Effect of Retrenchment on Employees’ Service Delivery: A Study of Ten Districts of Enugu Electricity Distribution Company (EEDC) in Southeast Nigeria

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Abstract
This study examines the effect of retrenchment on employees’ service delivery: a study of ten districts of Enugu Electricity Distribution Company (EEDC) in Southeast Nigeria. The study was necessitated by the alarming rate of retrenchment across various industries in Nigeria particularly the energy sector that is a major driver of economic growth and development in the country. The poor service delivery of the sector has been a teething problem to both the citizens and organizations that need their services. With the recent restructuring of the sector and emergence of Enugu Electricity Distribution Company (EEDC) with its attendant retrenchment, it becomes more constricting what the service delivery of the retrenchment survivors will be. This study therefore, modelled variables like employee work load, longer working hours, pay cut, depression and anxiety and restructuring of work to ascertain how they have influenced on employees’ service delivery in Enugu Electricity Distribution Company (EEDC) using an econometric regression model of the Ordinary Least Square (OLS). Findings revealed that with the exception of longer working hours that were not significant, all other variables (employee work load, pay cut, depression and anxiety; and restructuring of work) had significant effect on employees’ service delivery. Based on the findings, the study recommends that electricity distribution companies should adequately adjust employees work load, increase survivors pay, restore
confidence on the survivors and ensure work place harmony during restructuring of work to enable them improve their service delivery.

**Keywords:** Retrenchment, Employees’, Service Delivery, Regression model

**Introduction**

The economic recession in Nigeria has increased the rate of retrenchment in most organizations in Nigeria. According to Imam, Qureshi and Khan (2011) recession always comes with bad news such as retrenchment/lay off and the people who stay in organizations have to face greater responsibility because jobs are usually shared and enlarged. Available literature asserts that the retrenchment of employees in Nigeria has become common in the administrative routines of high/medium performing and distressed companies (Ogbechie, 2015). Retrenchment is the highly undesirable choice (Imam, Qureshi & Khan, 2011) for any organization especially in recession/ restructuring periods (Gulati, Nohria & Wohlgezogen, 2010). Organizations employ the downsizing strategy in an attempt to survive and compete in the global economy (Bhattachryya & Chatterjee, 2005; Cloete, 2012). Those who undertake this process, or any other organizational change, do so with the understanding that it would have a more positive effect, such as lower overhead cost, decreased bureaucracy, faster decision making processes, smoother communication, better productivity and increased earnings (Hellgren, Naswall, & Sverke, 2005; Cloete, 2012).

However, after retrenchment, survivors of restructuring or downsizing face a lot of challenges in their effort to retain their jobs which invariably affect their service delivery or performance in the organization. According to Imam, Qureshi & Khan (2011), workload in retrenchment extended and employees suffered, in that they have to stay longer hours to fulfil their jobs. Spector, Dwyer & Jex (1988) asserts that workload reveals the demands of work in long hours from employees in their jobs and thus, usually referred to as a job stressor. Employees having extra work in retrenchment lose the balance between family life and work. This situation leads to conflict situation in which stress level is high in employees. Borowski (1998), Harnois and Gabriel (2000) observed that retrenchment has a great impact on the individual’s health, psychology, earning power, and the ability to socialize among his peers. In the same vein, Deng (1987) posited that the retrenchment of workers inflamed psycho-social problems, such as reduced self-esteem, general irritability, stomach ulcers, depression, high blood pressure, heart disease, financial emaciation and the tendencies to commit crimes. While the International Finance Corporation (IFC) (2005) commented that financial difficulties due to retrenchment leads to loss of confidence, self-esteem and loss of credibility.
Cloete (2012) and Baruch and Hind (2000) posit that it was becoming increasingly well documented that employees who remain within an organization after significant downsizing often experience the adverse effects of the change as profoundly as those who had left. West (2000) adds, survivors also experience symptoms such as guilt, anxiety, fear, anger, and in more severe cases, depression or other emotional and physical ailments. Employees who experience a downsizing event may react with decreased service delivery, job satisfaction, reduced organizational commitment, less job involvement, more resistance to change, and reduced work effort (Hellgren et al., 2005). Displaying any of these negative reactions would lead to the organization failing to attain the desired improvements in the organization (Brockner, Grover, Reed & De Witt, 1992); Hopkins & Weathingtons, 2006). According to Cloete (2012) and Chipunza (2009) the need to manage survivors before, during and after downsizing therefore becomes imperative in enabling them to remain focused on the new organizational objectives.

**Statement of the Problem**

This study was informed by the alarming rate of retrenchment across various industries in Nigeria particularly the energy sector that is a major driver of economic growth and development in the country. The poor service delivery of the sector has been a teething problem to both the citizens and organizations that need their services. With the recent restructuring of the sector and emergence of Enugu Electricity Distribution Company (EEDC) with its attendant retrenchment, it becomes more constricting what the service delivery of the retrenchment survivors will be. It has been argued that Survivors and victims of organizational change are experiencing a lot of challenges and mental health issues after downsizing and organizational change, thus resulting in decreased service delivery, job dissatisfaction, reduced organizational commitment, less job involvement, more resistance to change, and reduced work effort (Brockner, Grover, Reed & De Witt, 1992; Hopkins & Weathingtons, 2006; Cloete, 2012; Chipunza, 2009; Hellgren et al., 2005). People who stay in organizations after downsizing and organizational change have to face greater responsibility because jobs are usually shared and enlarged. Researchers argue that working hours have negative relationship with job satisfaction because in workload, tasks interfere with each other. It also shows that if one task difficulty level is higher than normal, the performance of other task will be low. Performance can be affected by workload being too high or too low (Nachreiner, 1995). The uncertainty and the perceived lack of empirical evidence on the effect of retrenchment on employees’ service delivery particularly in Enugu Electricity Distribution Company (EEDC) warrants an empirical probe to fill the literature and knowledge gap in the research area.
Objectives of the Study

The main objective of the study is to examine the effect of retrenchment on employees’ service delivery: a study of ten districts of Enugu Electricity Distribution Company (EEDC) in Southeast Nigeria. Specifically, the study intends:

1. Ascertain the effect of work load as result of retrenchment on employees’ service delivery
2. Determine the effect of longer working hours as result of retrenchment on employees’ service delivery
3. Examine the effect of pay cut as result of retrenchment on employees’ service delivery
4. Ascertain the effect of depression and anxiety as result of retrenchment on employees’ service delivery
5. Determine the effect of restructuring of work force as result of retrenchment on employees’ service

Empirical Literature

Ogbechie (2015) examined the socio-economic effects of retrenchment on retrenched individuals, their families and the society at large across the civil service, banking and the manufacturing sectors in Nigeria using descriptive statistics and Hotelling’s T-squared test F-statistics. It was found that the retrenched employees were not equipped with the skills to enable them face unforeseen challenges after retrenchment. The study also revealed that retrenchment has detrimental effects on families and the society.

Maunganidze, Mupezeni & Pfebeni (2013) examined the implications of retrenchment on human resource personnel and its functions: A case of Mines in Masvingo Province, Zimbabwe using cognitive dissonance model. Findings revealed that it is not only the retrenched workers that suffer, but the drivers of the program as well due to the existence of informal relationships resulting from the collectivistic culture which prevails in Zimbabwe.

Wandera (2013) examined the effects of retrenchment on employees of K.T.D.A Ltd in Nairobi, Kenya using a descriptive statistics. Findings revealed that employers do not prepare their employees adequately before retrenchment and they were uncertain about the future of their jobs. Ochiено (2013) examined the effects of retrenchment on organizational performance at the Telkom Kenya, Eldoret Branch using chi-square statistics. The study findings indicated a positive change at Telkom Kenya (TKL) with improved service delivery with introduction of new wireless technology and new brands that were competitive in the market in the Kenyan market. A general cultural change in work has been cited in these improvements. Company revenue trend analysis of documentaries indicated that Telkom Kenya (TKL) financial performance had generally grown on a fairly upward trend. The results from
the study also revealed that the new Telkom Kenya (TKL) products had received a substantially good rating (76%) in the market compared to other products and services from competitors such as Safaricom and Airtel. TKL is now ranked as the 3rd in preference by the consumers coming after Safaricom and Airtel. Nyaberi and Kiriago (2013) examined effects of retrenchment on the morale and job security of surviving employees of Telkom Kenya Limited using descriptive statistic, specifically the mean scores and standard deviations. They found that the retrenchment process in Telkom Kenya affected various aspects of surviving employee’s morale and job security.

Duncan, Sakwa and Kiriago (2013) examined the effects of retrenchment on the motivation and loyalty of surviving employees of Telkom Kenya Limited using descriptive statistic, specifically the mean scores and standard deviations. They found that the retrenchment process in Telkom Kenya affected various aspects of surviving employee’s motivation and loyalty. Okibo (2012) examined the effect of retrenchment on service delivery of retained civil servants- A study of selected ministries in Kisii Central District, Kenya using descriptive statistical method. Findings revealed that downsizing reduced the span of control. It caused feelings of insecurity among the retained civil servants and reduced headcount resulting in work overload. Retrenchment lowered the morale of retained workers. Interestingly, there were improvements in service delivery by public servants due to the reforms that were instituted by the government. Imam, Qureshi and Khan (2011) investigated the retrenchment effect on job performance with mediating effect of work life balance. They specifically examined the surviving employees during a period of economic recession in 2009/2010 and jobs cut down in Pakistan using descriptive statistics and regression model of the ordinary least square. They found that there is positive relationship between workload and work life balance, while on the time of survey, general observation regarding workload and work life balance was interrelated in the context of employee performance. It is also noted during the survey that employees who have negative spill over between job and family due to extra work especially when they have heavy and extra work assignments, face higher work to family conflict and their performance is negatively affected.

Okoye (2010) examined the effects of retrenchment on the morale of workers: A study of Enugu State Civil Services using chi-square statistics. Findings revealed that retrenchment is perceived differently with a negative perception as an organizational change and as well workers always try to resist it due to the uncertainty it comes with, it creates job insecurity and also dampened the morale of workers. Kivuva (2009) carried out an investigation of the impact of retrenchment on service delivery at the University of Nairobi: A case of students’ welfare authority using descriptive statistics. The results of the study indicate that service delivery at the University of Nairobi has
improved. The current employees reported that the working environment had improved because of contracted services and computerization of operations after retrenchment. It was observed that non-teaching staff at the University of Nairobi were frustrated as the workload had increased after retrenchment while salary had remained unchanged.

In the final analysis, related studies on effect of retrenchment on employees’ service delivery have been investigated from different standpoints. Literatures reviewed revealed that most of the studies were carried out outside the shores of Nigeria. However, as a missing gap in the literature, which this study intends to fill, due accentuation has not been paid to the effect of retrenchment on employees’ service delivery in the Nigeria. This study therefore investigates the impact of effect of retrenchment on employees’ service delivery in the Nigerian context with the Enugu Electricity Distribution Company (EEDC) as a study case thereby justifying the rationale of the research.

METHODOLOGY

Research Design

This study used a descriptive research design. The researcher considered this design appropriate for the study because it permits the eliciting of public opinion using the questionnaire. The investigation was carried out using questionnaire to elicit information from employees of the Enugu Electricity Distribution Company (EEDC) who survived the retrenchment.

Area of the Study

This study was carried out in Southeast, specifically among employees of the Enugu Electricity Distribution Company (EEDC). Enugu Electricity Distribution Plc, or Enugu Disco, located in Nigeria’s South East zone, distributes and markets electricity in franchise area that includes Abia, Anambra, Ebonyi, Enugu and Imo States. The franchise area is further subdivided into 10 districts, namely, Aba, Abakaliki, Abakpa, Awka, Ogui, Onitsha, Orlu, Owerri, Nnewi, and Umuahia. The Aba and Onitsha districts are home to two of Nigeria’s major domestic commercial industrial centres. Within the zone, Enugu Disco owns and maintains electrical installations and the distribution network, manages meter installations and servicing, billing, co-ordinates consumer credit services, and collects revenue.

Population of the Study

The population of the study consists of all the employees of the ten districts of Enugu Electricity Distribution Company (EEDC) in Southeast Nigeria. Enugu Electricity Distribution Plc or Enugu Disco has staff strength
of 2770 employees as at November 2, 2016. This therefore formed the population of the study.

Sample and Sampling Technique
To determine the sample size, for the purpose of questionnaire distribution; the Taro Tamani (1967) formula was used. The formula is stated thus:

\[ n = \frac{N}{1+N(e)^2} \]

Where:
- \( n \) = sample size
- \( N \) = population
- \( e \) = Margin of error (5% or 0.05)
- \( l \) = Constant

Substituting in the above formula:

\[ n = \frac{2770}{1+2770 (0.05)^2} \]

\[ = \frac{2770}{1+2770 (0.0025)} \]

\[ = \frac{2770}{7.925} \]

\[ = 349.52 \]

\[ = 350 \]

Instrument for Data Collection
The instrument for data collection is a structured questionnaire designed by the researcher through review of related literature and in relation to the objectives and research questions guiding the study. The instrument is titled: "effect of retrenchment on employees’ service delivery: a study of Enugu Electricity Distribution Company (EEDC)". The instrument consists of two parts; I and 2. Part 1 deals with background information of the respondents while Part 2 contains items that addressed the research questions. Out of 350 copies of questionnaires distributed only 318 were dully completed and returned.

Method of Data Analysis
Descriptive statistics (frequency and percentage) and inferential statistics (regression analysis) were used to analyze the data collected in line with the objectives of the study. The frequency and percentage were used to analyse the demographic profile of the respondents.

Inferential statistics (regression analysis) was used to analyse and test the hypotheses. Hypotheses I to V were tested using t-test statistics.
Model for the Study

Linear regression model of the Ordinary Least Square (OLS) approach was used to analyse the objectives in order to ascertain the influence and also determine the relationship between the independent variables and dependent variable in the conceptualised model of the study. The use of Ordinary Least Square (OLS) is informed by the fact that under normality assumption for $\alpha_i$, the Ordinary Least Square (OLS) estimator is normally distributed and are said to be best, unbiased linear estimator (Gujarat and Porter, 2008).

Thus, the model of this study is stated as follows:

*The functional form of the model is*

$$ESD = f(EWL, LWH, PC, DA, RW)$$  ..........(1)

*The mathematical form of the model is*

$$ESD = \beta_0 + \beta_1 EWL + \beta_2 LWH + \beta_3 PC + \beta_4 DA + \beta_5 RW$$  ..........(2)

*The econometric form of the model is*

$$ESD = \beta_0 + \beta_1 EWL + \beta_2 LWH + \beta_3 PC + \beta_4 DA + \beta_5 RW + \alpha_i$$  ..... (3)

Where; $ESD =$ Employees Service Delivery

$EWL =$ Employee Work Load

$LWH =$ Longer Working Hours

$PC =$ Pay Cut

$DA =$ Depression and Anxiety

$RW =$ Restructuring of Work

$\beta_0 =$ Intercept of the model

$\beta_1 - \beta_7 =$ Parameters of the model

$\alpha_i =$ Stochastic error term

Apriori Expectations

<table>
<thead>
<tr>
<th>Parameters</th>
<th>Variables</th>
<th>Expected Relationships</th>
<th>Expected Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\beta_0$</td>
<td>Regressand</td>
<td>Intercept</td>
<td>$(+/-) $</td>
</tr>
<tr>
<td>$\beta_1$</td>
<td>ESD</td>
<td>EWL</td>
<td>$-$</td>
</tr>
<tr>
<td>$\beta_2$</td>
<td>ESD</td>
<td>LWH</td>
<td>$+$</td>
</tr>
<tr>
<td>$\beta_3$</td>
<td>ESD</td>
<td>PC</td>
<td>$-$</td>
</tr>
<tr>
<td>$\beta_4$</td>
<td>ESD</td>
<td>DA</td>
<td>$-$</td>
</tr>
<tr>
<td>$\beta_5$</td>
<td>ESD</td>
<td>RW</td>
<td>$+/-$</td>
</tr>
</tbody>
</table>

Source: Researchers compilation

The economic apriori expectation refers to the theoretical expectations of each of the nature of relationship between the regressand-depended variable and the regressors- independent variables. A positive '+' sign indicate that the relationship between the regressor and regressand is direct and move in the same direction i.e. increase or decrease together. On the other hand, a '-' shows
that there is an indirect (inverse) relationship between the regressor and regressand i.e. they move in opposite or different direction.

Presentation and Analysis Results

This section deals with the presentation and analysis of data collected from the field. The aim is to present the data in an interpretable form so that the variables of the study can be well understood.

Regression Analysis Result

Table 1: Regression result effect of retrenchment on employees’ service delivery

<table>
<thead>
<tr>
<th>Model</th>
<th>B</th>
<th>Std. error</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant(C)</td>
<td>25.466</td>
<td>0.881</td>
<td>28.589</td>
<td>0.000</td>
</tr>
<tr>
<td>Employee Work Load</td>
<td>-0.345</td>
<td>0.131</td>
<td>-2.951</td>
<td>0.004</td>
</tr>
<tr>
<td>Longer Working Hours</td>
<td>0.556</td>
<td>0.504</td>
<td>1.046</td>
<td>0.296</td>
</tr>
<tr>
<td>Pay Cut</td>
<td>-0.106</td>
<td>0.031</td>
<td>-3.325</td>
<td>0.000</td>
</tr>
<tr>
<td>Depression and Anxiety</td>
<td>-2.966</td>
<td>0.198</td>
<td>-15.759</td>
<td>0.000</td>
</tr>
<tr>
<td>Restructuring of Work</td>
<td>2.866</td>
<td>0.189</td>
<td>15.759</td>
<td>0.000</td>
</tr>
<tr>
<td>R</td>
<td>0.919</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R²</td>
<td>0.873</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adj. R²</td>
<td>0.870</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F-statistic</td>
<td>323.501</td>
<td></td>
<td></td>
<td>0.000</td>
</tr>
</tbody>
</table>

Source: Field Survey 2017

Dependent Variable: Employees Service Delivery

To ascertain the effect of retrenchment on employees’ service delivery the weighted mean of the five independent variables were regressed on the dependent variable to enable us determine the nature of relationship between the dependent and independent variables, effect/impact of the five independent variables on the dependent variable, the overall fitness of the model using the F-statistics and probability value and the level of significance of the independent variables in influencing the dependent variables using the t-test and probability value. The table above shows the regression result. Table 1 showed the precision of the model which was analyzed using economic a priori criteria and statistical criteria.

Evaluation based on economic a priori criteria

Evaluation using this criterion enables us to determine the nature of relationship between the dependent and independent variables. In this case the sign and magnitude of each variable coefficient is evaluated against theoretical or economic a priori criteria/expectations. As shown in table 6, it is observed that the regression line has a positive intercept as presented by the constant (c) = 25.466. This means that if all the variables are held constant or fixed (zero), the employees’ service delivery increases by 25.5%. The result also conforms
to the a-priori expectation. This states that the intercept could be positive or negative, so it conforms to the theoretical expectation. Employee Work Load has a negative relationship with employees’ service delivery. This implies that the employee work load and employees’ service delivery move in the opposite direction. That is to say that employee work load has an inverse and negative relationship with employees’ service delivery. In other words a 1% increase in employee work load will bring about a 34.5% reduction in employees’ service delivery. Longer Working Hours has a direct and positive relationship with employees’ service delivery. In other words a 1 hour increase in working hours will bring about a 53.6% increase in employees’ service delivery. Pay Cut has an inverse and negative relationship with employees’ service delivery. As pay cut increases employees’ service delivery decreases. In other words a 1% increase in pay cut will bring about a 10.6% decrease in employees’ service delivery. Depression and Anxiety have inverse and negative relationship with employees’ service delivery. Therefore, a 1% increase in either of them will bring about a 296.6% decrease in employees’ service delivery. Restructuring of Work has a direct and positive relationship with employees’ service delivery. In other words an increase in restructuring of work will bring about a 286.6% increase in employees’ service delivery.

**Discussion based on statistical criteria**

In order to evaluate the effect of retrenchment on employees’ service delivery, the analysis was also done based on statistical criteria by applying the coefficient of determination (R²) and the F–test. In general the joint effect of the explanatory variables- independent variables- in the model account for 0.870 or 87.0% of the variations in the employees’ service delivery. This implies that 87.0% of the variations in the employees’ service delivery are being accounted for or explained by the variations in employee work load, longer working hours, pay cut, depression and anxiety and restructuring of work. While other independent variables not captured in the model explain just 13% of the variations in employees’ service delivery. Four coefficients (employee work load, pay cut, depression and anxiety; and restructuring of work) had significant effect on employees’ service delivery. Longer working hours is not significant but it has a positive relationship with employees’ service delivery. The F–test shows the overall significance of the model and concludes that retrenchment has a significant effect on employees’ service delivery in Enugu Electricity Distribution Company (EEDC).

**Conclusion and Recommendations**

In the final analysis, this study has revealed that work load has a negative relationship with employees’ service delivery. This implies that the employee work load and employees’ service delivery increases in the same
direction. That is to say that employee work load has an inverse and negative relationship with employees’ service delivery. In other words a unit increase in employee work load will bring about a 34.5% reduction in employees’ service delivery. Longer Working Hours has a direct and positive relationship with employees’ service delivery. In other words a 1 hour increase in working hours will bring about a 53.6% increase in employees’ service delivery. Pay Cut has an inverse and negative relationship with employees’ service delivery. As pay cut increases employees’ service delivery decreases. In other words a 1% increase in pay cut will bring about a 160.6% decrease in employees’ service delivery. Depression and Anxiety have inverse and negative relationship with employees’ service delivery. Therefore, a 1% increase in either of them will bring about a 296.6% decrease in employees’ service delivery. Restructuring of Work has a direct and positive relationship with employees’ service delivery. In other words an increase in restructuring of work will bring about a 286.6% increase in employees’ service delivery. Based on the findings the study recommends that electricity distribution companies should adequately adjust employees work load, increase survivors pay, restore confidence on the survivors and ensure work place harmony during restructuring of work to enable them improve their service delivery.

References:


