

Redundancy and its Socio-Psychological Effects on Employees in Nigeria

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Abstract

The current adverse economic climate which has been persistent has driven many organizations out of business and those that survived were forced to restructure their operations. The foregoing trends created room for redundancy in the organization. This study is an attempt at assessing social and psychological effects of redundancy on employees. A survey was conducted through the use of questionnaire complemented with personal interview. Members of the industrial community who are involved and conversant with the phenomenon were drawn as samples for the study. The findings from the study revealed that redundancy at times could be replaced with alternative measures and where it becomes imperative it should be undertaken in such a way to mitigate socio-psychological effects it will unleash on the victims.

Keywords: downsizing, layoff, survivors, redundancy, retrenchment, work-sharing

Introduction

One of the most fundamental social problems and unquestionably a critical phenomenon of concern to the work community in this period of depression is “redundancy”. It is so devastating in its effect that there is hardly any household in Nigeria that has not tasted the bitter experience of one of its members being affected by redundancy exercise. The problem posed by this phenomenon is of such magnitude that it constitutes a menace to social stability of the country and can also create room for social ills in the society, if not properly tackled by the state and parties in labour relations. Since the wake of economic recession in the late seventies, successive regimes in Nigeria have been waging a fierce battle against the “monster” with various weapons and from different directions.

On the international scene, the government struggles with balancing the *balance of payments* through such policies as severe exchange control, bi-lateral re-arrangement of foreign trades and debts, multilateral strategy to maximize earnings from petroleum and counter trade. On the domestic sector, the government embarked on dramatic cut in foreign imports and in few cases an outright ban on some imports particularly the non-essential ones. The overall effect of these foreign and domestic economic policies became particularly noticeable on the dramatic decline in domestic industrial production due to insufficient raw materials and spare parts for machines to be functioning. This declining industrial production led to partial and in some cases total closure of many firms and ultimately led to widespread redundancy both in the private and public sectors of the economy.

The prime focus of this study is to examine the socio-psychological effects of redundancy on employees and to explore ways on how the attendant unhealthy chains of problems associated with redundancy could be effectively tackled to lessen the pains of the victims.

Literature Review

Redundancy generally is a phenomenon of manifold dimensions: on personal plane, it is an affront to human dignity and also traumatic on the economic and social planes. It is a wasteful under-utilization of human resources and leads to unhealthy generation of chains of problems broadly associated with poverty. Bakke (1976) describes redundancy as the movement from employment to unemployment. He also sees unemployment as a process which takes a single form. Initially, there is a shock, followed immediately by an active hunt for a job when man remains optimistic and hopeful.

Next, when all attempts to find work fail and all sources of possible employment dry up, man becomes anxious and pessimistic; finally, he passes into the last stage when he becomes fatalistic, withdrawn, resigned; his aspirations settle on a lower level and he adjusts himself to the acceptance of a new lower standard and way of living. Thus Bakke (1976) sees unemployment as a process with many parts and not an event.

Due to the economic downturn, the overall use of redundancy seems to have increased and this supports the notion that redundancies remain a primary change lever in organizations. According to Kets de Vries and Blazas (1997) a major contributing factor is the increasing popularity of global benchmarking where businesses are increasingly comparing their overhead and cost structures not only with domestic competitors but also with international competitors. There is also compelling evidence that firms are increasingly trying to make labour become more flexible either by defining terms and conditions (Cooper and Lewis, 1994) or by replacing permanent employees by workers on temporary contracts (Worrall and Cooper, 1998).

A second contributory factor has been the ever constant changes in technology, communication and automation. Rifkin (1999) suggests that technology and increasing capital intensity have reduced the need for labour in every manufacturing sector and he argues that by the year 2020 less than 2% of the entire global workforce will be engaged in the factory work. On managerial decision making process, redundancy is often the price paid for strategic errors made by top management. For example, the erroneous interpretation of market trends or by the failure to adjust to increasing global competition (Kets de Vries and Blazas, 1997). Organizations are operating within a difficult economic environment and in the face of fierce world competition (George and Jones, 2002).

In order to survive and ensure the attainment of organizational goals and profitability, the managements of the enterprises have to continuously adapt and change to new forms of organizations that are flexible and constantly creating new innovations (Bloise, Cook, Hunsakar, 2003). Furthermore, organizations are innovatively being exploited (Vermaak, 2002). The ability to sense, adjust, respond and implement change timeously is being recognized as a form of strategic and competitive advantage (Robertson, 2002). There are various reasons why employees resist transformation, namely, an individual predisposition towards change, misunderstanding and fear of the unknown, climate of mistrust, fear of failure, loss of status and job security, peer pressure and group relationships, personality conflicts, poor timing and non-reinforcing rewards and selective perception and retention (Winkler, 2002; George and Jones, 2003).

Nair (2008) states that downsizing boils down to lowering operating expenses by employees elimination to achieve greater profits for the company. At the end of the day, organizations need to increase productivity and competitiveness. If that means cutting costs and people, it needs to be done. There is need to inform employees still in the organization that without making changes, their jobs too could be affected. A major disadvantage of redundancy is losing the expertise, knowledge and experience of workers who have been let go. An advantage of this can be that the remaining employee will feel and exhibit more loyalty towards the company and how it can be an opportunity for them to grow personally and professionally.

Ord (2009) states that different companies in different countries use pay cuts, closing down of plants and shorter working hours as alternatives to redundancy. He added that companies who need to implement organizational change must review the alternative approaches they can use before redundancies are to be introduced. According to Harper (2009), there is the need to identify the correct pool for reduction of selection. Redundancy selection processes must be conducted fairly and objectively to avoid an unfair dismissal. Novic (2010) focused on the need for managers to understand morale and motivation by addressing issue of uncertainty and lack of job security which can bring people down and affect performance adversely.

Caterer and Hotelkeeper (2008) state that while sympathy is obviously due to those destined to lose their jobs, it is also a tough time for those who have to break the bad news while maintaining the morale among remaining staff. The remaining employees in the organizational are losing co-workers and also possibly, friends.

Having consultation with those to be laid off will make them feel they matter to the organization. Major decisions in the Human Resource Management components of the redundancy plan pertains to the process to be used to determine which and how many employees will be terminated, how much advance notification will be given, how they will be advised and by whom.

As in most issues pertaining to Human Resource Management, perception of justice by all employees regarding the termination plan and its implementation plays a major part in determining the success of the plan. This is supported by Schwerger *et al.*

(1987) that suggested that the criteria used in selecting employees to be terminated must not only be clear and appropriate but must also be perceived by all employees to be clear, appropriate and fair. This is especially true of surviving employees as according to Greenberg (1990), survivors are in a unique position to judge the fairness of terminations and that they respond positively to this perception by becoming more committed to the organization.

There is also overwhelming evidence in the research that employees who lose their jobs through no fault of their own and do not find re-employment immediately after job loss will suffer great losses at professional, social, economic, psychological and physiological levels. These effects are also experienced by their families (Leana and Feldman, 1998). Kates *et al.* (1990) found that behaviour resulting from these effects of job loss ultimately result in increased societal problems. Whatever the methods used to reach decision, organizational justice and employees' perception becomes a relevant issue. Greenberg (1990) states that perception of organizational justice has been found to be linked to how the decision is made rather than what the decision actually is.

It is also determined by how much "voice" employees feel they had in the decision regardless of the decision itself. Greenberg (1990) also found that perceived justice is further influenced by the extent to which employees view a decision process and its application as equitable, especially when the personal outcome of the decision is negative as would be the case with employee terminations. There is need for ethical responsibility on the part of employers when terminating employees for reasons that relate to organizational problem rather than performance of the individual employee. Leana and Feldman (1998) observe that organizations need to consider their social responsibilities in the lay-off process, not only out of humanitarianism but also out of consideration of the costs of loss of community goodwill.

In other words, organizations need to mitigate the social and economic impact of its layoff on employees and their communities since they have responsibility to other stakeholders inside and outside the organization aside from their shareholders. Bunning (1990) attests to this view when he asserts that it is in the organization's best interest to show the highest level of ethics when planning a downsizing. Doing so will result in a commitment to provide as much support as possible to help employees exit with dignity and move into the next phase of their work life.

Methodology

The sample for this study was drawn from the following occupational groups: banks, insurance and allied institutions, textile, garment and tailoring and public sector employees. The study cuts across industrial unions, senior staff associations, employers' associations, companies and public service which are organizations involved in labour and industrial relations practice.

With respect to the unions, their paid officials who are mostly professionals and are conversant with the subject matter were used. For the companies, employees in the managerial, senior and junior cadre were used while for the public service, top government officials in the Office of the Head of Service of the Federation; senior and junior staff in the core Ministries and Parastatals featured in the survey.

The instruments used in the study are questionnaire complemented with personal interview with some employees who are currently victims of the redundancy exercise and amongst those who could not read and write.

One hundred and eighty-five questionnaires were administered on the sampled elements using the proportionate and stratified random sampling technique. One hundred and fourteen questionnaires were retrieved showing 62% average response rate and used for the study.

The data collected were analyzed using descriptive statistics or frequency distribution expressed in percentages and mean item score (MIS). Data interpretations were based on the results that emerged from the analyses.

Presentation of Data

Legend:

- SA = Strongly Agree
- A = Agree
- D = Disagree
- SD = Strongly Disagree
- MIS = Mean Item Score

Table 1: Frequency Distribution and Descriptive Response of Participants

S/N	ITEM	N	SA	A	D	SD	MIS
1	The anticipation of redundancy by employees can decrease emotional attachment to the organization	114	62 (54.4%)	32 (28.1%)	15 (13.2%)	5 (4.4%)	3.33
2	Employee fear for future generation of income can affect attitude towards redundancy	114	74 (64.9%)	19 (16.7%)	21 (18.4%)	-	3.47
3	Persistent redundancy cannot reduce employees' performance	114	-	3 (2.6%)	87 (76.3%)	24 (21.1%)	1.81
4	Cut down in working hours can be used to reduce the number of redundancies	114	42 (36.8%)	33 (28.9%)	25 (21.9%)	14 (12.3%)	2.90
5	Redundancy as a phenomenon removes psychological cushioning from employees	114	42 (36.8%)	63 (55.3%)	7 (6.1%)	2 (1.8%)	3.27
6	Effecting some organizational changes can be helpful instead of embarking on redundancy	114	22 (19.3%)	65 (57.2%)	15 (13.2%)	12 (10.5%)	2.85
7	The workload for surviving employees cannot increase after redundancy	114	15 (13.2%)	25 (21.9%)	25 (21.9%)	49 (43.0%)	2.05
8	Pay cut can be employed in place of redundancy for employees to keep their jobs	114	65 (57%)	35 (7.9%)	9 (7.9%)	5 (4.4%)	3.40
9	Employees affected by redundancy may not likely hold negative views about the organization if they perceive fairness in the layoff decision and process	114	52 (45.6%)	34 (29.8%)	18 (15.8%)	10 (8.8%)	3.12
10	The announcement of layoff cannot elicit loss of loyalty, shift in commitment and rise in mercenary attitude and behavior from employees	114	15 (13.2%)	12 (10.5%)	65 (57%)	22 (19.3%)	2.17
11	Work-sharing arrangement cannot be an alternative to employee redundancy	114	6 (5.3%)	28 (24.6%)	38 (33.3%)	42 (36.8%)	1.98
12	Properly designed severance programme cannot lessen anxiety over redundancy	114	-	15 (13.2%)	75 (65.8%)	24 (21.1%)	1.92
13	The impact of redundancy is less severe on workers' attitudes, behaviors and perception than the organization	114	10 (8.77%)	21 (18.4%)	56 (49.1%)	27 (23.7%)	2.12
14	The effect of redundancy on surviving employees cannot be damaging to organizational morale, commitment and job satisfaction and heighten stress level	114	16 (14%)	22 (19.3%)	47 (41.2%)	29 (25.4%)	2.22
15	Improved national economic growth can lead to drop in overall number of employees being declared redundant	114	60 (52.6%)	33 (28.9%)	13 (11.4%)	8 (7%)	3.27
16	Employees can successfully live in dignity after redundancy rather than being depressed	114	29 (25.4%)	66 (57.9%)	14 (12.3%)	5 (4.4%)	3.04
17	Employees affected by retrenchment deserves fair and equitable treatment	114	32 (28.1%)	82 (71.9%)	-	-	3.28

Source: Fieldwork, March, 2013

Findings and Discussion

Item one which focused on whether the anticipation of redundancy by employees can decrease emotional attachment to the organization showed affirmative response (MIS = 3.33). The second item showed that a greater proportion of the respondents strongly agreed with the view that employee fear for future generation of income can affect attitude towards redundancy (MIS = 3.47). This finding is certainly obvious as work is seen as a dependable means of livelihood and the fate of the employee is tied to the supply of his or her labour power. The third item proved contrary that persistent redundancy cannot minimize employee performance (MIS = 1.81). The expectation of redundancy can generate unsettled mind or apprehension which could in turn impair performance of the employees.

The fourth item acknowledged the fact that the adoption of cut down in working hours could minimize the number of redundancies (MIS = 2.90). This could be a good measure to save jobs in the short term but on the other hand, it leads to reduction in employees' pay; as pay is a function of number of hours worked. The fifth item overwhelmingly support the view that redundancy could remove psychological cushioning from employees (MIS = 3.27). In a workplace where redundancy or downsizing is eminent, sagging morale is bound to cut across the operational setting. The sixth item (MIS = 2.85) made an interesting revelation by showing that effecting some organizational changes such as over time ban, review of working practices and procedures and prioritizing spending in some areas could be helpful rather than embarking on redundancy. The finding buttresses the fact that belt-tightening measures are imperative for the survival of the organization in hard times.

The seventh item does not support the contention that the workload for surviving employee cannot increase after redundancy (MIS = 2.05). The vacuum created by redundancy may not be addressed immediately by the organization and the excess workload emanating from the job losses have to be managed by the surviving employees until replacements are hired as the case may be. The eighth item (MIS = 3.40) dealt with pay-cut as a strategy to ameliorate redundancy and save jobs. Though, it seems a lofty measure but reduction in earnings by employees can induce job dissatisfaction, low quality of work life (QWL) and open room for employees to engage in sharp practices and imbibe negative values that may be inimical to the good health of the organization.

The ninth item examined if employees affected by redundancy would not likely hold negative impression about the organization if they perceive fairness in the layoff decision and process (MIS = 3.12). The result showed that the employees are not likely to display any ill feelings since in their perception the exercise was carried out with fairness and good judgment. The tenth item showed in contrary that the announcement of layoff cannot elicit loss of loyalty, shift in commitment and rise in mercenary attitude and behavior from employees (MIS = 2.17). This trend centered on the need for proper management of sensitive information such as downsizing within the length and breadth of an organization. Poor management of information can lead to undesirous consequences for the organization.

The eleventh item is not in support of the viewpoint that work sharing arrangement cannot be an alternative to employee redundancy (MIS = 1.98). This result is in tandem with item eight on pay cut. Work-sharing involves an employee doing a specified number of hours of work in a day. By every measure this arrangement leads to pay cut which is enveloped with its attendant problem(s). The twelfth item is in disagreement with the view that properly designed severance programme cannot lessen anxiety over redundancy (MIS = 1.92). Where an organization embark on a proper counseling programme for employees to be affected by layoff and an enticing or good severance package is put in place, employees will to a great extent overcome the challenges posed by post-work transition.

The thirteenth item does not lay credence to the viewpoint that the impact of redundancy is less severe on workers' attitudes, behaviors and perception than the organization (MIS = 2.12). In terms of cost-benefit analysis, the organization is abreast of the fact that it may not be rational to keep a large workforce when the business is not thriving and this forms part of the reason for embarking on redundancy. On the side of the employees, it could be taken as a sudden development and the unpreparedness of the employees for the surprise package could be severe and affect their mental disposition adversely. The fourteenth item seems not to agree with the viewpoint that the effect on redundancy on surviving employees cannot be damaging to organizational morale, commitment, job satisfaction and heighten stress level (MIS = 2.22). Redundancy as a phenomenon can be a double edged sword that could cut from any side. The minds of surviving employees may not likely be at rest as any of the employees could be a victim at subsequent exercise.

The fifteenth item showed that with improved national economic growth, there could be drop at macro level in number of employees being declared redundant. (MIS = 3.27). Bearing in mind that the harsh or adverse economic climate is a factor responsible for manpower contraction by most firms, it is hoped that when the economy improves or is turned around, there is likely to be a drop in number of redundancies when taken holistically.

The sixteenth item strongly supports the view that employees could successfully live in dignity after redundancy rather than being depressed (MIS = 3.04). With a flash back on item twelve where it was revealed that with a properly designed severance programme the anxiety of employees could be lessened over redundancy, the emphasis rests on the need for adequate preparation by employees towards healthy and successful post work transition.

The seventeenth item agreed in strong terms that employees affected by retrenchment deserve fair and equitable treatment (MIS = 3.28). During active service period, the employee must have made indelible contributions to the progress of the organization; the organization can only reciprocate this gesture through fair and equitable treatment to the employee on exit from the organization. In some organizations, ex-staff are appointed as distributors for company's products, some serve as business contractors or consultants and in other capacities all in a bid to appreciate the past services rendered by the ex-staff as good ambassadors of the organization.

Conclusions

The survey recognizes the reality of redundancy as a common practice in times of economic meltdown or uncertainty. The study however, demonstrates the fact that redundancy could be averted through a minimum damage to all stakeholders. The study found that cut down in working hours, effecting some organizational changes pay cut, work sharing arrangement are measures or strategies that could serve as alternative to redundancy. However in adopting any of these measures, the understanding of the union must be sought to avoid conflict situation. Besides, a well-designed severance package can reduce anxiety over redundancy and induce employees to voluntarily elect to be retrenched. It is not unusual for employees to feel depressed where they perceive unfairness in layoff decisions and process.

But the study had shown that with adequate communication, negative views about the organization may not rear up its head after redundancy exercise. In a nutshell, redundancy where it is unavoidable must be undertaken with human face or in a way to cause least amount of pain and stress to victims. Besides, downsizing may not create room for increased profitability rather it is how the organization operates after downsizing that will determine the success or failure of the organization.

Conclusively, the task of managing survivors would not be difficult if the organizational leadership recognizes that survivors have special needs, provides the emotional support they deserve and ensure continuously and honest communication within the length and breadth of the organization. Finally, employees downsized must be marketable and survivors maintaining productivity at expected level.

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