

Original Paper

Employees' Perception of Banks' Merger and Acquisition on Job Security in Nigeria

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Received: July 30, 2020

Accepted: August 10, 2020

Online Published: August 21, 2020

doi:10.22158/sss.v1n2p18

URL: <http://dx.doi.org/10.22158/sss.v1n2p18>

Abstract

Previous research on banking sector reforms have investigated economic-related issues such as stability, operational effectiveness, and recapitalization among others, with little attention devoted to issues associated with employees' perception of banks' Merger and Acquisition (M&A) and the insecurity of jobs. This study examines employees' perception of M&A reform in relation to their feelings about job insecurity. The systematic sampling technique is utilized to select eight hundred and fifty-six employees from purposively selected commercial banks on who structured scales, measuring perceived job insecurity and M&A (reforms) outcomes were administered. Data are analysed descriptively and Pearson Correlation used to test the formulated hypothesis. Findings from the study show that employees reported mixed perceptions about the items on the scale. M&A engendered improved efficiency, training and leadership capability on the one hand, while it increased employees' workload and working hours without a corresponding income value; and, alienate employees from leisure. The test of hypothesis indicates an inverse correlation between employees' perception of M&A and employees feeling of job insecurity. The implications from the findings are discussed for theory and practice.

Keywords

job security, merger and acquisition, reform, perception

1. Introduction

In the last two decades, there have been increased studies on Merger and Acquisition (M&A) of banks in Nigeria (Akinde, 2017, 2013; Soludo, 2004a). The increased interest on M&A may be associated with its attendant consequences for work outcomes such as job insecurity, retrenchment, retention,

career development and intention to quit the job (Dumbili, 2013).

Since 2004, reforms have been on-going in the Nigeria banking sector, aimed at salvaging banks from imminent crisis associated with high level under-capitalization, weakness in the regulatory and supervisory framework, weak management practices, and the tolerance of deficiencies in the corporate governance behaviour of banks among others (Soludo, 2004a, 2004b; Adegaju & Olokoyo, 2008).

One of such reforms was the M&A and recapitalization which formed the two key elements of the 13-point reform programme. The components of the M&A was such that on the directive of the Central Bank of Nigeria (CBN), commercial banks in Nigeria were to recapitalize to a minimum of N25 billion with the deadline of 31st December, 2005; and thereby consolidate banking institutions through M&As. In compliance with the CBN directive, commercial banks in Nigeria took various steps to recapitalize in order to remain relevant in the on-going economic global process. Thus, commercial banks engaged among others, in the issuance of new shares through the stock exchange for additional capital; embraced renowned investors and foreign partners; layoff staff as part of requirements demanded by the new investors; and concluded mergers or outright acquisitions in order to meet the consolidation deadline.

After the completion of M&A, the number of commercial banks in Nigeria reduced from a total of 89 bunny commercial banks to 25 universal banks. Succinctly, 68 banks merged to become 19 Banks; 6 recapitalized on their own; and, 13 were unable to recapitalize and therefore, closed down (Siyanbola, 2013; Imala, 2005a, 2005b). The outcome of the reform is reflected in the effectiveness and efficiency recorded in banking operations post M&As.

Notwithstanding the positive outcomes associated with M&A, some studies argued that the M&As had outcomes that portended far-reaching consequences for bank workers and labour unions (Okafor, 2013; Uchendu, 2005). These studies reported that the M&As engendered layoffs and retrenchment of workers without prior notice and compensation of any sort; increased redundancies of workers, and increased rationalization of operations which made employment situation precarious in the post consolidation banking industry. The consequences of these outcomes were such that retrenchment of workers translated to a significant fall in workers' standard of living and significant decline in Union membership, resulting in low check-off dues, poor capacity utilization which engendered the fear of job insecurity for workers who even survived the retrenchments occasioned by M&A (Akinde, 2017, 2013; Fayankinnu, 2015; Dumbili, 2013; Okafor, 2013).

Studies have focused on the consequences of M&A with emphasis on workers who lost their jobs during the reforms (Okafor, 2013; Uchendu, 2005). Few studies have been conducted on workers who survived the consequences of the reforms (De Witte, 2000). Findings from these studies suggested that workers who did not lose their jobs during the M&As may be faced with job insecurity capable of impinging on their commitment to work. The neglect of research on survivors of the M&As render it difficult to understand the perception about the M&As particularly as it relates to the issue of job insecurity for workers in the banking sector and the performance of banking operations.

Job insecurity has been defined in several ways. In spite of the variations in definitions of job insecurity, a consensus in the definitions is that job insecurity suggests, at least three things. First, it suggests the expectations about continuity of a job (Davy, Kinicki, & Scheck, 1997); second, it relates to the future concern of the job (Rosenblatt & Ruvio, 1996); and third, that a threat exists in the employment environment which is likely to cause cessation of work or deterioration of same in a way that may be detrimental to workers' well-being (Borg & Elizur, 1992). In the foregoing context, Greenhalgh and Rosenblatt (1984) defined job insecurity as a perceived powerlessness to maintain desired continuity in a threatened job situation.

Job insecurity can be cognitive - i.e., an aspect which is concerned with thinking of the possibility of losing a job (the likelihood of job loss); or affective, which entails the emotional elements of job insecurity as experienced - e.g., fear of job loss. Thus, job insecurity is based on individuals' perceptions and interpretations of their immediate work situation. Researchers have shown that there is an association between consolidating reforms and job insecurity (Adegaju & Olokoyo, 2008). Other studies have found association between perceived job insecurity and a variety of negative outcomes such as decreased mental and physical health as well as more negative work attitudes (Sverke, Hellgren, & Näswall, 2006).

Conducting this study brings to fore the perception held by survivors about the M&As, contributing to existing literature, and being useful to researchers who may have interest in a similar field of study. Thus, this study examines employees' perception about M&As in relation to the insecurity of jobs. Specifically, the study seeks to establish if employees' perception about outcomes of reform - i.e., M&A - significantly correlate with job insecurity.

2. Methods of Social Research

A cross-sectional sampling design, involving a multistage procedure is adopted. Three out of the 25 recapitalized and merged/acquired banks were stratified and sampled. A total of 856 respondents were purposefully selected from a total of 1,284 employees in 413 branches of the three selected commercial banks in Lagos. The banks are Sterling Bank PLC, 384 respondents; Skye Bank PLC, 387 respondents; and, Wema Bank PLC, 413 respondents. Data were collected through 12 Research Assistants, who administered copies of a structured questionnaire to respondents over a period of 11 weeks. Perception of job insecurity was measured, using De White's (2000) scale. The scale focused on two dimensions of job insecurity. For the cognitive scale, questions on comprehension or thinking about the possibility of job loss like "I am sure I can keep my job", were asked. Under affective scale, questions like, "I feel uncertain about the future of my job", were asked as well. A Cronbach alpha of 0.92 was found as reliability coefficient for the instrument. Reform outcomes conceptualized as merger/acquisition outcomes was measured with an 8-item questionnaire on 5-range Likert scale of between "strongly agreed" (SA=5) to "strongly disagreed" (SD=1). The reliability coefficient for this variable is 0.54.

Descriptive statistics is used to analyze the respondents' basic characteristics, and the Pearson Product

Moment Correlation (PPMC) is used to measure the hypothesis formulated for the study.

3. Findings

3.1 Respondents Bio-Social Characteristics

Table 1. Respondents Bio-Social Characteristics (N=856)

Variable	Description	Frequency	Percentage
Sex	Male	463	54.1
	Female	393	45.9
Age	21-30 years	398	46.5
	31-40 years	395	46.1
	41-50 years	59	6.9
	51+	4	0.5
Marital Status	Married	379	44.3
	Single	407	55.7
Education	Secondary	29	3.3
	NCE/AL/OND	173	20.2
	HND/BSc	545	63.7
	Professional	110	12.9
Job Tenure	1-10 years	736	86.0
	11-20 years	98	11.4
	21+	22	2.6
Staff Category	Junior	773	90.3
	Senior	83	9.7
Nature of Employment	Permanent	370	43.2
	Contract	318	37.1
	Casual/Temporal	168	19.6

Fieldwork: 2016.

Table 1 above shows the basic characteristics of the respondents. There were more males (54.1%) than females (45.9%) in the study, and their mean age was (M_{age} 33.4 years. More than half (55%) of them were single while 44.3% were married. Over sixty-percent (63.7%) of the respondents had Bachelor degree/Higher National Diploma certificates, 20.2% had A/L/NCE/OND certificates, while 12.9% had

professional certificates. A high proportion (86%) of the respondents have spent an average of 10 years on the job, 11.4 % have spent between 11 and 20 years, while 2.6% had spent 21 years and beyond. Majority (90.3%) of the respondents were junior staff while 9.7% belonged to the senior category. While 56.7% of the respondents were on temporary appointment, 43.2% were permanent staff in their banks.

Table 2 below shows respondents' perception about M&A. In order to determine the respondents' perception, the mean average of the scale was determined as 2, which indicates agreement with the items measuring M&A. The general perception of the respondents about the M&A was positive such that significant number of the employees perceived the M&A in the banking sector as having positive consequences on their job roles, efficiency (2.59), training (2.63) salary (2.09), and leadership capability (2.43). Notwithstanding the positive perception expressed by the respondents, a fairly significant proportion of them felt that the M&A had negative impact on their personal rights (2.08), increased their work load (2.50), increased their working hours (2.24), and negatively affected their salary (2.11).

Table 2. Percentages and Mean Scores Showing Respondents' Perception about M&A

Questions		Response			Total	Mean
		A	U	D		
1. The M&A has enhanced my training as an employee.	F	642	111	103	856	2.63
	%	75.0	13.0	12.0	100.0	
2. The M&A has improved my job performance.	F	603	151	102	856	2.59
	%	70.5	17.6	11.9	100.0	
3. I have experienced increased pay since the M&A exercise- begun.	F	366	202	288	856	2.09
	%	42.8	23.6	33.7	100.0	
4. I have gained better leadership capability as an employee since the M&A was introduced.	F	511	202	143	856	2.43
	%	59.7	23.6	16.7	100.0	
5. The M&A has increased my daily workload as an employee.	F	556	169	131	856	2.50
	%	64.9	19.7	15.3	100.0	
6. The M&A has brought a new working relation that has negatively affected my personal rights as an employee.	F	355	212	289	856	2.08
	%	41.5	24.8	33.8	100.0	
7. The M&A has increased my working hours.	F	447	169	240	856	2.24
	%	52.2	19.7	28.0	100.0	
8. The M&A has brought a new grading system in the bank which negatively affected my salary.	F	363	226	267	856	2.11
	%	42.4	26.4	31.2	100.0	

Legend: A= agree; U= undecided; D= disagree

Fieldwork: 2016

3.2 Test of Hypothesis

The hypothesis tested is to the effect that there will be no significant relationship between M&A outcomes and perceived job insecurity.

Table 3. Correlation Summary Showing the Relationship between M&A Outcomes and Perceived Job Insecurity

Variables	Mean	SD	N	df	r	p
M&A Outcomes	24.91	4.405	856	854	-0.182	< .05
Perceived Job Insecurity	34.64	7.490	856			

Table 3 shows that there is a negative significant correlation between M&A outcomes and perceived job insecurity [$r(854) = -0.182, p < .05$]. In other words, as employees perceive M&A outcomes positively, perception about job insecurity decreases and vice versa. Thus, the hypothesis is rejected.

4. Discussion of Findings and Conclusion

This study examined employees' perception about M&A in relationship to job insecurity in the Nigerian banking sector. A major finding on respondents' perception about M&A is mixed. In spite of the fact that a significant number of the respondents expressed positive perception about M&A on the one hand, yet, over half of the respondents showed their discontent with the reforms. This significant finding contrasts with previous studies (Akinde, 2013; Fayankinnu, 2015) that reported only negative perceptions by employees. A plausible reason for such finding, in this current study, different from findings in previous studies may be because of the inclusion of contract employees as a category of staff, in the study which was not included in previous studies.

The fact that employees reported positive perception about the M&As, particularly in enhancing employee training, improved job performance, and development of leadership skill suggest that the M&As reforms yielded the desired results necessary to salvage the banking sector in Nigeria. Notwithstanding the positive perceptions expressed by many respondents, the expressed discontent of how the M&As reforms supported the need to increase work hours and work-load of employees without a corresponding increase in employee's income. Thus, though the respondents believed they had benefitted from the M&As, they also believe that the organization has more benefits than hitherto.

Another major finding in this study is there is an inverse correlation between the respondents' perceptions of M&As' outcomes and job insecurity. The inverse relationship between the M&As and job insecurity is such that when M&As/reforms tend to be humane and considerate, the negative perception effect of job insecure is subverted. On the other hand, when the effect is harsh, the negative level of job insecurity increases. The finding corroborates Nielsen and Hansen (2010) which showed that five years after restructuring, there was an increased risk of reported job insecurity. However, job

insecurity may not only be an inherent and inevitable consequence of downsizing, following a restructuring exercise, there is a high level of job insecurity among bank workers, especially those on contract employment in the selected banks.

From the foregoing, the following conclusions are reached. First, in spite of the positive perception reported by the employees under study, it appears that they feel insecure in their jobs due to the on-going M&As/reforms. Second, the positive perception expressed by employees about the M&As is likely associated with the fear of job insecurity. Third, given that the M&As/reforms hinge on the neo-liberal principles of flexibility, banks seem to have taken advantage of its flexibility to engage new employees in the banking sector. The fear of not wanting to lose one's job, often, propels employees to be efficient and committed to the organization thereby improving productivity for an organization but not necessarily, translating to satisfaction for the employees.

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