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A Critical Analysis of the Employees Separation Management Procedures with Regard to Organizational Stability in Kenya

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Abstract

Proper management of employee separation is crucial in organizational success and stability. It involves inducing employees to take business risks and training them to deal with different times of austerity. This is so as to avoid lawsuits by the affected employees.

Employees may be laid off in order to cut costs. This can be done through layoffs, retrenchments, early retirements and other forms of separation. The effects of these separations can trigger reduced stock prices and other negative consequences. To avoid these, separations must be well managed and if possible avoided altogether. This can be done by reducing dissatisfaction and making sure there is good match between employees and the organization for example. If there must be separation, the benefits must be carefully examined to make sure that both the organization and the employees create a win - win situation.

Keywords: employee separation, organizational stability, quits, retirements, discharges, employee turnovers.

1. Introduction

Managing human beings is a crucial function in successful business management. Human factor is the most critical of the resources and requires high management skills in order to avoid spillage and wastage and also to mobilize all other resources. Human resources are tasks which control the operations of other resources in order for the organization to realize its set goals.

World economies have of recent times been continually afflicted by economic upheavals in the face of emerging technology (Barkin, 2010) Human Resource issues such as preparing labor production plans, identifying key employees that the organization must retain despite declining profits, managing increasing employee stress, anxiety and depression are common. Rewarding individuals for achieving important milestones, inducing employees to take prudent risks within their purview of responsibilities are other tasks the hr managers have to deal with. Cross training employees so that they can relate to different audiences both domestically and internationally and treating employees in an ethical manner and finally employee separation requires high managerial integrity.

However , on the backdrop of the present times of competitions and austerity, business organization globally are engaging in the selection of mitigating measures such as mergers, by offs, layoffs, retrenchments, early retirements and other forms of separation in order to minimize costs and maximize on profits or for survival.

Whatever method is employed to help reduce the firm's operating expenses with regard to employee welfare, proper human resource management procedures, need be observed so as to avoid cases of law suits by the so affected employees

2. Managing employees separation, downsizing and out placements

The current global economic show down has resulted in greater focus on the financial well being of organizations and even nations. One way to maintain the organizations fiscal health in the face of difficult economic conditions is to cut costs .Of course in most cases an appreciable cost of doing business is related to the costs of the wage bill. For instance the Kenyan government is currently grappling with the cost of financing the wage bill currently standing at Kenya shillings 820 billion which accounts for 88% of the total revenue (William Ruto deputy president D.N 15 /03/ 2014), Uhuru Kenyatta recommends a 20% cut on monthly salaries for high and middle level servants in mitigations which has met with mixed reactions.

However labor costs can be reduced in a number of ways including reduced work hours and wage freezes. In the extreme, the cost of labor can be eliminated through layoffs, retrenchments, early retirements and other forms of separation. These are some measures that can be used to improve an organization's financial performance although they may not be popular with employees. Down sizing is another measure that aims at reducing employment levels and which targets the reduction of labor costs while at the same time improving productivity and financial performance.

The Teachers Service Commission, which is the body with the sole mandate of registering and licensing all teachers in Kenya has been battling with a legal suit filed by some 52000 retired teachers over the non payment of their retirement benefits since 1997. The teachers' employer did not honour the recommendations in the agreement arrived at between the teachers' representatives (Kenya National Union of Teachers), the National treasury and the teachers' employer (TSC) back in 1997. (The Standard Newspaper Kenya May 9, 2014).

The affected teachers sued the employer back in 2006 after waiting for over 10 years for the payment of their dues and after holding many consultative meetings (The Daily Nations News paper – Kenya, April 24, 2012). The ruling by a three judge bench was in favour of the retirees.

The government of Kenya through the agency of the Teachers Service Commission appealed the ruling in an effort to avert the payment but again lost the case before the appeal High Court which not only ordered the government to pay the retired teachers their over Ksh. 3.34 Billion debt owing but also instructed the Inspector General of Police to arrest and jail the Teachers Service Commission secretary at Kamiti Maximum Prison if he will not have paid the debt to the teachers within 90 days. (Daily Nation News Paper, May 19 2014).

Nevertheless, there can be some pertinent difficulties such as law suits filed by the affected employees if the right procedures are not followed.

Lay offs might reduce costs on paper, but in reality they can have unintended negative consequences. The remaining employees will largely determine whether the lay off will or will not improve the organization's productivity and financial health. This will depend more on whether the remaining employees understand the economic reason for the layoff of their colleagues. An important concern is whether the retained workers are energized and equal to the tasks of succeeding with fewer members and a smaller membership. Unfortunately, rather than motivating the retained workers a layoff might deflate the worker force and fan concerns over job security.

The effects of layoffs have formed the basis for many continuing researches the world over, in the recent past but it appears that they do not necessarily lead to positive economic outcomes. Conversely, lay off announcements can trigger reduced stock/ prices for publically traded organizations. Decreased profits, particularly for organizations that compete on the basis of research and innovations have strongly been linked to layoffs. Overall, layoffs as with any kind of employee separation can have negative or positive consequences. An important factor is how well the separation process is managed. A careful risk analysis before instituting a layoff should be mandatory.

3. Concept of employee separation

Employee separation is the termination of employee's membership from an organization which amounts to employees separation. It occurs when an employee ceases to be a member of an organization. Employment ceasation leads to employee turnover. As a management practice, the manager should carefully monitor the turnover rate of the subordinate staff to identify and manage causes for turnover with a view to minimizing it and the costs of replacements. (Recruitment procedures could be expensive too). Replacement costs, particularly for highly skilled and experienced positions can be amazingly high. Clearly, an excessively high turnover rate compared to the industry standard can often be an indicator of problems within the organization

4. Types of employee separation

In a broad spectrum, employee separations can be grouped into two categories: voluntary and involuntary separations. Voluntary separations are initiated by the employees when an employee decides for personal or professional reasons to end relationship with the employees. The decision so made may be based on several factors such as:

1. Obtaining a better job opportunities
2. Need for career change
3. Need for more time for family or leisure activities
4. Present job not being attractive because of poor working conditions.
5. Low pay benefits.
6. Bad relationships with supervisor or other colleagues.

In most cases, the decisions to leave are a combination of having alternatives and being unhappy with aspects of the current job.

Voluntary, separation can be either avoidable or unavoidable. Unavoidable voluntary separation results from the employees' life decisions that extend beyond an employees control. A good example is a spouse's decision to move to a new area that requires relocation for the employee. Nevertheless, recent studies show that approximately 80% of voluntary separations are avoidable and many of those are a result of staffing mistakes.

With careful investment in quality Human Resource Management- recruiting, selection, placements, training and development programs, companies can avoid a mismatch between the employee and the job thus reducing chances of voluntary separation. Voluntary separations take the dimension of quits and retirements.

4.1 Quits

Employee separations can be as a decision to quit the job. The decision to quit depends on

i. The employees level of dissatisfaction with the job
ii. The number of attractive alternatives the employee has outside the organization.

The employee can get dissatisfied with the job itself, the environment or both or even more. In recent years some employers have been enticing employees to quit voluntarily by offering them pay incentive packages. The government of Kenya is for example considering this option. (President Uhuru Kenyatta. DN 12/03/2014) Employers use these voluntary severance plans or buy outs to reduce the size of their workforce while at the same time avoiding the negative factors associated with a lay off. The pay incentive may amount to a lump sum cash payment of six months or two years of salary, depending on the employee's tenure with the company and the plan's design.

4.2 Retirements

As a method of separation, retirement differs from a quit in a number of respects. First, a retirement normally occurs at the end of an employees career where as a quit can occur at any time. Cordially a quit occurs in early stages of ones career when they are more likely to change jobs. Second, usually, retirements result in the individual receiving retirement benefits from the organization. These may include a retirement income supplement with personal savings and social security benefits. The organization normally plans retirements in advance while those who quit do not receive these benefits. With proper retirement schemes, HR staff can help employees plan their retirement, while at the same time giving managers an opportunity to plan in advance to replace retirees by glooming current employees or recruiting new ones. Quits are much more difficult to plan for as they may be unanticipated. For example, most employees in the public sector of the Kenya Government are expected to retire normally on attainment of age 60 years when they are entitled for full pension. Early retirement incentives make it financially attractive for senior employees to retire early. Together with buyouts, these early retirements are used as alternatives to layoffs because they are a gentler way of discerning the workforce.

4.3 Involuntary separations

An involuntary separation is one that occurs when an employer or organization decides to terminates its relationship with an employee due to a number of reasons such as:-

1. Economic necessity or
2. Mismatch or poor fit between employee and the organization

Involuntary separations are sometimes based on painful and serious decisions that can have profound effect on the entire organization and especially on the employee who loses the job. The effects may spill over to dependants and sometimes to the community. The decision to dismiss an employee is made at the management board meeting and implemented by the managers. Nevertheless, it's the duty of the HR Staff to ensure that the dismissed employee receives "Due Process" and that the dismissal is performed within the letter and the spirit of the organization's employment policy.

Cooperation and teamwork between managers and the HR staff are essential to effective management of the dismissal process. HR department can act as a valuable advisor to organizational managers and the entire boards of management in this arena by helping them avoid mistakes that can lead to claims of wrongful discharge in a legal redress. They are also required to help protect employees whose rights are violated by managers. Involuntary separation takes two forms

1. discharges and
2. layoffs

4.4 Discharges

A discharge is a form of involuntary separation that takes place when management decides that there is mismatch between the employee and the organization. The discharge may be necessitated by either employee failure to change some unacceptable behavior that the management has tried repeatedly to correct or persistent poor performance. Sometimes employees engage in serious misconduct such as theft, dishonesty, gross insubordination, chronic lateness and absenteeism which may result in immediate termination.

In the event that a manager may decide to discharge an employee, He//she must make sure that the organizations established discipline procedures are followed. Many times employees are protected by progressive discipline procedures that allow employees opportunities to correct their behavior before receiving a more serious punishment. These procedures require that employees be issued with warming notices. Warnings are to be both verbal and written within specified period of times.

Managers are required to document the occurrences of violation and provide evidence that the employees know about the rules and that they are warned that their violation could lead to discharge. This acts as a safety valve for the management and the entire organization as it provides proof that the employee was discharged for just cause, in case the discharged employee hit back through lawsuit.

5. Management perspectives of separations,

Many business organizations globally are increasingly becoming productive with similar workforces as a result of competition and technological advances. In addition, voluntary turnover does not appear to be declining and it is difficult to find replacement (HR FOCUS 2009)

Consequently , managers must not only develop skills to help an employee who leaves the organization voluntarily but they must also aid employees who have been fired for various causes or are being let go for economic reasons . If not handled with care, and ending to the employment relationship can change an organization reputation in its industry or community and limit its ability to attract the scars, talented employees that it might need in the future.

It's important to note that sometimes it may be an unpleasant task to manage an organizations outflow of human resources but the manager must learn the procedure leading to exist from the firm and manage it effectively. Employee separation can be and should be managed satisfactory so as to achieve effective and efficient organizational operation while minimizing the costs.

6. Causes of employee turnover

Globally an increased number of job opportunities contributes largely to job hopping thus increasing the rate of employee turnover as it opens the member of alternatives for workers. The impact of firms having to compete for qualified workers is exacerbated by employee poaching. A recent survey in China companies, stealing talented workers is a top cause of employee turnover. **Others include:**

1. Lack of development opportunities
2. Better career opportunities
3. Insufficient compensation
4. Boring work environment (Gomez Mejia R.L 2010)

Notably, pay increases aren't the only or even the most important tool which can be used to manage employee turnover. Providing training, development opportunities and career advancement options can be equally helpful. Motivational consideration such as providing challenging tasks, broader responsibilities and greater decision making authority can make work more meaningful and engaging. A similar opinion was championed by Fredrick Herzberg in his two factor theory (1968).

7. Employee separation costs

The costs of turnover may differ from organization to another and some pertinent costs may be difficult to estimate. Some geographical location can necessitate alarming high costs of recruitment for new employees leading to extra ordinarily high costs of turnover. Furthermore the effect of lost talent on sales, productivity or on research and development all may be tremendous but difficult to estimate.

8. Benefits of employee separation

Although Employee separations are seen negatively by very many people, they tend to have several benefits. Separations open up ground for promotions and staff mobility. When turnover rates are too low, few employees will be hired thus curtailing opportunities for promotions. Second, continued low turnover may give rise to negative effect on performance as the work force might become complacent and fail to generate innovative ideas. New promotions and appointments bring along challenging job opportunities and require creativity and innovation. An employee may receive some potential benefits from separation too. At the same time an employee may escape from an unpleasant work situation and eventually find one that is more fulfilling and less stressful.

Third, a reduced workforce size can help an organization in reducing labor costs. However separation costs in a lay off can be considerably high, but the resultant salary savings from the elimination of some jobs can easily outweigh the separation pay and other expenditure associated there with. The government of Kenya is considering taking this route so as to tame the escalating wage bill which is currently standing at 820BN which represents 88% of the total revenue. (DN 15/03/2014)

Fourth, replacement of poor performances can improve production. Human resource managers are required to identify poor performance capacity. If they cannot improve, it may best to terminate their services and replace them with presumably more skilled employees.

Fifth, opportunities for increased innovation are opened up. Separation creates room for new employees who may be promoted from within or hired from outside. They come with new innovations that help in improving business performance by offering fresh perspectives.

Lastly, organizations open up for greater diversity through separation. They get opportunities to hire employees from diverse back grounds and redistribute the cultural and gender composition of the wok force in compliance with the government equal employment opportunities policy.

The Kenyan constitution for instance requires that every employee observe a one third gender policy on recruitment.

9. Conclusion

It is important to avoid staffing mistakes since 80% of separations are caused by such mistakes. Secondly, mismatches between employees and the job should be avoided and thus prevent voluntary separation. It is further clear that creating job satisfaction will improve retention in the organization.

If separation must take place, one good method is to introduce early retirements as a gentler way of discerning the work force. Where involuntary separations must take place, there must be teamwork between managers and the HR staff so as to effectively manage the dismissal process. Then if discharges have to be effected, prior warnings both verbal and written must have taken place. The separations will help the employer reduce labour costs and replace poor performers so as to improve retention and production.. Clear policies regarding employees' separations should be put in place and implemented effectively to avoid unwarranted legal battles and wastage.

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