Payment of Severance Benefits to the Redundant Staff of Federal Civil service of Nigeria – Carrot or Stick?

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Abstract
This paper focuses on the payment of severance benefits to the redundant staff of Federal Civil Service in Nigeria within the context of “Carrot OR Strict”.

Questionnaires were administered to people known by the researcher who are redundant staff of both public and private sectors in Nigeria. Those affected were personally interviewed.

The findings in the study suggested that payment of severance benefit has changed the way in which people view loss of job.

Keywords: Severance benefit, Redundancy, Civil service reforms, Downsizing.

1.0 INTRODUCTION
At Independence in 1960, Nigeria inherited a Civil Service Commission which was running like the British Westminster’s. Since then various efforts have been made by successive governments to reform and re-organize the Nigerian Civil Service. This paper explores the various reforms which included the ‘Nigerianisation of the Civil Service policy of 1964-66, the Udoji Commission of 1972 which gave birth to the pay rise in the civil service, as well as the Obasanjo 2006 reform which entailed the phasing out of some cadres in Ministries, Departments and Agencies. The later led to payment of severance benefits to affected officers and suggested that both organizational changes as well as lure of pension are contributors to redundancy in the civil service because even when some staff are not of benefit to the organization, they feel not leaving the organization before attaining the age where they can receive pension. When government came up with downsizing option it did not favour some who had not put in enough years in the service, but, “from an organization perspective the payment of Severance Benefit reform does appear to smoothen the downsizing process, and at the same time tends to mask underlying issues of morale and commitment” (Clarke. 2005; Ezuwore, 2012)

2.0 THEORETICAL FRAMEWORKS

What is Redundancy?
Redundancy generally occurs where one loses a job due to circumstances such as the closure of the business or a reduction in the number of staff. The reason could be inadequate financial position of the firm, lack of work, reorganization within the firm or it may be closing down completely.

Redundancy can also occur where one of the following things happens:

• The employer ceases to carry on business or ceases to carry on business in the place where one has been employed. (For example, if the firm moves location, this can lead to a substantial change in working conditions and may, therefore, be a reason for redundancy). However if there is a change of ownership under the transfer of undertaking legislation where employees are re-employed with no change to their working conditions, then it is not a redundancy situation.

• The employer's requirements for employees in one’s category has ceased or diminished

• The employer has decided to carry on the business with fewer or no staff. In deciding whether your employer is continuing the business with fewer or no staff, close members of an employer's family are not taken into account

• The employer has decided to let one’s work be done in a different manner in future and the employees are not sufficiently qualified or trained to do the work in the different way

• The employer has decided that one’s work will in future be done by another person who can do other work as well and the employee is not sufficiently qualified or trained to do that other work.

• When employers need to reduce their workforce.

Reasons for redundancy
There are lots of reasons for redundancy According to Jimoh (2005), the reasons are:
Lethargy and slowness in official decision and action.
Insensitivity to the value of time;
Irregular attendance at work;
Wastefulness in the use of government resources
Corruption; and
Nepotism.

Rights of Redundant Staff
Redundant staff might be eligible for certain rights. These include:
- redundancy pay
- a notice period
- a consultation with the employer
- the option to move into a different job
- time off to find a new job

Criteria for selecting redundant staff:
Selection for redundancy must be carried out in a fair manner taking into consideration the employee’s level of experience and capability to do the job.
One should not be selected for redundancy because of age, gender, physical disability or pregnancy etc. If it so occurs, this could be considered as an unfair dismissal.
(https://www.gov.uk/dismissal-accessed on 28/01/13)

Methods for selecting redundant staff:
The employer should use a fair and objective way of selecting redundant staff.
Commonly used methods are:
- last in, first out (employees with the shortest length of service are selected first)
- asking for volunteers (self-selection)
- disciplinary records
- staff appraisal markings, skills, qualifications and experience
If the employee’s job discretion no longer exists, the employer can make you redundant without having to follow a selection process.
If the employer uses ‘last in, first out’, he must make sure it is not discriminating, eg if only young people are made redundant.

Redundancy pay
If an employee has been working for the current employer for 2 years or more, the employee is entitled to statutory redundancy pay.
An employee with less than five years of employment with the employer must receive a severance payment equal to two months of salary plus an additional one week of salary for each year of employment. An employee with more than five years but less than fifteen years of employment must receive a severance payment equal to three months of salary plus an additional two weeks of salary for each year of employment. An employee with more than fifteen years of service must receive a severance payment equal to six months of salary plus an additional three weeks of salary

Exceptions
For each year employment.
An employee is not entitled to statutory redundancy pay if:
- The employer offers to keep him on.
- The employer offers you suitable alternative work which the employee refuses without good reason
Being dismissed for misconduct doesn’t count as redundancy, so you wouldn’t get redundancy pay if this happened.
If an employee falls into one of the following categories then he is not entitled to statutory redundancy pay:
- members of the armed forces
- House of Lords and House of Commons staff
- Some apprentices.
- domestic servants working in private homes who are members of the employer’s immediate close family
- ‘share fishermen’ paid only by a share in the proceeds of the catch
- Crown servants or employees in a public office
- employees of the government of an overseas territory
(https://www.gov.uk/redundant-your-right/suitable-alternative-employment-access on 04/02/13)
3.0 The Civil Service Commission

The Civil Service Commission was saddled with the responsibility of safeguarding the impartiality of appointment system in the civil service and to ensure that recommendation for appointments are based on merit and free from political pressures, this agrees with Allen (1985) that a body of carefully selected, impartial and reputable members of the public known as Commissioners who under the authority of their Chairman carry out all appointment, promotion, dismissal and discipline of senior civil servants. The Civil Service Commission is an independent organization, the members of which are expected to insulate themselves from influence of politics, kinship, tribalism or personalities so as to ensure that only the best candidates are recruited for the Public Service and that senior civil servants are treated with justice, impartiality and equity. They are in fact ‘watchdogs’ of the civil service and if they perform their duties justly and honestly, civil servants generally need have no reason to fear any form of victimization, nepotism or injustices”.

Reforms in the Nigerian Civil Service

There have been several efforts at reforming the Federal Civil Service. These all had the singular aim of finding solution to the various and variegated problems facing the civil service and how to make the service more efficient, dynamic and result oriented. Reform has been defined by several writers as a systematic approach to change or perfection (Ali et al. 1992). By this it can be said that before the idea of a reform can come to play, there were things that were wrongly done and so the reformer is all set out to correct the ills. As noted by Williams et al (1972) ‘the term of reference of Udoji 1972 commission consist of two parts: the fundamental and the effective which sought to renovate the civil service as instrumental to development’.

In order to make the Nigeria civil service more effective and efficient, many commissions were set up to review the civil service. The focus had generally been to review salaries/wages and other conditions of service, rather than structural and attitudinal changes. For example, the Tudor Davis and Harragin commissions of 1945 and 1946 were primarily concerned with the review of wages and general conditions of service. However, the Harragin Salary Review Commission made some structural changes by introducing the “Senior Service” and the “Junior Service”, thus dividing the service into two rigid compartments. The Gorsuch Commission set up in 1951, to enquire into the structure and remuneration of the Public Service, concluded that the rigid division of the service into “Senior” and “Junior” services was defective in view of a viable middle category. The Morgan Commission was set up in 1963 to review the wages, salaries and condition of service of the junior employees of the Government of the Federal and of the private establishment. It introduced for the first time a minimum wage in the Country on geographical basis. Arising from the Morgan Report, the Government appointed the Elwood Grading Team to enquire into any anomalies in the gradings and achieving uniformity in the salaries of officers performing identical duties. The combination of the Morgan and Elwood exercises gave the Civil Service some motivation through improved compensation for advancement to higher graded positions, schemes Service now exist, and they specify the duties of each post, method of entry, including qualification requirements, and the pre-requisites for advancement within and beyond cadres. (Ezuwore, 2012)

According to Akinade (1991), “The Adebo Salaries and Wages Review Commission of 1971 which recommended the setting up of a Public Service Review Commission to exhaustively examine several fundamental issues like the role of the Public Service Commission, the structure of the Civil Service, its conditions of service and training arrangements. The Government accepted this recommendation and set up the Udoji Public Service Review Commission in 1972. The Udoji Commission focused primarily on the larger issues of increasing efficiency and effectiveness in the Public Service within the context of meeting the challenges of a development-oriented society. The commission made recommendations designed to improve the structure and the system. It introduced the Open reporting System for performance evaluation, the Unified Grading and salary Structure covering all posts in the Civil Service and the creation of the Unified Senior Management Group compraising both Administrative Officers and Professionals, whose careers should be centrally managed”.

Despite all these well meaning efforts, by the late 1980, the Nigeria Civil Service was far from being ideal. It was tradition-bound, somewhat ponderous and showing signs of deterioration and several undesirable characteristics of which the following were the most prominent: over-centralisation, incessant conflict between cadre, little emphasis on results and concrete performance, counterproductive separation of authority from responsibility at the topmost hierarchy, dangerously staff morale and productivity, inappropriate staff development practices. Indeed at that point in time the Civil Service was displaying a patent inability to cope effectively with the challenges of a modern, complex and development –hunger society. At this point, there was need for more reforms in the Civil Service.

The 1988 Reforms

According to Ali and Caleb (1992) the Udoji 1972 commission was a reaction to government’s lack luster management of the nation’s economy. The 1988 reforms are also a reaction to SAP, or the global philosophy of trade liberalization. Both reforms have a common incidental objective-that of Americanizing the Nigerian civil service. The Udoji commission introduced American management concepts, i.e., Management By Objectives
(MBO), Project Management (PM) and the PPBS into the Nigeria civil service, whose structure, as earlier observed, was British. The 1988 reforms set in motion the administrative structures which were similar, except in nomenclature, to the American system. The Government in 1988, through the civil service Re-organization Decree No. 43, instituted Civil Service Reforms. The Reforms were designed to ensure the following: enhanced professionalism, alignment with the Presidential System of Government, decentralization and delegation, combination of Authority with responsibility, enhanced accountability, enhanced checks and balances, general modernization, enhanced effectiveness, efficiency and speed of operation. This is why the Government set up a Civil Service Review Panel, popularly known as the Ayida Review Panel which recommended the abrogation of the Civil Service Re-Organization Decree No. 43 of the 1988. It also recommended a return to what the Civil Service was before the introduction of the reforms. It should however, be noted that some parts of the Reforms have survived.

**Downsizing**

Writing on the issue of downsizing in the British Journal of management, Clarke (2005) quoting Cascio (1993:96) defines downsizing as “the planned elimination of positions or jobs”. It is a process that ‘essentially implies job loss and retrenchment’ (Dawkin et al, 1999:7). From an organization perspective, the economic outcomes of downsizing are open to debate (Cascio, 1993; Ryan and Macky, 1998) but it is widely recognized that for the individual, downsizing can lead to a wide range of negative outcomes: For example, downsizing has been found to impact on employees in terms of loss of morale, lower organization commitment, withdrawal behaviors such as absenteeism, loss of motivation, mistrust, uncertainty and insecurity. Those who remain after a period of downsizing the “survivors” are often described as suffering from “survivor sickness” or “survivor syndrome” (Noer, 1993), defines “survivor sickness” as a term that describes the attitudes, feelings and perceptions that occur in employees who remains after downsizing or staff reductions. Survivors may exhibit a range of emotions including fear, insecurity, uncertainty, frustration, resentment, anger, sadness, depression, guilt, unfairness, betrayal and distrust (Noer, 1996). Downsizing impacts further on the individual through changes to the psychological contract. Rousseau (1995:1) notes that “downsizing and restructuring have imposed on the workers employment arrangements they did not choose”. She suggests that the psychological contract which employee originally accepted changes as organization restructure and find new ways of doing things. In the process of change, jobs are altered but employees do not feel free to renegotiate the contract. Thus the context for such reforms in terms of downsizing is one of massive change and uncertainty for employees. For some individuals job loss can be a relief, particularly if they are leaving a job that they did not like or enjoy, but in most cases it tends to be evaluated in negative terms and regarded as something to be avoided. (Brockner, 1988, Noer 1993, Appelbaum and Donia 2001a, 2001b)

**4.0 THE PAYMENT OF BENEFITS IN CIVIL SERVICE:**

The following are benefits that are due to employee both in State and Federal Civil Service

1. **Gratuity:**
   This is a lump sum payable to a worker who has served his organization for a prescribed number of years. In Nigeria, civil servants before 1992 pensions reform, have hitherto pegged the qualifying age for gratuity to 10 years. This means on completion of 10 years, an officer is qualified to receive his benefits. This benefit is payable only on retirement.
   
   The 1992 Pensions Reform changed the qualifying age for gratuity to 5 years. It also affected that of pensions and changed it from 15 qualifying years to 10 years. This is a rather welcome development because people can leave early and still have time to enjoy their benefits unlike before when they will leave late and will have to say for just a few years and die. Or often they die while in service.

2. **Pensions:**
   On the other hand, pension is a periodic payment made to a retired officer who worked for the prescribed number of years. Gratuity is paid once and in bulk and pensions is a periodic payment usually monthly and it is paid as long as the individual is alive. However, it stands terminated at the death of the pensioner.

3. **Welfare Scheme:**
   Payment of welfare is based on the individual’s contributions which are periodically deducted from his/her salaries. This type of benefit is unique in the sense that it is not paid by the employer but the employees themselves contribute and save for the retirement day. This too is not payable until the individual dies or retires.

4. **Death in Service:**
   Death in Service and Death in Active Service have also benefits, this time to the legal survivors or the next of kin where statutory provision is silent.

5. **Payment of Salary in Lieu of Notice:**
   Workers who are retired by their employers of governments without adequate notices are entitled to
months salary in lieu of notice if they have worked for 10 years of qualifying service or one month
salary in lieu of notice if the service years are less than 10 years.

6. **Contract Gratuity:**
   Another benefit is contract gratuity – an addition for those who worked on contract basis. The amount
   involved and the system of payment are usually specified in the main body of the contract.

7. **Payment of Severance Benefit**
   According to the Wikipedia Free Encyclopedia, severance pay is money that an employer provides for an
   employee who is leaving their employment. Normal circumstances that can warrant severance pay include layoff,
   job elimination, people who resign regardless, of the circumstances or people who are fired.
   Severance Packages are most typically offered for employees when he or she leaves employment. In addition to
   the employee’s remaining regular pay, severance package may include some of the following:
   - An additional payment based on months of service
   - Payment for unused vacation time or sick leave.
   - Stock options
   - A payment in lieu of a required notice period
   - Medical, dental or life insurance
   - Retirement benefits
   - Assistance in searching for new work, such as access to employment services or help in producing a
     resume (see in appendix, ‘Retire Severance Pay Slip’)
   - Severance packages are most typically offered for employees who are laid off or retire. Severance pay
     was instituted to help protect the newly unemployed. Sometimes, they may be offered for people who
     resign, regardless of the circumstances; or are fired. Policies for severance packages are often found in
     a company's employee handbook, and in many countries are subject to strict government regulation.
     Severance contracts often stipulate that the employee will not sue the employer for wrongful dismissal
     or attempt to collect on unemployment benefits, and that if the employee does so, then they must return
     the severance money. (http://en.wikipedia.org/wiki/Severance_package-accessed on-31/01/13)

5.0. TRENDS IN FEDERAL CIVIL SERVICE WORKERS’ SEVERANCE BENEFITS
   Questionnaires were administered to the People known by the researcher to have been severed from their
   various ministries or departments and they were asked if they could provide contact details of friends or
   colleagues who were laid off, thus building a sample of people “with experience of the phenomenon being
   studied” (Hussey and Hussey, 1997). The study focused on white-collar employees who were disengaged,
   attended pre-retirement training and got their severance benefits between 1999 and 2010 The people interviewed
   were drawn from ministries and parastatals ranging from Ministry of Health, National Library, NITEL, NIPOST,
   Education, Sports Commission, etc. The twenty eight males and twenty females who were interviewed were
   aged between30 and 56 years. This age group was selected on the basis of being representative of people in mid-
   life phase and therefore the group most likely to be significantly impacted by cessation of employment. Their
   qualifications ranged from Secondary School Certificate to Post-Graduate Degree. At the time of their severance
   from service all had been employed on Permanent Contract and had received their letters of confirmatio
   n of appointments from their various Ministries, Department and Agencies as the case may be, working as cleaners,
   drivers, security officers, clerical officers and some on the professional level serving as directors in their
   departments.
   Data were gathered from face-to-face, semi-structured interview using an interview guide to direct the interview.
   The interview ranged in length from twenty five to forty five minutes, with an average of 35minutes. The
   interview was taped, then transcribed and analyzed using QPSMR (Questionnaire Processing Software for
   Market Research) a qualitative data analysis software program. This type of software allows the coding of data
   by recurrent words, phrase or common themes, the linking of related themes and then analyzed across cases by
   themes. Coding commenced as soon as the first interviews were completed. Data collection adapted an itera-
   tive approach with several additional questions added to the interview guide as a result of themes identified during
   coding process(Clarke 2005:247)

6.0 IMPLICATIONS OF FEDERAL GOVERNMENT ACTIVITIES (ON LAID OFF STAFF).
   Out of the forty eight individuals interviewed, twenty eight regarded the payment of severance benefit as carrot;
   others considered the payment as stick.
   The opinions of Some of those who regarded the payment as carrot, are reported verbatim below: •’Since  the
   money has been set aside for payment of severance benefit, I see it as an opportunity I did not want to pass-up,
   I took it and started a new business immediately (Anyaegebua)
   • ‘I was not really interested in the reforms because I was thinking I can get a job elsewhere, I also was aware

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that jobs were not easy to come by so I said to myself I can invest my severance benefit in some other endeavors while I look for job’ (Ofagbe)

- ‘I see the payment as legitimate opportunity to get something out of the Organization before leaving, so I grab it’ (Aniede)
- ‘I definitely would not leave without the benefit, as I used it to established my business (Udeorie)’

To those who regarded the payment of severance benefit as stick indicated by comments such as,

- ‘I love my job and was hoping that after graduating I will get a conversion to the main office where my education will be put in good use, how disappointed I became when I got a disengagement letter’ (Akin)
- ‘I have served for upwards of twenty nine years and I was still very good and active on the job, why will they now ask me to go all in the name of reforms, what will happen to my pensions? (Udofia)
- ‘I think the civil service is a place to work, they develop their individuals and provide many opportunities’- (Obodozie)

Tables 1 and 2 show responses regarding the likelihood of people job, the federal Government reforms and those that reported job satisfaction prior to the reforms respectively.

7.0 FINDINGS, RECOMMENDATIONS AND CONCLUSIONS

Part of the letter of disengagement to affected staff read “The Federal Government is concluding arrangements for the payment of severance package by the office of the Accountant-General of the Federation, soonest. Also, a pre-retirement training programme is being organized for you by the Bureau of Public Service Reforms, as a pre-requisite for the payment of your final entitlement. This is expected to hold between February-March, 2007”.

While this was successfully held and certificate of participation were given, much was desired that were not met. In the first place, the severance benefits were not paid until October 2008. Huge sum of monies were expended on the training programme that were held in four geo-political region of the country, resource persons were drawn from various profession including captains of industries as well as psychologist and money that would have been enough to keep the officers in service for many years were spent on these resource persons in a few day. Many were forced to asked, ‘if the certificate awarded has any value considering the present day Nigerian’s crave for certificates?’ and not what the individual can do. Many still believed the government through this reform sold sticks to it citizens in the name of carrot (See attached letter of disengagement and certificate of participation)

To a large extent the reforms had its flaws in that it lacked viable alternatives, because, for some their future career option will be limited but for others it was rather better to leave now since they were still young and can get employment elsewhere. Although, there were no element of choice and all were constrained within the confines of the reforms and changing organization structures and changing career paths. They were lured by the training and a possible financial inducement which beclouded their sense of good judgment.

The financial incentive

Only a few said they would have left without the money and a further four said they would have left sometime in the future but had not intended to leave at the time of the reforms. However, the possibility of receiving a financial incentive appeared to influence thinking in a number of ways. Some who had not been thinking about leaving took solace in the training and the pay.

There was also a perception that the reform provided a legitimate opportunity to get something out of the government purse before leaving. Thus, the money was variously seen as an incentive to be eagerly sought, a compensation payment (for loss of employment, loss of security or loss of career) and an opportunity for the future.

Job satisfaction

Level of job satisfaction varied considerably but in the overall, there was a clear distinction between satisfaction with the work itself and satisfaction with contextual factors. Thirty three people expressed feeling of satisfaction with their jobs in terms of job challenges, opportunity for advancement, job variety, performance outcomes and provision of customer service. People believed their work to be important and considered that they were making a worthwhile contribution to the organization. The remaining seven people rated their job satisfaction as low, citing reasons such as boredom with the job and lack of challenge. However, within this group four people indicated that initially they had experienced high levels of satisfaction but had become increasingly dissatisfied in the period leading to the reforms.

The inevitable conclusion, in view of what has been posited in this paper, is that serious attempts have been made on the reform of the civil service, but a lot of gaps have manifested both in the schemes of the reforms and their implementation. These have left much to be desired as most that have been affected by the various reforms do not have good tales of these reforms. Most of the reforms have come with downsizing which has altered organizational cultures and standards. The psychological contract had also changed. The old employment contract had implied lifetime employment in return for hard work and loyalty. The reforms breached this contract, with employee loyalty no longer guaranteeing secure employment. For those who had been employed
for many years in the same ministry- in some cases all their working lives- there were difficulties in adjusting to the pace and constancy of reforms. Their expectations of the civil service were often not being met. For example job security, communication, organization culture, management actions, the view of the general public towards.

As a result, the contractual arrangements- written and psychological- by which they were initially employed were under threat as Rousseau (1995:134) comments, “Violated contracts promote mistrust, anger, and attrition”. Natural attrition or voluntary turnover, is often dependent on or closely linked to, the availability of suitable alternatives (Steers and Mowday, 1981; Lee et al, 1999). Alternatives generally mean alternative employment unless the turn over decision has been made impulsively, or the individual is faced with ‘nonsolicited attractive alternatives’ (Mobley, et.al, 1979:517). Although some of the reforms leave the affected with no option in terms of choice on the job, the affected get something in forms of startup capital with which to pursue business endeavors but the question many would like to ask is if the money is anything to go by considering the business environment in Nigeria. As some of these individuals will learn sooner or latter, government through its agencies comes up with various levies and taxes for anyone who intends to start some business however small the business might be.

Government reforms have been aimed at accountability, re-organisation of the civil service and there has been determined and honest implementation. However, the findings of this study highlight the need for further research in the study of government reforms visa-vise the benefit to the ministry as well as the employee before embarking on any reforms in the future. At the end of the last reforms the question on the lips of everyone was “Is this reforms carrots or sticks?”.

References


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