

# Effect of Post - Retrenchment Exercise on the Morale and Loyalty of the Surviving Employees in the Remto Industries, Ilorin, Nigeria

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## Abstract

The possibility of an organization in reducing work related stress of its surviving workforces resulting from retrenchment practice is not only dependent on such establishment's ability in developing appropriate strategies for the exercise, but also on its capability to formulate effective policies for the practice. The study therefore examines the effect of post – retrenchment practice on the morale and loyalty of surviving employees in Remto industries, Ilorin, Nigeria. The study adopted simple random sampling technique with the employment of structured questionnaire to obtain the needed information from the respondents. The descriptive statistics utilized for the study comprised simple percentage and tables, while inferential statistics used were Pearson correlation analysis together with regression. The findings of the study indicated that workforce reduction has negative and significant relationship with the morale of the surviving employees, and that there is positive and significant effect of communication over cost – cutting process on the loyalty of the current employees in the industries. The study recommends development of best approaches by the management of the organization through formulation of effective and communicative retrenchment's policies in the workplace. This is to minimize the negative aftermath effects associated with the practice on the staff of the company.

**Keywords:** Corporate Performance; Employees' Morale; Existing Staff; Retrenchment Practice, and Workers' Loyalty

**JEL Classification Code:** M55, D23, D91

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## **Introduction**

In the recent past, retrenchment exercise has turned a veritable strategy adopted by organizations across the globe due to the continued economic decline and as a result of the advent of the currently ravaging pandemic known as coronavirus and otherwise referred to as Covid-19 in which a number of organizations have found it extremely difficult if not totally impossible to maintain and retain a large workforce. The services of some employees have been declared redundant resulting in poor morale and reduced loyalty of the surviving employees in the workplace due to lack of job security. Most organizations are therefore forced to make hard decision of minimizing human capital investment due to economic constraints as they struggle so hard to control costs and remain competitive. Consequently, these workplaces have no choice other than opting for some common cost reducing programmes such as minimization of the staff's numbers, lessening of salary budgets, decreasing hiring, and cutting down of bonuses (Huka, 2003).

As stated by Bottomley (1990), most organizations whenever possible prefer to avoid retrenchment situations and therefore desire to allow natural attrition to gradually reduce the labour force since the result is costly in both economic and human terms. Most often, the rate of retrenchments is directly comparative to unemployment, which is capable of resulting in economic recession in the workplace as well as the country (Isa1, Kakkar2 &Sharma3, 2016). In an attempt to therefore save their jobs, employees may impose sanctions on the organization through actions such as work to rule, strikes, and factory occupations as they consider threat of retrenchment to be demoralizing and enormously distressing with their livelihoods being threatened.

Most often, organizations embark on the retrenchment exercise with a view to enhance work performance so as to boost productivity, improve competitive advantage, minimize costs, and increase quality service delivery. Nevertheless, quite a lot of retrenchment exercises in several workplaces negate these beliefs as improvement could only be traced to very limited number of them or be observed in very insignificant cases. According to Cascio (2002), post-retrenched establishments do not usually achieve their intended aims as some even experience decline in performance as a result of a drop in workers' morale and loyalty, reduction in job satisfaction, heightened work stress and increased incidences of health related complaints by the organization's surviving workforces. This is also due to the fact that retrenchment itself tends to instill fear and create insecurity, uncertainty and feelings of loneliness often referred to as

survivor's syndrome among the workers who are unaffected by cost-cutting exercise of the workplace.

Organizations are constantly confronted internationally with many of the difficulties that threaten their existence. The recent economic meltdown has caused many firms to close their stores, while others have opted for the implementation of various methods of restructuring, including cost reduction by downsizing and layoffs. In particular, there was a spike in unexpected job losses in Europe and America in 2010 and 2011, with many people taking to the streets without any previous planning for such an unexpected transition. The situation in Nigeria was no different as the economic downturn experienced by the present administration in the country has pushed Nigeria into another recession over the past year. This has led many businesses into lay off of some of their employees as part of their survival strategies. In doing so, little to no attention was given to the potential socio-psychological consequences for outgoing workers who were more or less robbed of their sources of income, while the policy trust of a number of affected workplaces was 'save the organization and not the workforces'. This condition has thus generated lots of crises into the lives of the affected workers in areas such as family disorientation, marriage break-ups, withdrawal from schools, and death. This is because the experienced trauma occasioned by the loss of one's source of income without any hope of it being replaced with another accounted for such family predicament or even death of downsizing victims (Anyim, Ikeije & Ekwoaba, 2017).

In relations to Okoye (2010), the tenacious economic depression across the globe which has progressively bewildered Nigeria for some years now has forced citizens, industries, and so many other businesses, big and small in the country (in which Remto Industries, Ilorin was not an exception) into taking broad and far reaching actions in the struggle for survival by cutting costs through termination of the workers' services when the job ceases to exist. This was basically consequent to the technological and economic changes as this was to sustain continuity of existence, permanence, and professionalism. Though the intent was meticulous, but the execution left much to be preferred as some vigorous employees were thrown out of their jobs with their inactive colleagues. This was considered an unfortunate situation given that innocent employees were laid off.

Retrenchment is therefore seen as a challenge that must be put up with, and particularly during financial restructuring as any establishment that puts in place effective plans towards the exercise is expected to

overcome its effects such as demoralization of the surviving and loyal employees, absenteeism tendency, shattering of external and internal relationships, and other unethical issues. However, laying-off of some organization's staff members is possibly the toughest policy that is occasionally inevitable if an establishment is to survive (Ladan, 2012). While this must not be devoid of adequate measures for addressing some of the problems of the exiting employees. It is therefore necessary that the organization should ensure proper or effective management of the exercise in order to reduce fear and anxiety among the surviving workers in the organization.

It is therefore against this background that this study is undertaken on the post - retrenchment exercise and the morale together with loyalty of the surviving employees in the Remto industries, Ilorin, Kwara State, Nigeria. While the rationale for the choice of this establishment was not unconnected to the undertaken retrenchment exercise lately in the organization in which some workforces were affected due to the loss of their source of livelihood. This is with a view to offer appropriate recommendations, while the specific objectives are: i. to investigate the relationship between workforce reduction and morale of the surviving employees; and ii. to evaluate the effect of communication about cost - cutting process on the loyalty of the current employees in the study area.

## **2. Literature Review**

### **2.1. Concept of Retrenchment**

According to Lewis (1992), retrenchment can be referred to as the loss of employment on the basis that it is not required any more or it is no longer in existence at a particular place of employment. That is, the dismissal of the organization's workforce solely due to the fact that the employer has ceased or plans to cease carrying on his business for the purpose of which the employee was engaged by him. Sayed (2013) describes the concept as a permanent measure to remove surplus staff due to some changes in the business nature. Furthermore, Simiyu and Auka, (2018) define retrenchment as something that is the same as downsizing which usually embarked upon at the time when an establishment or government craves for the redirection of its focus with a view to be more financially solvent, thus necessitating a reduction in its outgoing money or expenditures. Nonetheless, it is applied for all kind of sacks and interchangeably for joblessness, lay off, excess manpower situation, and generally for all categories of workers' separation. Shaun and Alfred (2002) maintain that a staff of an organization may be retrenched if his workplace ceases or anticipates cessation of its trade for

the purpose for which the employee was absorbed in the first instance; Mthembu (2019) maintains that retrenchment entails job losses resulting from technological, economic or structural changes within the place of work. Therefore, retrenchment as a concept is a form of dismissal in which the basis is that the employer has a need for just limited number of employees, while it involves reducing the employees through purposive and earlier retirements as this can either be forcefully or voluntarily. (Mishra & Spreitzer, 1998)

## **2.2. Approaches to the Effective Management of Retrenchment**

Effective management of retrenchment is one of the fundamental tasks of a human resource manager that requires honesty, tact, sensitivity and diplomacy as the trust of employees can be irreparably shattered or damaged, creating long term challenges over workers' commitment and corporate performance if the exercise is poorly managed (Studwick, 2002). Drucker (1980) argues that redundancy which is synonymous to retrenchment in the workplace should not only be considered as a managerial challenge, but also as a socio - economic problem. He maintains that this has to be managed by managers in institutions rather than being left to governments and politicians if effectiveness of the exercise is to be ensured whenever it is being embarked upon. According to Ladan (2012), approaches to the retrenchment management include: i. Retrenchment planning which is the organization's ability to manage turbulence effectively at work whenever it ensues; ii. Retrenchment policy, as said by Ladan (2012), an organization's policy on retrenchment practice is expected to be positive and as well cover all the relevant issues before, during and after the event, while the organization's management should be able to clarify the business objectives, and communicating these unambiguously before then designing the downsizing programme so as to prevent anxiety and uncertainty that the situation creates; and iii Retrenchment Process: A constructive process must be strictly followed in the course of carrying out retrenchment programme in the organization as the selection process, timing together with the means of settlement are to be part of the discussion between the employer and the relevant trade unions on behalf of the affected employees as this will give room for openness as much as possible in the course of discussion (Studwick, 2002).

## **2.3. Concept of Employees' Morale and Loyalty**

### **2.3.1. Employees' Morale**

Usha (2014) considers employee's morale as the illustration of emotions, satisfaction, as well as overall attitude towards a workplace. Likewise, Pestonjee (1977) in his study highlights that: (i) morale is an

attitude of employees which influences them to see their supervisors (bosses) together with their establishment and its policies as contributions to or thwarting their satisfaction need (ii) morale is something that is generated by persons and group members' values. (iii) morale is a phenomenon that enacts consideration for factors such as group involvement and progress in the attainment of group goals. Therefore, he regards employee's morale as a general attitude in which employees base their faith in the fairness of the employers' behaviour and policies; adequacy of immediate leadership; a sense of participation in which the organization is worth working for. Alam, Sameena and Puja (2012) therefore conclude in their research work that every organization should endeavor to develop strategies capable of strengthening the work environment and boost the employee's morale so as to enhance their performances and productivity which will ultimately or invariably result in high profits, customer satisfaction as well as customer retention since employees' attitudes are typically reflected in the moral of the company, customers' services, and sales. Therefore, happy employees are extremely important due to the fact that they represent the organization to the public.

### **2.3.2. Employees' Loyalty**

The term employee's loyalty is referred to as a psychological commitment or attachment of an employee to his organization due to his increased job satisfaction as job satisfaction results from a process having to do with the internal evaluation, and if an employee's expectation level is met or exceeded, then satisfaction is heightened. According to Shweta, Mayank and Shivkant (2016) describe the concept as a process by which employees are being fully committed to the organization's success with a robust belief that working with such an establishment is their best option, and not to in any way engage in any active search for alternative employment or being responsive to its offer. More also, employee's loyalty is considered by Bentten, Court, Gwinner and Meuter (2001) as an organizational citizenship's behaviour that mirrors the allegiance to the organization for the promotion of its image and interests to the outsiders. It is therefore stressed that the more satisfied an individual is concerning his working environment, the more he is likely to develop a sense of commitment towards the workplace generally as his attitudes towards the organization will automatically give rise to the behavioural component of loyalty. Similarly, an employee who has developed love for his organization tends to exhibit loyal behaviours and work towards the organization's

overall goals such as better efficiency, high-quality service delivery to customers, and enhanced productivity.

#### **2.4. Theoretical Background of the Study**

In an attempt to describe the link between retrenchment and employees' moral and loyalty in the workplace, equity theory on which this study was anchored was reviewed and adopted.

##### **2.4.1. Equity Theory**

Equity theory is one of the justice theories that were developed by John Stacey Adams in 1963. Stacy stressed that employees in the organization often try as much as possible to find and maintain equity between their inputs to a job and the outcome that is perceived as the inputs and outcomes of their counterparts at work. This is premised on the belief that human beings do value fair treatment since this will motivates them to maintain such fairness within the relationship of their co - workers and the workplace. Equity in the organization is being based on the ratio of inputs to outcomes; and inputs are seen as employee's contribution in terms of his devoted time, experience and skills for the organization's benefit. Outcomes are the financial compensation, appreciation to and recognition of the employee's inputs. It is therefore maintained that individuals who have the feeling that they are under rewarded for their contributions to the organization are likely to experience distress and feel uncomfortable. The distress undergone therefore will prompt these workforces towards making efforts in restoring equity to the relationship.

However, the implication or the applicability of this theory to this study is that it guides retrenchment practice in ensuring that the organization's surviving employees are given the requisite training for better work performance and enhanced productivity in their various fields, while at the same time offering them improved and deserving pay which is in commensuration with their workloads in the organization.

##### **2.4.2. Empirical Review for the Study**

Ladan (2012) investigated the impact of redundancy on surviving employees in the Nigerian selected banks with the employment of both primary and secondary data. The collected data were therefore analyzed using percentages and chi-square to test the hypotheses. The findings of the study indicated that there is a negative impact of redundancy on the survivors of the studied banks. This is as a result of the procedure, notification and aftercare of the leavers by the Nigerian banks, thus affecting the morale and motivation of the remaining workforces of the banks with little implication on their loyalty and work commitment.

Duncan and Aloys (2013) examined the effect of retrenchment on the morale and job security of surviving employees in Telkom Kenya Limited with the sample size of 112 employees from a population of 1120 workforces, while equally adopting stratified random sampling technique. The study therefore used mean scores and standard deviations for the analysis of its obtained data, while the results of the analysis established that retrenchment process in the studied company has effect on both the morale and job security of the surviving employees.

Similarly, Simiyu and Auka (2018) researched on the effect of retrenchment practices on performance of surviving employees in the state corporation of Nakuru County. This was with a sample of 253 survivors of the selected state corporations. The results therefore showed that retrenchment practices have significant influence on the employees' performance in the selected and studied corporations.

### **2.4.3. Hypotheses of the Study**

The formulated hypotheses for the study include:

Ho<sub>1</sub>: There is no relationship between workforce reduction and employees' morale in the Remto Industry, Ilorin, Kwara - State.

Ho<sub>2</sub>: Communication about cost – cutting process to employees has no significant influence on employees' loyalty in Remto Industries, Ilorin, Kwara State.

## **3. Methodology**

The research design adopted for the study was survey method, while the basis for the use was due to the method's ease of usage and capacity to precisely represent a population. This was with the adoption of structured questionnaire as the instrument of data collection. The questionnaire was administered at the same time on participants, whilst the responses were retrieved at once, except where the participants required more time. The utilized questionnaire has two distinct parts. The first division emphasizes on demographic information and educational background of the respondents, while the second division essences on getting information on: i. the relationship between workforce reduction and morale of the surviving employees in Remto Industries, Ilorin, Nigeria; and ii. the effect of communication about cost – cutting process over the loyalty of the current employees in the study area.

### **3.1. Reliability and Validity of the Used Instrument**

The study adapted the administered questionnaire from the reviewed literature, while it was thereafter validated by an expert in the field of human resource management since the person was known dexterity in



questionnaire design. The questionnaire was drawn up in a close-ended manner, while it was designed in such a way that it could be comprehended with ease by the participants. The study utilized Five Point Likert Scale as its measurement technique with 1 = strongly disagree, 2 = disagree, 3 = Neutral, 4 = agree, and 5 = strongly agree, whilst the Cronbach's alpha denoting a measure of reliability of an instrument of the whole sub - scales is great with the coefficients that are between 0.72 and 0.77. The study then used random sampling technique with the purpose of ensuring that every participant in the study area has a chance of being chosen.

### **3.2. Population and Sample Size**

The population of the study took all the staff of Remto Industries Limited; Ilorin, Nigeria into consideration. This was adding up to Ninety Four (94), being the acquired figure in the course of the field work. The sample size of the study is Ninety Four (94) as the total population of the study was sampled due to the smallness in the number of the workforces of the studied organization. Therefore, the overall number of Ninety Four (94) copies of questionnaire was administered on the respondents, but it was only Eighty Two (82) copies, that is, 87 per cent of all the distributed copies, were usefully filled and retrieved for the analysis of the study.

### **3.3. Method of Data Analysis**

The study made use of descriptive techniques such as frequency, percentage and tables, while Pearson correlations and regression analysis were employed for data analysis with a view to test the research hypotheses.

## **4. Results and Analysis**

The study based its data analysis on Eighty-Two (82) copies of questionnaire.

**Table 1: Socio-demographic Characteristics of the Respondents**

<b>Socio-demographic Characteristics</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Gender:</b>		
Female	35	42.5
Male	47	57.5
Total	82	100
<b>Age (Years):</b>		
less than 25years	18	21.2
26-35years	49	59.1
36-45years	10	11.8
46years and above	5	6.9
Total	82	100
<b>Educational Qualifications:</b>		

OND/NCE	14	16.5
Bachelor Degree/HND	47	58.8
Master's Degree	11	12.9
PhD	5	5.9
Others	5	5.9
Total	82	100
<b>Work Experience (Years):</b>		
<2years	22	25.9
3-5years	48	60.0
6-10years	7	8.2
11years and above	5	5.9
Total	82	100
<b>Departmental Section:</b>		
Distribution	12	14.1
Store	12	15.3
Production	30	36.5
Marketing	10	11.8
Purchasing and Supply	13	16.5
Others	5	5.9
Total	82	100

Source: Field Survey, 2020

Table 1 shows the gender characteristics of the respondents, 57.5 per cent of respondents were males, while 42.5 per cent of respondents were females as the data indicated that majority of respondents were males. This finding shows that 30 per cent constitutional gender rule has been strictly followed by the industry under this study. This enhances employees' loyalty and morale for constituted industrial gender balance with narrow margin between males and females in the selected industry. The Table 1 further presents respondents by age, the majority of respondents, 21.2 per cent were in the age range of 26-35 years, this was followed by 59.1 per cent of respondents in the age brackets below 25 years, followed by 11.8 per cent in the interval age of 36-45 years, while the least in the age distribution was 46+years which was represented by only 5.9 per cent. This meant that the majority of respondents (who took part in the study) were aged between 26 and 35 years. This age bracket indicated the active working age economically recommended in industrial workplace in the selected area.

The Table 1 as well revealed the sampled distribution by education level. Results show that the majority of respondents 16.5 per cent were degree holders followed by 58.8 per cent who were holders of OND/NCE certificate, while 12.9 per cent were holders of second degrees and a insignificant 5.9 per cent representing holders of other certificates like business related courses. This implies that most of the respondents were in a good position to give a very fair assessment of the retrenchment and

employee’s loyalty and morale in the selected industry based on their literacy level. The study equally examined the length of service of selected employees in the industry. The results indicate that majority of 51 respondents representing 60 per cent have been in the industry between the periods of 3 to 10 years, while 22 respondents representing 21.1 per cent have been working in the industry for less than 2 years. It was also found out that 7 respondents representing 8.2 per cent have been working in the selected industry between 6-10 years, while only 5 respondents representing 5.9 per cent have versatile industrial experience of 11 years above. This suggests that the relative exposure of selected respondents in industrial retrenchment process and procedures is high due to their wealth of experience in the field. This gives the study a strong footing on perceived influence of retrenchment on employees’ morale and loyalty in the sampled industry. Also, the considerably long period of working experience is enough to provide significant information concerning industrial retrenchment procedures and employees’ loyalty.

The Table 1 likewise examined the departmental section of the employees in the industry. The results show that 14.1 per cent were from distribution department, 14.1 per cent were in production department, 14 respondents representing 16.5 per cent, 15.3 per cent were in store department, then 14.1 per cent were in distribution, 11.8 per cent were in marketing, while 5.9 per cent were in other departmental unit of the industry. This implies that more employees were selected in production department than other departments. Therefore, most workers in production department would be able to provide objective responses regarding retrenchment and morale in the sampled industry.

#### 4.1. Test of Hypotheses of the Study

##### Hypothesis One

Ho,: there is no relationship between workforce reduction and employees’ morale in the Remto, Industry, Ilorin, Kwara - State.

**Table 2: Pearson Correlations Analysis between Workforce Reduction Policy and Employees’ Morale under the Control Variable of Term and Condition of Employment**

Control Variables		≥	ε	η	.φ	o	ε	mw	E	w	▷	w	w	:τ	±	..
-none <sup>a</sup>	Downsize	Correlation	1.000	.899	.905	.926	.939									
		Sig (2-tailed)	.	.000	.000	.000	.000									
		Df	0	82	82	82	82									
	Separation Benefits	Correlation	.899	1.000	.970	.877	.855									
		Sig (2-tailed)	.000	.	.000	.000	.000									
		Df	82	0	82	82	82									
Retirement	Correlation	.905	.970	1.000	.856	.859										

		<i>Dunmade (2020)</i>				
Age	Sig (2-tailed)	.000	.000	.	.000	.000
	Df	82	82	0	82	82
Employee Morale	Correlation	.926	.877	.856	1.000	.931
	Sig (2-tailed)	.000	.000	.000	.	.000
Term and Condition of Service	Df	82	82	82	0	82
	Correlation	.939	.855	.859	.931	1.000
	Sig (2-tailed)	.000	.000	.000	.000	.
	Df	82	82	82	82	0
Downsize	Correlation	1.000	.539	.559	.412	
	Sig (2-tailed)	.	.000	.000	.000	
Separation benefits	Df	0	82	82	82	
	Correlation	.539	1.000	.886	.424	
Retirement Age	Sig (2-tailed)	.000	.	.000	.000	
	Df	82	0	82	82	
Employee Morale	Correlation	.559	.886	1.000	.297	
	Sig (2-tailed)	.000	.000	.	.006	
	Df	82	82	0	82	
	Correlation	.412	.424	.297	1.000	
	Sig (2-tailed)	.000	.000	.006	.	
	Df	82	82	82	0	

a. Cells contain zero-order (Pearson) correlation

Source: Author's Computation, 2020

The results of Pearson Moment Correlation of all dimensions of retrenchment policy used by Remto were shown in table 2, all correlation coefficients (Downsize=0.856, Separation Benefits=0.877, Retirement Age=0.926) been high above halves and very close to unitary; holding fact that the term and condition of service is non-zero. This implies there is strong positive relationship between retrenchment and employee morale. All the three variables are treated symmetrically and hereby become good measures of workforce reduction's policy used in predicting the employees' morale in the sampled industry. Hence, there is no distinction between dependent and independent variables. Although Retirement Age ( $r=0.926$ ) is the most influential variable which significantly determines the workforce reduction's policy and has positive relationship with employees' morale at 5 per cent level. This mean with the specification of retirement age in the term and condition of employment, the higher the retrenchment age, the higher will be the morale of retained employees in the sampled industry. This was followed by workforce reduction's policy of the company in offering of retirement's benefits ( $r=0.877$ ) to retrenched employees and the higher their morale.

Downsizing is equally significant at 5 per cent simply because the correlation coefficient ( $r=0.856$ ) is high; meaning that the employees' morale increases as the budget cost of downsizing increases. Thus, caution should be exercise by the management of Remto industry when cutting

costs (downsizing), since skills and employees’ morale can be lost as acclaimed by Levine (1984) that this downsizing method of retrenchment opted for by managers in the industry may result in fiscal stress. Thus makes human resource shrinkage a serious problem that may be difficult to remedy in the industry. Retirement age and benefits could be referred good strategies that can be strictly adopted in the term and condition of service since both are equally significant at 5 per cent level. Therefore, it can be said that workforce reduction has negative and significant relationship with the morale of the surviving employees in Remto industries. This finding validates the findings of the studies carried out by Duncan and Aloys (2013); and Simiyu and Auka (2018). The findings of both studies confirmed that retrenchment practice has effect on the morale of surviving staff members in the case study organizations.

**Hypothesis Two**

Ho<sub>2</sub>: Communication about cost – cutting process to employees has no significant influence on employees’ loyalty in Remto Industries, Ilorin, Kwara State.

**Table 3: Regression Analysis on Communication of Retrenchment Process to Employees**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.031	.157		.200	.842
1 Communication through Union	-.497	.083	-.407	5.986	.000
Communication through Company Magazine	.541	.064	.578	8.505	.000

a. Dependent Variable: Employee Loyalty  
 b.b. Predictors: (Constant), Communication through Union, Communication through Company Magazine  
 c. F-Statistics=401.654  
 d.R=0.953; R2=0.907

Source: Author’s Computation, 2020

The result shows the coefficient of determination  $R^2=0.907$ ; therefore, about 90.7 per cent of the variability change in employees’ loyalty is explained by a unit increase in communication media and that  $R=0.953$  indicates that there is positive and significant relationship between communication medium and employee’s loyalty. The F-statistics indicates that the significance of the  $F=401.654 > F\text{-table}=3.84$  at a degree of freedom of (2, 82); i.e. P-value=0.00 is less than 0.05. This indicates that the communication media significantly predicts the employees’ loyalty. The table further shows that, there is direct positive impact of the two

communication medium on the employees' loyalty in the study area since the coefficient of trend analysis was  $\beta=0.497$  and  $\beta=0.541$  which is significant at 5 per cent. The t-statistics associated with the regression parameters ( $t_1=5.986$ ,  $t_2=8.505$ ) are greater than 1.645 at a degree of freedom of 84. This demonstrates that the communication process through the union and magazine had positive impact on employees' morale.

The significant level was specified at ( $p\text{-values} = 0.000 < 0.05$ ) in the level of employees' morale as shown in table. The fitted model from this analysis is shown as:  $Y = 0.031 + 0.497(\text{Union}) + 0.541(\text{Magazine})$ . This implies that 49.7 per cent rise in the employees' loyalty was significantly caused by 1 per cent increase in the communication process through the union. Also, that 54.1 per cent rise in employees' loyalty was significantly caused by 1 per cent increase in communication process through the company magazine. Peradventure, if communication process = 0; employees' loyalty is insignificantly low as 3.1 per cent as it is shown in the constant of regression line (0.031). Thus, the removal has no significant effect on employees' loyalty ( $p=0.842 > 0.05$ ). Therefore, absence or discontinuity of communication medium in a private industry like Remto will result to failure in evaluating the employees' loyalty. This is due to the fact that manager has the reason to retain communication on cost cutting process in the model because of benefit associated with budgetary costs reduction, increase in loyalty and employees' morale which has the likelihood being experienced in the industry. Hence, the null hypothesis is rejected and alternate is accepted by maintaining that there is positive and significant effect of communication process on employee loyalty at 95 per cent confidence level. This finding is supported by Ladan (2012) who observed from the findings of his research that the banks' communication procedures or means notifying employees on retrenchment exercise go a long way in affecting not only the morale and motivation of the remaining workforces of the selected and studied banks, but also impact greatly on their loyalty and work commitment.

## 5. Findings of the Study

From the study, the perceptions of different employees on the retrenchment exercise in Remto Industries Limited, Ilorin could be established, particularly on the effect of the exercise over their moral, quality of work like and also on the performance of the organization. It was found out that some employees perceived Remto's past retrenchment exercise negatively due to the manner in which the exercise was designed and implemented in which many staff considered it to be questionable

since it was based on biased standards. This had resulted in worry and anxiety among the surviving staff members over their future in the workplace, while many were angry against the management due to the fear of unknown outside the establishment.

It was equally shown that some workers perceived that the exercise was carried out on the basis of misconduct, inefficiency and redundancy of some employees in the organization given that these individuals were found to be incompetent and sometimes disloyalty to organization's authority, whereas some of them have already reached their retirement age. Additionally, it was confirmed that the given redundancy notification to the affected workers in Rempto industries always spark so much emotional and many attitudinal changes such as disbelief, shocks and fury towards the management of the organization. The response also indicated that the survivors in the place of work do stay loyal and committed to their duties due to the fear of dismissal from work by the management.

## **6. Conclusion and Recommendations**

### **6.1. Conclusion**

Resulting from the findings of the study, it could be deduced that retrenchment practice and procedures are capable of leading to both positive and negative effects, not only on the organization, but also on the surviving workforces in the workplace. The findings of the study showed that retrenchment practice in Remto industries, Ilorin negatively and significantly affects employees' morale in the area of: quality of performed works; punctuality at work, timeliness, observance of the organizational policies, cooperation in the workplace; workloads, work-related stress, demotivation and loyalty to the organization.

More also, it could be concluded that communication on the cost cutting exercise to the employees in Remto industries significantly impacts on the loyalty of employees as the adopted procedures for the conduct of the practice use to have direct effect on the employees' morale. This equally goes a long way in determining both the employees' trust and distrust in the organization's procedural justice.

### **6.2. Recommendation**

Subsequent to the findings of the study, it is therefore recommended that in order to ensure that the morale and loyalty of surviving employees in Remto industries are not dampened and to as well make these workforces feel secure working in the establishment, the management of the organization should:

- i. Try to develop best strategies for cutting costs and downsizing of employees through effective and articulate formulation of retrenchment's policies. This is with a view to reduce work related stress in the company.
- ii. Ensure in designing clear communication channel, and also make sure that necessary information is being passed as at when necessary into the appropriate quarters or to all its surviving workers before they are retrenched. This is to prepare these workforces in advance and also to minimize on them the negative aftermath effects associated with the practice or exercise. This will equally make employees to develop trust in the management of the organization.
- iii. Likewise adopt fair or unbiased procedure for and during the retrenchment exercise. This is to make all and sundry in the workplace to develop trust and full satisfaction in the organization's retrenchment results and also with the decisions made by managers.
- iv. Similarly put in place assistance programmes so as to help the surviving workers who are habitually disturbed and always in shock by redundancies in the organization. This should be coupled with counseling practice as this is very essential not only in enabling employees into accepting the retrenchment outcomes, but to also make them to adapt to the changes in the overall organization's plan.

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