

**STAFF RETIREMENT AND ORGANIZATIONAL PERFORMANCE OF SELECTED FIRMS IN
PORT HARCOURT, RIVERS STATE**

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ABSTRACT

The study investigated the relationship between staff retirement and organizational performance of selected firms in Port Harcourt, Rivers State. Generally, the objective of the study was to empirically investigate how staff retirement relates with organizational performance in terms of productivity and service delivery of selected firms in Port Harcourt, Rivers State. The study adopted explanatory survey research design. The research population consisted of 20 selected medium scale enterprises in Port Harcourt, Rivers State, Nigeria. 5 managers from each of the organizations (thus totaling 100 managers) were selected purposively as representative units in the observation. By census study, the entire population was employed as the sample size of the study. The research instrument was pretested on a pilot sample of ten (10) respondents who were not part of the research sample. The retrieved instrument was analysed and the two results were correlated using the Spearman's rank order correlation coefficient and a coefficient of 0.80 was obtained. Out of 100 copies of the questionnaire distributed, 97 copies of the questionnaires were retrieved. The data obtained from the field were analyzed using Spearman's Rank Order Correlation Coefficient with the aid of SPSS Version 22.0. The study found that: there is a very strong negative relationship between staff retirement and productivity of selected firms in Port Harcourt, and; there is a relatively strong negative relationship between staff retirement and service delivery of selected firms in Port Harcourt. The study concluded that the increase and loss of staff through retirement holds negative implications for the performance of the organization and often results in poor outcomes of productivity and service delivery, amongst others. The study recommended amongst other things that management of firms should train and retrain their employees for higher positions in the organizations; hence enabling them assume these positions at the retirement of current occupants, making the organizations remain productive and provide good services continuously.

Keywords: Staff Retirement, Organizational Performance, Productivity, and Service Delivery.

Background of the Study

Business organizations and other enterprises are being established for the purpose of making profit, otherwise there will be no guarantee for continuity when the resources to keep such firms afloat are lacking. Organizational performance levels are raised when the workforce is committed and the management is proficient in utilizing the available resources, maximally (Adamson, 2012). Organizational performance in any developing economy is dependent upon the productive capacity of the workforce, particularly, if they are adequately motivated. Sangiorgi and Siboni (2017) define organizational performance as the ability of the organization to access and handle various organizational resources in order to achieve its goals and objectives. In order to achieve the desired level of performance, many organizations have resorted to improving their productivity and service delivery, amongst others.

Productivity is a ratio to measure how well an organization converts input resources (labor, materials, machines, money) into goods and services (Tokarčíková, 2013). Dorgan in Paul (2016)

defines productivity as “the increased functional and organizational performance, including quality”, and Rolloos in Paul (2016) claims that “productivity is that which people can produce with the least effort”. Productivity operationally refers to the capacity of an organization, institution, or business to produce desired results with a minimum expenditure of energy, time, money, personnel, materiel, etc. Productivity is a measure of the quantity and quality of work done, considering the cost of the resources used (Millar, 2017). Firms know their productivity level by considering their outputs against their inputs, hence involving the formula, “productivity = output/input.” Hence, there are two major ways to increase productivity: increase the numerator (output) or decrease the denominator (input).

This study defines service delivery as the giving of knowledgeable services to clients that meet their needs. Any interaction between the public administration and clients—citizens, residents, or businesses—to obtain or give data, manage their affairs, or carry out their obligations—is referred to as service delivery (Sony & Mekoth, 2012). To successfully thrive and complete its objective, every firm places a premium on offering clients high-quality services. The greatest value an organization will ever create is thought to be the customer's happiness with the service and product delivery over time. Getting, retaining, and expanding a customer base are crucial for a business' success. Therefore, it is crucial for a company to provide prompt and high-quality service in order to attract, retain, and develop its clientele base and improve overall performance.

Numerous issues have impacted businesses' productivity and ability to provide services, particularly when those businesses fail to take precautions against these concerns. Today, many businesses are ill-prepared to retire their employees, which has a negative short- and long-term impact on productivity. In other words, when a company doesn't prepare or doesn't prepare well, worker retirement may be the main cause of its current production bottleneck. Staff retirement is the process through which a person chooses to permanently quit working and depart the workforce after working for a firm or organization for a considerable amount of time, usually several years (Onojodofia, 2023). Retirement is frequently linked to attaining a specific age, such 65 or 67, but it can also be impacted by a number of other variables, such as a person's financial readiness and personal preferences. Employee retirement may be voluntary, compulsory or statutory.

While voluntary retirement refers to a situation in which a staff member may choose to leave the organization for reasons best known to them, even if they are not too old to do so, compulsory staff retirement refers to a situation in which the employee's age or years of active service have been exceeded and they are legally required to retire (Burke & Cooper, 2012). A condition known as "statutory retirement" occurs when an employee is required to leave their employment at a specific age (Onojodofia, 2023). A person's working years come to an end when they retire, and they enter a new stage of life where they can follow their hobbies, spend time with friends and family, and engage in leisure activities. It may also entail getting money from a variety of sources, including investments, personal savings, pension plans, and savings accounts. While workers prepare for whatever kind of retirement they may experience, businesses must also take the necessary steps to guarantee that their productivity and service delivery remain uninterrupted.

Statement of the Problem

Many firms have taken for granted staff onboarding, training, development, etc. so as to prepare for succession planning. This has made a mess of many of them at the retirement of their very resourceful staff. Many firms have fallen so low on competitiveness, productivity, profitability, service delivery, etc., which point to poor performance. The lack of performance in many firms today is as a result of the retirement of their key staff (Idornigie, 2016). Many firms have learnt their lessons by adopting viable succession plans, while others are still lagging behind. This

situation calls for urgent move to ensure that staff retirement is not bad news, but a normal thing that is bound to happen.

Furthermore, research has shown that little or not much work has been done empirically on the relationship between staff retirement and organizational performance of selected firms in Port Harcourt (Gonzalez, 2016; Idornigie, 2016; Fuchs, 2016; Emmanuel, 2014; Uzoma, 2014). As such, the researcher was poised to examine the relationship that exists between staff retirement and organizational performance of selected firms in Port Harcourt.

Conceptual Framework

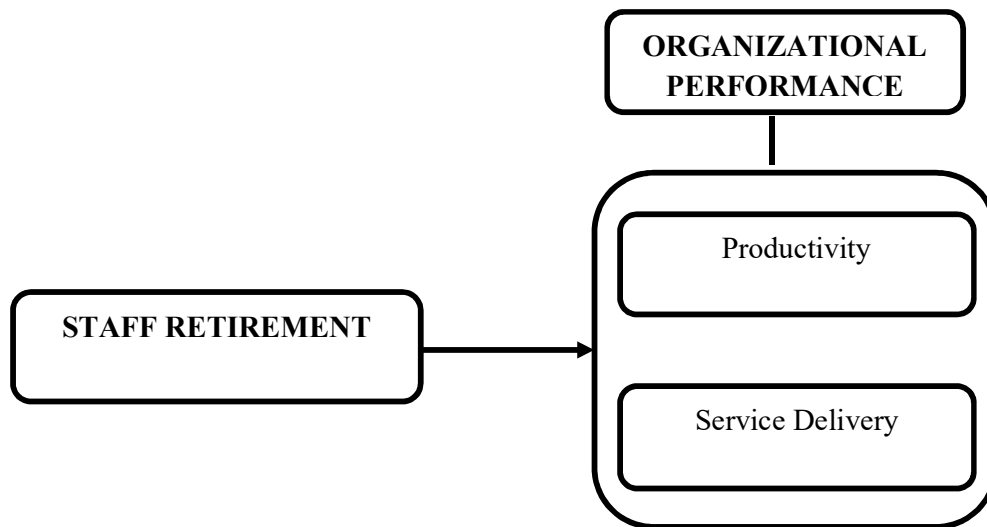


Fig. 1.1: Conceptual framework showing relationship between staff retirement and organizational performance.

Source: Vinazor, 2021.

Aim and Objectives of the Study

The aim of the paper was to investigate the relationship between staff retirement and organizational performance of selected firms in Port Harcourt, Rivers State. The specific objectives of the study include the following:

1. To ascertain the relationship between staff retirement and productivity of selected firms in Port Harcourt.
2. To determine the relationship between staff retirement and service delivery of selected firms in Port Harcourt.

Research Hypotheses

Based on the above objectives of the study, the following hypotheses were formed thus:

Ho₁: There is no significant relationship between staff retirement and productivity of selected firms in Port Harcourt.

Ho₂: There is no significant relationship between staff retirement and service delivery of selected firms in Port Harcourt.

Theoretical Framework

This study is built on Human Capital Theory by Gary Becker and Theodore Schultz in the 1960s.

Human Capital Theory

The theory states that companies have an incentive to seek productive human capital and to add to the human capital of their existing employees. Put another way, human capital is the concept that recognizes that labour capital is not homogeneous. This study applies Human Capital Theory (HCT) to analyze the relationship between staff retirement and organizational performance. The expression, "Human Capital" is used to indicate the investment in the activities of Higher Education (HE) and work placement that frame graduate's capabilities and in return enhance his income (Slaughter *et al.*, 2015). The theory assumes that:

- i. Formal education is highly instrumental and necessary to improve the productive capacity of a population.

Implication of Human Capital Theory to the Study

Human capital theory emphasizes that employees bring skills, knowledge, and experience to the organization, which contributes to its performance. When experienced employees retire, organizations may lose valuable human capital. Managing this loss through knowledge transfer, succession planning, and training can mitigate the negative impact on performance. Human capital theory is highly relevant to the relationship between staff retirement and organizational performance. This theory emphasizes the importance of human resources, skills, knowledge, and experience as valuable assets that contribute to an organization's overall productivity and performance.

According to the Human Capital Theory (HCT), investing in human capital will increase economic outputs. But many organizations fail to invest in their employees, especially the newly employed. Losing an employee, whether by reason of retirement, death, sickness, relocation, etc. causes the organization to lose talent. Therefore, organizations seriously need to train and develop their employees from time to time, make plans for succession plan, etc., as these will cause the organizations to continue operating successfully at the retirement of any of their staff.

In summary, human capital theory underscores the value of employees' skills, knowledge, and experience and their role in enhancing organizational performance. When applied to staff retirement, it highlights the need for organizations to address the challenges associated with the loss of human capital, invest in knowledge transfer, and implement strategies to attract, retain, and develop talent. Effectively managing the transition of retiring employees can help organizations leverage their human capital, mitigate performance risks, and ultimately enhance their competitive advantage.

METHODOLOGY

The study adopted explanatory survey research design. The research population consisted of 20 selected medium scale enterprises in Port Harcourt, Rivers State, Nigeria, as contained in the Rivers State Ministry of Commerce and Industry update of existing SMEs, 2023. 5 managers from each of the organizations (thus totaling 100 managers) were selected purposively as representative units in the observation. By census study, the entire population was employed as the sample size of the study.

The instrument for data collection as earlier noted was researcher-made questionnaire. It was structured into two main sections – (a) the demographic section, and (b) the constructs section. All constructs contain four (4) items each. The response pattern was multiple-choice, which were five options, namely; Strongly Agree (SA), Agree (A), Undecided (U), Disagree (DA) and Strongly disagree (SDA). The instrument was validated by two experts who are senior lecturers in the Faculty of Business Studies, Ignatius Ajuru University of Education, Rumuolumeni. The research instrument was pretested on a pilot sample of ten (10) respondents who were not part of the research sample. The retrieved instrument was analysed and the two results were correlated using

the Spearman's rank order correlation coefficient and a coefficient of 0.80 was obtained. From the total of 100 copies distributed, only 97 copies were successfully retrieved and utilized in the analysis of the study. The data obtained from the field were analyzed using Spearman's Rank Order Correlation Coefficient with the aid of SPSS 22.0 (Statistical Package for Social Sciences).

Decision Rule: Using a level of significance of 0.05 (confidence interval of 95%), when a calculated significant value is less than 0.05 the null hypothesis is rejected, if otherwise, the null hypothesis is accepted.

Results/Findings

Ho₁: There is no significant relationship between staff retirement and productivity of selected firms in Port Harcourt.

Ho₂: There is no significant relationship between staff retirement and service delivery of selected firms in Port Harcourt.

Table 1: Relationships between Staff Retirement and Organizational Performance

		Staff Retirement	Productivity	Service Delivery	
Spearman's rho	Staff Retirement	Correlation Coefficient	1.000	-0.956**	-0.385**
		Sig. (2-tailed)	.	.000	.000
		N	97	97	97
	Productivity	Correlation Coefficient	-0.956**	1.000	0.416**
		Sig. (2-tailed)	.000	.	.000
		N	97	97	97
	Service Delivery	Correlation Coefficient	-0.385**	0.416**	1.000
		Sig. (2-tailed)	.000	.000	.
		N	97	97	97

**** Relationship is Significant at the 0.01 level (2-tailed).**

Source: SPSS Output

Column two of table 1 above shows r value of -0.956 at a significance level of 0.00 which is less than the chosen alpha level of 0.05 for the hypothesis relating staff retirement and productivity. Since the significance value is less than the alpha level of 0.05, the null hypothesis (Ho₁) which states that there is no significant relationship between staff retirement and productivity of selected firms in Port Harcourt was rejected. This implies that there is a very strong negative relationship between staff retirement and productivity of selected firms in Port Harcourt.

Column three of table 1 above shows r value of -0.385 at a significance level of 0.00 which is less than the chosen alpha level of 0.05 for the hypothesis relating staff retirement and service delivery. Since the significance value is less than the alpha level of 0.05, the null hypothesis (Ho₂) which states that there is no significant relationship between staff retirement and service delivery of selected firms in Port Harcourt was rejected. This implies that there is a relatively strong negative relationship between staff retirement and service delivery of selected firms in Port Harcourt.

These results showed that staff retirement has a significant negative relationship with organizational performance of selected firms in Port Harcourt in terms of productivity and service delivery.

Summary of Findings

Based on the analyses presented above, the following findings were evident:

1. There is a very strong negative relationship between staff retirement and productivity of selected firms in Port Harcourt.

2. There is a relatively strong negative relationship between staff retirement and service delivery of selected firms in Port Harcourt.

Discussion of Findings

The tests of hypotheses one and two showed that staff retirement has a significant negative relationship with organizational performance of selected firms in Port Harcourt in terms of productivity and service delivery. This study has indicated that a higher employee separation may result in a drastic reduction in the performance level as well as the organizations profit margin (Ton, 2014). When there is a very high attrition in a business organization, the premonition of some economic experts is that the condition of service of the employees is not favourable. It is also possible for the workers to abscond when there are alternative employment opportunities, elsewhere (Reid & Sanders, 2016).

Organizational performance may drop when the employees are not adequately motivated to put forward their best performance and this may also affect the quality of products as well as that of service delivery. The product quality may also drop when the employees are not committed to their duties and responsibilities, particularly; if they have the hope of getting a better job, elsewhere as soon as they are being disengaged. More often, employees with higher educational qualifications and those that have the requisite experience are most vulnerable. They may be tempted to leave the services that could not put food on their table even at a very short notice, (Aladag, 2017).

Employee separation in some firms may not be monitored by some personnel managers, particularly, if the machines are efficient. The volume of products may not drop even when the number of employees on the production line has reduced. Situations like this may also occur when some employees are so versatile and are conversant with some multi-task operations, (Adamson, 2012). The use of modern equipment and advanced technology has made the production of goods and services to improve. However, the efforts of the employees in terms of service delivery and customer care are sacrosanct. In other words, the best machines may be deficient when customer care and advertisement are to be carried out to gain the confidence of the loyal customers (Boella & Gross-Turner, 2013).

This study has shown that employee separation can make a business organization to become moribund if the experienced employees begin to go in large numbers. This situation may be worse if they perform some risky tasks that may impair them, throughout their lifetime, (Wisniewski, 2015). There are some organizations that may hire workers to do some risky jobs that are supposed to be done by robots. Moreso, some tedious jobs may not attract better compensations and fringe benefits. Such productive activities may give rise to poor quality products, particularly, when the workers are subjected to occupational stress (Paludi, 2012).

CONCLUSIONS

From the analysis and discussion of findings, the study concludes that the increase and loss of staff through retirement holds negative implications for the performance of the organization and often results in poor outcomes of productivity and service delivery, amongst others. The position of this study, going by the evidence presented, is that staff retirement counters outcomes of organizational performance. This is in line with the observed negative impact of voluntary, compulsory, and statutory retirements on the outcomes of organizational performance and the noted implications. Therefore, firms need to management the retirement of their staff by employing trainings, retraining, and succession plan. These will help them stay successfully in business in the retirement of any of their staff.

RECOMMENDATIONS

1. The retirement of staff should be such that is patterned to reflect the value for the organizations personnel and as such should be carried out in consistent and transparent manner that does not impact negatively on the perceptions and morale of other employees in the organization.
2. Management of firms should train and retrain their employees for higher positions in the organizations; hence enabling them assume these positions at the retirement of current occupants, making the organizations remain productive and provide good services continuously.

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