Strategic Human Resource Management of Surplus Manpower as Panacea for Retrenchment in Public Organisations

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ABSTRACT

This paper presents a critical analysis of the problem of surplus manpower arising from over-staffing of organisations. Using functional analysis, the paper considered demand from organisational environment and stakeholders, as well as the excesses of managers to be the causes of over-staffing. Management reaction to surplus-manpower in terms of retrenchment through downsizing and rightsizing were reviewed and it was observed that the reaction presented problems and challenges to affected employees and the organisation. Strategic Human Resource Management technique involving the integration of manpower plan into corporate plan through strategic integrated planning was presented in the paper as solution for the problem of surplus-manpower and over-staffing. Case analysis was presented using University of Calabar Teaching Hospital to empirically substantiate the consequences of separation on employees and organisation. Efficient utilisation of surplus manpower could be achieved through training, re-training and redistribution of staff to areas of need and new competence rather than separation. The paper recommended that public organisations should train their Human Resource persons in planning, research and statistics to aid the proper utilisation of strategic planning model. It was also recommended that consultant HR experts be contracted to Public Health Organisations that lacked personnel with core competence in Human Resource Management.

Keywords: Integrated, Strategic, Planning, Surplus, Manpower, Retrenchment, Downsizing, Right-sizing, Over-staffing, Human, Resource, Management and Public Health

Introduction

Managing human resource has become the central focus and concern of modern organisations and the government at various levels. Successful organisations are those that employees are responding positively to management decisions aimed at achieving organisational goals and objectives. One major problem of industrial management in Nigeria is how to handle or cope with surplus manpower, which occurred as a result of an organisation or establishment being over-staffed. The problem arising from this is “how institutions will break-even with high wage burden”.

The problem of surplus manpower is high in the public sector of Nigerian economy as a result of popular perception that the public sector must employ in order to reduce unemployment and help alleviate poverty. This assumption and pressure from catchment areas of public organisations lead management to employ at-times outside stipulated budgetary provisions. In satisfying community request and other parochial interests, employment is carried out outside the traditional guidelines on appointment as applicable in the public service of the Federation of Nigeria. One of the sectors highly affected by the problem of surplus manpower is the publicly owned health institutions.

This paper examines the administrative technique which can lead an organisation to succeed despite excessive human resource demand and its impending effect on organisational demise resulting from high personnel cost occasioned by over-staffing. Two tertiary health organisations in Cross River...
State that are public in terms of ownership by the government experienced this problem in Cross River State before 2008 in which a major decision was taken and the employees were laid off through a process of Right-sizing, which was a version of the popular parlance ‘retrenchment’ and downsizing applied by state government in laying off their workers. This paper will purposively analyse the situation in one of the two health institutions, The University of Calabar Teaching Hospital (UCTH). The main goal of this paper will be to determine if planning can lead to effective utilisation of surplus human resources at any point in time in the life cycle of an organisation.

Experts in human capital management are familiar with planning, for they are concerned with how to plan the human resources need of an establishment, which resulted in the design of manpower plan. The question arising here is: Can manpower plan alone ensure utilisation of existing manpower surplus? This question will guide analysis and discourse in this paper. The paper will specifically examine the usefulness of integrated and strategic planning in addressing surplus manpower problems.

Conceptual Analysis and Review

Ajuosa (1995) conceptualised manpower planning as a systems approach to personnel management in which the emphasis is on the inter-relationships among various personnel policies and programmes. Manpower planning is beyond ordinary focusing of future manpower need, to hire, train or promote personnel from time to time by an organisation. Though one of the main objectives of manpower planning is to provide for the future manpower needs of the organisation in terms of skills, number and ages, the central or cardinal objective is to ensure the optimum use of the Human Resources currently employed in the organisation (Ubeku, 1975). There are three main stages in manpower planning as identified by Ubeku (1995), namely; Manpower analysis; Current manpower position; and Future manpower needs.

Manpower analysis is concerned with detailed manpower inventory of all types and levels of employees, as well as the sources of manpower supplies. Current manpower position is concerned with unit and departmental staff position, suitability of employee on their job, under-employment and redundancy. Future manpower needs involve knowledge of present manpower resources, information on the manpower environment and information on business objective. According to Nwachukwu (1988), manpower planning is all encompassing and it involves such human capital management techniques as: job design, job analysis, description and specification, as well as staffing process. Corporate plan is an enterprise design for its future, which involves the selection of unit and departmental goals into a mainframe enterprise objective and determining ways of achieving them. The various ways through which the firm achieves its objective is called strategies. Two component elements of corporate plan are: corporate goals and corporate strategies. The corporate objectives that produce a central goal include: financial, commercial, production, marketing, service, development, productivity and growth objectives. The integration of manpower plan into corporate plan produces Strategic Human Resources Management (SHRM).

According to Armstrong (2005), Strategic Human Resource Management is concerned with the relationship between human resources management and strategic management which addresses broad organisational issues relating to organisational effectiveness and performance, changes in structure and culture, matching resources to future requirements, the development of distinctive capabilities, knowledge management and the management of change. SHRM is centred on planning employment policy, manpower strategy, guided by organisational philosophy, focusing on employees as strategic resources and uniting human resource management activities and policies, with general corporate business strategy.

Over-Staffing as a Consequence of Non Planning: A Theoretical Guide

It is customary and expedient for most firms to operate “under-establishment” which means having less staff than is required by an organisation to produce optimally. Under-establishment may occur as a result of limiting actual manpower requirement to availability of fund to meet personnel cost. But the reverse is often the case in most contemporary public sector organizations where excess staff (over-staffing) exist, especially in developing economies.
Carlisle (1976), Newman and Logan (1971) and Ubeku (1975) are of the opinion that overstaffing is as a result of absence of planning or inadequate manpower planning, as well as failure to link manpower plan with enterprise corporate plan. Ubeku (1975) specifically noted that most Nigerian employers recruit personnel as need arises without a purposeful manpower plan. Accordingly, the situation resulted in redundancy after such needs were satisfied by the organisation, especially environmentally driven demands. For example, a health organisation issued permanent employment for three watchmen to secure broken down truck supplying drug 50km from location of the hospital. After repairs and movement to the hospital location, the employees were retained at continuous expense of the hospital.

Merton (1968) defined social function as the objective consequences of a pattern of action or activity on the system in which the action took place. Merton Functional analysis is routed in Parsons (1951) structural functionalism. Merton (1968) identified manifest and latent functions. Manifest function refers to expected consequences, while latent function refers to unintended consequences. In the words of Scott and Marshall (2005), “a functional explanation accounts for the existence of a phenomenon or the carrying out of an action in terms of its consequences – its contribution to maintaining a stable social whole.” Despite the epistemological and ontological arguments against functionalism, the theory presents guide to the understanding of over-staffing as a consequence of non-planning of health organisations.

The case of watchmen noted earlier reveals how health organisations are over-staffed. This process also happens in terms of retention and extension of duration of ad-hoc staff like medical laboratory, pharmacist, radiography, dental, ophthalmic interns etc, without due regard to budget. What is the effect of this human resource management defect on the health organisation as a whole in terms of provisions of patient care, research, manpower training and development? This problem was caused by recruitment based on needs without recourse to manpower plan. It is wrong to recruit staff on permanent basis to satisfy temporary needs and other parochial interests without adequate forecasting on the future implications of such actions on the organisation, employee wellbeing, industrial harmony, productivity and sustainability.

Many other reasons responsible for over-staffing in both public and private sector include: political side payment; patronage and clientele relationship; ethno-religious consideration; high social responsibility on employment for operating environment; deliberate government policy; and excesses of chief executives. The interplay of these variables and other combination varies from organisation to organisation, while political side payment is common in public sector. Patronage and clientele relationship is common and most prevalent in private sector (though it also exists in public sector). These factors often compel management to go beyond policy rationality in recruitment decisions, to the extent of inflating vacancy declaration, irrespective of estimated establishment position, to satisfy special interest.

It is not uncommon for managers and administrators to offer temporary appointments to their relatives, friends, church members and political patron’s candidates, which they regularise at the slightest available chance. This is a clear example of ill-full recruitment and defile even organisational needs, which itself is not a good determinant of recruitment except in line with budget and plan. Okigbo (1993) noted over-ambitious planning goal as another cause of over-staffing, explaining that, the massive recruitment in post civil war Nigeria caused over-bloated civil service. Though this on its own does not contradict the stand that planning can reduce problem of over-staffing in future, but expressively opened our understanding of deficiency in planning.

Implication of Overstaffing for Organisation

The consequences of over-staffing are often of negative effects on effectiveness and efficiency in resources utilisation and future survival of the organisation. In a well organised enterprise, costs are pre-determined in terms of periodic estimates, over-staffing at any point in time reflects a situation where the actual personnel cost is above the estimated budget for personnel. Where over-staffing exists, there is going to be budgetary deficit.
In some firms, management may decide to draw funds from other allocating sub-heads to fund personnel emolument. This strategy will affect the implementation of programmes and projects under the Accounting Sub-Heads from where fund is redirected. It is very common for capital vote to be diverted to meet personnel cost. This dwarfs other developmental and growth objectives of an enterprise; hence the numerous abandoned projects in our various public health institutions in Nigeria.

Over staffing affect the very survival of a firm or enterprise, if other projects and programmes of the enterprise are sacrificed for personnel cost. It is possible for such firms to close down. Because of the dangerous consequences of overstaffing, many firms and governments adopted various strategies to deal with the problem of over-staffing or surplus staff.

Reactions to Over-Staffing and Surplus Manpower

The action and policy of managers today may constitute a problem or a good start point for future managers and management as a whole. Collins (1997) study in New Jersey shows that “it is not the management team that was responsible for actions and decisions leading to overstaffing that always react to it, but if the enterprise remains in their hands, it will likely collapse.” Collins’ (1997) position was further proved by his investigation into the liquidation of seventeen firms in New Jersey within a period of twelve years. It was new management that reacted to over-staffing. This view manifested in Cross River State Civil Service in which the service was overstaffed during the 1979 – 83 civilian administration, but succeeding military government in the state reacted to over-staffing in 1984 by retrenchment (Bassey, 2002).

The Cross River State Government also in 2004 – 2007 further reacted to over-staffing caused by post-state creation recruitment from 1987. The reaction was not only in Cross River State, but spread to Oyo, Ondo, Lagos, Enugu, Plateau states etc. There was also reaction in federal level between 1996 and 1999. Contemporary cases linger in such federal organisations like National Electric Power Authority (NEPA), Nigerian Telecommunication Limited (NITEL), Nigerian Ports Authority (NPA) etc. The reactions took the forms of retrenchment, retirement, downsizing and right-sizing. There strategies involve human resources ‘separation’. Any manner of separating an employee from an organisation when such an employee was not economically and psychologically prepared for separation carries negative consequences for the employee’s social, emotional, physical and economic wellbeing, as well as stability of society and maintenance of social order.

When labour is organised, separation strategies will meet serious resistance by labour unions, resulting in industrial crisis, which hinders production and general organisational performance. Downsizing means reducing workforce by retrenchment, termination, retirement and dismissal. The right-sizing process means the same thing as downsizing. The essence of both downsizing and rightsizing is to bring workforce to acceptable standard in line with resources and available budget. But the irony is post exercise recruitment, which pose a question on why the people were separated in the first instance. It is this situation that prompted the idea of Strategic Human Resources Management as a panacea for downsizing and right-sizing in public organisations.

Strategic Human Resource Management

The mistake of managers in most organisations is to consider personnel functions in isolation. Personnel function is a staff function and it involves helping the line officers to work effectively in accomplishing the primary objectives of an enterprise (Bassey, 2001). In this regard, manpower plan should be an integral part of corporate plan of the organisation. This direction of reasoning falls within the area of Strategic Human Resource Management (SHRM).

One of the major reasons for surplus manpower in the future is lack of or inadequate planning in the present. At times, the Human Resource Manager carries out planning for manpower without reference to the organisation’s corporate plan. Consequently, human resource needs are not in line with future organisational growth and developmental objectives or goals. As organisation environment changes, so also should the organisation change. Since society is dynamic, organisations are component units of the macro society and should be dynamic. To treat organisation as static is fallacy
and can result in future problems like surplus manpower. The copy typist employed today may constitute part of future surplus due to technological changes in data processing technology.

Drawing from Donnelly, Gibson and Invancevich (1984) explanation, strategic planning is the direction of total operational activities throughout the organisation by drawing inputs and contributions from a variety of functional areas (units) and the allocation of resources to activities which define the organisation’s relationship with its environment. This means that the corporate plan is a product of inputs from various departments of the organisation and that the activities of the units and departments are tailored to achieve the central goal of the organisation as in the corporate plan. This condition is on the assumption that, if integrated planning is carried out in the organisation, there will be no question of surplus staff. But where surplus staff already exists due to lack or inadequate planning, what is to be done is to re-strategize human resource management.

Strategizing human resource management involves incorporating manpower plan into corporate strategic plan. In designing this strategy, organisation must first define its mission statement, which must be achievable, motivational, and specific. Next is to determine future outcomes, which are objectives that can be converted into specific actions and will provide direction for the organisation. After formulating the objectives, the grand design is the organisational strategies. Strategy involves identifying the general approaches that the organisation will utilise to achieve its objectives. Next action is designing portfolio plan, which entails making choice of what aspect of the business to continue with or what to discard. The organisation’s portfolio plan is very central to managing future human resource surplus. The major issue in this discourse is how to manage manpower surplus without recourse to separation of employees.

Organisation’s portfolio plan is to ensure periodic review of the entire plan for the organisation to adjust to uncertainties which may arise in future. Developmental and growth objectives provide focus in future areas of expansion in line with guidelines for adjustment to environment and uncertainties as provided by portfolio plan. From this angle, it is easy to redistribute identified surplus staff arising from over-staffing in one area or department to another. Bassey (2002) noted that where it is difficult to redistribute staff in mono-line, mono-product or mono-service agency (e.g. health organisation), such can be handled by diversification, through introduction of new products and services. Developmental goal changes and new frontiers are discovered for new involvement, employees constituting surplus should be redistributed to this new preferential area. Management should refocus from employees separating oriented reactions to re-distribution of employees based on Strategic Human Resources Management through planning. Two major ingredient central to successful staff-redistribution approach to overstaffing and management of surplus manpower is training and re-training stipulated by Nwachukwu (1988):

*Manpower planning is very compelling to effective and efficient utilisation of whatever personnel that is available: it is mainly in this way that people in the organisation who need more training could be identified to upgrade their skill in order to assume more responsible positions and be useful to the organisation at all times.*

Training of surplus staff in new areas will make them useful for redistribution rather than separation. Ubeku (1975) strongly argued that when an organisation is complaining of over-staffing, certain units of that same organisation are understaffed. What is to be done is to retrain and develop staff to cope with new jobs, schedule and responsibilities in other units and departments, in view of changes and organisational growth, development and sustenance objectives. The situation is alarming with the massive retrenchment in University of Calabar Teaching Hospital (UCTH), a public tertiary health institution in Cross River State, in 2007.

**Case Study of University of Calabar Teaching Hospital**

The University of Calabar Teaching Hospital is a publicly owned tertiary health institution located in Cross River State, Nigeria. The health facility has total staff strength of 2180 employees, comprising permanent, ad-hoc and contract staff in both clinical and non-clinical areas (Nominal Roll,
2007). The severance process was initiated as an integral part of the Federal Government Public Service Reforms Programme. There criteria for severance in order to right-size the hospital include:

(1) Separation of staff of monetized services without basic qualifications for redeployment/conversion to other cadre(s) e.g. drivers.

(2) Separation of staff of abolished cadres without qualifications for redeployment/conversion to other cadre(s) e.g. Messengers, cooks, cleaners, labourers and security guards.

This was in line with the generic guidelines for Public Service Reforms released by the Bureau of Public Service Reforms, an agency of the Federal Government of Nigeria saddled with service reforms to ensure efficiency and effectiveness. Consequently, staff were sensitized on the guidelines through interactive meetings with unions, in-house personnel audit exercise in 2006 and circulars were issued requesting staff in affected cadres to forward evidence of additional qualifications such as Senior School Certificate to Personnel Department.

Total number of staff affected by the exercise was 268 representing 12.29% of the total staff strength of the hospital. Out of this number, 183 (8.39% of workforce) were severed (separated by dismissial, retirement, termination) in a process of taking the hospital to the right size, while 85 (3.9% of workforce) staff with qualifications amenable to training and retraining through detailed Strategic Human Resources Management were redeployed to other areas. The redeployment was made possible due to strategic redesign of the organisation and associated portfolio plan with absorptive capacity.

### Schedule of Severance in UCTH 2007

<table>
<thead>
<tr>
<th>S/N</th>
<th>Staff Redeployed</th>
<th>Staff Severed</th>
<th>Total Affected</th>
<th>Total Staff Strength</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of staff</td>
<td>85 (3.9%)</td>
<td>183 (8.39%)</td>
<td>268 (12.29%)</td>
<td>2180 (100%)</td>
</tr>
</tbody>
</table>

Source: Bureau of Public Service Reforms, 2008

There was pre-retirement training for the affected personnel and the National Pension Commission and Bureau of Public Service Reforms processed and pay severance benefit claims to verified staff.

### Socio-Economic Implications

The employees that were retrenched instituted legal action which resulted in the waste of their little resources on litigation and this occasioned the redirection of hospital fund to litigation, which does not in any way promote the organisation’s objectives of healthcare delivery, training and research. Some of the employees affected by retrenchment die due to starvation and lack of emolument to satisfy their health, food, clothing and other social needs.

In view of the above, the process of managing surplus through any form of retrenchment is traumatic to the employees and the organisation. The hospital is a large complex organisation. Between 2007 and the date of compiling this report, over 800 new employees were recruited by the same hospital. Long-term organisation directed staff development training and retraining in line with corporate strategic and integrated planning process would have re-channelled surplus staff from one sector or unit of organisation to another.

### Concluding Note and Recommendations

Most organisations do not possess the institutional capacity of applying the technique of staff redistribution as an embodiment of Strategic Human Resource Management in utilising surplus manpower. Certain conditions must be put in place to prevent incessant application of retrenchment strategies. In view of this, experienced Human Resource Officers and experts who are conversant with modern techniques and principles should be employed by public organisations, especially publicly-owned health institutions in particular, to re-engineer the personnel process and system. Where internal Human Resource experts are not available due to organisational structure, the service of Human Resource consultants should be contracted. In line with this, Human Resource Officers should be well-trained in the rudiments of planning, research and statistics. In this regard, experts like psychologists, industrial sociologists and management experts from academia may be taken on sabbatical for short ad hoc capacity building assessment in public organisations as practised in organised private sector.
The communication process of the organisation should be integrated, where information about every unit and aspect is fitted into a network which could be accessed by everybody within the organisation. By this, current manpower needs of various units, can be determined considering the expansion goal of the units and make for adjustment in terms of personnel redistribution. This is more possible through computerisation of operations. The wave of industrial democracy is increasing in developing countries’ organisations leadership and organisation decision should be participatory and people centred, because of increasing demand by organised labour for negotiation.

Management reaction in both public and private organisations towards overstaffing in terms of termination, forceful retirement, and even dismissal are anti-humanistic. These reactions present difficulties and challenges to affected employees and the organisation as a whole. Industrial atmosphere becomes disharmonious. It is only Strategic Human Resource Management approach through which surplus employees are strategically retrained for redistribution that can deal effectively and efficiently to prevent industrial problems, attendant socio-economic and psychological problems on the part of employees. This paper presented technical strategic industrial approach to managing over-staffing and preventing future surplus manpower from occurring, through effective Strategic Human Resource Management in which manpower and corporate plans are synchronised.

The essence of retrenchment of workers is to ensure that personnel cost match available resources to prevent budgetary deficit, loss and promote efficient and effective resource utilisation. It is not proper to focus on organisation without regards to emotional, economic and physical wellbeing of people that make up the organisation. Management induced employees separation should be avoided. The re-distribution of surplus staff after training and retraining is politically expedient and highly recommended in managing public health organisations in Nigeria.

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