Effect of Fringe Benefits and Remuneration on Employee Performance: The Mediating Role of Employee Engagement.

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ABSTRACT

Purpose of the study - This study assessed the effect of fringe benefits and remuneration on employee performance and explored the mediating role of employee engagement.

Methodology - The study employed a quantitative approach to data collection and analysis. Data was collected through a structured questionnaire distributed among 270 employees from Asanduff Construction Limited - Accra, Ghana. The analysis was conducted using Partial Least Square Structural Equation Modelling.

Findings - The study revealed that fringe benefits and remuneration did not affect employee job performance. With the mediation analysis, the analysis showed that employee engagement mediated the relationship between remuneration and employee performance as well as fringe benefits and employee performance.

Limitations - First, the study’s limitation has to do with its geographical coverage. The study was also limited to the working staff of Asanduff Construction Limited with an estimated sample size of 278 which could be relatively small. Again, through questionnaires being used as the main instrument, the study responses might be without honesty and accuracy. Thus, the study results might be affected by bias which will limit the generalizability.

Practical implications - The results of this study will contribute to human resource managers’ efforts in putting plans in place to improve the operations of their companies. Line managers should therefore make every effort to ensure that their staff members are motivated by the work they do to increase productivity, as this study also discovered a link between employee engagement and performance. Strategically, leadership and management of organizations will be based on the findings of this study and plan important workshops, seminars, symposiums, conferences, etc. with a major focus on providing employees with proper fringe benefits at the workplace to ensure that they increase productivity at the workplace.

Originality/value - The study contributes to the literature by assessing the effect of fringe benefits and remuneration on employee performance and exploring the mediating role of employee engagement.

1 INTRODUCTION

Organizations are met with a multitude of variables that interfere with the successful delivery of services they offer to clients (Shet, Poddar, Samuel, & Dwivedi, 2021). For organizations to implement their mission and vision, staff within the organization play an essential role and act as a backbone to fulfill the ever-changing needs of clients (Verma, Kumar, Mittal, Gupta, & Hsu, 2021). This stresses the importance of personnel management methods aimed at improving the performance of employees. Companies today are compelled to operate in a changing environment with many challenges, thus it is more crucial than ever to have motivated employees who will boost performance to survive the competition.
The interest in employee job performance stems from the fact that research has shown a positive relationship between employee performance and corporate performance (Bakotic, 2016). Thus, the performance of employees positively affects the performance of the organization as a whole. It therefore becomes necessary to understand factors that affect employee performance. Such benefits may create “golden hand-cuffs,” making employees more reticent to move to other employers. Some common examples are; retirement or pension plans, medical and dental insurance, education reimbursement, time off, paid vacation, and use of a company car. According to Singh’s (2016) research on the significance of intrinsic motivation, managers should understand that intrinsic factors have a greater impact on employee motivation and devote more time to fostering an environment of respect, recognition, trust, and autonomy when designing management strategies to appeal to their employees’ feelings. These internal factors — such as money — are more significant to employees than extrinsic ones (Singh, 2016). Additionally, Ajalie et al.’s (2020) research demonstrated that intrinsic motivation has a significant impact on organizational productivity and advised the management of organizations to take the necessary steps to ensure that employees are sufficiently intrinsically motivated to increase employee performance and productivity at both an individual and organizational level. For instance, fringe benefits focus on maintaining (or improving) the quality of life for employees and providing a level of protection and financial security for workers and their family members. Research has identified the effect of intrinsic motivation on employee performance; however, the effect of extrinsic motivation (fringe benefits and remuneration) is not well understood by researchers (Shahzadi, Javed, Pirzada, Nasreen, & Khanam, 2014). As a consequence, research is needed to explore the relationship between extrinsic motivation (fringe benefits and remuneration) and employees’ performance. Employee productivity increases as a result of higher employee engagement (Eldr, 2016). In recent years, the idea of employee engagement has dominated much of the Human Resources (HR) thought. According to Pandita and Ray (2018), organizations are now looking to HR to set the agenda for employee engagement and retention as a way to obtain a competitive edge. Despite being a relatively new concept, employee engagement is now a popular topic in management, and it is uncommon to come across an HR or management-related publication that does not include it (Wang, Kim, Rafferty, & Sanders, 2020). According to empirical studies, the fundamentals of employee engagement apply to all organizations, regardless of the industry (Slack, Corlett, & Morris, 2015). According to evidence, employee involvement is a strong predictor of work satisfaction (Riyanto, Endri, & Herlisha, 2021). Employee engagement may therefore act as a mediating factor in the connection between extrinsic motivation and employee performance.

Employers are now aware that they may develop a more effective and productive workforce by concentrating on employee engagement. Without the willful involvement and engagement of employees, management's reform programs would not be successful (Mayfield & Garrison-Wade, 2015). Although empirical studies have shown that the organization is primarily responsible for the aspects that determine an employee’s degree of engagement at work, workers must also contribute (Glavas, 2016). According to Glavas (2016), engagement is a two-way process that calls for the organization to take issues that annoy its people and effectively fix them. It is also self-evident that when people are happy with their jobs, they are more likely to give their all to help the company accomplish its objectives.

Employee engagement is defined as "a gratifying work-related state of mind marked by energy, devotion, and immersion," according to a popular description by (Ogolo, 2023). Ogolo (2023) admonished that a very critical question that researchers and managers strive to address is how to ensure that individual employees feel engaged with their work. In the current environment, where public sector organizations urgently need to innovate and develop to adapt to the changing business landscape and better serve the residents, engaging employees is even more important. Customer service is a universally significant public sector goal that can be advanced by motivated staff. The research on engagement has also demonstrated the significance of employee engagement by showing that it pays dividends and predicts employee outcomes, organizational success, and financial performance (Ilkhanizadeh & Karatepe, 2017). According to Rahman and Valentine (2021), disengaged workers are more likely to put in subpar work, actively hunt for a new position, and criticize management or the company they work for. Employees’ view of the level of support they receive from their organizations is related to how engaged they are with their work. Therefore, the aim of this study was:
To assess the effect of fringe benefits and remuneration on employee performance and explore the mediating role of employee engagement in the relationship using Structural Equation Modelling.

The findings of this study will significantly impact some of the benefits offered to employees or withheld from them to help them perform better. The study will also highlight the motivational factors that require attention so that companies may implement the necessary performance-enhancing measures. Additionally, the results of the study will significantly contribute to the body of knowledge already available on the topic. Additionally, when the study’s findings are put into practice, they will aid in the production of additional human resources because improved employee performance will decrease the need for foreign labour imports into the nation at the neglect of domestic workers.

2 THEORETICAL BACKGROUND AND CONCEPTUAL MODEL

This research adopted the Expectancy theory of motivation by Vroom. Vroom's (1964) expectancy hypothesis has played a significant role in the study of job motivation. Numerous observational experiments have been conducted on Vroom's (1964) Valence, Instrumentality, and Expectancy Model (VIE model). It has been a fertile ground for scientific breakthroughs in areas of interpersonal action, leadership, and pay. People would be encouraged if they feel that their efforts will result in success if they can see a strong connection between their efforts and specific outcomes, and if the outcomes are significant to them. The expectation principle encourages people to act in ways that provide the best variants of expected results (Kreitner & Kinicki as cited in Lloyd & Mertens, 2018).

The Expectancy Theory by Vroom makes an effort to interpret motivated behaviour in terms of goals. He contends that people operate in a hedonistic fashion, selecting actions that would maximize their subjective utility. According to the anticipation theory, a person's inclination to act in a specific way is largely influenced by how strongly they anticipate that action will result in a particular consequence and how attractive that outcome is to them (Robbins as cited in Lloyd & Mertens, 2018). As a result, actions may be tailored to meet specific, predetermined objectives. According to Vroom's theory, "a person’s choices among alternative courses of action are lawfully linked to psychological experiences occurring concurrently with the conduct" (Vroom as cited in Lloyd & Mertens, 2018). As a result, people make deliberate choices among alternatives, and those choices are systematically linked to psychological processes, especially interpretation and the development of beliefs and attitudes (Pinder as cited in Vroom, Porter, & Lawler, 2015).

It is also crucial to know how confident an individual employee is that his or her efforts can result in corporate incentives or positive job results. Finally, the individual employee’s view of the likelihood that personal initiative on his or her part would result in high success is critical. As a result, four factors influence an employee’s motivation. These are individual effort, individual performance, organizational rewards/work outcomes, and personal goals.

Motivation can either be intrinsic or extrinsic. Intrinsic motivation is described as engaging in activities that are inherently rewarding or enjoyable (Legault, 2016). In Ghana, recognizing success, inspiring creativity, and involving all employees to brainstorm issues affecting organizations are ways of increasing the intrinsic motivation of employees to increase productivity (Ibrahim & Brobbey, 2015). Extrinsic motivation, on the other hand, describes engaging in behaviour that is fundamentally dependent upon the achievement of a result that is distinct from the activity itself (Legault, 2016). In other words, actions driven by extrinsic incentives are taken to achieve some other goal. Extrinsic motivators have been proven to be quite effective at boosting job productivity. It can be useful when employees need a boost of motivation to get their work done.

Vroom’s expectancy theory underpins this study because of its focus on work motivation through the expectations of the worker. Employees serve in organizations and they have personal aspirations that they want to fulfill. Organizational incentives or job results will help you achieve your personal goals. As a result, the connection between organizational incentives or job results and personal objectives is critical. As a result, how much do workplace incentives support an employee’s interests, and how appealing are they to the employee? This relationship can also be reflected in terms of the importance that the employee
places on the job results. Second, workplace incentives or job results are determined by the employee’s actual success.

![Conceptual Model](source: own illustration)

### 3 Hypotheses Formation

#### 3.1 Fringe Benefits and Employee Performance

A good selection of fringe benefits demonstrates that the company values human potential and can invest in its workforce (Greer, 2021). The way employees are paid determines the quality and longevity of every company. The level of motivation and attitude toward work can be determined by the reward structure and motivational rewards. Fringe benefits are types of indirect incentives provided to an individual or group of workers as a result of their membership in an organization (Chukwudumebi & Kifordu, 2018). Fringe benefits are described by Greer (2021) as the portion of an employee’s overall reward package that is given in addition to base or performance pay. Employees’ quality of life is maintained (or improved) by fringe benefits, which provide protection and financial support for jobs and their families.

The main goal of most corporate fringe benefit schemes, and base salary arrangements, is to recruit, maintain, and empower skilled, capable workers (Bernardin, 2017). When rival companies provide equal base salaries, Bernardin (2017) note that an employer who offers a more appealing compensation package frequently has an edge over other employers in recruiting and retaining skilled workers. Retirement or pension plans, medical and dental benefits, tuition coverage, days off, paid holidays, and use of corporate vehicles are also typical instances.

Fringe benefits, as specified by Kulikowski and Sedlak (2020), are compensation other than direct wages or salaries, such as a company vehicle, a home allowance, medical care, compensated vacations, pension plans, and subsidized meals. Any fringe benefits are included with gross earnings. In addition to base or incentive compensation, Vashistha and Khan (2020) define fringe benefits as part of the overall incentive plan given to workers. Employees’ quality of life is maintained (or improved) by fringe benefits, which provide protection and financial support for jobs and their families.

Any non-monetary forms of compensation that an employer offers are considered fringe benefits. Salary, bonuses, and other forms of monetary compensation are not included in this. Health protection benefits have a good and significant impact on employee performance among employees in Jos Plateau, Nigeria, according to research by Zirra, Mambula, and Anyatonwu (2019). It demonstrated that employees...
work harder and are more productive when given more access to health protection benefits. Fringe benefits are the extra perks provided to a worker in addition to their stated pay in exchange for doing a certain task (Reid & Bates, 2021). While some ancillary benefits, like social security and health insurance, are mandated by the law, other ancillary benefits are offered freely by the employer. Free breakfast and lunch, gym membership, stock options for employees, transportation benefits, services for retirement planning, childcare, financial aid, etc. are a few examples of optional fringe benefits. When an employee feels that their employer values their contribution to the organization, they frequently put in more effort (Reid & Bates, 2021). Offering extra benefits like paid holidays, health insurance, an employer-provided automobile, stock options, etc. is one strategy to improve employee performance. It will assist keep workers engaged and decrease instances of unhappy staff.

Several factors have been found to affect employee performance. Some of these factors include job satisfaction, recognition, sense of achievement, good salary, training, and development (Bonsu & Kusi, 2014). In addition, organizational justice, employee engagement, and fringe benefits have direct effects on job performance (Dai & Qin, 2016). Research also shows that transformational leadership which includes the introduction of fringe benefits, has both direct and indirect effects on performance (Dai & Qin, 2016). Logically, a person receiving fringe benefits will succeed in their task/job (Bonsu & Kusi, 2014). Administrators and academicians are focusing their attention on job performance because workers’ performance will deteriorate if there is little provision of fringe benefits (Bonsu & Kusi, 2014).

Therefore, based on the preceding, it was hypothesized that:

H1. Fringe benefits will have a positive and significant relationship with employee performance.

3.2 EMPLOYEE REMUNERATION AND EMPLOYEE PERFORMANCE

Organizations with a stimulating remuneration scheme and a larger and more varied variety of employment benefits provide a comparative edge over their competitors in the labour market. Held (2016) agrees with the previous point, stating that a fun scheme of employee benefits combined with a fair remuneration system increases the company’s reputation and competition in the labour market. According to Bessette (2016), a well-designed remuneration program has a direct effect on an organization’s ability to recruit and maintain talent and main workers who are vital to the company’s business success. However, it must be said that remuneration is a difficult HR environment that must follow patterns (Prasad, 2015), because the demands of younger generations are changing, and only a wage or salary is not what keeps talented workers in organizations, as evidenced by (Marescaux, De Winne, & Sels, 2013).

Remuneration aims to objectively assess employee performance and to successfully motivate them to complete their job tasks and reach high levels of performance (Bol, Hecht, & Smith, 2015). Bol et al. (2015) go on to say that establishing a rational remuneration scheme and linking it to the performance assessment system is critical. The remuneration scheme involves both financial and non-financial elements (wages and salaries) (fringe benefits). Non-financial components are becoming increasingly important. As a result, remuneration and compensation are also aspects that contribute to employee work satisfaction. Equal remuneration, it can be said, has a positive effect on worker satisfaction and employee motivation (Bol, Hecht, & Smith, 2015).

Remuneration, in the context of a reward management scheme, is a critical feature of human resource management and a collaborative collaborator for business executives. Furthermore, it has a major impact on the job result. Reward management programs have a significant effect on an organization’s ability to attract, maintain, and inspire high-potential workers, resulting in high efficiency (Mangusho, Murei, & Nelima, 2015). Employees are typically motivated by a remuneration compensation scheme to improve efficiency, and productivity, prevent being easily transferred to other firms, develop a service-oriented behaviour, and discourage corruption. Money or salary should be used as remuneration, as well as fixed and discretionary allowances, bonuses, and other benefits.

Employee remuneration is the net salary that an employee receives in exchange for the work that he or she has provided (Agustiningsih, Armanu, Djumilah, & Noermijati, 2016). As a result, remuneration is defined as the level of satisfaction that employees get for their jobs, which includes all types of payment or compensation that contribute to that level of satisfaction. Again, remuneration aids the company in
attracting, retaining, and motivating a productive workforce. In a cooperative association, remuneration can be described as the "tick" that binds the employees and the company together. It is often known as a legally binding contract that specifies the amount to be paid to the employee as well as the elements of the remuneration package. Motivation as a procedure is, in general, an internal interest of an organizer’s staff.

A reward given by an employer to a worker in exchange for labour or services is known as remuneration. An effective incentive is frequently seen as compensation by the employees. Remuneration was defined by Legault (2016) as money or another form of compensation for labour. He went on to list additional measures of compensation, such as basic pay, earnings, health and pension plans, travel expenses, overtime pay, and responsibility allowances. Remuneration, according to Calvin (2017), can also be defined as monetary or financial benefits in the form of salaries, wages, bonuses, incentives, allowances, and benefits that are accrued or given to an employee or group of employees by the employer (firm) as payment for services rendered, as a reward for employment, or as a result of a commitment to the organization. According to more research, Majid, Mediaty and Possumah (2019), the National Police in Pasaman workers perform better when they are paid. As a result, compensation has a big impact on how well employees perform.

Majid et al. (2019) asserts that management or firms or companies must provide motivational packages such as remuneration as not giving enough remuneration would have serious repercussions on employees’ performance. Thus, improving employee remuneration is likely to have a positive effect on employee performance, which will increase the performance of the organization. Nwokocha (2016) argues that a business needs an efficient rewards system that is tied to production to keep its top performers. Giving awards to employees on their employment anniversary demonstrates the employer's appreciation and admiration for the workers who have stayed with the business. While employees are in charge of work, the employer must tell them that he appreciates the overtime they make and no matter what reward elements are used for them since they have already received an evaluation message from the employer. This message is important, as here are the ways of reward that are related to the business structure, recruitment of the workforce, preservation, motivation, performance, feedback, and employee satisfaction

Based on the preceding, it was hypothesized that:

H2. Remuneration will have a positive and significant relationship with employee performance

3.3 EMPLOYEE ENGAGEMENT AND EMPLOYEE PERFORMANCE

The degree of dedication and involvement a worker has with their organization and its principles is often considered to be the measure of employee engagement (Slack, Corlett & Morris, 2015). When an employee is motivated, he or she is conscious of his or her role in the company’s goals and inspires the same in his or her coworkers. The term "positive emotional connection of an employee towards his or her work" refers to the employee's positive attitude toward his or her workplace and its value system (Bonsu & Kusi, 2014). Employees who are passionate about their jobs go above and beyond the call of duty to excel in it. Offering extra benefits like paid holidays, health insurance, an employer-provided automobile, stock options, etc. is one strategy to improve employee performance. It will assist keep workers engaged and decrease instances of unhappy staff.

In addition, organizational justice, employee engagement, and fringe benefits have direct effects on employee performance (Sarfraz, Qun, Abdullah, & Alvi, 2018). Employee performance refers to the financial or non-financial consequence of the employee that is directly related to the success and operation of the organization. Focusing on increasing employee engagement is a key approach to improving employee performance, according to several studies. High levels of employee engagement may also improve employee performance, task performance, organizational citizenship behaviour, productivity, discretionary effort, affective commitment, continuance commitment, levels of psychological climate, and customer service, according to research (Bakker, Oerlemans & Ten Brummelhuis, 2016; Gruman & Saks, 2011; Mone & London, 2018). This study aimed to investigate the strength of the impact employee engagement has on employee performance because past studies have already demonstrated the impact employee engagement
has on employee performance. Novitasari, Asbari and Purwanto (2022) contend that several factors, including involvement, can result in improved performance. An increasing number of research have found a link between involvement and individual performance, which supports these conclusions (Mone & London, 2018). Therefore, based on the preceding, we hypothesize that:

H3: Employee engagement will have a positive and significant relationship with employee performance.

3.4 MEDIATION ROLE OF EMPLOYEE ENGAGEMENT BETWEEN REMUNERATION AND EMPLOYEE PERFORMANCE

One strategy for increasing employee loyalty is to encourage employee involvement (Hermawan, Thamrin & Susilo, 2020). Therefore, high levels of engagement increase employee loyalty and decrease the desire to voluntarily leave the organization. Because they feel good and do not view their work as a burden, highly engaged employees produce better work (Baik, Song, & Hong, 2018). According to Hermawan, Thamrin, and Susilo (2020), compensation or rewards are one of the elements that contribute to the effectiveness of employee engagement. Employees receive compensation as a form of reward or reward for their efforts. According to research by Baik, Song, and Hong (2018), rewards or incentives have a considerable impact on employee engagement, which in turn has an impact on performance. Hermawan, Thamrin, and Susilo (2020) assert that there is a significant influence of employee engagement on the relationship between remuneration and employee performance.

Employee performance will be enhanced by appropriate rewards or incentives. Employees will benefit from the availability of prizes in the form of bonuses, gifts, and allowances. Giving out rewards or remuneration can serve some reasons, including fostering a sense of teamwork and motivation among employees as part of a company's effort to attract and retain top talent. Employee engagement strongly influences employee engagement. It serves as a mediating variable between incentive and employee performance, according to research findings from (Memon et al., 2020). Hence, it was hypothesized that

H4: Employee Engagement will mediate the relationship between remuneration and employee performance.

3.5 MEDIATION ROLE OF EMPLOYEE ENGAGEMENT BETWEEN FRINGE BENEFITS AND EMPLOYEE PERFORMANCE

According to research on employee engagement incentives, meeting employee requirements for fringe benefits like flexibility and other perks like retirement, vacation, and health insurance ultimately results in higher employee engagement (Aslam, 2014). The basis for a large portion of performance-based rewards is improving staff productivity in attaining goals. Employees respond favourably to the arrangement of proportions. Furthermore, Aslam (2014) noted that the levels of work engagement before and after the implementation of the aforementioned compensation system varied. According to Ogbogu (2017), reward management has an impact on a person's performance by rewarding good performance and offering incentives for improvement. The goal of the incentive system is anticipated to have a constructive effect on the anticipated systematic performance improvement. In addition, Hoole and Hotz (2016) discovered that perks in the form of reward systems had a direct impact on job engagement. The focus of work engagement, according to Sun and Bunchapatnatasakda (2019), also encompasses cognition, involvement, emotions, and behaviours.

Employees who are devoted, happy, and engaged provide companies with a competitive edge by being more productive (Ogbogu, 2017). Through their services to clients or consumers, these workers show their involvement, contentment, and devotion, which increases the organization's revenue (Hoole & Hotz, 2016). Because these employees are aware of how their job contributes to the achievement of the organization's goals, employers want to employ dedicated, contented, and committed individuals. A competitive advantage of persistent productivity is created when people are engaged, content, and devoted to the organization.

H5: Employee Engagement will mediate the relationship between fringe benefits and employee performance.
4 METHODOLOGY

The researchers relied on the positivist paradigm for this quantitative research. The researchers thus adopted a descriptive cross-sectional survey using structured questionnaires to collect data from the study respondents. The sample size was 278 respondents from Asanduff Construction Limited- Accra. This was determined using Krejcie and Morgan's (1970) sample size determination table for a population of 1000 employees. The questionnaire was, however, filled by 270 participants. After collecting the data, the response rate was calculated which was 97%. A convenient sampling method was used to collect data from a total of 270 employees from Asanduff Construction Limited- Accra, Ghana. Multiple regression analysis was used to analyze the impact of the independent variables on the dependent variable. Mediation analysis with confidence intervals was used to test the mediation role of employee engagement through the application of structural equation modelling.

4.1 INSTRUMENT

Questionnaires offer the benefits of standardized and open responses to a range of topics from a large sample or population, they can be cheap, reliable, valid, quick, and easy to complete (Cohen, Manion, & Morrison, 2018). Questionnaires on fringe benefits, remuneration, employee engagement, and employee performance were adapted from a review of past studies. The questionnaire used for the study was in six (6) sections. Section A covered the demographics of respondents. Section B focused on the fringe benefits employees received at the workplace with 14 items on a 3-point nominal scale measuring fringe benefits. The overall Cronbach’s alpha value for the scale was 0.873. Section C was on employee remuneration. The scale was adapted from the Pay Satisfaction Questionnaire (PSQ) by Heneman and Schwab (1985) and the items were on a five-point Likert-type. The Cronbach alpha for this scale was 0.93. Section D was on employee engagement. The scale was modified from the Intellectual, Social, and Affective Involvement Scale (ISA Engagement Scale), which was developed by Soane, Truss, Alfes, Shantz, Rees, and Gatenby and contained nine items with three facets: intellectual, social, and affective engagement (2012). The response format is a seven (7) Likert-type scale with a Cronbach alpha of 0.80. Employee performance was measured in the last section. This scale was adopted from literature by Salisu, Inuwa, and Mashi (2017). This scale was on a five-point Likert system with a Cronbach alpha of 0.95.

5 RESULTS

In this study, two statistical packages- SPSS, and SmartPLS were adopted. The sample characteristics and descriptive were analyzed using SPSS, while the SmartPLS was adopted for the analysis of data.

5.1 SAMPLE CHARACTERISTICS

Table 1 presents demographic and occupational data for the respondents in the survey. The majority of respondents were male (65.2%), with females making up a smaller portion (34.8%). In terms of age, most respondents were under 30 years old (64.4%), followed by those in the age range of 31-39 (34.8%). The age groups 40-49 and 50+ had the lowest percentages of respondents, with 2.2% and 1.2%, respectively.

5.2 STRUCTURAL MODEL

Regression Analysis for Fringe Benefits, Remuneration, and Employee Engagement on Employee Performance

A regression analysis was performed to find the effect of Fringe Benefits, Remuneration, and Employee Engagement on the Performance of employees. Table 1 presents data on the regression. To check the normality of the data, SPPS Version 26 was used to run the analysis.
Table 1. Regression analysis for the effect that Fringe Benefits, Remuneration, and Employee Engagement on Employee Performance.

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>SE B</th>
<th>β</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fringe benefits</td>
<td>-.027</td>
<td>.077</td>
<td>-.022</td>
</tr>
<tr>
<td>Remuneration</td>
<td>.098</td>
<td>.051</td>
<td>.119</td>
</tr>
<tr>
<td>Employee Engagement</td>
<td>.168</td>
<td>.064</td>
<td>.165*</td>
</tr>
<tr>
<td>Rsquare = .062</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted rsquare = .041</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

Note: *p<0.05

The overall model predicted 6.2% of the variation in employee performance ($R^2=0.062$, $P=0.009$). Individually, the study revealed that Fringe benefits had no statistically significant effect on employee Performance ($B = -.027$, $p = .724$). Remuneration had no statistically significant effect on employee Performance ($B = .098$, $p = .055$). From the analysis, employee Engagement has a statistically significant effect on employee Performance ($B = .168$, $p = .009$). Thus, individuals who are more engaged in the workplace have higher employee performance than individuals who are less engaged at work.

Mediation analysis

The researchers tested the mediating role of employee engagement in the relationship between extrinsic motivation (fringe benefits and remuneration) and employee performance. The test was made possible through the use of SmartPLS. The predictor variable was extrinsic motivation with two aspects (fringe benefits and remuneration), the criterion variable was employee performance and the mediator variable was employee engagement. Figure 1 and Table 1 present results on the mediating role of employee engagement in the relationship between remuneration, fringe benefits, and performance.

![Mediation analysis diagram](image)

Fig 2. Mediating role of employee engagement on the relationship between fringe benefits, remuneration, and employee performance
Table 2. Coefficients of the mediating role of employee engagement on the relationship between fringe benefits, remuneration, and employee performance

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>B</th>
<th>T</th>
<th>LLCI</th>
<th>ULCI</th>
<th>Sig</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Fringe benefits → Employee performance</td>
<td>-0.022</td>
<td>0.264</td>
<td>-0.185</td>
<td>0.144</td>
<td>0.792</td>
</tr>
<tr>
<td>H2</td>
<td>Remuneration → Employee performance</td>
<td>0.104</td>
<td>1.318</td>
<td>-0.066</td>
<td>0.244</td>
<td>0.188</td>
</tr>
<tr>
<td>H3</td>
<td>Engagement → Employee performance</td>
<td>0.186</td>
<td>3.150</td>
<td>0.061</td>
<td>0.305</td>
<td>0.002</td>
</tr>
<tr>
<td>H4</td>
<td>Fringe benefits → Engagement → Employee performance</td>
<td>-0.034</td>
<td>2.120</td>
<td>-0.069</td>
<td>-0.008</td>
<td>0.034</td>
</tr>
<tr>
<td>H5</td>
<td>Remuneration → Engagement → Employee performance</td>
<td>0.045</td>
<td>2.472</td>
<td>0.012</td>
<td>0.085</td>
<td>0.014</td>
</tr>
</tbody>
</table>

Mediating Role of Employee Engagement

From the results of the study, when employee engagement and remuneration are controlled, fringe benefits do not have a significant effect on employee performance, B=-0.022, t=0.264, Boot CI (-0.185, 0.144). In addition, when employee engagement and fringe benefits are controlled, remuneration has no significant effect on employee performance, B=0.240, t=1.318, Boot CI (-0.066, 0.244). Furthermore, when remuneration and fringe benefits are controlled, employee engagement has a significant effect on employee performance, B=0.186, t=3.150, Boot CI (0.061, 0.305).

Furthermore, employee engagement mediated the relationship between fringe benefits and employee performance B= -0.034, t= 2.120, Boot 95% CI (-0.069, -0.008). However, there was a negative relationship indicating that fringe benefits are negatively related to employee performance through their effect on engagement. Lastly, the study further found that employee engagement also mediated the relationship between remuneration and employee performance B= 0.045, t= 2.472, Boot 95% CI (0.012, 0.085). However, there was a positive relationship indicating that remuneration is positively related to employee performance through its effect on engagement.

Table 3. Model fit indices of the mediation analysis

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Saturated Model</th>
<th>Estimated Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>SRMR</td>
<td>0.081</td>
<td>0.082</td>
</tr>
<tr>
<td>d_ULS</td>
<td>1.368</td>
<td>1.406</td>
</tr>
<tr>
<td>d_G</td>
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<td>0.333</td>
</tr>
<tr>
<td>Chi-square</td>
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<td>523.634</td>
</tr>
<tr>
<td>NFI</td>
<td>0.658</td>
<td>0.658</td>
</tr>
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</table>

Researchers caution against the use of model fit in SMART-PLS (Hair, Hult, Ringle, & Sarstedt, 2017). However, the estimated model seems to be a reasonable choice, if a researcher makes the questionable decision to report the fit results of the PLS model. A value less than 0.10 or of 0.08 the standardized roomean square residual (SRMR) is considered a good fit. The value of the SRMR is 0.081 indicating the data fits the proposed model.

6 THEORETICAL AND PRACTICAL IMPLICATIONS

In the first objective, the study investigated the relationship between fringe benefits and employee performance in private companies. Surprisingly, the research found no significant correlation between fringe benefits, including bonuses and allowances, and employee performance. This result contradicted earlier studies by Glavas (2016) and Bakotić (2016), both of which suggested a positive link between fringe benefits and performance. Notably, the accessibility to fringe benefits did not seem to impact or influence employee performance.
Moving on to the second goal, the study explored the connection between remuneration (pay) and employee performance. Surprisingly, the findings indicated no significant relationship between compensation and employee performance. This result went against the conclusions of Ogolo (2023) and Nwokocha (2016), who argued that higher remuneration positively affects performance. Both researchers emphasized the importance of adequate remuneration as a motivational tool.

In contrast, the third objective examined the relationship between employee performance and employee engagement. This finding aligned with prior research by Bakker, Oerlemans & Ten Brummelhuis (2016) and Mone & London (2018), who emphasized that effective engagement enhances performance. Employee engagement, when effectively harnessed, was seen as a powerful driver of improved employee performance.

The fourth and fifth objectives delved into the mediating role of employee engagement. Firstly, the study demonstrated that employee engagement acted as a mediator between remuneration and employee performance. This outcome supported findings from Hermawan, Thamrin & Susilo (2020), Baik, Song & Hong (2018), and Memon et al. (2020), all of whom observed that employee engagement played a mediating role in the relationship between remuneration and performance.

Similarly, in the last objective, employee engagement was found to mediate the connection between fringe benefits and employee performance. This finding was consistent with the research conducted by Urbancová and Šnýdrová (2017). Notably, when employee engagement was considered, the direct relationship between fringe benefits and job performance lost its statistical significance. This suggests that the impact of fringe benefits on job performance may be indirect, mediated through employee engagement.

The practical implications of this study are significant for organizations seeking to enhance employee performance. Firstly, it suggests that Human Resource (HR) practices need to be reevaluated. While the research did not find a direct connection between fringe benefits and remuneration (compensation) with employee performance, it underscores the importance of understanding that these factors can influence performance indirectly through the mediating factor of employee engagement. HR departments should, therefore, focus on developing engagement strategies that maximize the potential impact of fringe benefits and remuneration on overall employee performance. This may involve creating tailored engagement initiatives for different employee segments within the organization.

Secondly, the study highlights the need to rethink performance evaluation processes. Rather than solely relying on compensation or fringe benefits as indicators of performance, organizations should incorporate measures of employee engagement into their evaluation frameworks. This would provide a more comprehensive and accurate assessment of how these factors collectively influence employee performance.

Additionally, organizations should invest in initiatives that foster employee engagement. Since the study found a strong correlation between engagement and employee performance, this implies that by enhancing engagement levels through training programs, mentorship, and positive workplace culture, companies can indirectly improve performance outcomes. The key takeaway here is that engagement strategies should be an integral part of HR practices, tailored to the specific needs and dynamics of the organization.

Lastly, organizations should encourage open channels for employee feedback. This feedback can provide valuable insights into employees’ perceptions of compensation, fringe benefits, and engagement initiatives. By collecting and acting upon this feedback, organizations can make data-driven decisions to optimize the impact of these factors on job performance.

From a theoretical perspective, this study challenges conventional notions regarding the relationship between compensation, fringe benefits, and employee performance. It highlights the need for a more nuanced understanding of these factors’ complex interplay in the workplace. The traditional assumption that higher compensation or better fringe benefits always lead to improved performance is called into question. Researchers and scholars should consider the multifaceted nature of this relationship, taking into account the mediating role of employee engagement.

Furthermore, this study underscores the critical role of employee engagement as a mediator. Future research in organizational psychology and management should delve deeper into the mechanisms
through which engagement influences employee performance. By gaining a more profound understanding of the underlying processes, scholars can contribute to the development of effective strategies for improving performance in various organizational contexts.

Contextual factors also emerge as an important consideration. The study suggests that the impact of compensation and fringe benefits on employee performance may vary depending on organizational culture, industry, and regional differences. Future studies should explore how these contextual factors moderate the relationships between compensation, fringe benefits, engagement, and performance.

In conclusion, this research offers a fresh perspective on the relationships between compensation, fringe benefits, employee engagement, and employee performance. Its practical implications emphasize the need for tailored HR strategies that prioritize engagement, while its theoretical implications call for a deeper and more nuanced exploration of these dynamics within the field of organizational behaviour and management research.

7 LIMITATIONS AND SUGGESTIONS FOR RESEARCH

The study’s limitations have to do with its geographical coverage. The study does not focus on all block construction factories in Ghana, nor does it cover all those in the Greater Accra Region, but only Asanduff Construction Limited is considered. If other block facilities in the region had been included, the results may have been different. This means that the findings, conclusions, and recommendations emanating from this study are limited to only Asanduff Construction.

The functions of employee engagement and perceived organizational support, as well as the effect of fringe benefits and remuneration on employee performance, can all be studied further using a qualitative study or a mixed-method study. We can once more examine perceived organizational support as a mediating variable and employee engagement as a moderating variable to deepen our understanding in this area of research. The research can also be used in other American businesses and industries.

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