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MANPOWER ADJUSTMENT AT RECESSION : EXPERIENCE IN THE NIGERIAN INDUSTRIAL SECTOR

Iyabo Olojede

troduction

the face of global recession in the last few years, there has been a strong search for mediate and long lasting solutions to Nigeria's economic problems. Prior to oil covery in 1958, agriculture was the leading contributor to the Gross Domestic oduct as well as the greatest earner of foreign exchange. Non-agricultural oduction only contributed about 35 per cent of of the Gross Domestic product at t time (Recurrent and Capital Estimate, 1980). However, oil gradually displaced riculture, the latter sector being neglected with the new finding. By 1965, oil counted for about 25 per cent of export earnings (Gbadebo, 1988). Production in troleum and manufacturing grew faster with the result that the percentage of riculture to total production fell steadily. From about 64 per cent in 1960, it had clined to 18 per cent in 1979 (Olowu, 1986).

Throughout most of the post-independence era, industrialization was vigorously rsued. Industrialization was embraced as a vehicle for rapid economic and social velopment. Regrettably, the strategy adopted was import substitution. plementing industrialization policies over the last twenty years was hampered by rious difficulties. These include low raw-material base, reliance on imports, dearth of chnological know-how, shortage of technical and managerial manpower. In the early 80's as the country's foreign exchange earnings declined significantly, the high port dependence of Nigerian industries became a serious liability on the economy.

Against the background to these problems, it became clear that a restructuring of e Nigerian industrial sector was inevitable.

To cope with the problems of this sector and the economy in general, Nigeria nbarked on Structural Adjustment Programme (SAP) in 1986. The major features SAP as it concerns the private sector include import liberalisation, easier access to reign exchange market whose foreign exchange rates are determined by the er-play of market forces. Among other things it has brought about government's appraisal of the regulatory environment, the structure of protection for local dustries and the package of available incentives.

For the industrial sector to survive in the present circumstances will demand a more rious and pragmatic effort to control costs and increase production efficiency. To ay afloat, many industries have adopted life-saving strategies like material and human sources control. Specifically, the utilisation of the human resources for corporate als via retrenchments, training, retraining and transfers with reference to four dustrial organisations will form the basic concern in this paper. This is due to nitations imposed by the demands of research which include financial resources, time and inaccessibility of required information. However, it is interesting to note that the four industries examined in the paper provide an important parallel along the possible dimensions in response to the recession.

Background Review of the Nigerian Industrial Sector

For a fuller understanding of the industrial shocks generated by the economic recession and the pattern of response by industries, it would be pertinent to briefly review the nature of the industrial system.

The Nigeria industrial sector possesses some fundamental features which have made it difficult for this sector to participate effectively in the economy.

As highlighted earlier, Nigeria embraced industrialisation without the prerequisite of autonomous technology. In general, there is the limited capacity for designing and building relevant machines (Okojie, 1985). As a result, the Nigerian industrial sector mostly selects and purchases from the available foreign technologies. Technology transfer has been erroneously perceived as mere passing/transfer of technical information. Rather, it is the actual relocation of a complex network of institutions, infrastructures, production processes and values which may pose sèrious adaptation problems in a new environment. Quite often, the haphazard selection and importation of foreign technologies in Nigeria has always led to a situation where multi-million Naira factories are established which do not function or function below capacity.

Closely knit to the above factor, is the issue of low capacity utilisation. In this context, capacity is defined as the production flow associated with the input of fully utilized manpower, capital, raw-materials and other relevant facilities (Phan Thuy, 1981). To state that many Nigerian firms operate at a low capacity is to re-emphasize the obvious. This can be attributed to a number of bottlenecks which are quite known but which nevertheless may be useful to mention. These include problems typical of importation of raw materials, spare parts, an erratic power supply and dearth of capital. While large firms usually work through capital constraints, small firms face the arduous problems of working capital.

Economic Recession and Structural Adjustment Programme in Nigeria

A good starting point to understanding the concept "recession" is to quote the useful definition from the Oxford Dictionary, which defines recession as a temporary decline in economic activity or prosperity. This definition rightly describes the economic situation in Nigeria. Today, the Nigerian economy is characterised by rising debts, low business activity, low capacity utilisation and unemployment (Central Bank review, 1989).

Economic and political analysts have traced the present economic situation to the colonial policy and dearth of executive capacity. The British colonial administration has been blamed for laying the foundation of the present economic distortions (Okoro, 1982). Economic policies were alleged to have been initially based on selfish economic considerations. For example, choice export commodities were encouraged to feed the growing British industries to the neglect of food production, indigenous technology and other numerous economic activities. By this concomitant act, the British have been accused of laying the foundation for a monolithic economy thereby generating the present economic disarticulation.

A committed, dynamic and autonomous leadership with executive capacity would have ensured a fine tuning by discontinuing the retrogressive pattern laid by the British colonial administration. Regrettably, the new ruling elites were short-sighted. With the discovery of oil agriculture was relegated, and there was no serious move made towards the development of indigenous technology. A good government could have turned the economy into a buoyant one that could have created a permanent technological base for the country's economic development as was done in Japan, Taiwan, Hong-Kong, Brazil etc. Instead, the political/economic managers behaved as if the oil revenue would continue to flow forever and even to maintain the same price level.

Government expenditure grew rapidly on projects which were of doubtful benefit and which could be considered white elephant (Business Times, 1989). Between 1970 and 1980, Federal Government revenue rose from N675.6 million to N12.2 billion while the expenditure rose from N531.9 million to N9.7 billion respectively with more than 66 per cent of the amount going into capital projects (Recurrent and Capital Estimates, 1980) (Business Times, 1989). All types of goods were imported into the country including those that could be easily produced locally. Manufacturing industries which depended largely on imported inputs with very low local value added also proliferated during this period. The rates of investments and consumptions were such that they could not be sustained in the 1980's when petroleum prices plunged from about $40.00 a barrel in 1980's to about $18.00 in 1988 (NIPSS, 1988).

With the collapse of the oil market in the early 1980's an economic crisis, whose magnitude and duration could not be ascertained, was imminent. The official foreign exchange reserves of the country which stood at about 8.5 billion US dollars in May, 1981 declined to about 2.5 billion US dollars by the end of December 1981 (Business Times, 1989). In April 1982, the Shagari administration adopted some half-measures to combat the sick economy. Examples include expenditure cuts, a wage freeze, import controls, debt repayment and other demand management measures, using fiscal and monetary policies (Yerokun, 1988). But this strategy proved ineffective since by the end of 1983, there was no significant improvement in both the economy and the foreign exchange position. With the advent of Buhari administration at the close of 1983, more austere measures were adopted. These include increased public expenditure cuts, reduction in external borrowings, limits on domestic loans and introducing a package of other economic measures aimed at controlling public demand (Bangura, 1987).

But these measures which were conceived by the Babangida regime (1985 - date) seem to have achieved little. It was against this background of deepening economic crisis resulting from inappropriate and ineffective policies of the past governments that the Babangida administration embarked on SAP in 1986.

Among several other objectives, SAP is designed to:

(i) adjust the exchange rate of the Naira through the introduction of the Second Tier Foreign Exchange Market (SFEM);

(ii) restructure and diversify the productive base of the economy in order to reduce dependence on petroleum, oil exports and imported goods;

(iii) achieve a fiscal and balance of payment viability;

(iv) lay the basis for non-inflationary growth over the medium and long term through the systematic elimination of subsidies;

(v) ensure the deregulation of unnecessary bureaucratic controls of the economy through dismantling of the import and export licensing controls and the liberalisation of exchange control regulations.

With particular respect to the industrial sector, the objectives of SAP are as follows:

(i) encompassing the accelerated development and use of local raw materials and intermediate inputs rather than depend on imported ones;

(ii) development and utilisation of local technology;

(iii) maximising growth in value added of manufacturing production;

(iv) promoting export oriented industries;

(v) generating employment through the encouragement of private sector small and medium scale industries;

(vi) removing bottlenecks and constraints that hamper industrial development including infrastructural manpower and administrative deficiencies;

(vii) liberalising controls to facilitate greater indigenous and foreign investment.

In sum SAP is intended to create the right environment for economic self-reliance and mobilisation of resources for development as well as ensure the most productive use of those resources. As reiterated earlier, it is a strategy for combating the continuing socio-economic crisis in Nigeria. Nonetheless, SAP has implications for manpower in private industries which is the focus of the next section.

Economic Recession and Manpower Adjustment in Nigerian Industries

In this section, it is our intent to empirically verify the implications of the recession on manpower.

In any organisation, whether large, medium or small, there is significant movement of people both horizontally and vertically in organisational structure. There is also considerable movement of people into and out of organisations as internal and external variables affect organisations. Given the impact of recession on organisational fortunes, it is logical for profit making organisations to adjust the human components at their disposal to suit organisational purposes. It is in this context that four private enterprises were selected - Volkswagen of Nigeria (VON), Nigerian Breweries Limited (NBL), Food Specialities of Nigeria (FSN) and Chemical and Allied Products of Nigeria Limited (CAPL).

The selection is borne out of the convictions that the four industrial outfits are not only fairly old but form a great majority of the industries in Nigeria. The study of these organisations would no doubt provide an insight into the pattern of manpower and adjustment in the industrial sector at recession. To elicit data, a structured interview was designed and administered on the Human Resources Managers of the aforementioned industries.

Volkswagen of Nigeria Limited (VON)

Volkswagen of Nigeria was established in 1974 principally to assemble cars and transfer technology through employment and training of Nigerians. 70% of each vehicle is made of metallic components which as at now are not available in the country. With the devaluation of the Naira, the cost of importation has gone up considerably. In line with the tradition of private enterprises this had to be transplanted into price increases. For example a Volkswagen Beetle car which was about N6,000.00 now sells for N60,000.00. As prices have reached unaffordable levels, demand for vehicles is at the lowest. This has resulted in low capacity utilisation.

Presently, the capacity production is below 10%. Prior to SAP, VON was producing 120 cars a day. The daily production of vehicles has been reduced to six. Since the company is in a period of drastic production cuts, the company has responded to the challenges posed by the present economic situation by adopting the following methods:

1. *Diversification*

   This refers to production or engagement in various business or economic activities to lessen the risk of loss. VON, in an attempt to reduce loss, has gone into the production of mass transit buses and heavy duty vehicles which are in high demand by government and transport dealers. This has contributed to the retention of some workers.

2. To lessen the burden of importation of components the organisation has designed a scheme of contracting out body works and selected spare parts to local manufacturers rather than importing fully built-up buses. This has provided indirect employment opportunity for Nigerians.

3. Lay Offs

   Nearly every organisation, at one time or another, is faced with the necessity of laying off employees for loss of sales, shortage of raw materials, seasonal fluctuations in markets, technological displacement or lack of work (Pigors & Myers, 1981). Some lay offs are temporary while some are permanent. When a lay off exercise is temporary, the employees are aware of it because of the nature of the organisation. But in VON's case, the drastic decline in production necessitated the permanent separation of a large number of employees. From the total staff strength of 3,000 in 1985, the staff strength was reduced to 1,418 in 1989. The table below gives a clear picture of the pattern of retrenchment. In the separation exercise, the junior workers especially the semi-killed and laboured were prevalent in the exercise. Out of the one thousand, five and hundred and eighty-two (1,582) employees laid off between 1986 and 1989, the junior employees formed 88 per cent of the total number retrenched

4. ***Retraining***

Employees who were considered exceptionally good at their designated duties during the "hey" days and who otherwise would have been flushed out were retrained to enlarge their duties. In this category are accounts and clerical staff (junior) who are retrained to handle machine and spare parts.

Pattern of Staff Separation in Volkswagen of Nigeria (1986 - 1989)

Year	Staff Strength	Retrenched Junior Level		Retrenched Senior Level		Retrenched Managerial Level	
		No.	%	No.	%	No.	%
1986	3,000	863	29	76	2.5	7	(0.23)
1987	2,054	505	24.5	68	3.3	6	(0.29)
1988	1,475	14	0.95	12	0.81	4	(0.27)
1989	1,445	12	0.83	7	0.48	8	(0.55)
	Total	1,394	88.1	163	10.3	25	1.6

SOURCE: Volkswagen Ltd., August 1st, 1989.

Nigerian Breweries Limited (NBL)

The Nigerian Breweries Limited (NBL) was set up in 1950 to brew alcoholic beverages. At birth and up to 1986, the organisation relied heavily on importation of malted barley for production. In 1988, the Federal Government banned the importation of barley leading the organisation to explore the following alternatives:

1. ***Local Sourcing of Raw Materials***

The shift from importation has directed the energies of the organisation towards the use of domestic raw materials. These were found in local grains such as maize and sorghum to produce lager beer similar to that made from malted barley which the Nigerian consumers had been used to since the turn of the century.

2. ***Establishment of Product and Process Research Unit.***

Product and Process Research Unit was created leading to the employment of few hands. The principal activity of the new department is to conduct a careful study and investigation, especially in order to discover new facts or information about better production processes.

3. ***Retraining***

With the creation of the new department, very few hands were recruited from outside, while old employees who otherwise could have been left idle within the organisation were retrained and relocated to the new department. The retraining is organised jointly by NBL and the technical partners in Holland where factory/assembly plants equipment are made. Formerly, the expatriates were usually brought in to handle defective machines and equipment. Retraining of employees has not only provided an avenue for Nigerians to acquire technological skills, but has also reduced costs involved in inviting expatriates each time machines break down or need repairs.

4. ***Training***

To operate any type of enterprise successfully requires the maintenance of competent workforce which in essence is the thrust of training. Thousands of young graduates and non-graduates alike enter the labour force annually (Beach, 1980). Most of them are not prepared specifically to perform jobs in work organisations. There is therefore the need for employers to tailor their newly hired employees towards the new work environment. Perhaps more important is the fact that organisations function in a dynamic environment. These range from market fluctuations, technological explosion, product changes to new production processes. It is circumstances such as market fluctuations which necessitate continuous training. Customers must be attracted and retrained to purchase produced items in spite of the economic crunch. This cannot be obtained except all categories of employees contribute their optimum. Toward this end, the organisation through the training department designed various forms of training. These include apprenticeships, on-the-job training and classroom instructions. All recruited personnel, which consist of craftsmen, salesmen, engineers and microbiologists are trained appropriately and continually to enhance improved production. From the ultilisation of human and material resources, it is therefore not surprising that NBL currently operates at a level above 50%.

5. ***Diversification***

The company voyaged into agricultural production with the central objective of producing raw materials. An agricultural department was created to provide manpower for the NBL farms. A total of one hundred (100) employees were recruited which comprise farm-hands, agricultural officers and managers. During the peak period (harvest) the company employs the services of at least four hundred (400) temporary workers, thus generating full-time and part-time employment for Nigerians

Food Specialities of Nigeria Limited (FSN)

Food Specialities of Nigeria Limited (FSN) originally known as Nestlé Products Limited started as a trading company in the 1960's mainly engaged in the importation of Nestlé Foods for sale. The company later progressed from trading, packaging into manufacturing of foods. When the organisation commenced manufacturing, the import contents of production were high. For example, the malted barely which is a major input is procured from abroad. With the introduction of SAP and its constituent sub-programs like devaluation of the Naira, many production inputs like tin-plates and spare parts had to be procured at great costs. This means increased overhead costs. The total production costs had to be transplanted into price increases leading to consumers' resistance and reduced sales. The aforementioned production bottlenecks have prompted the management into exploring various avenues to stay afloat. They include the following:

1. ***Retrenchment***

   The impact of economic recession was first felt by the company in 1984 when Buhari administration strictly pursued the import licensing scheme to reduce the level of imports. FSN which previously enjoyed a generous import licence of eighty million Naira was reduced to a meagre eight million Naira licence. Since import contents were high in the early 1980's, reduction in import licence allocation led to a production decline. FSN reacted by laying off four hundred (400) staffers from the total one thousand four hundred and seventy-five (1,475) work force.

2. ***Research***

   Through intensive research the company has been able to develop new products which are adapted to the local taste pattern and which use more local raw materials.

3. ***Diversification***

   In its diversification efforts, the FSN has embarked on agriculture for local sourcing. An autonomous agricultural outfit was established to provide local raw materials (as an alternative to imported barley). Today the agricultural venture provides 60% of the needed local raw materials thereby saving costs and also providing employment opportunities for Nigerians. Specifically, about forty-six (46) permanent employees were recruited excluding numerous casual and seasonal workers. Additionally, a Malt Extract Plant was installed to transform sorghum produced by the agricultural company. It enables FSN to manufacture essential raw materials previously imported thus saving foreign exchange, reducing costs, adding value to the local economy and retaining its manpower. The Malt Plant has also been able to expose Nigerian factory technicians to a new technology.

4. *Retraining*

This has been largely employed by FSN to maintain its workforce and avert large-scale retrenchment. With the installation of the Malt Plant production/maintenance engineers and operatives with reduced workload were retrained locally and overseas by technical partners. After retraining they are transferred to the new Malt Plant.

With technological changes and domestic economic fluctuations, the company has intensified the training of its employees generally to improve production and sales. Most prevalent in the training exercise are fitters, machinists and craftsmen.

Chemical Allied Products of Nigeria Limited (CAPL)

The industry was established in 1956. The organisation's products range from chemicals, water treatment and paints to drugs. Like many Nigerian industries the industry is highly dependent on imported raw materials. Its import contents are about 70% while locally derived components form about 30%. With the devaluation of the Naira and scarce foreign exchange the company is faced with increased difficulties of obtaining its raw materials abroad (pigments, tiovide, monosulfirom, soap base, resin, additive, solvents etc). This has resulted in increased production costs and low volume of production.

The management responded to the challenge posed by recession by adopting the following methods:

1. *Research*

In order to cope with increased economic changes viz production and market decline, the company forcefully directed its energy toward research thereby developing new products. The new products are highly marketable thereby lessening corporate loss.

2. *Retrenchment*

About one hundred and sixty (160) employees were laid off to reduce the overhead costs (both management and junior staff).

3. *Premature Retirements*

While some employees were laid off long serving/loyal employees whose services could not be terminated outright were prematurely retired with full benefits. In this category are 45-50 year old employees whose skills are not indispensable to the organisation.

4. *Retraining*

The organisation in grappling with internal and external changes intensified the training of its employees not only to improve production and sales but to avoid further retrenchment of staff. For example, operatives and drivers with reduced or less workload were retrained and transferred into pharmaceutical and sales divisions.

The economic recession as shown by research findings has both its negative and positive impact on manpower utilisation. On the negative side, all the industries examined with the exception of NBL laid off their employees at one time or the other. The worst hit industry is VON (automotive industry) whose operations are most susceptible to the economic shocks. A greater part of its components are imported with a near absence of domestic raw materials. The existing steel plants in the country (Aladja and Ajaokuta) have no facilities for the production of flat sheets or other metals which are necessary for production in the automotive industry. All these problems added together culminated in shedding off half of its workforce and worsening unemployment situation.

The vacancy rate or employment of new hands in all the organisations examined is very narrow. Apart from the agricultural department in NBL and FSN where new employees were engaged, no new hands were employed in the old departments.

On the positive side of the scoreboard, private enterprises have creditably trained and retrained their employees not only to avoid massive loss of profits but to retain employees in the face of general hardship. All the organisations examined intensified training and retraining to maintain a competent workforce and also reduce labour wastage.

Policy Implications

The results of our study reveal a likely pattern of response by industries to the economic recession and public policy.

The industries through diversification schemes have demonstrated a great commitment toward improvement of the economy in general. Of considerable importance in the diversification drive is the role of foreign technical partners in boosting research and training needs of organisations. The government has a role in encouraging indigenous industries (with no foreign partners ... or diversification schemes) to commence, in order to reduce loss, closure of plants and massive retenchment.

The massive devaluation of the Naira and unpredictable rates of exchange is like throwing explosives into industries whose operations are closely tied to importation of raw materials. While the massive devaluation of the Naira has increased production costs in many import dependent industries, the breesy rates of exchanges have made production forecasts almost impossible. For organisations with high import contents to survive, the exchange rate of the naira has to be stabilised or pegged to a predicable rate to reduce production costs and stem the tide of employees separation.

The present economic recession and the current emphasis on local raw materials are incentives for the big industries in particular to set up research and development laboratories in collaboration with universities. Specific production problems should be referred to universities for diagnosis and prescription. Industries must also be willing to utilise relevant research outcome for improved productivity.

Since the economic recession began many industries are renewing and maintaining old employees. Vacancy rate in general is very low. This has great implications for manpower, in particular the emergent labour force. Our universities, polythecnics and secondary schools are yearly turning out graduates with no employment prospects. To avert imminent social and political disaster, it would be imperative for Federal/State Governments to encourage small scale industries. Lending rates must also be reduced to accelerate growth in that sub-sector. The current lending rate of 35% is too high for new small scale industries. In addition, our engineers must stand to the challenge of generating indigenous technology. Attention must be focused on the technology requirements of these small scale industries to foster real growth and curb the alarming rate of unemployment.

The role of labour unions at this recessionary period must also encompass providing succour for retrenched members. Traditionally, labour unions represent workers on wage negotiation, workers compensation, promotion, transfers and lay-offs. But at this period when retrenchment abounds in many private enterprises, unions should explore ways of raising funds independently or jointly with employers to organise some form of retraining for retrenched members. The training should be oriented toward the acquisition of relevant skills and trades required for self-employment.

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