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Retrenchment Exercise on Educational Institutions and Government Parastatals in Ogun-State, Nigeria

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ABSTRACT

In this paper, attempts have been made to examine the effects of retrenchment on implementing state as well as the Nigerian nation at large. We have examined the colossal impact mass retrenchment would have on the states' economic growth and national development. A descriptive research design was used to collect data while information were gathered from interview corroborated the findings. The sample consists of 1000 participants who were randomly selected from list of educational institutions in Ogun-State. 10 schools were selected each from primary, secondary and tertiary institutions totalling 30 schools while 20 other organizations ranging from Power Holding Corporation, Aviation, LG, and Ministry of Environment. 10 men and 10 women were chosen each from the 50 units. A questionnaire with 25 different performance indicators that reflected individual and institutional level performance was used. Data collected were analyzed using frequency counts. From the findings, it was revealed that rather than being a corrective measure, retrenchment has had negative impact on the affected individual, implementing state and the nations' development in general. Therefore, we concluded on a note that, for the nation to progress socially and economically to better the lots and wellbeing of the entire Nigerian citizenry, concerted efforts have to be made towards the nations' policy, implementation of various government reforms, training and re-training of personnel in work places and basic information communication technology needed in search for jobs.

Keywords: Education, exercise, government parastatals, institutions, retrenchment, Nigeria.

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1.0 Introduction

Retrenchment as a concept connotes a deliberate action by an enterprise or industry to streamline its staff to a lower specific number, level or percentage. When implemented by a government establishment

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results into initiated policy through its ministries or units geared towards cutting down the number of staff (employees) to reduce wage bills, reduce costs incurred in production and sometimes to meet higher institutions operational requirements by the management. The unfortunate aspect of retrenchment is that the institution which hitherto issued appointment letter to staff based on the needful/requirements by the institution now feels that the same staffs` services are no more required (Odufowokan, 2014).

Peter Baguma & Leon Matagi, (2002) affirm that retrenchment in civil service is within the civil service reform programs in Nigeria. They contend that it was a necessary measure employed to solve a number of problems of low pay and benefits, poor management skills, dysfunctional organisation, and inadequate personnel management and training. Accordingly, they concluded that these factors led to abuse of office and misuse of government property, moonlighting and corruption, indiscipline, erosion of rules and regulations, poor public service attitudes, massive bureaucratic red tape, obsolete procedures in appropriate systems, thin managerial and technical skills (Peter Baguma & Leon Matagi, 2002), (Hansen & Twaddle, 1989).

Furthermore, and for the Civil Service Reform to actualize its objectives of provision of improve general service delivery, improve financial viability, capacity strengthen as well as efficient and effective public service (Civil Service, 1995) strategies like retrenchment would be employed to minimize costs and improve service delivery. Anticipatingly, salaries could be promptly paid and quality of work and performance would be improved.

In the educational sector, a higher institution might result to retrenchment of staff for having too much of personnel (both teaching and administrative) and improved technology. Computers and machines are better maintained and managed. They are also costs effective. In addition, the management of institutions signs sack letters of staff or announces it most times concludes that the workforce is over bloated. In December 2 2009, the News Newspaper captioned on its first page that ``Ogun Varsity sacks 962 staff. The paper explained that no fewer than 962 teaching and non-teaching staff of the state owned Olabisi Onabanjo University, Ago-Iwoye sacked the affected staff as part of restructuring of the institution. Academic departments in the institution were also reduced from 68 to 52 while the number of the faculties was slashed from 13 to 8. Of the 94 academic staff retrenched, there were 7 professors, 5 readers, 9 senior lecturers, 73 lecturers and graduate assistants. The pro-chancellor and chairman of Governing council, Chief Alex Onabanjo who announced the disengagement of the staff affirmed that the decision was arrived at after serious consideration among other options. It was considered against continuous borrowing to pay staff or increasing school fees which already considered too high. Corroborating the justification for the sack of affected staff, Sina Kawonise, a member of the governing council of the University confirmed that the council met a total debt profile of N1.9 billion, which was incurred to augment the government subvention for staff salaries. He concluded that from a monthly salary bill of N65 million in 2006, the wage bill increased to N97 Million in 2007 and finally to N248 million in 2009. The institution could not survive even after the government had allowed the institution to keep all its internally generated revenue.

Power Holding Company of Nigeria (PHCN) whose responsibility is generation, marketing and distribution of electricity in Vanguard of 29th April, 2013 announced the sack of 50, 000 staff. It was also stated that the Federal Government approved that the company disengaged 20, 000 of the staff ahead the taken over by the successful bidders of the assets.

Fig. 1: Culled from the Vanguard 29th April, 2013 and Enlarged by Odufowokan, B. A. May 31, 2014



Reacting to the impending retrenchment exercise, Bureau for Public Enterprise (BPE) issued a directive to the Chief Executive Officers, CEOs of the 18 successor companies to PHCN at a meeting in Abuja to compile names and drastically reduce the 50, 000 work force before new investors take over. Vanguard reports that new investors had demanded that the work force be pruned before government hands off completely for their taken over.

Drawing from neighbouring states like Kogi, primary and secondary school teachers were sacked and later the retrenchment exercise was extended to the local governments in 2009, though the action was condemn by opposition and political analysts that the mass retrenchment was ill timed having took place during global and national unemployment and too critical as any mass retrenchment would be against states` economic growth and national development.

He said the decision was taken after looking at other options of either increasing school fees or continuing to borrow to pay their workers salaries. Apart from this, there was over-bloated work force far in excess of higher institution regulatory bodies` requirements in the institution.

1.01 Objectives of the study

The study sets to: -

- (a) Investigate the effects of retrenchment exercise in educational institutions
- (b) Highlight the effects of retrenchment on morality of employees in educational institutions
- (c) Point out the need for proper planning of economic reforms introduced by the government on privatization
- (d) Itemize the various loop-holes and defects in the administration of the present political governance and their unproductive manifestoes and unattainable policies
- (e) Make useful recommendations and indicate the prospects of economic growth and national development through full employment and production / output

1.02 Research questions

To be able to achieve the objectives of the study, the following research questions are generated:-

1. Can the various industries, government parastaltas and educational institutions pay their wage bills without stress?
2. Are there better options other than retrenchment that would keep an enterprise afloat in the face of depression?
3. Has the management team of educational institutions knowledge of distortion to socioeconomic and moral activities that do follow such measures?
4. Have the laid-off staff being paid their required follow-up benefits?

5. What other measures apart from retrenchment are available that would keep the economy going?

1.03 Importance of the study

Although retrenchment had been employed by enterprises and institutions in last two decades in Nigeria to reduce wage bills. It has been used as a means of rescuing total collapse of many industries as well as fostering states' growth and national development in the recent times (Odufowokan, 2013) Therefore, In order to avoid retrenchment as the last resort, various means should be considered. These measures should include general pay-cuts, retirement/lay off benefits, severance package, out of placement benefits; pension and administrative processing. These might cost more than the expected reduction in wage bills.

Apart from this, for retrenchment to be implemented successfully, it has to be done gradually and monitored effectively in order to keep the organization going. Each stage should be evaluated in such a way that the foundation and background of the enterprise would not be affected or truncated.

Lastly, the reform policy necessitating retrenchment should be followed to the latter such that the reduction in cost would not amount to personal enrichment of some insatiable elements in the political class.

2.0 Review of the literature

For Nigeria's industries and educational institutions to cope with worlds' economic growth and output, retrenchment should be seen as a last resort measure in solving wage bill problems. Empirical works on enterprise and industrial management have not been exploited either – these emphasize macro-economic orientation and efficiency gains. La Porta and Lopez-de Silances (1997), D'Souza and Megginson (1999), Boubakri and Cosset (1998), Dewenter and Malasta (2001), Adekanye (2009) and Odufowokan (2012) affirm an exponential increase in space of empirical and exponential work for privatization to net in efficiency gains.

Conversely, current researches are yet to provide useful insights into the peculiar instances of Africa and in particular, Nigeria, such as the presence of embryonic financial markets and weak regulatory institutions and also the manner in which they influence the pace and outcome of privatization which is the cause of retrenchment in government parastatals and industries and reforms in educational sector. (World Bank Report, 1995), (Jerome, 2005), and (Odufowokan, 2012).

Peter Baguma and Leon Matagi, (2002), quoting Biller, (1980) aver that appropriate skills, strategies and tactics are needed in implementing and managing retrenchment. They concluded that retrenchment implies institutional change and change is normally resisted and retrenchment may create demoralization, dampen organizational productivity and increase voluntary retrenchment, discourage the organizations' most talented and productive members who will end up leaving the organizations

Accordingly, Levine (1984) found that retrenchment resulted in fiscal stress and human resource shrinkage that caused many difficult problems for government managers. He affirmed these problems are caused by methods used by managers to cope with the need to retrench and a deliberate reduction in budget without loss of visible operating effectiveness. He concluded that the major problem is decrease of human resource that results from cost cutting measures which brings loss of skills, energy, morale, commitment, physical and mental health degradation that results from employees withdrawing physically and emotionally.

Surprisingly, Biller (1980) explains that organizational costs increase as a result of retrenchment due to the package granted on retrenchment and catering for the needs of re-training those retained by the

organization. Supporting this view, *Cascio (1986)* confirms that 'although lay-offs are intended to reduce the costs, some costs like the severance package, out-of-placement benefit, pension and administrative processing costs may increase. It seems thus likely that the cost bill reduction as an advantage of retrenchment is not attainable in the short run. But even in the long run, its achievement may be bleak'. The retained workers become more productive and if the Productivity Theory of wages rules, the wages go up pushing the wage bill up.

Contrarily, *Behn (1980)*, *Standing and Tolkman (1991)* warn that the introduction of voluntary retrenchment arrangements may impose considerable financial burdens on the organization while *Wilburn and Worman (1980)* say that retrenchment threatens one's faith in the value of his contribution to the organization and sense of control over the future. Contentiously, retrenchment causes industrial unrest. *Behn (1980)* affirms that people whose status, income, and future are dependent on the programs that employ them will inevitably resist the change. This is further enhanced by trade unions, which resist un-called-for layoffs. *Wilburn and Worman (1980)* say that further resistance may come from members of management who have spent time developing policies and programs and whose end may not be seen. Innovation might be dampened because of retrenchment. However, *Behn (1988)* contends that management should maintain productivity. Retrenchment is dependent on government and management. *Behn (1980)* says leaders must explain the reality, take a long term view, develop a corporate strategy, develop measures of performance, and be passionate or considerate.

Odufowokan (2010) quoting *Peter Baguma, Leon Matagi (2002)* confirms that retrenchment of workers inflamed psycho-social problems like reduced self-esteem, general irritability, stomach ulcers, tendency to commit crimes, high blood pressure, heart disease, financial emaciation and depression that are not limited to low cadre employees. Corroborating this, *Burke (1988)* confirms that contemporary sources of stress both managerial and professional included organizational retrenchment and decline and future job ambiguity and insecurity. In conclusion, the findings above support (*Curtis Russell, 1989*), *Peter Baguma, Leon Matagi (2002)* and *Odufowokan (2012)* whose submissions on the reactions of administrators and lower personnel to retrenchment in the western culture have been a 'reactive, centralize, formalize and downward communication' that results in exacerbation of existing problems of dampening employee morale, trust and productivity.

3.0 Research method

A descriptive survey design was used to collect data. This was corroborated with information gathered from interview. Participants were allowed to respond freely on their perception about retrenchment, assess individual and organizational performance of educational institutions and government enterprises. From the list of educational institutions in Ogun –State, 10 schools were selected from each level – Primary, Secondary and Tertiary making a total of 30 educational institutions while 20 organizations and ministries were assessed. In the sample, 20 staff was considered, out of which 10 male and 10 female were chosen. This means that the sample has a total of 1000 participants. 300 participants were from educational institutions while remaining 700 were from Power Holding Corporation of Nigeria (PHCN), Aviation, Local Government, Ministry of Environment and Internal Affairs. A questionnaire tagged 'PERREEXQ' Perceived Retrenchment Exercise Questionnaire was used to gather information on the performance ratings which have 25 different performance indicators that reflected individual and institutional level performance. This had a reliability of 0.75 from the respondents. Participants on the first section were to indicate whether the indicator had: - (a) improved (b) reduced (c) no idea (d) not effect with corresponding value of 4, 3, 2, and 1 respective. The second section assessed the perception regarding retrenchment, factors affecting individual performance in educational institutions and government establishments. The researcher obtained permission from concerned management of the institutions and government establishment and those who could not fill and return immediately were allowed to return the filled questionnaire later. Indicator 2 of the questionnaire says 'punctuality and regularity in your department' while item 7 of the second section says 'removing dead woods for performance improvement'. In all, 40 other personnel other than those sampled were interviewed. This

collection of well meaning and distinguished Nigerians provided more flesh and flavor to the data collected from the questionnaire.

4.0 Analysis of data and discussion of findings

Precisely 1000 respondents were sampled for the study, apart from the 40 personnel randomly selected for interview. The information gathered is thus presented.

Table 1: Demographic information on the Sample

Factors	Category	No	Percentage
Sex	Male	601	58.65
	Female	441	41.35
Seniority	Less or equal to 3 years	214	21.4
	4-10 years	434	42
	11-20 years	249	24
	21-30 years	76	7
	Not indicated	68	6
Cadre	Teaching staff	368	35
	Non-teaching	570	55
	Not indicated	102	10
Age	20-29	228	22
	30-39	436	42
	40-49	260	25
	50-59	48	4.6
	Not indicated	16	1.5
Terms of Service	Confirmed	796	76.5
	Temporary	24	2.3
	Contract	60	5.7
	No-response	32	3.0
Education	Primary 6	12	1.15
	`O` level only	248	23.84
	N.C.E.	180	17.30
	OND	80	7.69
	HND	60	5.77
	Degree	184	17.69
	Degree and other certificate(s)	48	4.62
	Masters	68	6.5
	Ph. D	72	7
	Reader	46	4
	Professor	34	3
Not indicated	8	0.7	
Economic Dependent	1-5 People	120	11.54
	6-10 People	436	41.92
	11-20 People	208	20
	21-40	308	29.62

From table 1 above, it could be seen that the sex sample reflected that males had 58.6% while females had 41.35% while the on the job seniority showed that 21.4% of the total workforce had served for less than or up to 3 years, 42% of the personnel had served between 4-10 years and 249 of the personnel constituting 24% had put in 11-20 years, 7% of the sample had served 21-30 years, however 6% of the remaining sample on seniority did not indicate their length of service. 368 personnel of the 1040 representing 35% of the sample were from educational institutions, while 570 representing 55% were from Ministries, other units and Power Holding Corporation of Nigeria, about 10% of the remaining sample did not indicate their cadre.

Considering age distribution, 228 out of the 1040 sampled employees were in the age bracket of 20-29 years while 42% of them fell between the ages of 30-39 years. 260 (25%) of the age sample were 40-49 years and 4.6% fell within 50-59 years. However, the remaining 16 (1.5%) did not indicate their age for reasons best known to them. Surprisingly, 796 (76.5%) of the sample were confirmed staff of the institutions and establishments while 24 (2.3%) of the sample were temporarily employed staff and 60 (5.7%) were contract staff. 32 (3%) of the employee did not indicate their term of service.

On employees' education attainment, 12 (1.15%) out of 1040 sampled had first school leaving certificate while 23.84% were employed with 'O' level school certificate and 17.3% had Nigeria Certificate in Education (NCE). 80 (7.69%) and 60 (5.77%) had OND and HND respectively. 184 representing 17.69% of the sample were employed with degree certificates while 48 representing 4.62% had degree attached to other certificates like computer literacy and others. Out of the sample, 68 representing 6.5% had masters degree, 72 (7%) had Ph. D, 46 representing 4% have been promoted to readership cadre while 34 representing 3% were Professors. The remaining 8 representing 0.7% of the sample did not indicate their educational attainment.

Amazingly, economic dependant for groups of people vary considerably, 120 representing 11.54% of the sample had 1-5 people as their economic dependant, 436 (41.92%) had 6-10 people as dependants and 208 representing 20% had 11-20 people depending on them while the remaining 308 representing 29.62% of the sample having 21-40 people as economic dependants.

Findings from this study revealed that neither the government parastatals nor the educational institutions could pay their wage bills without stress or subvention from government. It was discovered that even in PHCN where electricity bills are paid regularly by numerous customers and institutions where parents and other stakeholders pay school fees. It was also discovered that the few available options other than retrenchment are not as effective as reducing staff strength which has direct cost effective and short-run implication on the establishment. Though, the immediate socio-economic implication and moral depression that follows retrenchment is known by management who applied it. It is almost inevitable to a sinking organization. Painfully, most retrenched staff do not receive their entitlements as at when due, this is because of the foundation problem of inadequate financial position which led to retrenchment in the first instance.

5.0 Summary of findings

Rather than being a corrective measure, retrenchment has had negative impact on the affected individual, implementing state and the nations' development in general. Suffice to say that implementing institutions and establishment in the short run experience initial organizational productivity, the increased quality in the work force enable employees' agitation for increase wages that is greater than the former which necessitates initial retrenchment.

The Nigerians' reformists believe that the 80% of the work force were redundant and that a considerable percentage should be retrenched is faulty, this is because they are confused and could not differentiate economic growth which is 'immediate' from economic development that is 'long timed'. The politicians and businessmen are interested in what can squeeze out of the nations' oil wealth.

The labour and trade unions in Africa and Nigeria specifically kick against retrenchment exercise because of the follow-up problems of holding on to workers' benefits and entitlements by the institutions and government establishments. These problems have resulted in laid-off workers sickness and in most cases, untimely deaths that is painful.

6.0 Conclusion and policy implications

Based on the findings made thus far, the following recommendations are made, so that Nigerians employees could benefit maximally from economic growth and development instead of retrenchment.

Firstly, improved social services of the nations` infrastructural facilities should be carried out immediately, these should include: - education, health, roads, telecommunication, etc. if this is done, it means more teachers, nurses and doctors, technical staff, engineers, scientist medical staff, technologists, drivers, clerical staff and host of other workers would be employed.

Secondly, wastage of money on government capital projects should be reduced drastically. There should be close monitoring of appropriated amount for the projects. Cases of awarding and re-awarding of projects within approved annual budget should be discarded completely.

Thirdly, corruption should be reduced to the minimal level. Nigeria has had more than \$200 billion in the last 7 years but has nothing tangibly done from the receipt to alleviate the suffering of the masses through job creation, funding of capital projects, establishment of industries rather allowing government officials and politicians to live in opulence.

Lastly, trade and labour unions should be fully prepared to confront the management of institutions and government against the few capitalists who generate retrenchment policies and put in place a formidable economic policy where public resources would be used for production of public goods and services only. They should also ensure that a true democracy operates within the economy. True few politicians who have good consideration and intention for the masses are voted for while those that are against the masses sent out of the system through their votes. Working masses should deal with corrupt politicians whose basic idea is neo-liberalisation.

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