alpha_1 + \beta_1 GRY_{it} + \beta_2 PNS_{it} + \beta_3 MDA_{it} + \beta_4 SAY_{it} + \mu_{it} + \varepsilon_{it} \quad (2)$$

Where all the variables remain as defined in Equation 1, μ in Equation 2 is now the error term between entities while the ε is the error term within entities.

3.1. Cross-sectional Dependence Test

Cross-sectional Dependence is a severe issue when dealing with a macro panel with long time series of about 20 to 30 years or more, as opposed to a micro panel with fewer time periods. When the periods (t) are greater than the cross-sections (i), the Breusch-Pagan (B-P) LM is employed to test for cross-sectional dependence. Similarly, the Pesaran CD test is used when the cross-sections (i) are greater than the periods (t). The H_0 is that residuals across entities are uncorrelated, when employing the Breusch-Pagan LM test. The H_0 in the Pesaran CD test is that the residuals are uncorrelated. The general guideline is to reject H_0 if the probability value is ≥ 0.05 , and accept otherwise. In this study, the Pesaran CD test will be utilized to check for cross-sectional dependence problem, and if present in the data set, the period seemingly unrelated regression (SUR) will be employed to fix it, since the (i) is bigger than the (t).

3.2. Hausman Test

The Hausman test will be used to determine the most appropriate between the fixed effect and random effect models. The H_0 is that the difference in coefficients is not systematic, in other words, the error term is uncorrelated with the independent variables when using the Hausman test (Agubata, Okolo, & Ogwu, 2022). If the probability value is > 0.05 , accept the H_0 and interpret the random effect model; otherwise, reject and interpret the fixed effect model if the probability value is < 0.05 . A key assumption in applying the Hausman test to choose between the fixed effect and random effect results for presentation and interpretation is that the panels are all stationary at level (Agubata et al., 2022; Neagu, 2018). As a result, the Hadri Lagrangian Multiplier unit root test in Eviews was used in the study and the results showed consistency with the assumption of stationarity (Agubata et al., 2022; Neagu, 2018).

Furthermore, the result of the Hausman test result indicates that the random effect model is the most appropriate as the probability value is above the 5% significance level thus; the result from the random effect will be discussed in this study.

Table 1. Descriptive statistics.

Statistics	EPS	GRY	PSN	MDA	SAY
Mean	4.36	163	531	135	703
Median	1.03	493	212	767	393
Maximum	57.63	130	421	691	315
Minimum	-38.13	103	248	137	242
Std. Dev.	12.16	261	706	182	802
Jarque-Bera	348.95	229.10	473.90	90.34	52.81
Probability	0.00	0.00	0.00	0.00	0.00
Observations	80	80	80	80	80

4. Result Presentation and Discussions

Table 1 showcases the result from the descriptive statistics estimated using the original data untutored. From thence, it can be seen that average earning per share (EPS), gratuity (GRY), pension (PSN), medical allowance (MDA), and salary (SAY) of the ten sampled firms for the periods under consideration were approximately 4.36 naira, 1.6 billion naira, 531 million naira, 1.3 billion naira, and 7 billion naira, respectively. The maximum and minimum earning per share (EPS) in the cross-section for the periods were 57.63 naira and -38.13 approximately,

implying that while some firms made profitable earnings at various times others were at loss. The maximum and minimum GRY pay across firms for the periods under consideration was approximately 13.01 billion naira and 103.6 million naira. 4.2 billion and 24.8 million were the maximum and minimum pay for PSN across the firms within the study periods. For medical allowance (MDA), the maximum and minimum expenditures across the firms for the periods in consideration were 6.9 billion and 13.7 million naira. Finally, the maximum and minimum expenditure made on SAY across firms for the study periods were approximately 31.5 billion and 242.8 million naira. These figures were on annual basis, and potent that various firms in the study sample made these expenditures with respect to their peculiarity and size. The table further shows that all the variables are positively skewed. This may suggest that the changing economic situations in the country impacted them in the same direction. Finally, the JB probability indicates that the data for all the variables used for this study are normal, even at 1% significance. This then means that we can proceed with the estimation and estimation tests.

Table 2. Pearson correlation matrix.

Correlation	EPS	GRY	PSN	MDA	SAY
EPS	1.00				
GRY	0.02	1.00			
PSN	0.23	0.41	1.00		
MDA	-0.15	-0.14	-0.06	1.00	
SAY	0.42	0.80	0.51	-0.01	1.00

Table 2 above showcases the result of the Pearson correlation matrix, which is used to check if any relationship exists between the dependent variable and the explanatory variables of the study, and the nature of this relationship. The results from the correlation test indicate that there is weak relationship between the EPS and explanatory variables, GRY, PSN, MDA, and SAY. This relationship between the dependent and individual explanatory variables is positive, except for MDA, which is negative. The fact that none of the explanatory variables has a correlation coefficient exceeding the bench mark of 85% is an indication that there is no outlier.

Table 3. Variance inflation factor.

Variable	Coefficient	Uncentered	Centered
	Variance	VIF	VIF
GRY	5.03	4.15	2.98
PSN	3.29	2.17	1.39
MDA	3.75	1.62	1.06
SAY	6.00	5.86	3.31
C	0.03	2.48	NA

Table 3 is the result of the variance inflation factor (VIF) used to check for multicollinearity. When there is multicollinearity in a panel, it means that the estimated result is spurious and can't be relied upon for policy prescription and projection, the only exception is when the multicollinearity concerns just the control variable. According to theory, multicollinearity exists in a panel if the centered or uncentered VIF has a value between ten (10) and above. The VIF result thus, indicates that there are no issues of multicollinearity among the variables of this study.

Table 4. Cross-sectional dependence.

Test	Statistics	d.f	p-value
Breusch-Pagan LM	52.09	45	0.21
Pesaran Scale LM	-0.30		0.75
Pesaran CD	2.89		0.00

Table 5. Result of the random effect regression model.

Dependent Variable: EPS				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
GRY	-3.07	1.08	-2.84	0.00
PSN	5.98	1.27	0.47	0.63
MDA	-1.70	5.62	-3.03	0.00
SAY	1.42	4.29	3.31	0.00
C	1.33	2.13	0.62	0.53
Weighted Statistics				
R-squared	0.28	Mean dependent var	1.94	
Adjusted R-squared	0.25	S.D. dependent var	8.28	
S.E. of regression	7.17	Sum squared resid	3860.3	
F-statistic	7.61	Durbin-Watson stat	1.95	
Prob(F-statistic)	0.00			
Unweighted Statistics				
R-squared	0.50	Mean dependent var	4.36	
Sum squared resid	5797.16	Durbin-Watson stat	1.30	

Cross-sectional dependence is one of the major issues in panel regression analysis, the presence of which could leave us with an undesirable regression output. Cross-sectional dependence arises when what happens to an individual cross-section affects or impacts one or more individuals in the same cross-section. This is most common when mutual dependence or relationships exist between two or more individuals in a cross-section. Thus, to check for cross-sectional dependence in any cross-sectional sample, the Breusch-Pagan LM and Pesaran CD test are

commonly used, this is however dependent on the size of the periods and cross-section. Normally, when the periods (t) are greater than the cross-sections (i), the Breusch-Pagan LM is used, but when the cross-sections are greater than the periods the Pesaran CD is used. For this study, the Pesaran CD is used because the cross-section is greater than the periods. The result of Pesaran CD test in Table 4, shows significance at 1% level, which is a rationale to accept H_0 and reject H_1 . This means that there is cross-sectional dependence among the cross-sectional samples in this study. As a result, the cross-section weights of panel-corrected standard error (PCSE) was applied to offset the effects of the cross sectional dependence.

Table 5 shows the result of Random Effects regression model which is used to access the impact of employee benefits on organization earning per share. The weighted R^2 which indicates the overall changes in the dependent variable that were caused jointly by the independent variable, shows that about 29% of changes in EPS were caused jointly by GRY, PSN, MDA, and SAY. The remaining 71% were from variables not included in this model. The case of unweighted R^2 shows that 50% of the changes in EPS were caused jointly by the independent variables and the remaining 50% were accounted for by the variables captured in the error term. The independent variables have a joint significant impact on dependent variable as shown by the F-statistics of 7.617 and probability value of 0.000 which is significant at all levels. Other statistics look good, pointing to the fact that the model fits the data used for this study.

The result for the individual variables shows that GRY has a negative significant impact on EPS as the coefficient value and probability value of -3.07 and 0.005, indicates. This implies that any 1 unit change in GRY will bring about 3.07 naira changes in EPS. Precisely, a unit increase in GRY will reduce EPS by 3.07 naira whereas a unit decrease in GRY will increase EPS by 3.07. This potent that payment of gratuity according to the result from the sampled firms does not contribute to organizational growth, using earning per share as a measure of firm's growth. PSN is positive but statistically insignificant at 5% level significance as shown by the coefficient and probability values of 5.98 and 0.638, respectively. This means that PSN does not have the potentials to contribute to organizational development via improving EPS. This goes to suggest that payment of PSN to employees will not engender the firm earning per share. MDA is negative and statistically significant at all levels of significance as indicated by the coefficient and probability values of -1.70 and 0.00, respectively. This means that when MDA is increased by 1 unit that EPS will fall by about 1.70 naira, whereas, a 1 unit reduction in MDA will improve EPS by 1.70 naira. This outcome conformed to theoretical expectations. Thus, payment of medical allowance to employees does not encourage organizational development when EPS is considered as the measure of development. This is true because payment of Medical allowance to employees is not reasonable enough, as it is meant to take care of emergencies that may occur once in a while or may not occur at all. SAY is positive and statistically significant at all levels of significance, as indicated by the coefficient and probability values of 1.42 and 0.001, respectively. This result implies that any 1 unit increase in SAY will increase EPS by 1.42 naira and vice-versa, all things being equal. This is because SAY is the most important tool of employees motivation. As there is a need to meet the immediate daily need of the family, employees will give in their best to ensure that the source of earnings is improved upon. Special emphasis is placed on SAY by employees, because it forms the greater percentage of their earnings.

5. Conclusion and Recommendations

This study sought to unravel the impact of employees' benefits on organizational development, using Earning per Share (EPS) as the measure of organizational growth and gratuity (GRY), pension (PSN), Medical allowance (MDA), and salary (SAY) as the various measure of employees' benefit. The study adopted random effect model estimate to measure the impact of independent variables on dependent variable after it was found to be much more appropriate than the fixed effect estimate. E-views statistical software was used for regression analysis.

The study found that with the exception of PSN, that GRY, MDA, and SAY, have a strong statistically significant impact on EPS which is used by the study as the measure of organizational development in varying ways. For, while GRY and MDA deteriorated organizational development, SAY was found to improve same. Thus, any organizational development effort through employees' benefits will have to consider salary increment for it to be realized. In a bid to improve organizational development, employees must be given adequate attention and incentivized in line with the findings of this study. Ultimately, employees' salaries should be reviewed and improved often by business organizations.

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