

ISSN 3005 - 7256  
AJeIN

# African Journal of Entrepreneurship & Innovation



FACULTY OF BUSINESS AND MANAGEMENT SCIENCES  
UNIVERSITY OF NAIROBI

## Redundancy Employers Cryptic Strategy for Organizational Downsizing and Trade Union Response

By: Okunleye, Olusegun <sup>1</sup>, Gbajumo-Sheriff, Mariam (PhD)<sup>2</sup> and Elegbede, Tunde (PhD)<sup>3</sup>

### Abstract

Redundancies are legal in Nigeria as it is recognized by the Nigerian Labour Act and the Nigerian Courts. The Act defines redundancy as perpetual elimination of jobs due to excessive workforce. However, employers and businesses declare redundancy not just because of excess manpower as stipulated by law but for several other unrelated reasons. Are employers required by law to prove that it is a role that is being made redundant rather than the employee? This paper investigated if redundancies have become a cryptic strategy for employers to reduce their workforce and what are the responses of the trade unions. The study carried out an archival study using secondary sources of information which were retrieved from print and online literature. Several companies across banking, telecommunications, logistics, manufacturing, oil and gas and the public service sector which disengaged workers citing redundancy of roles and the responses of trade unions were analyzed. Human Capital Theory and Psychological Contract Theory were utilized as the theoretical framework and findings revealed that most employers in Nigeria do not completely adhere to procedures and requirements for redundancy as stipulated in the Labour Act. Trade unions' responses ranges from picketing, street protest, strike actions and institution of legal actions against employers and organizations. Transparency, clear communication, objectivity, stakeholders engagement, clear guidelines for calculation and prompt payment of redundancy package, clear definition of redundancy disengagements, and amendment to the Nigerian labour law to accommodate the different type of workers in Nigeria are the recommendations of the study.

**Key Words:** Redundancy, courts, trade union, labour, employer, employee, organization, disengagement.

### 1. Introduction

The significant surge in job redundancy globally and in Nigeria has become a social challenge and of grave concern to both the labour force and the trade unions in Nigeria (Ekanem & Umemezia, 2018, p 297; Oparanma, 2010, p 69). The increasing rise in cases of constant use of redundancy as a disguise for layoff by employers in Nigeria casts doubt on the integrity and sincerity of the processes of these disengagements (Anyim, 2015, p 50; Adamu & Sharma, 2016, p 90). For example, the Nigerian B2B e-commerce platform, Alerzo, responsible for digitization of commerce and payments between FMCG suppliers and informal retailers, from September 2022 to March 2023 reduced its staff from 2000 to 700 in two layoff exercises cited performance-related issues, digitization of roles and need for profitability as the reason for the layoffs. The disengaged employees were paid the contractual notice periods and an additional one-month severance pay (Vanguard, 2024).

---

<sup>1</sup>Department of Employment Relations and Human Resource Management, Faculty of Business Management, University of Lagos, E-mail: [okunleye007@yahoo.com](mailto:okunleye007@yahoo.com)

<sup>2</sup>Department of Employment Relations and Human Resource Management, Faculty of Business Management, University of Lagos

<sup>3</sup>Department of Employment Relations and Human Resource Management, Faculty of Business Management, University of Lagos

Nigeria's current economic situation exacerbated by full deregulation of premium motor spirit (petrol), the unification of the multiple foreign exchange windows and all-time high inflation of 32.70% as at September 2024, some companies across various sectors of the economy, have been either forced to shut down operations or drastically reduce their workforce to break even or even remain in business (Egu, 2024; Rafiu and Afolabi, 2024; CBN, 2024). The result of this is increase in cases of redundancy which gives credence to the fact that redundancies have become a critical device for structural changes in organizations. The extent of the psychological and financial pressure on employees and their families due to layoffs could become a threat to the development and security of the country as it could give rise to societal ills, if not adequately managed (Anyim, 2015, p 50).

Redundancy is legal in Nigeria because it is provided for in the Nigerian Labour Act and Nigerian Courts. The provisions of the Act and judgments of courts of law, contracts of employment, collective bargaining agreements and applicable international best practices regulates redundancy procedures between employers and employees in Nigeria. Redundancy is a cost reduction method utilized by businesses (Purcell, 1998) and is distinct from retirement, resignation, or dismissal. It is a process of removal of roles within an organization for business reasons unrelated to job performance or the employee occupying of the role. The decision to terminate the employment of an employee is not an easy one and is more complex when it involves a large number of employees as the exercise could be both sensitive and challenging for both employers and the employees, however, the key to humane disengagement of employees is to focus on how they are treated during the redundancy process (Collins, 1993; Oparanma, 2010, p 70; Peterson, 2020; Samuel, 2024).

In this paper, using archival method, some companies who conducted redundancies were selected and the process reviewed. This paper examined redundancy as a strategy utilized by employers to reduce the number of the employees even when financial records and other evidence proved otherwise, what are the responses of the trade unions in such cases and how effective are their responses?

The objectives of the study are:

- i. To outline procedures for redundancy in the Nigerian Labour law.
- ii. To investigate if employers in Nigeria adhere to procedures for redundancy as provided for in the Labour Act.
- iii. To discuss trade union responses to redundancies.

- iv. To discuss how the challenges of redundancy can be addressed.

The paper contributes to extant literature first by identifying gaps as regards redundancy and redundancy payments in the Nigeria Labour Act. Second, it provides recommendations on seamless redundancy exercises. The structure of this paper is, the first section is the introduction, the second section contains the literature review of concepts such as redundancy, organizational downsizing, redundancy payment and trade unions and its response to redundancies. The third section analyzes two theories and their relevance to the study. The fourth section contains the methodology. The fifth section is the review of four selected companies involved in redundancy exercises. The sixth section contains the findings while the seventh section contains the conclusion of the study.

## **2. Literature Review**

In seasons of economic crisis, organizations are often under burden to ensure continuous reduction of operational costs, especially personnel costs. According to ILO, about sixty million workers lost their jobs during the worldwide financial and monetary crisis in late 2008 (ILO, 2014) and 2020 covid-19 pandemic over one hundred million jobs were lost (ILO, 2021). In seasons of economic challenge, layoff and disengagement of employees on a large-scale becomes the pattern in many developed and developing countries (Cregan “et al”, 2020; Goyer et al., 2016, p 252; Muñoz-Bullón & Sanchez-Bueno, 2013, p 111).

### **2.1 Redundancy**

The Nigerian Labour Act of 1974 defines redundancy as the unwilling loss of engagement due to surplus human resource. This definition is restrictive and the question is what happens if an employer closes his entire operations or business, has redundancy occurred? Unfortunately, when redundancy is declared, the labour law leaves the concerned worker at the discretion of the employer as regards redundancy payment. Redundancy is defined by Cushway (2015) as the extinction of employment relationship caused by insufficient volume of work and excess employees in which the employee is dismissed for reasons not related to him or her.

According to Ladan (2012), Redundancy can also occur even when an employer recognizes the need to improve upon the efficiency of his or her company; as such, fewer people are required to do the same amount of work. In *Gerawa Oil Mills Ltd v. Babura* (2018) it was held that redundancy arises

where the termination of employment is or part of a reduction in the workforce. Similarly, in *Food, Beverage and Tobacco Senior Staff Association v. Premier Breweries Limited Onitsha*. The National Industrial Court in 2006, held that in situations where workers' appointments are terminated due to dwindling fortunes of an organization, which necessitated the scaling down of the production lines due to lack of essential raw materials, the Court will treat the termination as redundancy. The law court in the case of *Peugeot Automobile Nig. Limited v. Saliu Oje & 3 ors* (1997), declared redundancy as a process in which a worker is agreeably and legally dismissed from his or her position. It is therefore unprofessional and an integrity issue for an organization to make a role redundant and then offer the job to someone else almost immediately. This amounts to unfair dismissal and redress could be sought in the court of law, just like in the case of *NTA-Star TV vs Oladejo Elizabeth* in which the court held that termination of employment in this case was wrong and nullity as the role initially declared redundant was false as someone was currently working in that role. The plaintiff was awarded damages for wrongful termination.

Redundancies could occur when an organization is sold, merged with another organization, or undergoing structural decline. Operational decisions will be taken by the affected management to save costs, close certain operations, and ensure profitability. These steps include a reduction of the workforce and elimination of some roles. Periods of economic recessions are usually a catalyst for redundant labour (Studwick, 2002, p 5). While it is possible for organizations with adequate workforce to still declare redundancy due to partial or complete shutdown of all or some of its operations (Oparanma, 2010 p 70; Munshi, 2018). Employees who are potentially redundant are selected based on years of experience, skills, position in organizational hierarchy, attendance, disciplinary and conduct records, standard and performance over the years (Hills, 2003, p 39; Ezuwore & Alio, 2014, p 56). Also, the period of redundancy notice varies from country to country as well as from organization to organization. The notice period also increases with the number of years of employment (Aso, 2020).

In redundancy, in most cases both the employers and employees are in an extremely inconvenient situation as laying off employees is not tea party and could be a psychologically difficult task for both management and the HR team. For the employee, it is a critical life event and sometimes an affront to human dignity and is traumatic in nature (Collins, 1993; Gardiner et al., 2009, p 727; Anyim, 2015, p 50). The key disadvantage of redundancy is the loss of expertise of exited employees. While some redundancies and layoffs may become necessary to ensure a business survives but the effect on

surviving employees is either that of being insecure, which subsequently influence their work behaviour and eventually employee turnover or on the other hand, they could exhibit loyalty towards the company for the opportunity provided by the exit of others for their professional growth (Nizam & Latchmanan, 2020; Mapira, Nyasha, 2016). Finally, redundancy usually leads to loss of benefits as a result of being employed, this also includes health care via the HMO engaged by the employer, club, and professional subscriptions etc. This can further exacerbate the financial burden of the disengaged workers.

Industries where redundancy is common in Nigeria include the banking sector where there is high labour turnover. 320 employees were laid off in the Skye bank merger with seven other banks in 2005. 117 workers were laid off when IBTC-Chartered Bank and Stanbic Bank merged. In 2005, Wema Bank purchased the defunct National Bank and unfortunately after the acquisition, 450 workers lost their jobs. In the same vein when Union Bank plc acquired the defunct Universal Trust Bank, about 500 workers were lost their jobs while 224 were retired. Spring Bank retrenched 300 workers while Afribank (renamed as Mainstreet Bank) both terminated the appointment and retired 385 employees. (Egene, 2006 p 27; Oritse & Ekwujuru, 2006, p 19; Adetunji, 2006 p 4; Oke, 2006 p 38; Fanimu, 2006, p 51; Otuchikere and Ifeakandu, 2010).

Nigerian oil and gas industry is also affected by menace of redundancy as Chevron disengaged about 1,500 employees in 2016 when it shut down its operations in the eastern part of Nigeria. Mobil laid off about 1,000 employees and the entire workforce of Hercules Oil & Gas were laid off (Udo & Onyeji, 2016). In the telecommunication sector in Nigeria, GLO Limited during its reorganization process in 2006, laid off about 6,000 employees and 9,767 employees were again disengaged in 2007 (Business Daily, 2008; Inyang et al, 2014, Ulebor, 2022).

## **2.2 Organizational Downsizing**

Nigerian business environment is highly dynamic and unpredictable and for organizations to remain competitive, they sometimes consider downsizing as a self-protective strategy to minimize expenses so the organization could be more profitable. Downsizing is tactically planned elimination of employees to enhance organizational effectiveness, cost savings and competitiveness. It is an initial method utilized as a brief solution to reduce personnel budgets (Cameron, 1994, p 189). Downsizing is a gradual decline in the dimension and structure of an organization's workforce through elimination

of unproductive workers or units in times of recession to increase profitability (Clay Halton, 2021; Frone & Blais, 2020, p 179). This practice is usually associated with a period of economic recessions and businesses on the edge of financial collapse. Downsizing is the sum of all processes in an organization that cumulates in the deletion of roles which results in the disengagement of the occupants of the role Ashman, (2016). The term downsizing emerged in the 1980s and in the 1990's which later became the downsizing decade, it became a management strategy. (Whetten, 1980, p 577; De Meuse & Marks, 2003; Mellahi & Wilkinson, 2004, pg 21).

The reason for organizational downsizing includes cost reduction, technological advancement, recession, market volatility, poor financial performance, mergers and acquisitions, industry decline or even national disaster or crisis. The aftermath of 2020 economic crisis and pandemic lockdown is that many companies reduced their workforces. Between 2020 and 2023, some major Nigerian companies reduce the number of their employees. Dangote Sugar Refinery disengaged 675 employees, Nigerian Breweries Plc, 380 employees, Unilever, 176 employees and International Breweries Plc, 332 management staff (Punch, Sept 2024, p 17). In the first half of 2023, 3,567 jobs were lost in the manufacturing sector due to various factors such as policy failures, decreased consumer demands, increase in the price of fuel and inadequate access to foreign currencies for purchase of raw materials and equipment (MAN, 2023).

There are instantaneous advantages of downsizing for organizations such as cost saving, improvement of profits, prevention of bankruptcy situation, opportunity for re-organization and removal of detached employees (Bahaudin & Tipakorn, 2020, p 209). The disadvantages are increased workload for surviving employees which can erode productivity, reduction of skilled workers, low morale and feeling of being insecure, as the personnel experiences several emotions such as dismay, stress, guilt, and envy (Acevedo, 2017; Heathfield, 2019; Bahaudin & Tipakorn 2020 p 209). A downsizing that is not professionally and responsibly managed can affect the organization through damage to its reputation or brand and declining revenue growth caused by decline in level of commitment of surviving employees (Bruno, 2008). However, not only firms that are experiencing problems are capable of downsizing, but also growing ones. This implies that downsizing can be initiative-taking or reactive (Agba & Nwosu, 2011).

### 2.3 Trade Union

Trade unions as an important institution of industrial society have helped deliver outcomes such as better wages and positively adjusted standard of living, parity and fairness to its members globally. In Nigeria, different unions represent the interest of Nigerian workers in different professions. The major objective of trade unions is to defend the interests of their registered and financially up to date members in all situations of disputes, especially during redundancies. (Fajana, 2007 p 41; George et al 2018 p 25). These Nigerian trade unions belong to either one of the two central labour centers, which are the Nigeria Labour Congress (NLC), and the Trade Union Congress (TUC). The Labour Act assigns the responsibility of notification of the trade union about redundancy exercise to the employers. The unions officials as representatives of the employees then try to engage in negotiations with employers to secure the best terms for their affected members. The employer is required to adhere strictly to the clearly spelt out guidelines of the Labour Act and the Employee Compensation Act in cases of redundancies. The provisions of adequate notice, consultation with disengaged employees and their representatives, and the offer of applicable severance pay.

Historical, various trade unions in Nigeria took legal actions against organizations and employers for refusal to comply with the relevant labour laws or negotiate in good faith during redundancy processes. For example, in the case of *National Union of Food, Beverage and Tobacco Employees vs Nigerian Breweries Plc (2008)*, the union alleged that one of its members Mr. J Shittu was forced into early retirement due to his membership of the union and the declaration of redundancy of certain staff by Nigerian Brewery. Out of 40 employees in his department, Mr. Shittu was the only one selected for early retirement. The union noted that before the notice of early retirement was officially declared, the union got an intelligence report about and took proactive steps by writing a letter of protest to the Management. NICN ruled that there is no provision for re-instatement of employee in the Labour Act, but for the payment of applicable severance pay and that Nigerian Brewery Plc acted in line with the provision of the law and its conditions of service for its employees.

Using collective bargaining power, trade unions attempt to minimize the negative impact of redundancy on workers and advocate for fair treatment and support for those affected (Ndema, 2022 p 36). Few major trade unions in Nigeria are ASUU and ASUP which represents the lecturers in Nigerian universities and polytechnics, NUPENG, and PENGASSAN which represents the oil and gas workers, NMA and NARD represent the medical doctors of all specialties, NUT represents



teachers in primary and secondary educational institutions and NASU represents non-academic workers in the Nigerian universities.

## **2.4 Redundancy Procedures in the Labour Act.**

Nigeria Labour Act is fundamental statute on all labour related matters in Nigeria and some employers utilizes certain provisions in the Act as guide in establishing terms of employment relationship and management of redundancy processes when required. The major challenge of the use of the provision of the Labour Act to address redundancy is that not all categories of employees are covered by the Act's definition of workers. The procedures for redundancy in the Labour Act are one, the workers that would be affected are to be informed of the reason for and the extent of the exercise. Two, adoption of principle of LIFO (last in, first out) by the employer in disengagement of workers, but however subject to other factors such as merit, competence, skill and reliability. Three, the use of best endeavour by employers in redundancy payments of disengaged workers (Oparanma, 2011).

## **2.5 Redundancy Payment**

The Labour Act did not provide a detailed procedure for calculation of severance compensation in cases of redundancy. It provides the Minister of Labour making general regulations on redundancy payment. There is no record that suggest that the Minister has made any regulation that serves as a guide on the calculation of redundancy payment in Nigeria. When employers of labour declare roles or workers redundant, it is anticipated that they will immediately commence the process of payment of redundancy to the affected workers. (Ezuwore & Alio, 2014 p 55).

To determine redundancy payment, the condition of service, the regulation on redundancy payment and best endeavour approach can be utilized. Conditions of service also referred to as the term of employment, sometimes outline how redundancy payment will be determined just like in the case of *Mr. J. M. J. Asinobi & Ors v Nigerian Breweries* in 2010 in which the National Industrial Court of Nigeria ruled that companies can have redundancy policies, and the courts will validate redundancy policies agreed to by employees. In the case of *Peugeot Automobile Nigeria Ltd v. Saliu Oje & 3 Others* in which plaintiffs challenged their employer for disengaging them by declaring their roles redundant. The employer presented various evidence before the court to prove the condition of service provides for redundancy payment and presented evidence to show the plaintiffs were paid according to the

condition of service. On appeal, the court ruled that gratuity payment only applies in cases of retirement or resignation and not redundancy.

## **2.6 Trade Union Response to Redundancy**

One vital role of labour unions is ensuring industrial peace and harmony through collective bargaining agreements. Every trade union in Nigeria sees this as a significant role expected of them. Aside from the union's use of this mechanism to secure fair wages and benefits, this is also utilized to prevent their members from being relieved of their employment unfairly. Trade unions have picketed, declared strike, and even instituted legal actions against organizations where fair play and necessary statutory procedures are not adhered to in disengagement of employees.

In the case of *National Union of Hotels and Personal Services Workers v Imo Concorde Hotel Ltd*, the Court was requested to provide clarification on the right conferred on a trade union as regards redundancy? The court considered the provision of the Labour Act and held that the right recognizable by law is for the trade union to be merely informed by the employer and no sanction can be melted out to the employer for failure to do so. The right to be informed is based on politeness but where it is not done, the union officials cannot legally seek to nullify the whole process.

## **2.7 Theoretical Framework**

Human capital theory and Psychological Contract Theory were the two theories utilized in this study and these theories relate to redundancy. The Human Capital Theory was developed by Gary Becker and Theodore Schultz and it emphasizes value of employees as assets to an organization. The theory provided a valuable explanation on how employees can improve their value in their workplaces, which in turn can lead to skill improvement, self-sufficiency, and financial health. When considering redundancies, organizations must carefully assess the impact on their human capital. It is essential to consider the skills, knowledge, and experience that employees bring to the organization and how their departure may affect the overall productivity and performance.

The second theory is the Psychological Contract Theory. This theory provides a concept that focuses on the written and unwritten expectations, beliefs and mutual obligations that exist between employees and employers. The understanding of this emotional contract is vital for management because these expectations and beliefs influence employee attitudes, behaviors, and performance. When managing

redundancies, organizations and employers must be mindful of how actions that were undertaken impact the psychological contract with the remaining employees. The fact remains that clear communication, transparency, and empathy are crucial to maintaining trust and morale during periods of redundancy.

### **3. Research Methodology**

The study is descriptive research using Archival research method. Archival research is a research methodology that utilizes historical records and documents to gain insights into past trends, patterns or relationships. In this type of research method there is no interaction with any research participant as information was sourced from print and online literature. Selected companies were utilized as case studies and companies in both unionized and non-unionized work environments were analyzed. The selected three sectors (logistics, banking, and telecommunication) from which companies are drawn for this study are known for mass disengagement of employees on redundancy grounds (Galenson, 1989; Business Daily, 2008; Lewin, 2015; Francis & Uzoma 2021 p 220).

The four organizations selected as case study are Heritage Bank, MTN, INTELS and Lagos State Water Corporation. Heritage Bank and MTN workplaces are not unionized but INTELS and Lagos State Water Corporation are unionized workplaces. Lagos State Water Corporation was selected as a public sector organization in order to compare redundancy processes in both private and public sectors. The information utilized for these studies was retrieved from print and online newspapers such as BusinessDay, Business Times, Newswatch Magazine, Punch Newspaper, Vanguard newspaper, and Leadership Newspaper. Journal papers and books which were all duly referenced.

## **4. Case Studies of Selected Companies In Nigeria**

### **4.1 Banking**

#### **4.1.1 Heritage Bank Plc**

The financial sector is not exempt from this redundancy challenge. In 2023 Heritage Bank Plc disengaged about a thousand workers without benefits or any reason provided for their disengagement. This action contravenes ILO's Convention 158 on Termination of Employment, which provides that there should be a valid reason for termination of employment. The two trade unions in the banking sector, Association of Senior Staff of Banks, Insurance and Financial Institutions (ASSBIFI) and National Union of Banks, Insurance and Financial Institutions Employees

(NUBIFIE) engaged the bank's management over the wrongful disengagement and refusal to pay severance benefits to the 1000 exited workers. The Management declared that the workers' employment was terminated based on the bank's policy and done without recourse to union. Heritage Bank's headquarters in Victoria Island, Lagos was picketed by the union on the 18<sup>th</sup> of April 2024.

Despite the effort of the union's leadership to negotiate and dialogue, the bank failed to provide documentation of evidence of payment of the severance package claimed to have been paid to the disengaged employees more than three months after it was requested by the union leadership. The union alleged that a worker who had put in over 15 years of active service was paid a paltry sum of N90,000 as severance package. The Banking industry is currently affected by some of the country's economic policies and recent regulations by the CBN, especially the proposed bank's recapitalization. The resultant effect will be the disengagement of bank employees. Past statistics showed that defunct Standard Trust Bank plc laid off 530 employees during the merger with the UBA group. First Bank Plc also laid off 1370 employees in 2005 during the recapitalization exercise in a bid to meet the new twenty-five-billion-naira banks recapitalization. Major policy changes in the banking industry most times result in job loss.

## **4.2 Telecommunications**

### **4.2.1 MTN Nigeria**

MTN Nigeria leads in the telecommunication sector with a market share of about 40% (that is about 91 million subscribers) as of January 2023 (NCC, 2023). After the disengagement of 280 employees in April 2017, in August 2020 MTN again disengaged some of its employees and this time around the trade union in the telecommunications industry in Nigeria, PTECSSAN picketed and disrupted activities at MTN Nigeria headquarters and threatened to disrupt the firm's operations nationwide due to MTN Nigeria refusal to meet the legitimate demands of its employees especially on payment of befitting exit benefits among other issues. Exit packages were paid to only management staff but declined same gesture to employees on the lower cadre. Affiliated with the National Labour Congress, PTECSSAN is one of the largest trade associations in Nigeria being the major union in the telecommunications sector. It has as members all the employees in the industry. Its proposed industrial action will certainly disrupt services across the country, with potential huge losses for businesses and individuals. (ThisDay Newspaper, July 10<sup>th</sup>, 2018; Punch, July 11<sup>th</sup>, 2018; Obakeye, Akinkunmi, 2020; Premium Times, July 20, 2022).

MTN filed a trade dispute against the union at the Ministry of Labour and accused them of planning to embark on strike action without adherence to the dispute resolution process. The Federal Government intervened and the proposed strike was shelved after engagement with both parties. The parties eventually agreed that unwilling disengagement from a company should be due to redundancy and situations of unusual origin which imposes a force majeure on operational activities of the organization. MTN workers are eligible for exit package of three weeks gross pay for a year of employment. In 2016, over 2,000 employees representing 80 per cent of the workforce were disengaged and paid three months salaries as severance package by Visafone prior to its acquisition by MTN unfortunately the company was not unionized as none of its staff belonged to the existing trade union in the industry. About 90 per cent of the workers in the telecommunication companies in Nigeria are not registered with the NLC or any of the viable trade-unions, not for lack of interest in trying to register but deter by the threat of their employment being terminated by their employers.

In the case of ZTE Corporation, a CCTV installation company in Nigeria owned by Chinese nationals, were discovered to always declare redundancy at every given opportunity as a strategy to disengage some of its workforce. The industry trade union, National Union of Postal and Telecommunication Employees, (NUPTE) threatened strike action and requested an embargo on redundancy process in the organization until after engagements with the union officials. They declared no staff should be declared redundant without informing the trade union. In April 2024, the union threatened to down tools over anti-workers activities in ZTE and also because of failed efforts by the union and the government to resolve the lingering issue due to the employer's failure present themselves at scheduled conciliatory meetings with the Ministry. They demanded immediate acknowledgement of the fundamental right of workers to freedom of association and acknowledgement of the union as the negotiating body for the employees on their welfare.

### **4.3 Logistics**

#### **4.3.1 Intels Nigeria Limited**

In 2020, Integrated Logistics Services Limited terminated the employment of 599 of its contract workers in Onne Port and Warri operational areas after it first declared the position of 30 workers of its permanent staff redundant. The Maritime Workers Union of Nigeria (MWUN) gave Intel's management a seven-day ultimatum to recall the disengaged workers or face total shut down of its operational facilities nationwide. Faced with the threat of shut down of operations, Intels, quickly

made redundancy payments to its 34 permanent staff and declined negotiation with the union to pay 599-contract staff affected by declaration of their roles redundant.

INTELS Management took the union to the Industrial Arbitration Panel, (IAP) in a bid to prevent the proposed strike action. In 2021, the IAP ordered INTELS and Associated Maritime Services, AMS, the outsourced company managing the contract staff on behalf of INTEL, to pay the full entitlements and exit benefits of the affected workers. The court declared that the practice whereby an employer obtains a restraining order against its workers and then proceed to declare the restrained workers redundant and terminate their employment is an unfair labour practice and hereby ruled on the value of the redundancy payment without recourse to negotiation with the union. It ordered the payment of N300,000 for each year of service to the redundant workers who have completed five years of service and above and lump sum payment of N1,500,000 to those who completed about four years of service.

The union declared trade dispute due to Intels' refusal to come for a round table negotiation. In May 2024, the Appeal Court ruled that both INTELS and AMS must negotiate with MWUN and ensure payment of redundancy pay to all the 599 affected workers. The court also ruled that it was unfair for the IAP in its judgment to have stated the amount of the redundancy pay without negotiations by all stakeholders.

#### **4.4 Public Sector**

##### **4.4.1 Lagos State Water Corporation.**

In December 2023, The Lagos Water Corporation rendered 391 employees redundant citing organizational restructuring as a result of financial and operational challenges. The corporation reiterated the step was necessary due to challenges in generating sufficient revenue to fulfill its obligations and the ongoing water scarcity in the state, despite significant infrastructure efforts. The employment of 425 temporary employees or casual staff with expired contracts were terminated. The management claimed that a second phase focuses on permanent employees who have been stagnant in their positions for up to 30 years, whose roles or offices are now deemed redundant. The Lagos State Government promised the payment of three months' salary as compensation for notice and redundancy, along with statutory benefits like pensions for the impacted employees.

In response to the disengagement, the Senior Staff Association of Statutory Corporations and Government Owned (SSASGOC) and Amalgamated Union of Public Corporations, Civil Service Technical and Recreational Services Employees (AUPCTRE) engaged Lagos state government in a bid to convince them to rescind the decision and reinstate the affected employees. AUPCTRE claimed the disengagement is a breach of section 20 of the labour law that requires an employer notifying the workers' representative of the reason for and the extent of redundancy before actual termination of employees employment. The unions leadership claimed the LWC violated and disregarded the legal provision in Section 7.23 of the Lagos State Water Corporation (condition of service) Rules 2011 which clearly states that *"all staff who are disengaged prematurely from service due to management decision shall be entitled to three (3) weeks of their terminal total emolument for each year of service as redundancy benefit"*.

Members of the two unions went on a street protest on the 8<sup>th</sup> of May 2024 at the Lagos State House of Assembly with a protest letter submitted to the House. The pivotal focus was to organise the workers, social media publicity, press conferences, picketing and other tactics that can aid the struggle. Due to the mounting pressure from union members, the government and LWC management quickly disengaged the workers, some of whom have given over 20 years of service. The affected employees' entitlements were paid in accordance with the public service regulations. Five months redundancy payment (made up of three months' notice pay, and two months' severance compensation) was made to the dismissed workers.

This and other redundancy incidents have proven that even the public parastatals initially known for job security are not spared from redundancies occasioned by the current economic challenges. In 2022, Nigerian Railway Corporation disengaged about 1,000 employees and Nigeria National Petroleum Corporation (NNPC) when transiting to a full Commercial company based on the Petroleum Industry Act (PIA) disengaged employees during organizational restructuring exercise. The employment term of civil servants is protected by the civil and public service rules, and in cases of unfair dismissals or disengagement in cases of redundancies before their due date for retirement the affected employee can seek redress in a court of law just as the case of *Achu v CSC*, Cross Rivers State (2009), in which the court reiterated that the service tenure of a civil servant is protected until the date of his or her retirement except in cases of summary dismissal due to gross misconduct or fraudulent acts. Any termination or disengagement must be in line with the conditions of service as declared by the court in *Shitta-Bay v FCSC (1981)*. In *Oladejo Elizabeth Vs NTA-Startimes*, the NICN declared the

disengagement of Oladejo Elizabeth based on redundancy as wrongful and ordered NTA-Star TV to pay her compensation.

## 5. Findings

From the review and analysis of the archival study of this term redundancy in Nigeria, the following were discovered:

One, none of the companies analyzed adhered to the laid down procedures for redundancy in the disengagement of their employees and had to be compelled by the industry unions to do the needful. Two, situations and factors that could cause excessive manpower were not stipulated in the Act. Such factors include acquisition, restructuring, reduction in production, scarcity of raw materials, decline in customers patronage etc. All these were considered as valid grounds for redundancy based on past judgments of the courts of law. Three, the provisions for redundancy in the Nigerian Labour law fails to point out the need for consultation with workers representatives. It only provided that the union be informed only, this denies the workers better representation and protection.

Four, the labour law provision for redundancy payment empowers only the employer, leaving it to what it described as the best endeavours of the employer. Unfortunately, what defines best endeavour is not clearly spelt out. The Act is silent on the actual compensation payable after declaration of redundancy and this implies that redundancy payments are subjective and dependent on the employer. Five, the labour system in Nigeria is weak and employers takes undue advantage of some of its loopholes to effect modern slavery conditions on Nigerian workers. There are various laws that cover various aspects of employment relations, but implementation and enforcement are extremely weak or sometimes non-existent. Six, as established by the courts, when an employer uses redundancy as a basis to bring to end an employment relationship and the employee institutes a legal action against the employer, then it is the employer's obligation to convince the court of law and provide the relevant law and evidence that supports his or her action just as in the case of *National Electricity Power Authority v. Friday Edokpayi Eboigbe* (2008).

Seven, the Act's silence and inadequate government regulation and intervention on issues around redundancy payment through the Minister of labour implies that the courts will be the last resort of determination of rights and privileges to be accorded to disengaged workers under redundancy



situations. Finally, the scope of redundancy in Nigeria's labour law seems to lack distinctiveness to allow for precision and certainty and the courts are saddled with the responsibility of suitable interpretation in cases of employment or trade dispute.

**Table 1: Redundancy in unionized organizations**

Company	Year of Redundancy exercise	Industry Trade union	Remarks
Aero Contractors	2017	NAAPE & ATSSSAN	95% of disengaged employees were paid due to pressure from the Unions.
INTELS	2020	MWUN	Company disengages 30 permanent and 599 contract staff based on redundancy exercise. The Union declared strike action but INTELS Management took the union to the IAP to compel them to stop proposed strike action. Appeal Court ruled that the company must negotiate with the union for redundancy payment for the disengaged employees.
Lagos Water Corporation	2023	SSASGOC & AUPCTRE	The Lagos Water Corporation rendered 391 employees redundant citing organizational restructuring due to financial and operational challenges. The unions went on protest and due to the pressure, the Lagos state government and LWC management, eventually five months redundancy payment was made to the disengaged employees.
Nigerdock	2023	AUTOBATE	21 employees were disengaged by Nigerdock in 2023. The union challenged the redundancy through the Ministry of Labour and Employment. Nigerdock were eventually forced to sign off on a better redundancy package for the disengaged employees.

Guinness Nig Plc	2006	National Union of Food, Beverages & Tobacco Employees	330 Employees disengaged, Trade union took Guinness Plc to IAP and NICN. NICN ruled the redundancy was carried out in full compliance with the Labour Act.
Chevron	2020	PENGASSAN	Chevron made attempt to embark on reduction of 25% of its staff but this plan was suspended by the threat of the union to embark on a strike action and the union took proactive step of approaching NICN to determine if Chevron has the right to disengage its staff without recourse to the guidelines to the release of staff in the Nigeria oil and gas industry 2019. The court dismissed the suit.

**Table II: Redundancy in non-unionized organizations**

Company	Year of Redundancy exercise	Remarks
Heritage Bank	2023	1000 employees disengaged by the Bank and were not paid severance benefits, even though there were two unions in the industry (ASSBIFI & NUBIFIE) the workplace was not unionized. The union engaged the bank management and even picketed the Bank Head Office In Lagos in April 2024 but the Management declared that the workers' employment was terminated based on the bank's policy and eventually nothing substantial was achieved.
MTN	2020	<p>After the disengagement of 280 employees in April 2017, in August 2020 MTN again disengaged some of its employees. Even though there was an industry trade union (PTECSSAN) but employees of MTN were not members of the union.</p> <p>(PTECSSAN) picketed and disrupted activities at MTN Nigeria headquarters and threatened to disrupt the firm's operations nationwide. MTN filed a trade dispute against the union at the Federal Ministry of Labour and the proposed strike was shelved after engagement with both parties. It was agreed that disengaged employees are entitled to a package of three weeks of gross pay for each year of service.</p> <p>In 2016, in MTN purchase of Visafone, over 2,000 employees representing 80 per cent of the workforce were disengaged and paid three months salaries as severance package.</p>

NTA - STAR TV Network Limited	2018	15 employees roles were declared redundant and were disengaged. They requested for payment of one year salary as redundancy payment but this was refused and they took their employer to NICN and the court ruled that redundancy payment is at employers' best endeavour and case was dismissed with 100,000 to be paid to the employees.
Sterling Bank	2011	Afolabi was disengaged by the Bank Management on the grounds of redundancy. Afolabi took legal action against the bank and NICN decided that his employment which was done followed redundancy procedures in the employee handbook but proper payment was not made. The Bank was ordered to pay Afolabi the redundancy entitlement of one year's gross salary and a sum as un-computed payoff/gratuity.

### 5.1 Discussion of Findings

With reference to the study's research objectives, the paper outlined the procedures for redundancy in the Nigerian Labour law. The study also established that most employers in Nigeria do not completely adhere to procedures and requirements for redundancy in the Labour Act as the study analyzed some companies using them as a case study to arrive at this conclusion. The responses of the trade union to handling of cases of redundancy range from picketing, street protest, strike action to instituting legal actions against the employers / organizations.

## 6. Conclusion and Recommendations

In period of economic depression, there is a huge burden of ensuring business continuity and survival on the employers and their first response is to reduce costs through amendment of their business employment practices which includes reduction of number of personnel. In such a situation, a large number do not adhere strictly to the laid down procedures for redundancy in the Labour Act and in the contract of employment if applicable. Implementation of redundancies is a complicated process for both employers and their employees but unfortunately, emphasis has been more on the survival of the businesses more than on the survival of the disengaged employees.

The study recommended the following:

- (a) Transparency, clear communication, objectivity, engagement with all stakeholders before, during and after redundancy exercises.
- (b) Prompt payment of all redundancy packages.

- (c) The government should put in place a mechanism through which the Minister of Labour can stipulate guidelines to accurately explain redundancy disengagements and possible amendments to the current legislation to embrace all classes of workers in Nigeria.
- (d) The government through the Minister of Labour to provide guidelines for calculation of redundancy payment and ensure enforcement of same.
- (e) The amendment of the labour act to ensure trade unions are actively involved in the negotiation of redundancy payments.

## References

- Acevedo, L. (2017). Disadvantages to Company Downsizing. <https://smallbusiness.chron.com/disadvantages-company-downsizing-26158.html>
- Adetunji, A. (2006, July 31) "Afribank retired 385" *Nigerian Tribune*. Retrieved on the 21<sup>st</sup> of October 2024 from [www.housemate.com](http://www.housemate.com)
- Agba, A. M., & Nwosu, U. W. (2011). Contributory pension scheme, workers commitment, retention and attitude towards retirement in the Nigerian civil service. *Global Journal of Management and Business Research*, 11(4).
- Ahmed, A. I. & Kapil, D.S. (2016). Labour law and staff retrenchment in commercial banks in Nigeria: Causes and consequences. *International Journal of Multidisciplinary Research and Development*. Volume 3 (11), p 90-93.
- Anoruo, I. & Chukwuanu, M. (2024, April 24). Trade union condemns sack of 370 LSWC workers. Retrieved on October 12<sup>th</sup> 2024 from <https://guardian.ng/news/trade-union-condemns-sack-of-370-lswc-workers/>
- Anyim, F. (2015) Redundancy and its socio-psychological effects on Employees in Nigeria. *American International Journal of Social Science*. 45(1), p 50.
- Ashman, I. (2016). Downsizing: Managing Redundancy and Restructuring. In R. Saundry, P. <https://theses.hal.science/tel-03936817v1/file/ULLAH.pdf>
- Aso, E. (2020). REDUNDANCY: What every Nigerian Worker must know. Retrieved From [https://www.academia.edu/29586121/REDUNDANCY\\_What\\_every\\_Nigerian\\_Worker\\_must\\_know](https://www.academia.edu/29586121/REDUNDANCY_What_every_Nigerian_Worker_must_know)
- Bahaudin, M. & Tipakorn, S. (2020). Layoffs and Downsizing Implications for the Leadership Role of Human Resources. *Journal of Service Science and Management*, vol.13 (2). P 209-228.

- Bruno, J. B. (2008). Layoffs Can Pose Both Pros, Cons. Retrieved on the 5<sup>th</sup> of October from <https://newsok.com/article/3293962/layoffs-can-pose-both-pros-cons>
- Cameron, K.S. (1994). Strategies for successful organizational downsizing. *Human Resource Management*, 33(2), p 189-211
- Collins, H. (1993). *Human Resources Management, Personnel and Procedures*. Dunton Green, Sevenoaks: Hodder and Stoughton Limited.
- Cregan, C.; Kulik, C.; Johnston, S. & Bartram, T. (2020). The influence of calculative (“hard”) and collaborative (“soft”) HRM on the layoff- performance relationship in high performance workplaces. *Human Resource Management Journal*. 31(1).
- Cushway, B. (2005). *The employer’s handbook: An essential guide to employment law, personnel policies and procedures* (3rd edition), Kogan Page Ltd: London
- Demuse, K.P. & Marks, M.L. (2003). *Resizing the organization: Managing layoffs, Divestitures, and Closings*. Sans Francisco, CA: Jossey-Bass.
- Egene, G. (2006). “Union Banks Restructures, retires 224 Staff” *The Punch*, Sept 18. p. 27.
- Ezuwore, C. & Alio, F. (2014). Payment of Severance Benefits to the Redundant Staff of Federal Civil service of Nigeria – Carrot or Stick? *Research Journal of Finance and Accounting*. 5 (6). 50-56.
- Ekanem, D. & Umemezia, E. (2018). Retrenchment in Nigeria and Its Socio- Economic Effects. *Nigerian Journal of Management Sciences* Vol. 6 (2), p 297.
- Egu, Mathew. (2024). Implications of Fuel (Petrol) Price increase on Nigeria’s Economy from Independence to date. Conference Paper.
- Fajana, S. (2007). “The development of industrial relations in Nigeria: 1900-2006”. In G. Wood and C. Brewster (eds). *Industrial relations in Africa*, Basingstoke: Palgrave Macmillan
- Fanimu, D. (2006, April 18). “Consolidation: Union flays sack of bank workers”. *The Guardian (Nigeria)*, p 51.
- Francis, N. & Uzoma, O. (2021). Corporate Downsizing and Employees’ Affective Commitments in the Nigerian Banking Industry: An Employee Centric Approach. *Journal of finance, governance and Strategic Studies*, 4(2), p 220-230.
- Frone, M.R. & Blais, A. (2020), Organizational Downsizing, Work Conditions, and Employee Outcomes: Identifying Targets for Workplace Intervention among Survivors. *International Journal of Environmental Research and Public Health*, 17(3), p 719.

- Gardiner, J. Stuart, M. MacKenzie, R.; Forde, C.; Greenwood, I.; Perrett, R. (2009). Redundancy as a critical life event: moving on from the Welsh steel industry through career change. *Work, Employment and Society*, 23(4), p 727–745.
- Galenson, A. (1989). Labor Redundancy in the Transport Sector. Policy Research Working Paper Series 158, The World Bank.
- George, O.J, Owoyemi, O. & Onokalu, U. (2018). Trade unions and unionism in Nigeria: A historical perspective. Research in World Economy. Sciedu Press.
- Goyer, M. Clark, I. Bhankaraully, S. (2016). Necessary and sufficient factors in employee downsizing? A qualitative comparative analysis of layoffs in France and the UK, 2008–2013, *Human Resource Management Journal*, 26 (3), p 252-268.
- Halton, C. (2024). “Downsizing: Meaning, Consequences, and Examples.” Investopedia, May 26, 2024. <https://www.investopedia.com/terms/d/downsize.asp>.
- Heathfield, S. M. (2019). Here Is a Look at the Effects of Downsizing on Surviving Employees <https://www.thebalancecareers.com/how-employees-respond-to-change-after-layoffs-1918585>
- Hills, Stephen. (2003). Redundancy pools and selection criteria. *Strategic Direction*. Vol. 19(8), p 39-41.
- Inyang, B.; Enuoh, R. & Ekpenyong, O. (2014). The Banking Sector Reforms in Nigeria: Issues and Challenges for Labour-Management Relations. *Journal of Business Administration Research*. Vol 3, p 82-90.
- Ladan, S. (2012). IMPACT OF REDUNDANCY ON SURVIVING EMPLOYEES A STUDY OF SELECTED BANKS IN NIGERIA. M.Sc Thesis Submitted to the School of Postgraduate Studies, Ahmadu Bello University.
- Latchmanan & Nizam, S. (2020). Impact of Redundancy Practices on Employee’s Performance Mediated by Employee Commitment. *International Journal of Accounting and Business Management*. Vol 8(2).
- Lewin, K. (2015). How to reduce staff turnover in IT and telecommunications. <https://www.hrzone.com/perform/business/how-to-reduce-staff-turnover-in-it-> and telecommunications.
- Mapira, N. (2016). Impact of Redundancy on Organizational Performance. *International Journal of Innovative Research and Development*. Vol 5 (6).

- Mellahi, K. & Wilkinson, A. (2004). Organizational failure: A critique of recent research and a proposed integrative framework. *International Journal of Management Reviews*, 5-6(1), 21–41. <https://doi.org/10.1111/j.1460-8545.2004.00095.x>
- Munshi, J. (2018). Job Redundancy as a Strategic Option for MNEs and Its Right Implementation Technique. *International Journal of Economics & Management Sciences*.
- Muñoz-Bullón, F. & Sánchez-Bueno, M.J. (2013). Institutional determinants of downsizing. *Human Resource Management Journal*, 24(1), 111-128.
- Ndema, S. (2022). Effect of Strategic Labour Unionism on Workers Welfare in Enugu State Public Service. *International Journal of Management Sciences*. Vol 9 (6) p 36.
- Obakeye, Akinkunmi. (2020, Aug 11). Labour Union Threatens Strike over Members' Dispute With MTN Nigeria. Retrieved on the 15<sup>th</sup> of October 2024 from <https://www.channelstv.com/2020/08/11/labour-union-threatens-strike-over-members-dispute-with-mtn-nigeria/>
- Oke, B. (2006, May 31) "Retrenchment: Unions plan to Tackle banks' managements" *The Punch*, p. 38.
- Olaoluwa, J. (2020, Dec 17). Intels explains sack of workers. Retrieved on the 20<sup>th</sup> of October from <https://punchng.com/intels-explains-sack-of-workers/>
- Oloniniran, G. (2024, May 10). Lagos pays sacked water corporation workers compensation. *Punch Newspaper*. Retrieved on the 15<sup>th</sup> of October, 2024 from <https://punchng.com/lagos-pays-sacked-water-cooperation-workers-compensation/>
- Oparanma, A. (2010). Redundancy in Nigerian Business Organizations: Alternatives. *African Research Review*. Vol. 4 (3a), Pp. 69-74.
- Oparanma, A. (2011). Policies And Procedures In Redundancy: A Comparative Analysis. Retrieved on the 21<sup>st</sup> October, 2024 from [https://www.researchgate.net/publication/273141266\\_policies\\_and\\_procedures\\_in\\_redundancy\\_A\\_comparative\\_analysis](https://www.researchgate.net/publication/273141266_policies_and_procedures_in_redundancy_A_comparative_analysis)
- Oritse, G. and Ekwujuru, P. (2006, April 19). "Sack of banks workers not good for economy – NUBIFE" *The Punch*, p.19.
- Otuchikere, C. and Ifeakandu, A. (2010, May 6). 'Banks sack- the anguish, the agony' Retrieved on the 20<sup>th</sup> of October 2024 from [www.leadershipnewspaper.com](http://www.leadershipnewspaper.com).
- Peterson, J. (2020). Firing with Compassion. *Harvard Business Review*.
- Purcell, J. (1998). Getting fit, staying fit. London

- Samuel, V. (2024). The Relationship between Employment Contracts and Redundancy Management on Selected Construction Companies in Rivers State. *Journal of Economics and Business Management*. Vol 1(1).
- Rafiu, I.A., & Afolabi, J.A. (2024). Stimulating the Inflationary Effects of Fuel Subsidy Removal in Nigeria: Evidence from a Novel Approach. *Energy Research Letters*, 5 (1). Retrieved from <https://doi.org/10.46557/001c.94368>.
- Studwick, J. (2002). An introduction to Human Resource Management, Butterworth, The Loyalty Research Center: 317-465-1990, [www.loyaltyresearch.com](http://www.loyaltyresearch.com), 1-5.
- Udo & Onyeji. (2016, Oct 26). Mass sack in Nigeria's oil industry, over 3,000 affected. Premium times newspaper, Retrieved on 12<sup>th</sup> of October 2024 from [www.premiumtimesng.com](http://www.premiumtimesng.com).
- Ulebor, E. (2022). Effects of Retrenchment on the Morale of Employees of Glo Nigeria Limited. *Wukari International Studies Journal*, Vol 6(2).
- Whetten, D.A. (1980). Organizational Decline: A Neglected Topic in Organizational Science. *Academy of Management Review*. 5(4), p 577.

### Newspapers and Magazines

- BusinessDay (2018). Nigeria Labour Congress disrupts activities at MTN Nigeria office. Retrieved on October 20<sup>th</sup> from <https://businessday.ng/uncategorized/article/nigeria-labour-congress-disrupts-activities-mtn-nigeria-office/>
- BusinessDay (2024). Redundancy Procedure under Nigerian Labour Law.
- Independent Newspaper (2018). NLC Paralyzes Activities at MTN Offices Nationwide. Retrieved Inflation Rate as of September 2024. Retrieved on the 27<sup>th</sup> of October 2024 from <https://www.cbn.gov.ng/rates/inflrates.asp>
- Leadership Newspaper (2018). Casualization: Labour Disrupts Business Activities at MTN Offices in States. Retrieved on the on the 29<sup>th</sup> of October 2024 from <https://independent.ng/nlc-paralyses-activities-at-mtn-offices-nationwide/> One File: Health and Medicine, [link.gale.com/apps/doc](https://link.gale.com/apps/doc) Accessed 23 May 2024.
- Premium Times (2018). Mass sack in Nigeria's oil industry, over 3,000 affected. Retrieved on October 15<sup>th</sup> 2024 from <https://www.premiumtimesng.com/news/headlines/213738-mass-sack-nigerias-oil-industry-3000-affected.html#:~:text=There%20has%20been%20mass%20sack,of%20their%20members%20we%20re%20affected.>



Premium Times (2018). MTN speaks on casualisation of workers, NLC. Retrieved on October 21<sup>st</sup> from <https://www.premiumtimesng.com/news/top-news/275892-mtn-speaks-on-casualisation-of-workers-nlc.html?tztc=1>

Redundancy procedure under Nigerian labour law." *Business Day*, 19 May 2023, p. NA. *Gale* Retrieved on the 28<sup>th</sup> of sept 2024 from <https://businessday.ng/news/legal-business/article/redundancy-procedure-under-nigerian-labour-law-2/>

Section 20(1)(a)-(c) of the Act (LABOUR ACT)

Section 20(2) of the Act (LABOUR ACT)

Section 7(6) of the National Industrial Court Act, 2006.