

REVIEW OF EMPLOYEE BENEFITS IN NIGERIA

Introduction

Employee benefits such as health insurance, pensions, annual leave, and work-life balance initiatives can greatly improve an employee's overall job satisfaction and ultimately lead to increased productivity and loyalty.

In Nigeria, there are laws addressing benefits for employees such as the Pension Reform Act for pensions and Employees' Compensation Act for employee compensation. In this newsletter, we will examine these laws and the obligations of employers as well as other 'best-practice' benefits employees may enjoy whilst in employment.

1. Pensions

The Pensions Reform Act requires employers with at least 15 employees to participate in a contributory pension scheme. Under the scheme, the employer contributes a minimum of 10% of the employee's monthly emolument and the employee contributes, a maximum of 8%.

However, the employer may opt to bear all the contribution to the pension scheme. In that case, the minimum contribution will be 20% of monthly emolument. It should be noted that these contributions are to be made monthly for the duration of employment. Pension contributions are also tax deductible.

2. Employee Compensation

The Employee's Compensation Act provides for the compensation of employees regarding disease, injury or death suffered in the course of employment. Injury under the Employee's Compensation Act also refers to mental stress and hearing impairment suffered in the course of employment.

To manage compensations, the Employee's Compensation Act established the Employees' Compensation Fund (the 'Fund') which is under the control of the Nigeria Social Insurance Trust Fund Management Board (the 'Board'). The Board is charged with ensuring employees or their dependents are paid periodic compensation for workplace incidents. Payments are calculated based on the monthly remuneration of the employee prior to the debilitating incident or death.

The Fund is supported by the contribution of employers which is fixed at 1% of the total monthly payroll. It should be noted that an employer cannot deduct from the remuneration of an employee towards its contribution to the Fund. An employer cannot also require an employee to indemnify the employer against any liabilities which the employer may incur under the Employee's Compensation Act.

3. Sick Leave, Maternity/Paternity Leave, and Annual Leave

The Labour Act provides for up to 12 days paid sick leave for employees and at least 6 days of paid leave for employees who have been in continuous service for at least a year.

The Labour Act gives women the right to take 6 weeks leave prior to delivery and 6 weeks leave after. Women are entitled to not less than 50% of their remuneration during this time. Upon resumption, nursing mothers are to be allowed an hour daily to attend to their infants. Employers are also restrained from terminating the employment of women who are unable to resume work after the leave period due to pregnancy-related illness.

Improving on the provisions of the Labour Act, the Federal Government has a 16-week paid leave policy for women in the civil service while Lagos State doubled the time provided in the Labour Act to 6 months for female workers in its civil service.

Although the Labour Act is silent on paternity leave for fathers, the Federal Government provides fathers in the civil service a 14-working-day leave following the birth of their child which is limited to 4 children. Likewise, the Lagos State Government has a 10-working-day leave policy for fathers working in the state civil service.

The provisions for paid leave targeted at both parents is an expression of the importance which the governments at both federal and state level place on the wellbeing of the parent and infant. Some private companies also follow the maternity/paternity leave policy of the government in formulating their leave policies for employees.

4. Health Insurance

The National Health Insurance Authority Act mandates health insurance for every employee resident in Nigeria. Under the law, employers with a staff strength above 5 are required to participate in a health insurance scheme. The Act also states that employers shall have the responsibility of paying their contributions and those of their employees into the public health insurance scheme of the state where they operate. Employers may also place their employees on private health insurance schemes under the act.

5. Share Options

Recently, the trend of compensating and incentivizing employees with shares has gained popularity, particularly as a means to encourage their contribution toward the long-term goals of the company. To facilitate this, many companies use what is called an Employee Share Option Plan/Scheme (ESOP).

An ESOP provides an employee a right to purchase a certain number of shares in a company at no charge, or a nominal value, or a price below the fair market value after a specified period of time, during the course of employment.

ESOPs are especially beneficial for early-stage companies that may not have ample cash flow to compensate experienced employees whose services are required to help the company scale. With ESOPs, startups are able to incur minimal expenditure on employee compensation while creating a sense of ownership.

For a more detailed exploration of ESOPs, their benefits, and how they can be effectively implemented, you can read our comprehensive article on the subject here - [ESOPs for Startups in Nigeria](#)

Conclusion

Employee benefits play an important role in attracting and retaining talent in a global marketplace. Offering a comprehensive benefits package is considered best practice in many countries around the world. It not only helps companies to stay competitive in attracting top talent but also shows employees that their well-being and overall satisfaction are a priority for the organization.

