

LAYOFFS AND EMPLOYEE RETENTION OF OIL AND GAS COMPANIES IN PORT HARCOURT

Dr. Agabe, N. A.

Department of Management, Ignatius Ajuru University of Education
Port Harcourt, Rivers State, Nigeria

Email: agabux2016@gmail.com

ABSTRACT

This work examined the relationship between layoff and employee retention of oil and gas companies in Port Harcourt. Objectives of the study were to examine how dimensions of layoff such as voluntary layoff and involuntary layoff relate with measures of employee retention such as salary and incentive. The survey research design was adopted. The target population for this study comprised of 232 employees from 5 oil and gas companies in Port Harcourt. The sample size was 148 which were obtained using the Krejcie and Morgan Sample Size Determination Table of 1970. Bowley's formula was adopted in the number of questionnaires distributed in each of the hotel. Data were collected through primary (questionnaire). A structured questionnaire designed in four point likert rating scale format was adopted for the collection of data. Out of 148 questionnaires administered, the researcher was able to retrieve 123 copies. Spearman Ranking (r) was used for the test of hypotheses via SPSS Version 23.0. The findings revealed that voluntary layoff and involuntary layoff are significantly related with employee retention (salary and incentives) of oil and gas companies in Port Harcourt. The study concluded that there is a significant relationship between layoff and employee retention of oil and gas companies in Port Harcourt. The study recommended among others management of oil and gas firms in Port Harcourt should promptly communicate their voluntary layoff plan to employees so as to avoid panic in the workplace likewise ensure the remaining ones of prompt payment of salary; managers of oil and gas companies in Port Harcourt should intend and establish a strong incentive with the surviving employees to maintain and enhance their work performance after the execution of involuntary layoff.

Key Words: *Layoff, voluntary layoff, involuntary layoff, employee retention, salary and incentives.*

Background of Study

In recent years, the Nigerian oil and gas industry has experienced the earthquake of layoff and employee retention issues due to the nascent pandemic disease Covid-19 which thwarted their operations and performance. Retaining talented employees at the peak of economic crunch is not an easy task for management of firms especially when some are being laid off their jobs. Leign in Okafor et al. (2019) defined employee retention as keeping those employees that keep you in business. Unlike the era when less emphasis is on employee but more on employer, organizations are experiencing a balance of power shifting from employers to employees. It also refers to the means, plan or set of decision-making behaviour put in place by organizations to retain their competent workforce for performance (Bashir, 2018). Therefore, employee retention can be seen as actions mostly in form of policy used by management of organization to hold on to its employees all through their work life. In other words, retention means the long-term relationship between employee and the organization. Retaining talented employees increases employee loyalty, commitment, and minimize employee turnover cost (James & Mathew, 2012). However, in the light of the above, this paper measures employee retention in terms of salary and incentives.

Salary is a fixed regular payment, typically paid on a monthly basis but often expressed as an annual sum, made by an employer to an employee. Salary pertains to undeniable and conspicuous significance with regards to gratifying the economic and financial requirements of the individuals employed at the organizations (Hassan, 2014). Thus, it is imperative to satisfy the financial demands of the employees so as to engage and employ competent individuals and prompt them to work hard with an aim to attain the organizational goals and objectives. It is indispensable for the organizations to administer adequate salaries, and achieve salary satisfaction among the employees (Saeed et al., 2023). A fair and competitive salary can help to retain employees by ensuring that they are compensated fairly for their work especially after the execution of a layoff exercise by management of firms.

Tongo in Idigo (2023) defined incentives as compensation, other than basic wages and salaries that

fluctuates according to employees' attainment of some standard, such as pre-determined benchmark, individual or group goals or organizational earning". Thus, it is any source or medium that encourages an employee or group of employees to perform better and to exert more effort beyond expectations (Njambi, 2017). Basically workplace incentives are divided into two categories namely financial; incentives' and non-financial incentive. Financial workplace incentives include direct payment of cash while non-financial workplace incentives may be in the form of promotion of employees, flexible time, autonomy and involvement in decision making. It is important to note that management of firms can use incentives to strengthen their employee retention even in times where layoff has been made. Bringing such could give the employees that are left in the organization the morale and sense of belongingness in the firm, thus would assure them that they are safe from being laid off since management is geared to retaining them through incentives for higher performance. In the light Of the above, it is important to note that adequate employee retention in challenging times could be well managed with the reduction of workers in the firm, hence layoff. A layoff occurs when an employee's employment contract is terminated for business reasons, either temporarily or permanently. A company can suspend an individual employee or a group of employees at the same time (Deskera Team, 2023). Another thing to keep in mind concerning layoffs is that they are not the result of employee errors all the times. It's frequently because the corporation wants to shrink or has personnel management issues. Employees are laid off permanently mostly owing to redundancy in roles, reasons for layoffs. More so, Milton (2023) stated that layoffs decisions are not necessarily caused by any specific fault of the employees but are usually a consequence of decreasing sales or customers, cash, and/or material resources within the organization. However, reasons for layoff in an organization range from staffing redundancies to relocation of business premise, mergers and acquisitions, closure of business, measures to cut costs, decreased operations, outsourcing options, loss of funds, seasonality, increase in technological improvements, cancellation of the project, updated position criteria and offshoring (Deena, 2012; Deskera Team, 2023). Mass Layoff of employees is usually the strategically planned elimination of large numbers of personnel or workforce to enhance organizational effectiveness. Layoff has some temporary or immediate advantages such as boosting profits, avoiding bankruptcy, creating new relationships, re-organization and getting rid of "deadwood" or disengaged employees. The prevailing COVID-19 pandemic has seen many employees getting laid off all over the world (Milton, 2023). In line with the above, this paper measures layoff in terms of voluntary layoff and involuntary layoff. Voluntary layoffs are when employees choose to leave the company because they have been offered a severance package. James (2020) stated that voluntary layoffs allow management to offer an attractive incentive to support the people who decide that they want to make the exit. Also, employees who remain are typically happier knowing that those who left did so voluntarily as they ^reassure the are reassured of their job security. Neil in Holliday (2021) stated that with a voluntary layoff, employees are offered a financial incentive encouraging them to either resign or retire. On the other ground, involuntary layoffs are when employees are laid off because the company has to reduce its workforce. American Relocation Connections (2019) averred that involuntary termination usually comes with benefits for the employee, like a severance agreement and outplacement services. A severance agreement will explain the terms and conditions of an employee's termination and will offer employee a sum of money if they sign the agreement and agree they will not sue the company. Severance agreements help both the employee and company. They provide the employee with a large amount of money to help while they are without a job and ensure the company stays out of court, which is a win for both the employee and the company. Outplacement services help the exiting employees find a new job in a sufficient amount of time, by using job coaches, helpful techniques, and online tools to help them feel less stressed about being let go. This not only helps the existing employee but helps the company maintain a good reputation. Contemporary organizations now acknowledge that motivation and retention of talented employees who survive organizational restructuring, downsizing, consolidation, reorganizing or re-engineering initiatives, is an important element in business management strategies. These trends have radically increased the degree of competition in virtually all industries; therefore, organizations must implement' strategies that will help in the retention of its skilled employees even layoff exercise is being carried out (Okafor et al., 2019). The above therefore informs us that effective management of layoffs in the workplace could enhance the performance of the remaining employees when viable retention strategies are adopted.

The Problem

Retaining talented employees in the organization poses a big challenge during layoff, (voluntary and involuntary layoffs). Amidst layoffs related to the Post COVID-19 pandemic, employees do have this negative feeling of losing their jobs just as their colleagues lose their jobs in during perilous times faced by the business. These feelings could only be rectified when their retention is guaranteed through viable management actions. It is a major challenge for an organization is to retain its valuable and talented employees. However, it is expected of management to control the problem of more employees quitting the organization even when it does need it. Aggressive exit of employees is certain when layoff is executed by management and the remaining workers have no idea of their being retained in the organization during such period. Non-payment of salary and incentives could permeate more employee turnover after a layoff exercise especially when they there is no sense of belonging in them again due to management actions and inactions. Therefore retaining employees is key to revitalizing and boosting their morale to drive the organization towards attaining their predetermined goals and objectives. More so, Google search has shown that little has been empirical done with the concept of layoff and employee retention. It was against this background that the researcher decided to go into this study with focus on oil and gas companies in Port Harcourt.

Theoretical Framework

This work is based adaptation theory. The most famous scientist associated with adaptation theory is Charles Darwin whose studies in the 1830s in the Galapagos Islands. In adaptability theory the uncertainty of the environment may be due to unanticipated events. Or it may be due to unanticipated consequences of actions (King, 2018). The implication of this theory to the present study is that when staffing redundancies, relocation of business premise, mergers and acquisitions, closure of business, measures to cut costs, decreased operations, outsourcing options, loss of funds, seasonality, increase in technological improvements, cancellation of the project, updated position criteria and offshoring occurs which prompted layoff of an organization, management of such firm is expected to adapt into injecting of viable strategies that would retain its remaining employees. By so doing, talented employees are retained, which in turn promote the operations and performance of the organization.

Procedure

The study adopted the survey research design. The target population for this study comprised of 232 employees, from 5 oil and gas companies in Port Harcourt namely: Masters Energy Oil and Gas Ltd. Masters Energy City, Rumuolumeni Industrial Layout, Aker Base, Port Harcourt; Newcross Exploration and Production Ltd. 8 Lord Emmanuel Drive, Rumuomasi, Port Harcourt; Nexpro Group. 19, Iwofe Road, Rumuolumeni, Port Harcourt; Oil and Industrial Services Ltd. 8-10 Danjuma Drive, Trans-Amadi Industrial Layout, Port Harcourt; Omega Maritime Services. Plot 154, Off Joe Eboje Road, Trans Amadi Industrial Layout, Port Harcourt. The sample size is 148 which were obtained using the Krejcie and Morgan Sample Size Determination Table of 1970. Bowley's formula was adopted in the number of questionnaires distributed in each of the telecommunication service distribution firm. Data were collected through primary (questionnaire) and secondary (textbooks, journal articles and internet). A structured questionnaire titled "Layoff and Employee Retention Index (LERI)", the' questionnaire was designed in four point likert rating scale format with the following response options: Strongly Agreed (SA) 4, Agreed (A) 3, Disagreed (D) 2, and Strongly Disagreed (DS) 1. The instrument was validated by two industrial relations experts and one measurement and evaluation expert. The reliability coefficient of the instrument (0.77) was elicited using Crombach Alpha. Spearman Ranking (r) was used for the test of hypotheses. Out of 148 questionnaires administered, the researcher was able to retrieve 123 (83%) copies. A bivariate analysis (test of hypothesis) was done using SPSS Version 23 at 0.05 level of significance. The formula for Spearman Rank Order Correlation is stated thus:

$$r = 1 - \frac{6\sum d^2}{n(n^2 - 1)}$$

Where;

n = number of pairs of data

d = different between the ranking in each set of data.

Σ = Summation

The study was predicated on the conceptual framework presented below:

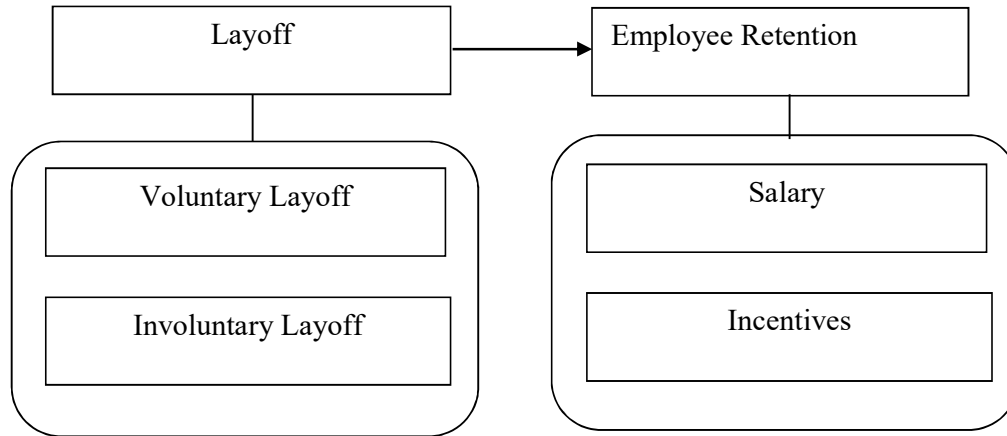


Fig. 1.1: Conceptual Framework Showing Relationship between Layoff and Employee Retention.
 Source: Researcher’s Conceptualization, 2023.

In order to establish the relationship between layoff and employee retention of oil and gas companies in Port Harcourt, four (4) null hypotheses were tested which were stated thus:

- H0₁: There is no significant relationship between voluntary layoff and salary of oil and gas companies in Port Harcourt.
- H0₂: There is no significant relationship between voluntary layoff and incentive of oil and gas companies in Port Harcourt.
- H0₃: There is no significant relationship between involuntary layoff and salary of oil and gas companies in Port Harcourt.
- H0₄: There is no significant relationship between involuntary layoff and incentive of oil and gas companies in, Port Harcourt.

Results

H0₁: There is no significant relationship between voluntary layoff and salary of oil and gas companies in Port Harcourt

Table 1 Rules/Regulations and Voluntary Layoff and Salary

		Voluntary Layoff	Salary
Voluntary Layoff	Correlation Coefficient	1.000	.541**
	Sig. (2-tailed)	.	.000
	N	123	123
	Correlation Coefficient	.541**	1.000
Salary	Sig. (2-tailed)	.000	
	N	123	123

** . Correlation is significant at the 0.01 level (2-tailed).

Table 1 above shows r value of 0.541 at a significance level of 0.00 which is less than the chosen alpha level of 0.05. Since the significance value 0.000 is less than the alpha level of 0.05, the null hypothesis (H0₁) which states that there is no significant relationship between voluntary layoff and salary of oil and gas companies in Port Harcourt was rejected and the alternate hypothesis (Ha1) is accepted. This implies that there is a significant relationship between voluntary layoff and salary of oil and gas companies in Port Harcourt.

H0₂: There is no significant relationship between voluntary layoff and incentive of oil and gas companies in Port Harcourt.

Table 2 Voluntary Layoff and Incentive

		Voluntary Layoff	Incentive
Voluntary Layoff	Correlation	1.000	.500**
	Coefficient		
	Sig. entailed) N		.000
		123	123
Incentive	Correlation	.500**	1.000
	Coefficient		
	Sig. entailed) N		.000
		123	123

** . Correlation is significant at the 0.01 level (2-tailed).

Table 2 above shows r value of 0.500 at a significance level of 0.00 which is less than the chosen alpha level of 0.05. Since the significance value 0.000 is less than the alpha level of 0.05, the null hypothesis (H02) which states that there is no significant relationship between voluntary layoff and incentive of oil and gas companies in Port Harcourt was rejected and the alternate hypothesis (Ha2) is accepted. This implies there is a significant relationship between voluntary layoff and incentive of oil and gas companies in Port Harcourt.

H03: There is no significant relationship between involuntary layoff and salary of oil and gas companies in Port Harcourt.

Table 3 Involuntary Layoff and Salary

		Involuntary Layoff	Salary
Involuntary Layoff	Correlation	1.000	.552**
	Coefficient		
	Sig. (2-tailed)		.000
	N	123	123
Salary	Correlation	.552**	1.000
	Coefficient		
	Sig. (2-tailed)	.000	.
	N	123	123

** . Correlation is significant at the 0.01 level (2-tailed).

Table 3 above shows r value of 0.552 at a significance level of 0.00 which is less than the chosen alpha level of 0.05. Since the significance value 0.000 is less than the alpha level of 0.05, the null hypothesis (H03) which states that there is no significant relationship between involuntary layoff and salary of oil and gas companies in Port Harcourt was rejected and the alternate hypothesis (Ha3) is accepted. This implies a significant relationship between involuntary layoff and salary of oil and gas companies in Port Harcourt.

H04: There is no significant relationship between involuntary layoff and incentive of oil and gas companies in Port Harcourt.

Table 4 Involuntary Layoff and Incentive

		Involuntary Layoff	Incentive
Involuntary Layoff	Correlation	1.000	.523**
	Coefficient		
	Sig. (2-tailed)		.000
	N	123	123

Incentive	Correlation Coefficient	.523**	1.000
	Sig. (2-tailed) N	.000	
		123	123

** . Correlation is significant at the 0.01 level (2-tailed).

Table 4 above shows r value of 0.523 at a significance level of 0.00 which is less than the chosen alpha level of 0.05. Since the significance value 0.000 is less than the alpha level of 0.05, the null hypothesis (H04) which states that there is no significant relationship between involuntary layoff and incentive of oil and gas companies in Port Harcourt was rejected and the alternate hypothesis (Ha4) is accepted. This implies that there is a significant relationship between involuntary layoff and incentive of oil and gas companies in Port Harcourt.

Summary of Findings

Based on the analyses of data, the following findings were made:

1. There is a significant relationship between voluntary layoff and salary of oil and gas companies in Port Harcourt.
2. There is a significant relationship between voluntary layoff and incentive of oil and gas companies in Port Harcourt.
3. There is a significant relationship between involuntary layoff and salary of oil and gas companies in Port Harcourt.
4. There is a significant relationship between involuntary layoff and incentive of oil and gas companies in Port Harcourt.

Discussion of Findings

The analyses of data revealed that there is a significant relationship between layoff (voluntary layoff and involuntary layoff) and employee retention (salary and incentive) of oil and gas companies in Port Harcourt. It is therefore imperative to note that when layoffs (voluntary and involuntary layoffs) are made, the remaining surviving employees become more concerned when management do not put or adopt plans that would ensure their retention. Thus, the concerns of the surviving employees could be addressed in more real terms through viable retention strategies (Wisetsri et al., 2021). Among others, these retention strategies include prompt payment of salary and giving incentives for extra job performance. When layoffs (voluntary and involuntary layoffs) are executed in the organization, the employees that are left usually have this negative perception of being laid off any day any time from the organization, thus some are demoralized to carry out their tasks and responsibilities while some still tender their resignation. However, boosting their morale to work could be enhanced among others through the injection of salary and incentives in the workplace. Such measures would satisfy the desires of individuals they seek to satisfy them by working in the organization (Bilal et al., 2017). Thus prompt payment of salary and incentives are simply put as factors that drive the performance of the remaining employees in the organization to work with all their strengths to achieve the set objectives and goals, therefore promoting the attainments of the organization.

CONCLUSIONS

Based on the analyses of data and discussion of findings, the study concluded that layoff is significantly related with employee retention of oil and gas companies in Port Harcourt.

RECOMMENDATIONS

Based on the results and conclusions, the following recommendations were made:

1. Management of oil and gas firms in Port Harcourt should promptly communicate their voluntary layoff plan to employees so as to avoid panic in the workplace likewise ensure the remaining ones of prompt payment of salary.
2. Workers of oil and gas companies in Port Harcourt who have volunteered to be laid off should be given their full emolument and entitlement to so as to give morale to those that are left even as they are incentivized to enhance their performance.
3. To retain all workers after involuntary layoff management of oil and gas companies in Port Harcourt

can be highly truthful when it comes to payment of salary.

4. The managers of oil and gas companies in Port Harcourt should intend and establish a strong incentive with the surviving employees to maintain and enhance their work performance after the execution of involuntary layoff.

REFERENCES

- American Relocation Connections (2019). Involuntary termination: What does it mean for employees? <https://arc relocation.com/involuntary-termination/#:~:text=Benefits%20of%20Involuntary%20Termination&text=They%20provide%20the%20employee%20with,the%20employee%20and%20your%20company.>
- Bashir, A. (2018). Employee retention strategies and performance of selected commercial banks in Garissa County, Kenya. A master thesis on business administration. <https://ir-library.ku.ac.ke/bitstream/handle/123456789/19107/Employee%20Retention%20Strategies%20.pdf?sequence=1&isAllowed=y>
- Bilal, A., Ahmad, A., Nizar, A. & Mohammed, O. (2017). The impact of workplace incentives on the performance of employees in public sector: Case study in Ministry of labor. *European Journal of Business and Management*, 9(9), 119-130
- Deena, S. (2012). Examining the impact of workforce reduction on surviving employees in the Egyptian organization, <https://www.grin.com/document/285837>
- Deskera ' Team (2023). What are good reasons to lay off employees? <https://www.deskera.com/blog/lay-off-employees/#:~:text=One%20of%20the%20reasons%20for,efficiency%20of%20a%20company's%20operations.>
- Hassan, R. (2014). Factors influencing turnover intention among technical employees in Information technology organization: A Case of XYZ (M) SDN. BHD. *International Journal of Arts and Commerce*, 3(9), 120-137.
- Holliday, M. (2021). What is employee retention? benefits, tips & metrics. <https://www.netsuite.com/portal/resource/articles/human-resources/employee-retention.shtml#:~:text=Employee%20retention%20is%20defined%20as,on%20business%20performance%20and%20success.>
- Idigo, P. I. (2023). Incentives and performance of workers in tertiary institutions in Anambra and Enugu State, Nigeria. *International Journal of Innovative Social Sciences & Humanities Research* 11(1), 6-20.
- James, A. O. (2020). Layoff. <https://www.quitgenius.com/hr-glossary/layoff#:~:text=Involuntary%20layoffs%20are%20when%20employees,been%20offered%20a%20severance%20package.>
- King, S. (2018). What is adaptation theory? <https://sciencing.com/adaptation-theory-5105998.html>
- Milton, J. (2023). Employee layoffs and its impact on employees. <https://www.thehumancapitalhub.com/articles/Employee-Layoffs-And-Its-Impact-On-Employees>
- Njambi, J.N. (2017). Effects of workplace incentives and rewards on employee productivity in small banks in Kenya: A case study of first community bank. A research project submitted to the Chandaria School of Business in partial fulfillment of the requirement for the Master's Degree in Business Administration (MBA). United States International University Africa.
- Okafor, L. I., Ifekwem, N. E. & Adeyi, A. O. (2019). Employee retention strategies and organizational performance in selected private universities in Ogun State Nigeria. *The Pacific Journal of Science and Technology*, 20(2), 123-131.
- Saeed, F., Mir, A., Hamid, M., Ayaz, F. & Billah, U. I. (2023). Employee salary and employee turnover intention: A key evaluation considering job satisfaction and job performance as mediators. *International Journal of Management Research and Emerging Sciences*, 13(1), 1- 23.
- Wisetsri, W., Lourens, M. E., Cavaliere, L. P. L., Chakravarthi, K., Nijhawan, G., Nuhmani, S., Rajest, S. S. & Regin, R. (2021). The effect of layoffs on the performance of survivors at healthcare organizations. *Nat. Volatiles&Essent.Oils*, 8(5), 5574-5593