



International Journal of Finance and Commerce

www.commercejournals.com

Online ISSN: 2664-715X; Print ISSN: 2664-7141

Received: 02-08-2019; Accepted: 03-09-2019; Published: 10-09-2019

Volume 1; Issue 4; 2019; Page No. 05-09

The workforce downsizing trend in Nigeria: How well has it been managed

Egbe, Aneozeng Awo¹, Adadu Michael Ushie²

¹⁻² Department of Business Administration Cross River University of Technology Calabar-Nigeria

Abstract

Corporate downsizing has been the biggest fallout of the troubled times the world is witnessing in recent time. Companies have to make meaningful contributions to make roads into a wide range of business endeavors in the new global competitive world. This is being done through the instrumentality of downsizing which is a proactive strategy defined as a process which results in layoffs and the streaming of functions as well as the redesigning of systems. Downsizing has become a legitimate option for business growth strategies especially after the 1980s. In Nigeria, downsizing is in fact, the most preferred option of companies to sustain operating costs and comply with the existing scope of the business. Downsizing, if properly conceived and implemented, has a tremendous potential for organizational survival and futurity and boast for economic growth especially for a developing economy like Nigeria. This study adopts a simple literature survey method and concludes that downsizing strategies are highly necessary for organizational competitiveness and efficiency in the new world order. It further stresses inter-alia that downsizing be tailored as both a defensive and offensive strategy in the best interest for any organization in the troubled times that the Nigerian economy is witnessing in the recent past.

Keywords: downsizing, workforce, corporate performance, strategy, organization, economic growth

Introduction

The employment relationship of any organization is hardly static or permanent. While some people are moving into the organization, others are moving out. The rate of movement of people through the organization is commonly referred to as labour turnovers. A number of reasons accounts for the exit of staff from an organization, such as; retirement, redundancy, dismissal, lay off or downsizing, failing health, dissatisfaction with present job and so on. In specificity however, this study is basically concerned about layoffs or downsizing and how well it has been managed in Nigeria over the past few years. To start with, downsizing is the reduction in the number of employees in an organization, as a means of improving organizational competitiveness, as well as, strategizing for economic recovery (Fisher, 1996) ^[8]. Downsizing in recent years has unarguably become the most commonly used staff reduction strategy widely utilized by both private and public organizations alike in Nigeria. In some parts of the world, such as USA and Japan, downsizing is considered as the last option after exhausting other staff and cost reduction measures, which are mostly voluntary (Cohee, 2019) ^[6]. Such measures include; voluntary severance, early retirement incentives offer, job sharing strategies part time employment and reduction in work hours (Fisher, 1996) ^[8]. In other words, in those parts of the world, it is only when the aforementioned measures, which are aimed at checking layoffs and involuntary exit, fails that downsizing is introduced. In Nigeria however, it has been observed that both public and private organizations apply downsizing as their first and most prominent staff reduction measure, hence the high incidence and trend of downsizing in Nigeria (Agulanna, 2001). Downsizing is mostly down without even considering available options.

Downsizing has become a very popular workforce reduction strategy utilized by both public and private organizations in Nigeria in the past few years. This development has thrown so many Nigerians out of their jobs and many of them complain that they were not given commensurate severance packages and in some cases nothing at all. Again, they complain that there were no outplacement services or counseling put in place to assist them get new employment as it was supposed to be. It is worthy of note that quite a number of these complaints have come from people who have put in so many years of their active working lives in such organizations, yet they were not commensurately rewarded. The objectives of this study comprises of the following three extremes: to determine the extent to which the severance packages offered to laid off staff and commensurate with their quality of service. In addition, to determine the extent of which outplacement services are made available to laid-off staff by organizations. And, to determine measures adopted by organizations to stabilize the associated anxiety and insecurity experienced by the remaining staff after downsizing.

There are also few questions that this study seeks to address which include the following: to what extent are the severance packages given to laid-off workers commensurate with their quality of service? Are laid-off staffs given adequate access to outplacement services? And are there measures adopted by organizations to stabilize the associated anxiety and insecurity experienced by the remaining staff after downsizing? The research hypotheses are formulated as follow:

H₁: The severance packages offered laid-off workers are not commensurate with their quality of service.

H₂: Laid-off staffs are not offered adequate access to outplacement services.

H3: There are no measures adopted by organizations to stabilize the attendant anxiety and insecurity experienced by the remaining staff downsizing.

Review of Literature

Downsizing is one of the modern key concepts of man-power planning. It is generally associated with corporate re-organization to create a more efficient and leaner company. Downsizing is the systematic reduction of a workforce through an internationally instituted set of activities by which organizations aim to improve efficiency and performance (Cameron, 1994a; Cascio, 1993). De Meuse (1994), defined downsizing as “a large permanent, reactive layoffs, a streamlining of functions, a redesign of systems, a redefinition of policies aimed at cutting costs and a proactive strategy.” On their part, Band and Tustin (1995) ^[3] posited that downsizing is one tactic with-in a corporate strategy for shifting the organizational structure from what it is now to what it has to be in order to sustain competitive edge and satisfy customer’s needs. They contended that, downsizing should be referred to as “downsizing” particularly when it is not done as a part of a company’s strategy but strictly as a cost saving measure with little thought devoted to long-term implications. The phenomenon of downsizing has lately become a recurrent issue in the public sector (Lloyds and Weissman, 2001). Over the past decades, the public services had been dramatically transformed through downsizing at a great human cost (Frederickson and Perry, 1998). In the opinion of Mhone, (2003), the governments modernization initiatives were processes used to reduce cost through workforce reduction and organizational restructuring.

Downsizing is certainly not limited to the advanced countries of Europe and America but is a worldwide phenomenon that began in the 1980s and continued through the 1990s and even through the twenty-first century. During industrial development, recessions increased operational costs and economic changes involve risks such that no organization can unconditionally guarantee security of employment of its workers. Employees are constantly advised of their continued relevance and usefulness in the organizations (Obinatus, 2002). Regrettably, in the last few years, business organizations have learned to strategize how they can be more successful by growing their market share, sales and earnings, but not their organizations or staffing strength. They have reshaped their companies for future success by downsizing their corporate bureaucracies (Tomasko, 2002). According to Appelbaum (1991), the issue of corporate downsizing has assumed a central position in the recent times. Companies are attempting to reposition themselves so as to gain a competitive advantage in an uncertain market place. To do this, corporations are undergoing organizational change. In Nigeria, the environment in which business organizations operate today is changing rapidly.

As a result of the above, organizations have been more or less obligated to reduce fruitless undertakings and focus resources in the areas of basic competency in order to accomplish sustainable competitive advantage. The reason advanced for downsizing, according to Bureau of Public Service Reform (2006) is to improve service delivery and promote good governance. (the method is involuntary workforce reduction, early retirement, termination of appointment on the basis of the officers considered as medically unfit, without entry qualifications and officers whose line of duties had been outsourced and redundant etc), and

the outcome is several thousands of workers losing their jobs while others remain as survivors. The spate of mass retrenchment that accorded the civil service reforms of 1975 and 1984 in Nigeria, coupled with cases of staff dismissal in different states of the federation that followed minimum wage increment in 1999/2000 can attest to this fact. At the federal government level, organizational restructuring is the first on the list under operation and system, which is the fourth cardinal point of the public service reforms in Nigeria (Adegoroye, 2006). The other three are privatization, liberalization, and restructuring of government spending. The reforms were targeted at improving service delivery and promoting good governance.

How to Effectively Manage Downsizing

Downsizing or layoff may result in either negative or positive implication depending on how and when it is applied. A well articulated downsizing process should logically start from the organization having a contingency plan to handle layoffs long before the need arises (Zdaniuk and Chhinzer, 2019) ^[14]. In fact, (Céspedes *et al.*, 2019) ^[5] posits that planning is the most crucial element in managing layoffs; hence an organization ought to develop plans and procedures for coping with labour oversupply before a crisis occurs. Accordingly, the procedure or criteria to be followed to downsizing should be made known to all the staff. Once the decision to layoff certain number of staff has been taken, such affected employees should be informed as fast as possible. This enhances their ability to adjust psychologically to be able to handle whatever anxiety and shock they may experience. Hall and Goodale (1986) ^[11] recommended one-on-one discussion, at this stage, between the affected employee and his supervisor or boss, but under some “do’s” and “don’ts”. Some of the “Do’s” and “Don’t” as noted by the researchers includes the following: break the news to affected employees preferably on Friday, this gives the person the weekend to think things over and evacuate his properties from the office. The discussion should be straight to the point. No need to go into unnecessary rhetoric. Managers should further try to avoid making any negative remarks about the person’s job performance. Note also that adequate and commensurate severance package should be put in place for affected staff and such should be clearly documented in form of an agreement and duly signed by both parties. Additionally, a well-articulated outplacement service/counseling should be put in place to ensure that the laid-off employee gets employed and such arrangement should be discussed with the affected employee. Finally, the employer should be willing to give reference letters to the affected employee and both parties should agree on the content of such letter (Hall and Goodale, 1986) ^[11]

After the downsizing exercise, the remaining staff become anxious and generally feeling insecure as they may not know who else would follow. This development negatively affects the remaining staff and may lead to de-motivation and decline in job performance or productivity. Such a situation should not be allowed to persist as this would further deteriorate the work output of the remaining workforce. Thus, the following tips and information according to (Gandolfi and Hansson, 2015) ^[10] should be discussed with the remaining staff to help them stabilize: reasons and method for staff reduction, the category or level of staff to be laid-off, Also the geographical location where downsizing will occur. Lastly, the outplacement arrangements

and efforts made by the organization to assist discharged workers get re-settled on new jobs and ensure their wellbeing.

From the foregoing, it can be clearly understood that downsizing as practiced in developed economies of the world, was deemed as a last resort, usually other voluntary employee reduction strategies or measures were employed long before consideration is made to introduce downsizing (Kemal and Shahid, 2012) ^[12]. Again, adequate care is exhibited in handling laid-off employees, to ensure that they do not undergo unnecessary hardship (Okwuchukwu, 2010) ^[13]. Also outplacement counseling services are made available to the discharged staff to help them through the grief period and assist them get new employment. The remaining employees are not left out of the process as well, as most of them are left insecure and anxious; hence the organization counselors can communicate with them to get them back to normalcy. In Nigeria presently, there has been a rising profile and incidence of organizations (both public and private alike) embarking on downsizing due to economic downturn and overstaffing in some cases. This has a corresponding implication of rendering a lot of bread-winners laid-off, with its attendant micro-economic consequences. This study is not attempting to state that downsizing is a wrong employee and cost reduction measure, but rather it seeks to investigate how well downsizing has been managed, hence how organizations ensures the wellbeing of laid-off and the remaining staff in their employment.

Strategies and Techniques for Downsizing

In another development, downsizing has caught the imagination of the government, trade unions and the private sector globally. In Nigeria, essentially all sector of the economy has been involved in one form of downsizing or the other. In the face of this downsizing environment and mandate, the need to investigate the best way to downsize organization becomes crucial because the success of organizations that have downsized in the past has not been particularly laudable (Henkoff, 1990). Most organizations didn't consider their downsizing efforts to have been effective. One clarification is that downsizing has not been efficiently managed in many organizations, and therefore, the proposed cost reduction and proficiencies have not been achieved (Huber and Glick, 1993). According to the researchers, firms often embraces three usual approaches for downsizing that comprises of the following:

- **Workforce Reduction Strategy:** This includes transfers, outplacements, retirement incentives, buyout packages, layoffs and attrition (Cameron, 1994a; Casci, 1993; De Meuse *et al*, 1994). These constitute the different ways of implementing workforce reduction.
- **Work Redesign Strategy:** This approach aims at reducing work instead of workforce reduction. It is a mid-term strategy implemented by phasing out functions, hierarchical levels, departments or divisions, redesigning tasks, combining units and adopting a shorter work week (Cameron, 1994a) and
- **Systemic Strategy:** This is a long term strategy which relates downsizing with the simplification of all the areas of the

- firm, including supplies, design processes, marketing, sales support and production methods. The main objective of a systemic strategy is to ensure that continuous and respective workforce reduction will not have to be carried out in future.

Method

This research adopted a survey design. This was adopted to allow inference to be made from sample and acceptable generalizations drawn from the population that would have been too expensive to study entirely. The population for this study was made up of one thousand (1,000) laid-off workers that are resident in major cities in the Niger Delta region of Nigeria. The major cities where the population is found are; Calabar, Uyo, Port-Harcourt, Asaba, Owerri, Yanogoa and Warri. For the purpose of this study, the population was divided into five broad sectors of economy where they laid-off workers may have worked, namely; banking and finance industry, oil and gas industry, public and civil service, manufacturing and construction industry and information and communication industry. Twenty-five (25) laid-off workers were randomly drawn from each sector of the economy as categorized herein, making up a sample size of 125 respondents for this study.

Design

A four point likert-type questionnaire was used in gathering data. Section A sought information relating to respondent's demographic details, while section B contained items that are to determine the extent to which the severance package offered laid-off staff is commensurate with their quality of service, and other related issues. The well structured questionnaire had the following relative responses as: Strongly Agree (SA), Agree (A), Strongly Disagree (SD) and Disagree (D). The instrument was validated based on relevant reviews and advice from experts and colleagues.

Data Collection/Analysis

The researchers went to each of the four cities in the Niger Delta region that constituted the study area and where the population resides and administered questionnaires to the 125 respondents for this study. At the end 120(96%) were returned, while 5(4%) were not returned. Data was analyzed and the null hypotheses were validated with the Pearson product-moment correlation analysis taking into consideration the decision rule as stated.

Decision Rule: The obtained r must be greater than the critical r to be significant. In other words, if the calculated value is less than the critical table value we do not reject the null hypothesis and if however, otherwise, we reject the null hypothesis and accept the alternative. The level of significance is 0.05 and the degree of freedom is $N-2$ ($120-2 = 118$).

Hypothesis I: The severance package offered laid-off staff is not commensurate with their quality of service

Responses from respondents on how commensurate their severance package in relation to their quality of service was computed and the table below show summary of the analysis with Pearson product-moment correlation.

$$r = \frac{N\sum XY - \sum X\sum Y}{\sqrt{N\sum X^2 - (\sum X)^2 - N\sum Y^2 - (\sum Y)^2}}$$

Table 1: Computation of Responses on how Commensurate the Severance Package is in Relation to their Quality of Service

Variable	∑X	∑X ²	∑XY	R
Laid-off staff quality of service	5288	1628400		
			349829	0.99
Severance package	2890	490180		

P < 0.05, df = 118, t = 1.98

Table 1 above reveals a calculated r value of 0.99 which is less than the critical value of 1.98 at 0.05 level of significant and 118 degree of freedom. Therefore, in line with decision rule, the null hypothesis is not rejected. Thus, this means the severance package paid laid-off staff is not commensurate with the quality of service rendered by workers.

Hypothesis II: Laid-off workers are not offered adequate access to outplacement services. Responses on the above were analyzed and summary shown in the table below

Table 2: Computation of Responses on Whether Laid-Off Staff are given Adequate Access to Outplacement Services

Variable	∑X	∑X ²	∑XY	R
Laid-off workers	∑Y	∑Y ²		
	5702	1824408		
			900.742	0.84
Outplacement services	3218	599788		

P < 0.05, df = 118, t = 198

Table 2 shows a calculated value of 0.84, which is less than the critical value of 1.98 at 0.05 level of significance, with 118 degree of freedom. Therefore, in line with decision rule, we do not reject the null hypothesis.

Hypothesis III: There are no measures adopted to stabilize the associated anxiety and insecurity experienced by the remaining staff after downsizing. Responses on the above subject was analyzed and summary shown in the table below:

Table 3: Computation of Responses of Measures Adopted to Stabilize the Attendant Anxiety and Insecurity Experienced by the Remaining Workers after Downsizing

Variable	∑X	∑X ²	∑XY	R
Remaining/retained workers	∑Y	∑Y ²		
	66714	2108208		
			4722312	0.66
Measures to stabilize anxiety and insecurity	3508	617788		

P < 0.05, df = 118, t = 1.98

Table 3 shows a calculated r value of 0.66, which is below the critical value of 1.98 at 0.05 level of significance and 118 degree of freedom. Therefore, in accordance with decision rule, we do

not reject the null hypothesis which states that there are no measures adopted to stabilize the attendant anxiety and insecurity experienced by the remaining workers.

Discussion

The sum of empirical findings emanating from the results of this study reveal that the severance packages offered laid-off workers by both public and private organizations in Nigeria are grossly inadequate and far below the quality of the service they had put in over the years. In fact, in some cases, especially the public and civic service, they do not pay the laid-off staff any severance package or any other form of compensation. Also, from the findings, it is revealed that laid-off workers in Nigeria do not have access to outplacement services and counseling which would have aided their quick adjustment and assisted them get new jobs promptly. This finding also corroborates the study of Agulanna (2002) who through his studies established that in Nigeria organizations rarely, if at all, offer outplacement services. In fact, once you are sacked, you are dismissed.

Again, empirical analysis also reveals from our findings that in most organizations operating in these various cities in Nigeria, had nothing like measures put in place to ensure the stabilization to normalcy of the remaining staff that are usually anxious and insecure after such downsizing exercises. This agrees with Fisher (1996) [8] who discovered that such employee morale often plummets, resulting in lower organizational commitment, lower job satisfaction, increased anxiety and feelings of job insecurity, loss of high performers (who can find work elsewhere) and lower overall productivity.

Conclusion and Summary

Downsizing was supposed to be a last resort after exhausting other voluntary employee reduction measures, such as early retirement, voluntary severance and so on. It is therefore introduced only when the likes of the aforementioned strategies fail. Even at that, maximum care is taken in handling the whole processes. This ensures that discharged workers are offered commensurate severance packages and also given access to outplacement services and counseling to assist them recover psychologically or emotionally and secure new jobs. After downsizing, the remaining workforce in the organization’s usually vulnerable to anxiety and feelings of job insecurity, measures are believed to be put in place to stabilize and bring them to normalcy if the desired improved productivity is to be attained. We therefore, make the following recommendations to assist managers and organizational policy makers, take rational decisions when it comes to downsizing, in order to maintain a continuous business operation. Government should make a legislation that compels organizations in Nigeria to pay commensurate severance packages to their laid-off workers. Also, organization themselves, should ensure that the rate of downsizing is kept at the lowest possible level and their laid-off workers after exhausting other options, offers commensurate compensations. In addition, organizations in Nigeria should offer laid-off worker’s access to outplacement services to assist them

with new jobs. And finally, the morale and job satisfaction of the remaining staff is usually low after downsizing. Organizations should endeavor to therefore put measures in place to bring them to normalcy and to have mental ability for the jobs.

References

- 1 Agulanna EC. Management of Retirement and Ageing. Owerri Joe Mantopa Publishers, 2003.
- 2 Agulanna EC. Human Resource Management: A Graphic Approach. Owerri, Career Publishers, 2005.
- 3 Band CD, Tustin CM. Strategic Downsizing: Management Decision Review. 1995; 33(8):36-45.
- 4 Cameron KS, Whetten AD. Developing Management skills. USA Pearson Publishers, 2010.
- 5 Céspedes-Lorente JJ, Magán-Díaz A, Martínez-Ros E. Information technologies and downsizing: Examining their impact on economic performance. Information & Management. 2019; 56(4):526-535.
- 6 Cohee GL. Corporate downsizing. Organizational Dynamics. 2019; 48(1):38-43.
- 7 Cole GA. Personal and Human Resource Management. London, the Tower Building, 2002.
- 8 Fisher CD. Human Resource Management. New Jersey Houghton Mifflin Company, 1996.
- 9 Fisher SS. Human Resource management, Houghton Mifflin Publisher, USA, 2005.
- 10 Gandolfi F, Hansson M. A global perspective on the non-financial consequences of downsizing. Revista de Management Comparat International. 2015; 16(2):185.
- 11 Hall CD, Goodale JG. Human Resource Management Strategy, Design and Implementation Glenview, III: Scott Foreman and Company, 1986.
- 12 Kemal M, Shahid S. Mergers, acquisitions and downsizing: Evidence from a financial sector. Global Business and Management Research. 2012; 4(1):112-122.
- 13 Okwuchukwu OJ. Downsizing: The ethical perspective: A case study of Intercontinental Bank Plc. A Master Thesis Submitted to Department of Management, University of Nigeria, Enugu Campus, 2010.
- 14 Zdaniuk A, Chhinzer N. The effect of explanations and CEO presence on stock market reactions to downsizing. Journal of Organizational Change Management, 2019.