BANK RECAPITALIZATION AND MANPOWER PLANNING AND CONTROL

BY

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Abstract

The Nigerian banking sector has had to contend with new demands to achieve greater efficiency and responsiveness to the needs of the Nigerian economy. This was what informed the drive for the Recapitalization and consolidation of the industry. The resultant transformations are most challenging to the employees and management alike. The study examines the manpower planning control measures that emerged in the banking industry as a result of the recapitalization process. The study addresses three issues: the need for the recapitalization in the banking sector, the effect of the process on employee welfare and well being and finally, the nature of the resultant manpower planning and control measures that the transformation has brought to bear. Both the quantitative and qualitative methods of data collection techniques were utilized for the study.

Results principally showed that with the recapitalization process fully achieved, greater challenges and demands are now placed on employees as a result of stiffer man power planning and control measures that are adopted by the new fewer well capitalized banks that emerged as a result of the process, although employee welfare and wellbeing has been adequately addressed with recapitalization, but employees are now required to put more effort under stiffer regulations and guidelines.

Keywords: Recapitalization * Manpower planning* Control* welfare*bank

Word Count: 204

INTRODUCTION
Development in the banking sector which necessitated the need for recapitalization and restructuring of banks indicated a mixed trend in the performance of banks. Available data from the CBN annual report (2004) also revealed that bank satisfactory rating had been on the decline since 2001 to 2004, from 63 to 51 banks respectively. During this period, the number of banks categorized as sound had exhibited a mixed trend, while the number of marginal banks was on the increase. As at May 2005, there were 89 banks in Nigeria with only 3,382 branches, reflecting the existence of a large member of small banks with relatively few branches when compared to other countries of the world. A typical example is South-Korea that has eight banks with about 4,500 branches Deloitte (2005). With the problem of several small banks with only marginal performance, there emerged the dominance of few strong banks. The top 10 banks in Nigeria, at that time were controlling about 50.8 percent of the aggregate assets while the remaining 79 banks were left with less than what the top banks controlled. The top ten banks also controlled 51.7 percent of total deposit liabilities and 45.0 percent of the Aggregate credits. Apart from these, a detailed analysis of the condition of individual banks as at December 2004 also showed that no bank was rated very sound in Nigeria. Only the top ten banks were adjudged as sound, with 51 banks merely satisfactory while 16 banks were just marginal and 10 banks were declared unsound (CBN, 2004). Apart from the above problems, the Nigerian banking system also suffers from weak corporate governance which was evidenced by inaccurate reporting and non compliance with regulatory requirements, coupled with declining ethical considerations as well as gross insider abuse which resulted in huge non-performing insider related loans. Another problem was insolvency which was evidenced by negative capital adequacy ratios of some banks. There was also the problem of over-dependence on public sector and foreign exchange trading at the neglect of small and medium scale private savers. From all the above, it was evident that the performance of the Nigerian banking system was so fragile and not in a position to meet the nation’s ideal envisaged banking system, in which depositors can trust. This is because investors can only rely upon a banking system which the nation can depend upon to facilitate its economic growth. Hence there was an urgent need for a fundamental restructuring, repositioning and refocusing of the banking system.

The current banking system reform via the process of recapitalization became fully operational in January, 2006. It represented the fundamental restructuring needed to
address the earlier identified structural and operational problems in the system in order to create a strong and reliable banking sector which will play active development roles in Nigerian economy and which can as well be a competitive player in the global financial system.

Ogbulafor (2000) observed that it was not surprising that the sector witnessed widespread financial distress, because it was unable to adequately mobilize and allocate the financial resources in the economy to achieve the desired growth. Banks were more active in the short term end of the market, raising overdrafts and trading in foreign exchange with marginal effect on the real sector of the economy. Micro-credit was left largely to the un-organized operators in the informal sector. Hence, the need emerged for the recapitalization of banks to solve all the above identified problems. However, the impact of the recapitalization process on employee welfare as well as the resultant manpower planning and control measures that emerged after recapitalization was achieved remained grossly overlooked.

Employee welfare remains a dynamic concept whose changes in its principle activities follow the stages of the advancement of the industrialized world. For the above reasons, the principle for the successful implementation of labour welfare activities ranges from adequacy of wages to impact on efficiency as well as the transformation of personality. Employee welfare was defined by Mishra and Bhagat (2007) as a state of wellbeing, health, happiness, prosperity and the development of human resources which involves both the social and economic aspects. The social concept of welfare refers to the welfare of the average worker, his family and his community at large while the economic aspect of the welfare package covers promotion of economic development by increasing production and productivity. It must however be stressed that employee welfare changes from time to time depending on the nature of an organization or industry as well as the manpower planning control measures within an industry.

Manpower planning on the other hand is concerned with the number of employees required by an organization with regard to the levels and types of skills required by the organization. The emphasis on manpower planning is on balancing the projected demand for and supply of labour in order to have the right number of the right employees in the right place and at the right time.

With recapitalization fully achieved in the banking sector, an increasing recognition of the need for manpower planning and control emerged not just for an increasing
number of employees, but more importantly to meet the challenges and the new
vision in the banking industry. Adequate manpower planning and control measures
remain fundamental to the achievement of the goal and gains of the recapitalization
exercise. Cole (2007) defined manpower planning and control as a systematic
approach to the acquisition, utilization and deployment of people in an organization
to meet the target and goals of the organization. For Cole (2007) it is a cooperate
activity arising from the business objectives of the organization which includes
specific plans for recruitment, training and promotion. Manpower planning is a
strategy and a planned approach for ensuring the recruitment of sufficient and
suitable staff, their optimum utilization, the means of improving their performance
and their probable disengagement as at when due and necessary. Torrington et- all
(2005) also identified four categories of staff that are important in manpower
planning and control. These are existing staff, new recruits, potential staff and
leavers. Important factors to consider with regard to existing staff include their
performance appraisal, productivity rate, deployment if and when necessary, equal
opportunities, training facilities, remuneration, promotion/ career development
opportunities. With regard to new recruits, factors to consider include recruitment
method, selection procedures, induction training and terms of contract. Factors to
consider with regard to potential staff include recruitment method, public relations
wage/ salary levels, employee benefits. Some factors to consider with regards to
whom to leave an organization include dismissal for poor performance, retirements,
redundancy procedures and labour turnover.

LITERATURE REVIEW
Recapitalization is an aspect of the ongoing reforms in the banking industry. Reforms
are predicated by the need for a reorientation and a repositioning of an existing
statuesque in order to attain an effective and more efficient state. It became
inevitable in the light of the global dynamic exigencies and as a need to enhance the
banking industry’s competitiveness and capacity to play the fundamental role of
financial investment and improving economic growth which it was created for. Ajayi
(2005) viewed recapitalization as an important component of reforms in the banking
industry, owing to the fact that a bank with a strong capital base has the ability to
absolve losses arising from non-performing liabilities (NPL). He identified three
means by which re-capitalization can be achieved. These are through Consolidation,
Convergence and capital market. While consolidation involves mergers and
acquisition between and among banks, convergence involves the consolidation of banking and other types of financial services like securities and insurance. However convergence was identified to be less frequently embarked on as a means of recapitalization Ferguson, (2002). The capital market on the other hand provides a conduit for investment funds and devolution of the ownership structure through offer for subscription by either private placements or public offer. Banks expand their capital base in consistent with new business initiatives, technological initiatives and regulatory guidelines.

Ajayi (2005) also identified four key economic factors which motivate reform through consolidation: Economy of scale, economy of scope, risk diversification and management incentives.

Economy of scale is the relationship between the average production cost per unit of output and production volume. The unit cost of output usually decline as a result of a higher volume of output. The economy of scope is a situation where the joint cost of producing two complementary outputs are less than the combined cost of producing the two outputs separately. The third economic factor is the potential for risk diversification which reduce portfolio risk on the asset side and also lowers its funding risk in the liability as it spreads funding activities over a larger geographical area Hughes, Long, Meder and Long (1999). Further evidence suggests that product expansion could yield diversification benefits between banking and securities activities. The fourth economy force involves the bank managements’ personal incentives. These may include the desire to run a larger firm and the desire to maximize their own personal welfare. Managerial compensation and prerequisite consumption has been seen to tend to rise with firm size, Kwan and Eisenbeis (1999). Uchendu (2005) noted that the banking sector reforms and its sub-component, recapitalization vis-à-vis consolidation, convergence and capital market activities have emerged as a result of a deliberate policy in response to correct the perceived or impending banking sector crises and subsequent failures. A banking sector crisis can be triggered by the preponderance of weak banks characterized by persistent illiquidity, insolvency, under-capitalization, high level of non performing loans and weak co-operate governance. Banking crises usually start with banks inability to meet their financial obligation to their stakeholder Uchendu (2005), stressed further that not all bank consolidation is as a result of banking crises. Consolidation is implemented to strengthen the banking system, embrace
globalization, improve healthy competition, exploit economies of scale, raise efficiency and improve profitability. Despite all the above expected benefits, Uchendu (2005) was quick to point out that the banking sector reforms have their associated costs. He identified job losses which could have nevertheless occurred if remedial measures were not taken; Gross country cost estimates to national economies resulting from banking sector reform are Enormous, ranging from a 12 percent of GDP for Malaysia, 15% of GDP for Korea to 45% of GDP for Indonesia. However in spite of the above huge sums spent on banking sector reforms, the benefits has been seen to outweigh the cost in the medium to long term. Ogunbunka (2005) also identified three reasons for continued reforms in the banking sector. These are structural reasons, recapitalization reasons and ownership issues. He however emphasized that the scope of such reform programmes and the strategies adopted in the execution vary from one country to another. Imala (2005) identified four rationales behind banking system reform. These are low capital base of banks, a large number of small banks with relatively few branches, the dominance of a few banks and poor rating of a number of banks. Adedipe (2005) argued that the most fundamental reason for the consolidation of banks via recapitalization was the observed growing distress in the industry which was identified as a real threat of imminent bank failure. Notwithstanding the debates and arguments about the details and appropriateness of the strategy adopted by the central bank of Nigeria, Adedipe (2005) identified the fact that there is a general consensus that change of a fundamental nature was necessary to redirect the banking system towards its traditional role of providing effective intermediation and financing economic growth.

DISCUSSIONS AND FINDINGS

The study covered 200 bank employees from six selected banks within Ijebu-Ode namely: Zenith, First Bank, Union Bank, Intercontinental Bank, Wema Bank and AfriBank. The Respondents were randomly sampled and their consent was sought through an official letter and verbal means. The Ages of the participants ranged between 15-65 years. In all, a total of 200 questionnaires were administered as samples out of which 166 were successfully retrieved and processed. This gave a return rate of 84percent. In addition, 18 respondents were purposively selected for in depth interview. Hence the study engaged both the qualitative and quantitative data collection techniques. The combination of both methods were geared towards the
actualization of the goals of the study which was to examine the impact of the recapitalization process on manpower planning and control of the Nigerian banking sector.

It was observed that 80.0 percent of the respondents were in the age bracket of 26-45 years. The sociological implication of this finding is that the banking sector after recapitalization now has a greater percentage of its workforce in their most productive and vibrant years. These finding collaborates with the findings from our structured interview which stressed management planning measure towards targeting young vibrant youths, who can face global banking challenges, competitions and expectations. In fact, it was further stressed that bank management no longer employ people over 30 years as new recruits. Even young new recruits are made to undergo intensive tutelage and training after being employed to be able to cope with new banking demands. Hence the banking sector is expected to get the best from this category of workforce.

FIGURE I: RESPONDENTS BY THEIR AGE

![Bar chart showing respondents by age groups]

Manpower planning and control measure which emerged after the recapitalization process also showed the preference for a very highly educated workforce. In fact, 74.7 percent of the respondents have had first degrees and higher degrees from the university.

FIGURE II: RESPONDENTS BY THEIR LEVEL OF EDUCATIONAL ATTAINMENTS
FIGURE III below showed that part of the Manpower planning process that emerged after Recapitalization is the disengagement of old staff particularly due to lack of performance. Hence it was observed that most of the employees in the banking sector after the recapitalization exercise have merely spent between 1-10 years in the banks. A total of 72.3 percent of the respondents have only spent only between 1-10 years in the banks. In fact, most of the respondents attested to the fact that they have been newly employed after a thorough training process.

FIGURE III: RESPONDENTS BY THEIR DURATION OF SERVICES

<table>
<thead>
<tr>
<th>Duration of Service</th>
<th>Frequency</th>
<th>Percent</th>
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<tbody>
<tr>
<td>1-5 years</td>
<td></td>
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<tr>
<td>6-10 years</td>
<td></td>
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<tr>
<td>11-15 years</td>
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<td>16-20 years</td>
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<tr>
<td>Greater than 21 years</td>
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TABLE I: EFFECT OF MANAGEMENT POLICIES ON EMPLOYEE WELFARE AS A RESULT OF THE RECAPITALIZATION EXERCISE
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<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
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<tbody>
<tr>
<td>Nr</td>
<td>18</td>
<td>10.8</td>
<td>10.8</td>
</tr>
<tr>
<td>Increase job load</td>
<td>115</td>
<td>69.3</td>
<td>80.1</td>
</tr>
<tr>
<td>Same as before</td>
<td>33</td>
<td>19.9</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>166</td>
<td>100.0</td>
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**TABLE II** represents the frequency distribution of respondents by the effect of recapitalization exercise on their job schedule. It was generally agreed that the recapitalization exercise has increased job schedule.

With regard to the effect of recapitalization process on challenges that employees are now charged with, it was also observed that over 88.6 percent attested to the fact that they are now charged with greater challenges and responsibilities at work, and
this is also the case with additional stress at work. Over 70.0 percent attested to the fact that there are no opportunities for holidays both before the recapitalization exercise and even after recapitalization as been achieved. It was generally agreed that employees now spend more hours on their job as a result of more customers and more challenges due to the recapitalization exercise both on daily and weekly basis. It was further stressed that employees are now guided by stiffer manpower control measure and regulations after recapitalization. With regard to the provision of medical services, it was generally agreed that there are now in existence an improved provision of medical insurance scheme as a result of the recapitalization exercise.

CONCLUSION
The banking Reform that started in 2004 in Nigeria via the process of recapitalization and consolidation appears to have addressed most of the identified problems that motivated it. Thus it brought about enhanced capital and capital adequacy ratios in addition to significant improvement in banks liquidity. The process also culminated into a consolidated banking sector with a reduction in the number of banks as well as the domination of few hitherto strong banks. Events following the exercise further point to bank profitability looking upward as a result of the recapitalization exercise. There has also been an observed minimization of financial risks in the sector as well as the entire Economy.
Furthermore with interest and exchange rate reduction and moderation coupled with renewed opportunity for loans, the real sector operators have once again resorted to banks for investment funds, thus generating and improving employment and productivity.
Evidence from our study has further highlighted the positive changes and transformation that had occurred in the banking sector as a result of the recapitalization process. It is also evident that the transformation has impacted positively on employee welfare, although employees are now faced with stiffer regulations and guidelines in order to cope with new global demands and challenges. Employees are now required to undergo more rigorous manpower training and retraining process to be able to adequately cope with post-recapitalization challenges.
However recent events have further shown that there is an even more tightly regulatory environment within the Nigerian Banking industry with the coming on board of the Sanusi led administration at the Central Bank of Nigeria. His more radical banking reform approach has kept both employees and management on their toes, with a high demand for adequate manpower development as well as curtailing of management abuse of the increased capital base at their disposal.

REFERENCES

