

The aftermath of Employee Redundancy in Zimbabwean Entrepreneurial organizations

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1.1 Abstract

The current adverse economic situation in Zimbabwe, which has been persistent, has driven many companies out of their business. The surviving companies are however forced to restructure their operations. The on-going economic trend opened a paradigm shift that gave an opportunity to employee redundancy in Zimbabwean organizations. This study attempt to assess the aftermath of employee redundancy focusing on the entrepreneurial business in Masvingo, Retail supermarket, Clothing factory, Insurance and Transport. A research was conducted using questionnaires and face-to-face interview. Fifty employees who are conversant with this phenomenon were purposively drawn from entrepreneurial business organizations from Masvingo suburban area. Findings of the study revealed that capitalization of entrepreneurial business should be a priority number one in-order to minimize employee redundancy.

Key Words; Redundancy, retrenchment, layoffs, entrepreneur, aftermath, capitalization

1.2 Introduction

The prevailing economical climate experienced in Zimbabwe is so devastating in its effects that there is hardly any household that has not tasted the bitter experience of at least one of its member being negatively affected by this redundancy phenomenon. This phenomenon posed a magnitude problem that it constitutes a menace to social, psychological and economical stability of the Nation. It is therefore, brought about either social, psychological or economical illness in the community hence requires proper tackling by the state and the labour movements.

Redundancy generally is a phenomenon of assorted dimensions, on personal perspective, it is an outrage to human dignity and traumatic on the psychological, social and economic perspectives. It is however a wasteful under-utilization of human resources and leads to unhealthy generation of chains of problems broadly associated with poverty. Novick (2010) describes redundancy as the movement from employment to unemployment. He also observes unemployment as a process, which takes a single from where initially there is a shock followed immediately by an active hunt for a job when man remains optimistic and hopeful.

Redundancy in addition, is influenced by either the closure of the business as a whole, closure of a particular workplace where the employee was employed or reduction in size of the workforce.

1.3 Background to the study

Marshal (2011) states that the constant repositioning of organizations is of utmost importance in an economy that is staggering towards stabilization and firms have to choose to either change or remain constant and perish. Redundancy becomes inevitable to address the issue of labour costs and hedge organisation against collapse. In essence, a company decides to go through the redundancy process to reduce labour costs, which in turn enhances the financial position of an organization.

Job redundancy is simply a planned process of cutting back on human resources due to unavailability of work in the organisation. With the economy in difficulties, redundancy is the talk of the day in the Zimbabwean business organisations. The surrounding negative economic factors are the best catalysts to voluntary and involuntary employee redundancy. A great number of organizations are illegally dismissing employees under redundancy umbrella. In redundancy,

certain fair procedures should be followed before employees are laid off. An employer must use fair and objective criteria when selecting individuals for redundancy. The law protects victims of redundancy on the bases of sexual and racial discrimination.

Since 2006, companies have been downsizing and carrying out retrenchment exercises, although the trend has somehow slowed after the introduction of the multi-currency in 2009, the figures started to shoot up, especially in 2015 following the 17 July 2015 Supreme Court landmark ruling of Zuva Petroleum which allowed companies to terminate employment contracts of employees on three months' notice (The Chronicle August 29th 2015). This opened up floodgates of terminations by companies.

According to Employers' Confederation of Zimbabwe (EMCOZ), employee redundancy has been due to underperformance of the economy. Local firms resorted to this phenomenon for business sustainability and survival. Low capacity utilization and product demand, obsolete machinery that are vulnerable to frequent breakdowns, lack of working capital and raw materials are some of the factors triggering employee redundancy.

The prime focus of this study is to assess the aftermath of employee redundancy in entrepreneurial organizations in Zimbabwe.

1.4 Literature Review

Vermaak (2002) defines redundancy as a process of dismissing someone because is no longer being usefully employed. Blazas (1997) simply defines redundancy as the termination of employment that is caused by inadequate level of work. He further state that redundancy occurs when there is surplus of labour in an organisation.

Bakke (1976) also argued that redundancy is a form of movement from employment to unemployment. He sees unemployment as a process, which takes a single form in that initially; there is a shock, followed immediately by an active hunt for a job when man remains optimistic and hopeful.

Due to the economic downturn, the overall use of redundancy seems to have increased and this supports the notion that redundancies remain a primary change lever in organizations.

There is also compelling evidence that firms are increasingly trying to make labour become more flexible either by defining terms and conditions (Cooper and Lewis, 1994) or by replacing permanent employees by workers on temporary contracts (Worrall and Cooper, 1998). According to Rifkin (1999), another contributory factor has been the ever-constant changes in technology, communication and automation. He suggests that technology and increasing capital intensity have reduced the need for labour in every manufacturing sector. Organizations are operating within a difficult economic environment and in the face of fierce world competition (George and Jones, 2002).

In order to survive and ensure the attainment of organizational goals and profitability, the managements of the entrepreneurial enterprises have to continuously adapt and change to new forms of organizations that are flexible and constantly creating new innovations (Bloise, Cook, Hunsakar, 2003). Furthermore, organizations are innovatively being exploited (Vermaak, 2002).

Ord (2009) states that employee redundancy boils down to lowering operating expenses by employees' elimination to achieve greater profits for the company. A major disadvantage of redundancy is losing the expertise, knowledge, experience of workers who have been dismissed, and an advantage of this can be that the remaining employee feel and exhibit more loyalty towards the company and how it can be an opportunity for them to grow personally and professionally (Ord, 2008).

According to Ord (2009), different companies in different countries use pay cuts, closing down of plants and shorter working hours as alternatives to redundancy. He added that companies who need to implement organizational change must review the alternative approaches they can use before redundancies are to be introduced. According to Novick et al (2010), there is the need to identify the correct pool for reduction of selection and redundancy selection processes must be conducted fairly and objectively to avoid an unfair dismissal. Novick et al (2010) focused on the

need for managers to understand morale and motivation by addressing issue of uncertainty and lack of job security, which can bring people down and affect performance adversely.

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

Caterer et al also emphasized that, consultation with those to be laid off will make them feel they matter to the organization. Major decisions in the Human Resource Management components of the redundancy plan pertains to the process to be used to determine which and how many employees will be terminated, how much advance notification will be given, how they will be advised and by whom (Vermaak 2002)

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

In other words, organizations need to mitigate the social and economic impact of employee redundancy and their communities since they have responsibility to other stakeholders inside and outside the organization aside from their shareholders (Kates et al 1990). Bakke (1976) attests to this view when he asserts that it is in the organization's best interest to show the highest level of ethics when planning employee redundancy.

1.4.1 Reasons for Employee Redundancy

Appelbaum (1997) posits that there are various reasons that cause organization to embark on redundancy namely;

Costs Reduction

CIPD (2008) postulate that firms opt for redundancy to cut costs and remain viable in tough times A study by Ipsos Mori (2008) found that one in four employers had contingency plans in place to make redundancies with the aim of reducing its costs and enhance organisational performance.

Bumping

Employment Rights Act of Ireland 1996 states that bumping occurs when an employee ('employee A') loses their position in the business and is moved to employees's job ('employee B'), thus displacing the less retainable employee and causing the dismissal of employee B. In these circumstances, the dismissal of employee B is a redundancy and they will be entitled to a redundancy payment so long as they have worked for the employer for two continuous years.

Closure of Business

Redundancy can occur due to the closure of a business. This is the case whether the closure is permanent or temporary. In addition, the Employment Rights Act (1996) of Ireland states that redundancy can occur if the employer ceases to carry on with the business where the employee was employed. It further state that redundancy also occur when the needs of the business for employees to carry out work of a particular kind have ceased or diminished.

Technology

Nicholson and West (1988) state that technology act as a catalyst to command firm's destiny amid rising levels of uncertainty. Rifkin (1999) posits that technology and increasing capital intensity reduced the need for labour in every entrepreneurial organisation.

Economic Downturn

Blazas (1997) postulates that due to the economic downturn redundancy seems to have increased . The global competition and changes in the environment are cause of concern and as such firms have to adjust George and Jones (2002) . For the sake of growth and survival firms have to continuously adapt and change to new forms of organizations that are flexible and constantly creating new innovations (Bloise, Cook, Hunsakar, 2003).

Transfer of Business

Mandi, R, (2000) posits that where there is a transfer of business to a new employer, the new employer can choose not to recognize the employee's service with the first employer and hence the need for redundancy. He further state that, if the new employer recognizes the employee's service with the first employer, the employee is not entitled to redundancy pay from their first employer, as the employee is being offered an adequate alternative role with the new employer.

1.4.2 Effects of Employee redundancy

Cushway, B, (2005 revealed that nearly most organizations have made redundancies and the move proved to be the most damaging kind of workplace change as it undermines morale, confidence, trust and comfort of staff. He added that, redundancy has negative impact on share price performance.

According to Chartered Institute of Personnel and Development (CIPD), redundancies have damaged the morale of both the affected and survivors employees. CIPD (2008) states that employers are tempted to make people redundant on the assumption that this is the most straightforward way to cut costs are being short-sighted. Levine (1984) postulates that redundancy may lead to fiscal stress and human resources shrinkage which may pose problems to managers. He further states that redundancy problems may be a result of methods used by managers to deal with redundancy.

Sharing the same sentiments is Leana and Fieldman (1997) who propound that if a company is using last in first out method, it risk losing new ideas which a recipe for corporate failure. In addition Filatotchev (2000) argues that redundancy can cause survivor syndrome and this goes a

long way in affecting morale and commitment of survivors thus once morale and commitment are affected it means organizational performance will be compromised.

Marshal (2011) states that redundancy causes organizational unrest and employees tend to resist change. Fells (1958) states that due to redundancy, those who are not affected tend to exhibit non-learning behavior make intentional errors and sabotage as a way of expressing their survivor syndrome and this can affect organizational operations. Campel and Cooper (2000) emphasized that the impact of redundancy on organisation managers' sense of loyalty, motivation and morale revealed that redundancy is a particularly damaging form of organizational change, which affects organizational operations in the long run.

Sutton and Whetten (1988) argued that is negative correlation between redundancy and employee and organizational operations as evidenced by loss of skill, demoralization, lack of commitment and job insecurity of the remaining employees. In support, Mentzer (1998) argues that due to redundancy employees developed stress which affected their quality of work, which in turn hampers achievement of the organisation's desired objectives.

1.5 Methodology

The research adopted a case study research design in which both qualitative and quantitative techniques were used. The case study was chosen because the researchers had insufficient financial and material resources to solicit data from all entrepreneurial organisations in Zimbabwe.

A sample of fifty employees was drawn from the following occupational groups: Retail supermarkets (20), clothing factory (10), Insurance (10) and Transport employees (10). The instruments used in the study were questionnaires distributed to some employees who are currently victims and survivors of the redundancy exercise. Fifty questionnaires were administered on the sampled elements using the purposive random sampling technique.

The data collected were qualitatively and quantitatively analyzed using narrative and descriptive statistics. Data interpretations were based on the results that emerged from the analyses.

1.6 Results and Discussion

The effect of employee redundancy on both the survivors and the affected employees

Table 1

Number of respondents	Percentage	Effects of employee redundancy on survivors
20	40%	Increased sense of job insecurity
15	30%	Decreased organisational commitment
8	16%	Decreased morale, job satisfaction and performance
7	14%	Increased organisation cost due to gross mistakes
Total 50	Total 100	

Table 2

Number of respondents	Percentage	Effects of employee redundancy on the victims
16	32%	Poor Community development
15	30%	Increased the sense of distrust
19	38%	Promote hooliganism in the community
Total 50	Total 100	

1.6.1 The positive effects of employee redundancy to the employer

Thirty (30) respondents representing (60%) from all four groups that is, Retail Supermarket, clothing factory, Insurance and Transport concurred that employee redundancy increased value

to shareholders and cut back on general human costs thereby decreased bureaucracy by eliminating hierarchies.

Fifteen (15) respondents representing (30%) from the four groups, agreed that employee redundancy brought about more fluent communication, faster decision making and flexibility improving the organisation's capability for development.

Five (5) respondents representing (10%), concurred with the rest of the respondents but emphasized that redundancy is a complex phenomenon but brings organisational health by eliminating unnecessary work procedures, a sense of more pronounced entrepreneurial behaviour among both the survivors and the victims, increased productivity thus gaining a competitive advantage.

1.6.2 The negative effects of employee redundancy to the employer

Thirty (30) respondents representing sixty (60%) percent echoed the sentiments that employee redundancy stimulate high rate of voluntary labour turnover due to job insecurity syndrome instilled into the survivors.

Ten (10) respondents representing twenty (20%) percent emphasized that production is affected due to the "self-created" poor performance from the survivors to justify their displeasure of the redundancy activity.

Ten (10) representing twenty (20%) percent of the respondents agreed that reputation of the organisation is negatively affected due to employee redundancy.

1.7 Discussion

The results obtained from the respondents indicated the following

An employer must use fair and objective criteria when selecting individuals for redundancy. It is against humanity to select an individual for redundancy because of their sex, race, sexual orientation, disability, age, religion or belief or because they are a trade union member.

Employees affected by redundancy would not likely hold negative impression about the organization if they perceive fairness in the redundancy exercise hence cannot elicit loss of loyalty, shift in commitment and rise in mercenary attitude and behavior from employees.

Redundancy as a phenomenon is a double-edged sword that could cut from any side. The minds of surviving employees may not likely be at rest as any of the employees could be a victim at subsequent exercise.

Survivors of employee redundancy could successfully live in dignity after redundancy rather than being depressed.

Employee redundancy brings organisational health by eliminating unnecessary work procedures, a sense of more pronounced entrepreneurial behaviour among both the survivors and the victims, increased productivity thus gaining a competitive advantage.

Employee redundancy brought about more fluent communication, faster decision making and flexibility improving the organization's capability for development.

Productivity, organizational reputation, organisational cost and poor community development are some of the negative consequences of employee redundancy in any organization.

Increased sense of job insecurity, stress, turnover intention, decreased organizational commitment, morale, job satisfaction and performance are all products of employee redundancy.

1.8 Conclusion

Concisely, redundancy where it is unavoidable must be undertaken with human face or in a way to cause least amount of pain and stress to victims. Besides, redundancy may not create room for increased profitability rather it is how the organization operates after employee redundancy that will determine the success or failure of the organization.

Conclusively, the task of managing survivors would not be difficult if the organizational leadership recognizes that survivors have special needs, provides the emotional support they deserve and ensure continuously and honest communication within the length and breadth of the

organization. Finally, employees affected must be marketable and survivors maintaining productivity at expected level.

1.9 Recommendations

Redundancy notice

Employees who are selected for redundancy must be given a notice period before their employment ends.

Selection criteria

Employers should consult affected employees regarding the selection criteria for redundancy.

Avoiding redundancies

Organisations should try to minimise disruption, reduce or avoid job losses and make any organisational change easier.

Redundancy consultation

Employers should always consult with employees before making any redundancies giving them information on why the redundancies are necessary and if there are any alternatives to making people redundant. Either consultation can be individual or collective, individual consultation means the employer will speak to each person directly.

Redundancy Good Practice

Where redundancy was necessary, good practice included the provision of help and assistance to those leaving. This should be achieved by the use of outplacement; structured programmes for those leaving the company which include counselling and skills training to help them re-orient to the job market.

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