

**A SURVEY OF THE CRITERIA USED BY COMMERCIAL
BANKS IN KENYA TO DETERMINE EMPLOYEES TO
RETRENCH**

UNIVERSITY OF NAIROBI
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**A MANAGEMENT RESEARCH PROJECT SUBMITTED IN
PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE
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DECLARATION

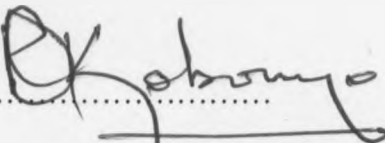
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UNIVERSITY OF NAIROBI

NOVEMBER 2004

DEDICATION

To Almighty God for his provision and faithfulness. “Your grace has been sufficient for me and your mercies new every morning. Thank you God for this far you have brought me, you are Ebenezer”.

To my late dad, Mr. Francis Munjuri, being the educationist you were, we carried your spirit all along.

And

To my mum, Mrs. Mary Munjuri, my sister Grace, My brother Phil, uncles, aunties, cousins, and grandparents. Your inspiration and prayers were not in vain. You all were pillars of encouragement and support throughout the course.

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TABLE OF CONTENTS

DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGMENT	iv
TABLE OF CONTENTS	v
LIST OF TABLES	viii
ABSTRACT	x
CHAPTER ONE: INTRODUCTION	1
1.1 Background of the study.....	1
1.1.1 The banking sector in Kenya.....	6
1.1.2 Retrenchment among commercial banks in Kenya.....	7
1.2 Statement of the problem.....	9
1.3 Research objectives.....	11
1.4 Importance of the study.....	11
CHAPTER TWO: LITERATURE REVIEW	12
2.1 The concept of downsizing and retrenchment.....	12
2.1.1 Reasons for retrenchment.....	13
2.1.2 Effect of poor retrenchment decisions on survivors.....	13
2.1.3 Effect of poor retrenchment decisions on the leavers.....	15
2.2 Outplacement services.....	17

2.3	Criteria for retrenchment.....	19
CHAPTER THREE: RESEARCH METHODOLOGY		27
3.1	Research design.....	27
3.2	Population	27
3.3	Data collection.....	27
3.4	Data analysis.....	28
CHAPTER FOUR: DATA ANALYSIS AND FINDINGS.....		29
4.1	Introduction	29
4.2	Type of respondents.....	29
4.3	Criteria used in determining employees to retrench.....	36
4.4	Association between criteria used and age of a bank.....	38
4.5	Association between criteria used and size of a bank.....	44
4.6	Association between criteria used and ownership of a bank.....	49
CHAPTER FIVE: SUMMARY AND CONCLUSIONS.....		54
5.1	Summary.....	54
5.2	Conclusions.....	55
5.3	Limitations of the study.....	55
5.4	Suggestions for further research.....	56
REFERENCES.....		57

APPENDICES

Appendix 1: Introduction letter to the respondents..... 62

Appendix 2: Questionnaire..... 63

Appendix 3: List of Commercial banks in Kenya..... 69

LIST OF TABLES

Table 1: Predictable reactions to the emotional impact of job termination.....	15
Table 2: Selection assessment methods.....	25
Table 3: Distribution of respondents by gender	29
Table 4: Position of respondents in the bank.....	30
Table 5: Title given to head of HR department in the banking industry.....	30
Table 6: Distribution of respondents' experience in years.....	31
Table 7: Distribution of banks by age.....	31
Table 8: Number of employees in the various banks.....	32
Table 9: Distribution of banks by ownership.....	32
Table 10: Proportion of ownership of joint venture.....	33
Table 11: Distribution of banks by size.....	33
Table 12: Number of banks with retrenchment policy.....	34
Table 13: Number of times retrenchment has been done.....	34
Table 14: Provision of outplacement services by banks.....	35
Table 15: Performance appraisal systems.....	35
Table 16: Extent of use of LIFO method as a retrenchment criterion.....	36
Table 17: Extent of use of employees' individual productivity as a criterion.....	36
Table 18: Extent of use of misconduct as a retrenchment criterion.....	37
Table 19: Extent of use of incapability as a retrenchment criterion.....	37
Table 20: Extent of use of early retirement programs as a criterion.....	38
Table 21: Association between LIFO and age of a bank.....	39

Table 22: Association between employees' individual productivity and age of a bank	40
Table 23: Association between misconduct as a criterion and age of a bank.....	41
Table 24: Association between incapability as a criterion and age of a bank.....	42
Table 25: Association between early retirement programs and age of a bank.....	43
Table 26: Association between LIFO and size of a bank.....	44
Table 27: Association between employees' individual productivity and size of a bank.....	45
Table 28: Association between misconduct as a criterion and size of a bank.....	46
Table 29: Association between incapability as a criterion and size of a bank.....	47
Table30: Association between early retirement programs and size of a bank.....	48
Table 31: Association between LIFO and ownership of a bank.....	49
Table 32: Association between employees' individual productivity and ownership of a bank.....	50
Table 33: Association between misconduct as a criterion and ownership of a bank.....	51
Table 34: Association between incapability as a criterion and ownership of a bank.....	52
Table 35: Association between early retirement programs and ownership of a bank.....	53

ABSTRACT

The survey for the study was carried out between August and September 2004. The study sought to establish the criteria used by commercial banks in Kenya to determine employees to retrench. The respondents were the Human Resource Managers of all the commercial banks in Kenya. The information was collected using a structured and uniform questionnaire. 20 Human Resource Managers completed the questionnaire. The findings of the study suggest that commercial banks use seniority (Last-In-First-Out), employees' individual productivity, misconduct, incapability, early retirement programs, First-In-First-Out (FIFO) and employee obsolescence as criteria for determining employees to retrench. The criterion that is most popularly used is assessment of employees' individual productivity. Misconduct as a criterion for retrenchment is also popular and some of the behaviors that banks consider as misconduct include fraud, insubordination, regular unauthorized absenteeism, financial mismanagement, leaking out confidential information among others. Early retirement programs are also used to a moderate extent. Last in-First out (LIFO) is used to a moderate extent while incapability as a criterion is used to a less extent. It was also found that all banks use the same criteria despite their age, ownership and size. The study further suggests that a similar study be undertaken in another industry to check whether there is similarity in the criteria used in determining employees to retrench across the board.

CHAPTER ONE: INTRODUCTION

1 BACKGROUND OF THE STUDY

During the last two decades, retrenchment has become the strategy favoured by many companies attempting to cope with fundamental structural changes in the world economy. This trend is set to continue with more companies planning to retrench over the next few years.

The 1960's had limitless possibilities of growth and expansion (Burke and Cooper, 2000). This was followed by a period of industrial strife, conflict and retrenchment in the 1970s. After the turmoil of the 1970's then came the "enterprise" culture of the 1980's. This was a decade of privatization, statutory constraints on industrial relations, mergers and acquisitions, strategic alliances, joint ventures, process re-engineering and the like transforming the workplaces into free market, hot house cultures (Burke and Cooper, 2000).

Since the 1980s the business environment has witnessed an era of continual and dramatic change triggered primarily by global competitive pressures, enhancements in technology and a demanding customer-driven market (Ulrich, 1998). Large and bureaucratic organizations are no longer sustainable. Lean and fit, smaller and responsive organizations (Armstrong, 2001) seem to be preferred features of organization design. In order to achieve these ends, retrenchment has become and will continue to be a commonly applied technique (Sahdev et al, 1999).

The last two decades have also witnessed liberalization which has led to stiff competition in many sectors of the economy and has made firms change by taking certain actions in order to survive. One of these activities is retrenchment which is sometimes referred to as rightsizing. The Kenya business environment has been undergoing drastic changes for sometime now. Some of these changes include the accelerated implementation of economic reforms by the government, the liberalization of the economy, discontinuation of price controls, privatization and partial commercialization of the public sector and increased competition. In this changing environment, organizations have to constantly adapt their activities and internal configurations to reflect the new external realities. During the past year, the effects of economic recession forced companies to make hard decisions about their human capital investments as they worked to contain costs and maintain competitiveness. The most important asset to any organization is the human resources, (Halcrow 1997). People are the most common element in every organization and they can be used to further an organization's competitive advantage (Decenzo 1998). However, when a cost reduction programme is implemented in any company, the first casualty is the human capital investment like cutting back benefits, staff retrenchment, freezing or cutting salary increases and cutting or freezing development programmes like training.

Recently, as Noer (1995) notes, organizations from public to private to non-profit making have "embarked on a frenzy of staff retrenchment". In his outstanding study, a major contribution to business literature, the author maintains that staff retrenchment has eroded the trust between employees and employers and have created a managerial paradigm.

*Organizations that once saw people as assets to be nurtured and developed began to view

those same people as costs to be cut". Noer(1995) in his publication entitled "Job Seeking" notes, while those who are dismissed are usually offered counseling services, those who remain are left to cope with anxiety and distress and the dismantled corporation, a process Noer terms as "lay off survivor syndrome". For the emerging and surviving organizations to sustain their existence and remain competitive, they have to properly manage the cost, while taking keen attention of the approach and effects of retrenchment on the company and the survivors of a layoff.

Retrenchment strategy has been adopted by many organizations as a way to deal with the economic pressures from the environment. This was first witnessed in the private sector, but has now spread to all levels of the government. The private organizations that adopted this strategy in Kenya include East African Breweries, Barclays Bank, East African industries, Bata Shoe Company, Shell BP, Agip, Coca cola company, Nestle (K) Ltd, Glaxowellcome (K) Ltd amongst others. The parastatals that have undertaken retrenchment include Kenya Airways, Kenya Tea Development Agency, Kenya Commercial Bank and National Bank of Kenya. In the civil service, various ministries have been reducing their staff since 1994 in an effort to reduce costs and increase efficiency.

According to Hall and Goodale (1986), it is becoming increasingly difficult and costly for an organization to unilaterally let an employee go. One factor curtailing the freedom to cut down the workforce is the threat of discrimination suits. Many employees now belong to at least one protected group: women, racial minorities, handicapped persons, older workers(40-70 years of age) etc. If an employee in one of these groups is fired and sues the organization

for discriminatory treatment, unless the firm has evidence that the action was impartial and performance-related, the organization could have a difficult case on its hands. The fact is that many organizations simply do not have performance records on employees adequate to support termination.

In unionized firms, the labour contract provides another set of constraints on management's ability to fire employees. Consultation is a critical process which involves providing information and engaging in discussion about the potential loss of people's jobs. This situation may lead to a legal remedy being sought by elected employee representatives or a trade union or affected employees where they believe that there has been a failure to meet the statutory requirements. It may also lead to a claim for unfair dismissal by an individual where dismissal takes place without adequate warning and consultation.

Another rapidly growing factor curtailing the freedom to fire is legislation that would prohibit employers from firing workers except for a just cause.

Organizational exit is becoming an area for which the organization feels more responsibility(Hall and Goodale,1986).

Enlightened companies find there are many benefits to managing the exit process.

First, the easier and more mutually satisfying it is for an employee to leave the organization, the easier it is for the organization to use the exit as part of its human resource management strategy. Second, the more control the organization exercises over people's leaving, the more options it has to hire and develop people. The manager will attempt to reduce risk and

carefully select people who will fit, rather than hiring in a more casual manner. A third reason to manage exit is that the way the organization treats departing people affects the people who stay. Exit procedures have a tremendous impact on an organization's climate. Finally, managing exits is important because when terminations are done due to poor performance, they are handled in a way that leaves the employees feeling fairly treated (Hall and Goodale, 1986).

Criteria for retrenchment must not be on grounds of race or sex. It must not be because of the employee's proposed or actual union membership or activities or because of union non-membership. Such aspects as skills and qualifications, standards of work, aptitude and attendance and disciplinary record may be considered alongside the traditional factor of length of employment. Some recognition of length of employment is likely to be regarded as reasonable criterion, but so too would be its tempering with business requirements such as the need to keep employees with particular skills, good records or flexible attitudes.

An employer must be able to defend the criteria chosen and the manner of application (Lewis, 1992).

Janse (2001) in his article "How to retrench" notes that if no previously agreed upon selection are available, fair, objective, and non-discriminatory criteria must be used. The approach here must be that LIFO (Last in First out) should be the main criteria and where deviations from LIFO is contemplated in terms of skills retention, experience etc. a very thorough, detailed and bona fide motivation has to be provided. This issue must be handled carefully as it is often the cause of greatly emotional and subjective conflicts.

A common ground for complaint of unfair dismissal is unfair selection, therefore employers must take great care with the selection process. If there is no agreed procedure, employers must establish and be consistent in applying the criteria they will use to select employees for retrenchment. While "last in, first out", or length of service, is a well established method of selecting employees to be retrenched, it is not acceptable as the sole criterion. Further, it may not meet the employer's needs, and employers may wish to add criterion such as performance to the selection methods. Whatever the criteria, employers must be able to demonstrate that those criteria are fair and have been fairly and objectively applied, and that they have avoided giving unfair bias to specific criteria (www.ebc.com.au).

1.1.1 THE BANKING SETOR IN KENYA

It is noted in the Central Bank of Kenya Supervision Annual Report (2001) that the banking system remained stable during the year 2001 and recorded remarkable increase in levels of profitability. Aggregate net profits before tax rose from Ksh. 2.8 billion in 2000 to Ksh. 8.9 billion in 2001. The overall audited performance of the banking sector measured in terms of capital adequacy, asset quality, liquidity and earnings remained fair, based on the Central Bank's internal rating system. The sector however, has continued to be faced with a number of challenges. These include reduced business activity arising from slow down in economic growth, and attempts made during the year aim at re-introducing interest rate controls. The stock of non-performing loans still poses a major challenge. The total number of banking institutions decreased by 5 during the year 2001, as a result of liquidations and mergers. The increasingly advanced levels of information technology embraced by banks have had a

positive impact in the sector, though this has led to a massive reduction in the workforce. The new and dynamic information systems adopted by most banks have enabled them to process data faster and efficiently. This, coupled with increased use of Automated Teller Machines (ATMs) and on-line banking, has freed bank staff from the mundane manual processing tasks. In recent years, a number of mergers and acquisitions have taken place in the banking sector. Some of the mergers have been triggered by the need to meet the increasing minimum core capital requirements, and also to enhance institutions' market share in the highly competitive local banking environment through the resulting synergies. Over the last few years, there has been a tendency by some banks to reduce the number of their branches. This has in most cases been done with the objective of cutting down costs through staff reduction and to offer quality services to customers. There has been a change in assets composition due to harsh economic conditions that have led to the closure of a number of businesses and low effective demand for bank credit at both personal and corporate level.

1.1.2 RETRENCHMENT AMONG COMMERCIAL BANKS IN KENYA

The current economic down turn has continued to impact negatively on all businesses in the economy culminating in an unprecedented erosion of revenue margins whilst operational and administrative costs have tended to remain relatively high. The banking sector has not been an exception to this. All endeavours have been made to address these issues and measures have been implemented by banks with a view to achieving optimum results for all the stakeholders and to maintaining the banks market share. Such measures include investing enormous resources in information technology through which the banking

halls have begun to be decongested, rationalizing the banks branch network and in the process closing unprofitable units in an effort to reduce operating costs and outsourcing non-core services such as internal security services and computer transport in an effort to control administrative costs. Maintenance of these services has been costly to banks. The above measures have led to some changes in the level, type and quality of the banks current and future manpower requirements. In order that the banks can be able to meet new and emerging market challenges and thus remain competitive, it has become inevitable to gradually reduce the work force with the aim of improving productivity (Central Bank of Kenya, 2001).

An interview with the Human resource Manager of Kenya Commercial Bank was held on June 16th 2004 and he said, “ the bank has introduced an early retirement scheme which will be implemented in phases and will take cognisance of the banks immediate, short-term and long-term manpower needs. The first phase will affect drivers, messengers and internal security staff whose functions have been taken over through outsourcing. Subsequent phases of the scheme to be advised will affect the other categories of staff and will be as a result of the recent automation of certain aspects of branch operations, discontinuation of encashing third party cheques, staff empowerment, improved systems among others. The rationale for retrenchment targeted people who have been performing poorly, outstanding disciplinary cases and medical cases among others. Kenya Commercial Bank reduced its work force from 4300 to 2700 workers and this was done between 1999 and 2004. The bank reduced its operation from 135 to 113 outlets.”

The banking sector in Kenya comprises banks that are locally owned, foreign owned, joint ventures etc. Different banks started their operations at different times and they also differ in size. Banks are classified into small, medium, and large according to the value of assets owned by each. Banks may use certain criteria of retrenchment depending on their age, size and ownership.

1.2 STATEMENT OF THE PROBLEM

The literature reviewed in the background indicates that virtually every type of organization faces an economic environment of continuous and accelerating change. An increasingly common response by organizations to this new economic environment is to engage in some form of restructuring which mainly includes retrenchment. Staff retrenchment practices are becoming common among firms and the companies that initiate them report varying effects ranging from short term gain, long term competitiveness and on the other hand, poor image and declining profitability. The effects are both on the organization and the employees. Retrenchment has become a common occurrence in today's business world. The decision to retrench is made for strategic and financial reasons. The expectation is that reduction in costs will lead to positive impact on the bottom line and will ultimately be reflected in improved profitability and productivity. If retrenchment is not well handled, the problems it was designed to correct may intensify due to its impact on the loyalty and attitudes of the survivors.

Some studies have been done on various aspects of retrenchment, for example: The nature of responses of survivors to downsizing by Moi. D. J (2002); A survey of factors that influence

the attitudes of survivors of downsizing towards management and job security in the banking sector by Mwangi (2002); The problems experienced by organizations in managing the survivors of downsizing by Karimi (2002); A survey of the practices of staff downsizing among the major oil firms in Kenya by Guyo (2003). None of the studies has considered the criteria used by commercial banks in identifying employees to retrench, yet this is a crucial area in making retrenchment decisions.

It is becoming increasingly difficult for commercial banks to cut down the size of their workforce. There are a number of factors curtailing this freedom ranging from threat of discrimination suits, lack of evidence that dismissal is impartial and performance-related, a set of constraints, provided by the labour contract in unionized firms, legislation that would prohibit employers from firing workers except for just cause among others. A study by Mwangi (2002) on factors that influence the attitudes of survivors of downsizing towards management and job security in the banking sector, found that bank employees had a relatively low trust of the management's decisions and actions in the retrenchment process. They had a relatively strong feeling that there was injustice in the process. Usually commercial banks are faced with the challenge of determining who to let go. The retrenchment exercise should not be seen as targeting certain individual or group of individuals but should follow certain criteria that are deemed to be objective. Yet, no systematic research seems to have been undertaken to find out the criteria used by commercial banks to select those to retrench. The proposed study is intended to fill this gap in knowledge.

1.3 RESEARCH OBJECTIVES

1. To determine the criteria used by commercial banks to identify employees to be retrenched.
2. To establish the frequency of use of each criterion of retrenchment.
3. To determine association between the criterion used to determine those to be retrenched and size, age and ownership of the bank.

1.4 IMPORTANCE OF THE STUDY

The study will:

1. Provide insight to organizations on the criteria used in identifying employees to retrench.
2. Academicians wishing to enrich their knowledge in this concept of retrenchment.
3. Researchers who may wish to develop the study further through subsequent researches.

CHAPTER TWO: LITERATURE REVIEW

2.1 THE CONCEPT OF DOWNSIZING AND RETRENCHMENT

Downsizing consist of an intentional set of activities undertaken by management of an organization in order to improve overall organizational efficiency, productivity and competitiveness which also results in the reduction of the number of employees required by an organization (Cameron et al, 1993). Downsizing therefore is expected to lead to lower overheads, less bureaucracy, faster and smoother decision making and overall increase in productivity levels of the firm (Sahdev et al, 1999).

Downsizing is the discharge of surplus employees due to down turn in business, the installation of labour saving machinery and standardization or improvement of plants and techniques. This will result in the reorganization of the employers undertaking; consequently some employees may be redundant and may have to be retrenched (Job-street journal). Retrenchment refers to the termination of employment of a permanent employee due to redundancy (www.google.com).

Retrenchment refers to the voluntary actions of an organization to reduce expenses (Bruce & Green 2000). Many scholars have defined retrenchment as a purposeful reduction in the size of an organization's workforce (Cameron, Freeman and Mishra, 1991; Cascio, 1993).

2.1.1 REASONS FOR RETRENCHMENT

There are various strategic reasons for organizations to retrench. They include acquisitions and mergers, need to avoid bankruptcy, to prepare for privatization and to reduce costs to remain competitive in an increasingly global economy (Appelbaum, 1997). The expected outcomes of retrenchment include increased productivity, improved quality, enhanced competitive advantage, and potential regeneration of success (Hoskinsson and Hitt, 1994). In addition, organizations hope to achieve lower overheads, less bureaucracy, more effective decision making, improved communication and greater innovation (Burke and Greenglass, 2000) as a result of retrenchment. The retrenchment strategy may be seen as a method for increasing organizational change and regained effectiveness (Weitzel & Jonsson, 1989).

2.1.2 EFFECT OF POOR RETRENCHMENT DECISIONS ON SURVIVORS

When poor decisions are made regarding employees to let go such that the wrong employees are released of their duties, this may affect the survivors in many ways.

The victims of retrenchment have been shown to suffer from shock, grief, disbelief, anger and feeling of betrayal, fear, shame, embarrassment, fantasy and despair. The survivors are also affected by the dismissal or exit of their colleagues. They suffer from fear, insecurity and uncertainty, frustration, resentment and anger, sadness, depression and guilt, injustice, betrayal and mistrust (Tylezak, 1991).

These negative effects lead to the “survivor syndrome” (Noer, 1993), which is manifested in a variety of ways through a spectrum of attitudes and perceptions. It has been noted that

if these problems are neglected or mishandled or worse still if their existence is denied, the consequences for the organization can be severe if not devastating. The response of employees to retrenchment is influenced by their cognitive appraisal of the problem.

The surviving workers experience difficulty in coping with bigger workloads because they take over the duties of their former colleagues who become victims of retrenchment. One negative response among surviving employees is increased absenteeism and sick-offs with obvious costs to the organization and the society. Retrenchment may exacerbate the “classic” equation for stressful working conditions (Cox, 1993; Karasek and Theorell, 1990), increased job demands, decreased job control and decreased social support – and it is entirely possible that such an effect may partly mediate its other effects on absence and health.

Survivors of retrenchment report work-related stress dissatisfaction and intent to leave the organization, increased guilt and decreased morale and productivity (Brockner, 1998).

The survivors attitudes and behaviours are consistently negative, where perceived justice was low, organizational trust and support were highly related to perceived outcome negativity (Brocker et al, 1993). These negative reactions combined with the fact that survivors must do more, with few resources makes the aftermath of layoffs difficult to deal with.

2.1.3 EFFECT OF POOR RETRENCHMENT DECISIONS ON LEAVERS

Poor decisions in identifying employees to retrench affect the victims of a layoff such that they exhibit various reactions. Research indicates that the reactions of leavers include anger, shock, disbelief, denial etc. These may later translate to feelings of betrayal, resentment, insecurity, powerlessness, and deeper-seated feelings (Richard, Bransted & Milan, 1996; Hall and Goodale, 1986).

Table 1: Predictable Reactions To The Emotional Impact Of Job Termination

Emotional Reaction	Observable Behaviour
Shock	Silence
Immobilization	Blank look, tears
Disbelief	Shocked questioning
Denial	Debate, argument
Anger	Automatic verbal outburst
Bargaining	Pleading
Frustration	Depression
Grieving	Opening up/looking ahead
Resolution	Letting go

Source - Richard L. K. , Elizabeth B. , and Milan M. (1996) , From retrenchment to recovery, Davis-black publishing, page 234.

Charles (1974) in his article: "A sensible approach to mass layoffs", has suggested ways of making retrenchment less painful to the leavers. He has recommended a set of objectives such as relocation of separated employees, alleviation of psychological and economic strains, and exercising good community citizenship.

These objectives are elaborated below:

Relocation of separated employees

When a cutback in staff occurs, many people will become confused. Unaccustomed to job hunting, they often will not know what to do with the result that they do nothing to find new work. Their attitudes towards the future become sour. The best thing the personnel department can do to prevent this is to assist these people to find new jobs so their income stream will not be interrupted. This is largely a matching process. It involves identifying employment opportunities, introducing prospective employees to employers, and assisting the prospective employees to make their capabilities known to employers by well-prepared resumes and personal interviews.

Psychological and economic strains can be alleviated by dealing honestly and directly, but understandingly and supportively with employees. Be direct and helpful with your people and be available for them; Clearly and early announce the retrenchment, the date when the exercise will be done and the reasons for the decision. Communicate the retrenchment far enough in advance so that people have adequate time to find new work. Start your assistance program to help people find new jobs some time well before their projected

separation date, so that they know the retrenchment is really coming and do not cling to false hopes which are sure to be shattered; Advise personnel on their rights to company benefits, the amount of their severance pay, time of payment etc. Make available information on social security, unemployment compensation, and other assistance available to unemployed people; Provide counseling and advice on where to obtain direct help on career plans and financial problems caused by the loss of a job.

Good community citizenship can be enhanced by becoming a responsible organization, and not taking the "I don't care" attitude towards the community; Arrange for company officials, company staff in charge of the relocation assistance program, community leaders, and members of the local chamber of commerce to meet, with the purpose of working together constructively to anticipate, avoid, or at least alleviate possible economic strains on the community; Make these joint efforts known to the local news media and your employees; Make known the company's relocation assistance program to the local news media; Publish periodic reports in local newspapers regarding the progress of relocation efforts. For example, the company could publish the percentage of people who have found new jobs.

2.2 OUTPLACEMENT SERVICES

Flippo (1984), notes that outplacement services are provided to displaced employees to give them support and assistance. In a well developed outplacement function, the displaced person will be assigned to a counselor. The immediate major problem is to rebuild the confidence and self esteem of the rejected employee. The employee is quickly removed

from his or her regular work environment to reduce loss of “face” and to permit full-time efforts to be devoted to job search. Firms are also generous in providing severance pay to finance the job search and in allowing dismissed employees to retain an office base from which the search can be conducted. Daily conversations and exchange of job tips among the total group of displaced personnel help to maintain morale.

The second task of the counselor is to develop a data base for each individual. This will contain job experience, salary history, educational background, and career objectives. Depth interviews and psychological tests may be administered to assist in identifying personal strengths.

Third, the actual process of job search will be undertaken. The counselor will make available knowledge of typical job sources and provide specific assistance in preparing resumes and introductory correspondence. Practice in interviewing techniques will often be conducted with particular attention being devoted to applicant attitudes. Many jobs have been lost because of applicant approaches and attitudes that turn off “the prospective employer”. Help will be provided in evaluating particular job offers through providing information on salary ranges and examining all facets of the potential job, such as advancement potential, indirect benefits, similar positions in other companies etc. (Flippo, 1984; Hall and Goodale, 1986; Armstrong, 2001).

2.3 CRITERIA FOR RETRENCHMENT

Criteria a firm can use to select employees to retrench include seniority systems, unsatisfactory performance, incapability, ill-health, misconduct and early retirement programs. These criteria are discussed in greater details below.

Seniority systems

It is generally found in practice that seniority is a stronger factor in layoff than it is in promotion decisions. In one survey of union-management contracts, seniority was the sole factor controlling layoff decisions in 25% of the contracts, a primary factor in one-half (seniority controlled if the more senior employee could meet minimum performance requirements), and a secondary factor in the remainder (seniority controlled only if the more senior employee was relatively equal in ability to the person to be replaced). (Flippo, 1984)

This system involves laying the least senior people in each job class. Cutting the same percentage of employees from each job class would make retrenchment process completely objective and automatic. The system has several advantages. The system ends reliance on subjective employee evaluations, and would generate few legal challenges. It reduces morale effects and pressure to search for other jobs if one is "safe" and finally, it removes some of the stigma that unjustifiably attaches to retrenchment. Seniority based system has disadvantages, however. Low morale and pressure to search for other jobs are still felt by all employees, even if the pressure is eased for some people. There is no

incentive to improve productivity. Positions are cut regardless of need. (Harry C. Dennis, jr,1983).

Unsatisfactory performance

This may be defined as a persistent failure to perform assigned duties or to meet prescribed standards on the job. Specific reasons here include excess absenteeism, tardiness, a persistent failure to meet normal job requirements, or an adverse attitude towards the company, supervisor or fellow employees (Flippo, 1984).

Employers may find that performance appraisal schemes provide a useful structure for establishing fair and objective selection criteria and that the use of appraisal data can help to ensure that the act of selection is not itself unfair (Lewis, 1992)

Incapability

It is fair to dismiss an employee on the grounds of capability or qualifications, but subject to the test of reasonableness. Capability refers to skill, aptitude, or any other physical or mental quality. Qualifications mean any ' degree, diploma or other academic, technical or professional qualification'. In practice, dismissals on the grounds of capability are those involving incompetence. where incompetence reflects the fact that the employee is working below capacity rather than a lack of ability, the issue is to be treated as one of misconduct rather than one of capability. Loss of confidence in an employee, more likely in a management position, can amount to incompetence (Lewis, 1992).

Ill-health

In ill-health dismissals much depends on the context. A dismissal in a small firm will often be fair, while in a larger firm, where the work can be 'covered', it may well be unfair. The nature of the job will be a consideration too. At some stage, provided a proper procedure has been followed, an ill-health dismissal is likely to be fair. The procedural necessities include ascertaining the medical position and consulting with the employee (Lewis, 1992).

Misconduct

Misconduct may be defined as deliberate and willful violation of the employer's rules and may include stealing, rowdiness, and insubordination (Flippo, 1984). Certain offences normally attract the label 'gross misconduct'. These include theft, physical violence, drunkenness, breach of confidence and refusal to carry out a legitimate order. Gross negligence in the absence of any element of intention, does not amount to gross misconduct. The employer may consider the level of misconduct of various employees in the past (Lewis, 1992).

Early retirement programs

Many organizations have resorted to early retirement programs as a criterion for reducing the size of the workforce. Research indicates that prospective retirees predict far more dissatisfaction with the retirement role than they actually experience after leaving the organization. Properly designed programs can do much to lessen these anxieties.

(Flippo, 1984) notes that whether cause or effect, it is evident that retirement is a major event in one's lifecycle, and the organization has a major responsibility in facilitating the transition from one stage to the other. People must become able to accept the idea that one can successfully live in dignity as an adult without having a job.

He further notes that retirement programs can also provide considerable values for the organization and society at large. Successful retirees are walking ambassadors of good will for the organization. They reduce the burden on the firm's personnel department after retirement in as much as most of their questions have been answered. It is also possible that their productivity in the few years prior to retirement has been enhanced because of the lessening of anxiety about the future. Society in general also profits from successful programs. Retirees possess a valuable societal resource—a daily supply of free time. Programs that inform prospective retirees of places where they can continue to serve in voluntary organizations enhance society's wealth. Programs that enhance greater self-sufficiency in financial planning can do much in enhancing retirees' lives thereafter (Flippo, 1984; Hall and Goodale, 1986).

Armstrong (2001) suggests other criteria which include: changed requirements of the job which is an employee's incapability of doing the work assigned after the nature of the job has been changed; a legal factor that prevents the employee from continuing work; the employee broke or repudiated his or her contract by going on strike—as long as he or she was not singled out for this treatment, that is, all striking employees were treated alike and

no selective re-arrangement took place; the employee was taking part in an official strike or some other form of industrial action.

There is an overlap of criteria of retrenchment, where unsatisfactory performance having been defined as persistent failure to perform assigned duties or to meet prescribed standards on the job, may also be as a result of incapability, which is lack of required skills to do a job.

Steps in the selection process of a criterion

The following steps in the selection process are regarded as good human resources management practice, Enterprise Business Centre's Information Resource Centre (2001), www.ebc.com.au :

- Follow any award or agreement provisions on selection.
- Decide on a method for selection if no guidelines exist (refer to the table below for options on selection methods).
- If there is no agreement with a union, consult with the union to establish selection methods (otherwise, it is good practice to inform the union of what the selection methods were/will be).
- When deciding on selection methods, consider matters such as length of service, job performance, experience, attendance and work records, the availability of alternative employment and how to best serve the commercial needs of the enterprise.

- Take into account more criteria than length of service alone.
- Consider the organization's future staffing needs, not only the current effect staffing has on profitability.
- Review all possibilities of internal transfer, especially for senior or long serving staff.
- Provide procedural fairness in the retrenchment. Use fair and objective selection criteria, apply the criteria in a fair way without preconceived notions of the best outcome, consider the alternatives to minimize terminations, consult with the union, if applicable as a matter of good practice, and to minimize the risk of actions for unfair dismissal, consult with employees and provide procedural fairness in all redundancies.
- Ensure selection meets equal opportunity and anti-discrimination laws, and any organization policies.
- Ensure that the reason for termination is not prohibited under the relevant legislation.

Employers can use this selection assessment as a guide to help clarify the selection process and to ensure the process is more carefully thought out and objective. Employers do not need to adopt all the criteria listed. However, an assessment based on a wide range of criteria is more likely to be seen to be fair (Enterprise Business Centre:s Information Resource Centre (2001), www.ebc.com.au). Methods used in selecting potential retrenchees are presented in table 2.

Table2: Selection assessment methods

Selection method	Comments
“Last on, first off”	Although this seems fair, it ignores the issue of promising or good quality employees. It has also been rejected by some tribunals as a suitable basis for selecting candidates for redundancy.
“First on, first off”	This removes older employees and can create more opportunity for those that remain, but reduce the level of experience and may undermine loyalty.
Standard of job performance	This can remove poor performing employees, as identified by a performance appraisal system. This is useful, however many performance review systems are flawed. Further, if this is the basis used, employees must provide “procedural fairness” as if it were a dismissal, giving the employee feedback and opportunity to improve.
Future potential	Those with the least potential are retrenched first. This would have to rely on some measure of potential, such as performance review. Because of this, it too would require “procedural fairness”. It also requires careful human resources planning to ensure that future needs will be met.
Voluntary	Employees who would like to be made redundant are given the opportunity to come forward. This can result in many of the best employees leaving, as they are more confident of picking up jobs elsewhere.

Navaratnam (2001) notes, retrenchment procedures either in a non-unionized environment or unionized environment do not differ very much. The only difference is that with a collective Agreement, the procedure to apply LIFO and the quantum of retrenchment benefits will be spelt out. If after considering alternatives to retrenchment there is no option but to retrench, the following procedures should apply:

Non-unionized environment

Managers should start discussing with their staff the possibility of retrenchment due to the economic situation of the company. Introduce a fair and reasonable voluntary retrenchment scheme (VSS). Terminate employees on a month-to-month basis, especially those who are nearly retired, and temporary/contract employees. Assist those to be retrenched to find alternative jobs. Spread the retrenchment period over a longer period of time and use a specific formula which is equitable and fair to select employees for retrenchment, applying the LIFO principle as closely as possible.

Unionized environment

Essentially the above procedures would apply, with the difference being that the union would be negotiating on behalf of its members. However, very close communication and consulting with the union on each step of the way before actual retrenchment takes place, goes a long way to reduce the impact of surprise and gives the union the chance to explain why the retrenchment had to take place. In dealing with the union, ensure that you are totally honest with the reasons of retrenching staff, and in the event of a possible dispute, request the Industrial Relations Department to mediate (www.google.com).

CHAPTER THREE: RESEARCH METHODOLOGY

This chapter presents the research methodology that was used to meet the objectives of the study.

3.1 RESEARCH DESIGN AND POPULATION

This is a descriptive study. It is a census survey and the population consisted of the Human Resource Managers of the 40 banking institutions in Nairobi which have retrenched in the past three years (See Appendix 3). These banks have their head offices situated in Nairobi though they have branch networks in other towns. The list of these banking institutions was adapted from a study by Mwangi Elizabeth Nyaikamba (2002), which was obtained from the Federation of Kenyan Employers, and is attached as appendix 3.

3.2 DATA COLLECTION

The study largely utilized primary data. The data was collected using a questionnaire. The questionnaire consisted of both closed and open-ended questions. The questionnaire was divided into two sections. Section A sought bio-data of the respondents and organizations while Section B addressed aspects of retrenchment, mainly the criteria used in identifying employees to retrench. The questionnaire was administered on a 'drop and pick up later' basis.

3.3 DATA ANALYSIS

Descriptive statistics were used to summarize the data. These included frequencies, percentages and mean scores, which were used to determine the criteria used in identifying employees to retrench. For example, the criteria with the highest frequency as well as percentage was deemed as the most popularly used. Open-ended questions were content analyzed, and used to explain responses to closed-ended questions to which they applied.

Cross tabulations were used to check for any association between the techniques used to select the employees to retrench and organizational factors such as age, ownership and size. Analyzed data was presented in form of tables.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

The data from the study was summarized and presented in percentages, frequencies and tables. Out of the 43 Human Resource Managers who comprised the population of the study, 20 completed the questionnaires. This is approximately 47% of the target. Some of the banks have not carried out any retrenchment, and were therefore not in a position to respond to questions that addressed the criteria used by commercial banks in Kenya to identify employees to retrench.

The analysis is presented as follows:

- Data on the respondents profile and the organization.
- Data on the criteria used to identify employees to retrench.
- Data on the association between the criteria used to identify employees to retrench and age, ownership and size of the organization.

4.2 Type of respondents

Table 3: Distribution of respondents by gender

Gender	Frequency	Percentage
Male	15	75
Female	5	25
Total	20	100

From Table 3 above, it can be observed that the respondents were 75% male and 25% female. This is indicative of the domination of the human resources function in the banking industry by males.

Table 4: Position of respondents in the banks

Position of respondents	Frequency	Percentage
HR Manager	12	60
HR Advisor	1	5
Assistant HR	4	20
HR Dev. Manager	3	15
Total	20	100

Majority of the respondents were Human Resource Managers (60%), followed by Assistant HR Manager (20%), HR Dev. Manager (15%) and Human Resources Advisor (5%). These results are presented in Table 4.

Table 5: Title given to head of HR department in the banking industry

Title for head of HR	Frequency	Percentage
Group HR Director	4	20
HR Manager	11	55
Chief HR Manager	4	20
General Manager	1	5
Total	20	100

The findings presented in Table 5 indicate that majority of the heads of Human Resources department in the banking industry have the title of Human Resource Manager (55%), while other titles are Group HR Director (20%), Chief HR Manager (20%), and General Manager (5%).

Table 6: Distribution of respondents' experience in years

Experience in years	Frequency	Percentage
0-8 years	10	50
9-16 years	7	35
17-24 years	2	10
Over 24 years	1	5
Total	20	100

As shown in Table 6, the experience of the HR experts within the various commercial banks in Kenya ranges between 0 and over 24 years, with 50% having experience of 0-8 years, 35%(9-16 years), 10%(17-24 years) and 5% over 24 years.

Table 7: Distribution of banks by age

Period of existence in years	Frequency	Percentage
Less than 10 years	2	10
11-20 years	7	35
21-30 years	1	5
Over 30 years	10	50
Total	20	100

Table 7 above shows that majority of the banks studied have been in existence in Kenya for a period between 11-20 years (35%) and over 30 years (50%). The period of existence is rather long indicating that the Kenyan market must be fairly favourable and making some good returns to the shareholders. Those that existed for less than 10 years constituted 10% and those between 21 and 30 years were 5%.

Table 8: Number of employees in the various banks

No. of employees	Frequency	Percentage
1-500	15	75
501-1000	1	5
1001-1500	1	5
Over 1500	3	15
Total	20	100

From Table 8 above, it can be observed that majority of the commercial banks (75%) have less than 500 employees, while 15% of the banks have over 1500 employees and 5% have between 500 and 1500 employees.

Table 9: Distribution of banks by ownership

Ownership	Frequency	Percentage
Locally owned	12	60
Foreign owned	4	20
Joint venture	4	20
Total	20	100

The analysis indicates that 60% of commercial banks in Kenya are locally owned, while 20% are foreign owned and 20% are a combination of local and foreign owned. These results are presented in Table 9.

Table 10: Proportion of ownership of joint venture

Proportion of ownership	Frequency	Percentage
Largely foreign owned	3	60
Largely locally owned	2	40
Total	5	100

From Table 10 above, it shows that only 20% of the banks are joint venture while 80% of the banks are either locally or foreign owned. From the banks that are a joint venture, 75% are largely foreign owned, while 25% are largely locally owned.

Table 11: Distribution of banks by size

Size of banks	Frequency	Percentage
Large	11	55
Medium	5	25
Small	4	20
Total	20	100

The size was determined by the value of assets owned by the banks. Banks with assets over Ksh 5000M were classified as large, assets between Ksh 3000M and Ksh 4999.9M as medium, and assets between Ksh 0 and Ksh 2999.9M as small. As shown in Table 11 above, 55% of the respondents were from large banks, 25% were from medium banks and 20% were from small banks.

Table 12: Number of banks with retrenchment policy

Retrenchment policy	Frequency	Percentage
Yes	13	65
No	7	35
Total	20	100

From Table 12 above, it is evident that out of the total respondents, 65% of the banks have a retrenchment policy in place, while 35% of the respondents do not have a retrenchment policy.

Table 13: Number of times retrenchment has been done

Number of times retrenched	Frequency	Percentage
Once	12	60
Twice	5	25
Over 3 times	3	15
Total	20	100

The findings of the study presented in table 13, show that 60% have retrenched once, 25% have retrenched twice and 15% have done it more than 3 times within the last 5 years.

Table 14: Provision of outplacement services by banks

Outplacement services	Frequency	Percentage
Yes	9	45
No	11	55
Total	20	100

From Table 14 above, 45% of the banks that have retrenched provide outplacement services to the employees leaving. These services include counseling on managing post-retrenchment effects. This is healthy for the organization and employees because if this is not done, it has got far-reaching implications on the survivors. Other outplacement services include financial management and opening up of new businesses, recommendation letters/ contacts of prospective employers and career workshops. However, 55% of the banks that have retrenched do not provide any outplacement services to the leavers.

Table 15: Performance appraisal systems

Performance appraisal system	Frequency	Percentage
Yes	20	100
No	-	-
Total	20	100

20 (100%) of the respondents said that they had a performance appraisal system in place.

This shows that the daily progress/ performance of the employees is measured. Those banks that use employees' individual productivity in making retrenchment decisions solely rely on this assessment. These results are presented in Table 15 above.

4.3 Criteria used in determining employees to retrench

Table 16: Extent of use of Last in-First out (LIFO) as a retrenchment criterion

Response	Frequency	Percentage
To a very great extent	1	5
To a great extent	2	10
To a moderate extent	7	35
To a less extent	5	25
Not at all	5	25
Total	20	100

Table 16 above shows that 1 (5%) of the respondents used the last-in first-out method as a criterion for retrenchment to a very great extent, 2 (10%) to a great extent, 7 (35%) to a moderate extent, 5 (25%) to a less extent, and 5 (25%) did not use the method at all.

Table 17: Extent of use of employees' individual productivity as a retrenchment criterion

Response	Frequency	Percentage
To a very great extent	12	60
To a great extent	7	35
To a moderate extent	1	5
To a less extent	-	-
Not at all	-	-
Total	20	100

As shown in Table 17 above, 12 (60%) of the respondents considered employees' individual productivity in the retrenchment decision to a very great extent, 7 (35%) to a great extent, and 1 (5%) to a moderate extent.

Table 18: Extent of use of misconduct as a retrenchment criterion

<i>Response</i>	Frequency	Percentage
To a very great extent	8	40
To a great extent	4	20
To a moderate extent	4	20
To a less extent	1	5
Not at all	3	15
Total	20	100

From Table 18 above, it can be observed that 8 (40%) of the respondents considered misconduct as a criterion for retrenchment to a very great extent, 4 (20%) to a great extent, 4 (20%) to a moderate extent, 1(5%) to a less extent, and 3(15%) did not consider it at all.

Table 19: Extent of use of incapability as a retrenchment criterion

<i>Response</i>	Frequency	Percentage
To a very great extent	5	25
To a great extent	3	15
To a moderate extent	3	15
To a less extent	4	20
Not at all	5	25
Total	20	100

5 (25%) of the respondents considered incapability as a criterion for retrenchment to a very great extent, 3 (15%) to a great extent, 3 (15%) to a moderate extent, 4 (20%) to a less extent, and 5(25%) did not consider it all. These results are presented in Table 19 above.

Table 20: Extent of use of early retirement programs as a retrenchment criterion

Response	Frequency	Percentage
To a very great extent	3	15
To a great extent	4	20
To a moderate extent	5	25
To a less extent	5	25
Not at all	3	15
Total	20	100

From Table 20 above, it shows that 3 (15%) of the respondents use early retirement programs as a criterion for retrenchment to a very great extent, 4(20%) to a great extent, 5(25%) to a moderate extent, 5 (25%) to a less extent, and 3 (15%) do not use it at all.

4.4 Association between criteria used and age of a bank

Cross tabulations below are meant to establish if there is any association between the criteria used and age of a bank.

Table 21: Association between Last in-First out (LIFO) and age of a bank

Years of operation

Extent of use	Less than 10 years	11-20 years	21-30 years	Over 30 years	<i>Total</i>
To a very great extent				1	1
To a great extent		1	1		2
To a moderate extent		3		4	7
To a less extent	1	2		2	5
Not at all	1		1	3	5
Total	2	6	2	10	20

From Table 21 above, it shows that most of the banks that used LIFO method but to a moderate extent were those that have existed for a period between 11-20 years (15%) and over 30 years (20%).

Table 22: Association between employees' individual productivity and age of a bank

Years of operation

Extent of use	Less than 10 years	11-20 years	21-30 years	Over 30 years	Total
To a very great extent		3	2	7	12
To a great extent	1	3		3	7
To a moderate extent	1				1
Total	2	6	2	10	20

Table 22 above shows that majority of the banks (60%) that used employees individual productivity to a very great extent have been in existence for over 11 years, while those that used it to a great extent, (5%) have existed for less than 10 years, (15%) between 11-20

years, and (15%) over 30 years. Only 5% used the method to a moderate extent and these are the banks that have existed for less than 10 years.

Table 23: Association between misconduct as a criterion and age of a bank

Years of operation

Extent of use	Less than 10 years	11-20 years	21-30 years	Over 30 years	Total
To a very great extent	1	2	1	4	8
To a great extent		3		1	4
To a moderate extent	1	1	1	1	4
To a less extent				1	1
Not at all				3	3
Total	2	6	2	10	20

Table 23 above shows that the banks that used misconduct as a criterion to a very great extent, (5%) have existed for less than 10 years, (10%) between 11-20 years, (5%) between 21-30 years, and (20%) over 30 years.

Table 24: Association between incapability as a criterion and age of a bank

Years of operation

Extent of use	Less than 10 years	11-20 years	21-30 years	Over 30 years	Total
To a very great extent				5	5
To a great extent	1		1	1	3
To a moderate extent		3			3
To a less extent		2	1	1	4
Not at all	1	1		3	5
Total	2	6	2	10	20

Incapability as a criterion was used to a very great extent ((25%) by banks that have existed for over 30 years, the banks that used it to a less extent, (10%) have existed between 11-20 years, and (5%) between 21-30 years and over 30 years respectively. Those that did not use the method at all (5%) have existed between 0-20 years and (15%) over 30. These results are presented in Table 24 above.

Table 25: Association between early retirement programs and age of a bank

Years of operation

Extent of use	Less than 10 years	11-20 years	21-30 years	Over 30 years	Total
To a very great extent		1	1	1	3
To a great extent	1			3	4
To a moderate extent		2	1	2	5
To a less extent		3		2	5
Not at all	1			2	3
Total	2	6	2	10	20

From Table 25 above, it is evident that the banks that used early retirement programs to a moderate extent, (10%) have existed for a period between 11-20 years, (5%) 21-30 years and (10%) for over 30 years. Those that used it to a less extent, (15%) have existed between 11-20 years and (10%) for over 30 years.

The banks that use LIFO method but to a moderate extent have existed for a period between 11-20 years and over 30 years. Those that use employees individual productivity to a very great extent have existed for over 11 years. Misconduct as a criterion has been

used to a very great extent by banks that have existed for over 11 years. Incapability has been used to a very great extent by banks that have existed for over 30 years. Early retirement programs have been used to a moderate extent by banks that have existed for over 11 years and to a less extent by banks between 11-20 years and over 30 years.

4.5 Association between criteria used and size of a bank

Table 26: Association between Last in-First out (LIFO) and size of a bank

Size of a bank

Extent of use	Large	Medium	Small	Total
To a very great extent		1		1
To a great extent		1	1	2
To a moderate extent	4	1	2	7
To a less extent	2	1	2	5
Not at all	4		1	5
Total	10	4	6	20

Table 26 above shows that most of the banks that used LIFO method but to a moderate extent (20%) were large, (5%) medium and (10%) were small. Those that used the method to a less extent, (10%) were large and small respectively while (5%) were medium. However, (20%) of the large banks and (5%) of the small banks did not use the method at all.

Table 27: Association between employees' individual productivity and size of the bank

Extent of use	Size of a bank			Total
	Large	Medium	Small	
To a very great extent	7	3	2	12
To a great extent	3	1	3	7
To a moderate extent			1	1
Total	10	4	6	20

From Table 27 above, it is observed that majority of the banks (60%) that used employees individual productivity to a very great extent,(35%) are large, (15%) medium, and (10%) are small, while those that used it to a great extent, (15%) are large, (5%) medium, and (15%) are small. Only small banks (5%) used the method to a moderate extent.

Table 28: Association between Misconduct as a criterion and size of a bank

Size of a bank

Extent of use	Large	Medium	Small	Total
To a very great extent	3	2	3	8
To a great extent	1	2	1	4
To a moderate extent	2		2	4
To a less extent	1			1
Not at all	3			3
Total	10	4	6	20

As shown in Table 28 above, most of the banks that used misconduct to a very great extent (40%), (15%) were large and small respectively, and (10%) were medium. (5%) of large and small banks respectively, and (10%) of the medium banks used it to a great extent whereas (10%) of large and small banks respectively used the method to a moderate extent.

Table 29: Association between incapability as a criterion and size of a bank

Size of a bank

Extent of use	Large	Medium	Small	Total
To a very great extent	4	1		5
To a great extent	1	1	1	3
To a moderate extent			3	3
To a less extent	2	2		4
Not at all	3		2	5
Total	10	4	6	20

(20%) of large banks and (5%) of medium ones used incapability as a criterion to a very great extent, while 5% of all bank sizes used it to a great extent. (15%) of large banks and (10%) of small ones did not use the method at all. These results are presented in Table 29 above.

Table 30: Association between early retirement programs and size of a bank

Size of a bank

Extent of use	Large	Medium	Small	Total
To a very great extent	1	1	1	3
To a great extent	3		1	4
To a moderate extent	3	1	1	5
To a less extent	1	2	2	5
Not at all	2		1	3
Total	10	4	6	20

From Table 30 above, it can be observed that (15%) of large banks and (5%) of medium and small banks respectively used early retirement programs to a moderate extent, while (10%) of medium and small banks respectively, and 5% of large ones used the method to a less extent. However, (15%) of large banks and 5% of small ones used it to a great extent.

LIFO method was used to a moderate extent by banks that are large, medium and small. These banks have used employees individual productivity to a very great extent. They have also used misconduct as a criterion to a very great extent. Incapability to a very great extent by large and medium banks, while early retirement programs have been used to a moderate and less extent by all sizes of banks.

4.6 Association between criteria used and ownership of a bank

Table 31: Association between Last in-Last out (LIFO) and ownership of a bank

Ownership of a bank

Extent of use	Locally owned	Foreign owned	Joint venture	Total
To a very great extent		1		1
To a great extent	1	1		2
To a moderate extent	4	2	1	7
To a less extent	3	1	1	5
Not at all	2		3	5
Total	10	5	5	20

LIFO method was used to a moderate extent by (20%) of locally owned banks, (10%) of foreign owned, and 5% of joint ventures. The banks that used the method to a less extent, (15%) were locally owned, and 5% were foreign owned and joint ventures respectively. 10% of locally owned banks and 15% of joint ventures did not use the method at all. The results are presented in Table 31 above.

Table 32: Association between employees individual productivity and ownership of a bank

Ownership of a bank

Extent of use	Locally owned	Foreign owned	Joint ventures	Total
To a very great extent	6	4	2	12
To a great extent	4	1	2	
To a moderate extent			1	17
Total	10	5	5	20

As shown in Table 32, employees individual productivity was used to a very great extent by 30% of locally owned banks, 20% of foreign owned, and 10% of joint ventures. The method was used to a great extent by 20% of locally owned banks, 5% of foreign owned, and 10% of joint ventures.

Table 33: Association between Misconduct as a criterion and ownership of a bank

Ownership of a bank

Extent of use	Locally owned	Foreign owned	Joint venture	Total
To a very great extent	4	3	1	8
To a great extent	3		1	4
To a moderate extent	3	1		4
To a less extent			1	1
Not at all		1	2	3
Total	10	5	5	20

As shown in Table 33 above, misconduct was used as a criterion to a very great extent by 20% of locally owned banks, 15% of foreign owned, and 5% of joint ventures. 15% of locally owned banks and 5% of joint ventures used it to a great extent, and 15% of locally owned banks and 5% of foreign owned banks used the method to a moderate extent.

Table 34: Association between incapability as a criterion and ownership of a bank

Ownership of a bank

Extent of use	Locally owned	Foreign owned	Joint venture	Total
To a very great extent	2	1	2	5
To a great extent		3		3
To a moderate extent	3			3
To a less extent	3		1	4
Not at all	2	1	2	5
Total	10	5	5	20

From Table 34 above, incapability as a criterion was used to a very great extent by 10% of locally owned banks and joint ventures respectively, and 5% of foreign owned banks. 15% of locally owned banks and 5% of joint ventures used it to a less extent, and the banks that did not use the method at all, 10% were locally owned and joint ventures respectively, and 5% were foreign owned.

Table 35: Association between early retirement programs and ownership of a bank

Ownership of a bank

Extent of use	Locally owned	Foreign owned	Joint venture	Total
To a very great extent	2	1		3
To a great extent		2	2	4
To a moderate extent	5			5
To a less extent	3	1	1	5
Not at all		1	2	3
Total	10	5	5	20

As shown in Table 35 above, early retirement programs have been used to a moderate extent by 15% of locally owned banks, and to a less extent by 15% of locally owned banks and 5% of foreign owned banks and joint ventures respectively.

LIFO method has been used to a moderate extent by banks that are locally owned, foreign owned and joint ventures. Employees' individual productivity has been used to a great extent by banks that are locally owned, foreign owned and joint ventures. Misconduct as a criterion has also been used by these banks to a very great extent. Incapability has been used to a very great extent by all these banks, while early retirement programs have been used to a moderate extent by locally owned banks, and to a less extent by all these banks.

CHAPTER FIVE: SUMMARY AND CONCLUSIONS

This chapter summarizes the findings of the study. It also includes conclusions, limitations of the study and suggestions for future research.

5.1 Summary

The first objective of the study was to establish the criteria used by commercial banks in Kenya to determine employees to retrench. The second objective was to establish the frequency of use of each criterion, and thirdly, the study was to determine if there was any association between the criteria used to determine those to be retrenched and age, ownership and size of the organization.

From the study it is noted that the commercial banks use seniority (Last-in first-out), employees' individual productivity, misconduct, incapability, early retirement programs, first-in first-out (FIFO) and employee obsolescence as criteria for determining employees to retrench.

The criterion that is most popularly used is assessment of employees' individual productivity. All the respondents have a performance appraisal system in place where the daily progress of employees is measured. These records play a very big role in making retrenchment decisions. Misconduct as a criterion for retrenchment is also popular and some of the behaviors that banks consider as misconduct include fraud, insubordination, regular unauthorized absenteeism, financial mismanagement, leaking out confidential information, alcoholism, negligence among others. Early retirement programs are also used to a moderate extent. Incapability as a criterion is used to a less extent.

As shown on the cross tabulation of various criteria and age, ownership and size of the organization, it is evident that there is no association between the criteria used and age, and ownership and size of the organization. All banks use the same criteria despite their age, ownership and size.

5.2 Conclusions

The findings of the study point to the fact that commercial banks in Kenya use various criteria for determining employees to retrench, which include seniority (First-in first-out), employee individual productivity, misconduct, incapability, early retirement programs, First-in first-out (FIFO), and employee obsolescence.

The criterion that is most popularly used is assessment of employees' individual productivity through performance appraisal systems. Misconduct is also popularly used as a criterion, and for those banks that have early retirement programs, this is a very popular approach. It is advisable for commercial banks to use a combination of two or more criteria so that objectivity is observed. The findings of the study also point to the fact that similar criteria are used by banks irrespective of their age, ownership and size.

5.3 Limitations of the study

The researcher faced the following limitations:

The response rate was not as high as expected because some would-be respondents failed to return their questionnaires, while others declined to be involved in the study claiming that in so-doing would be going against the organizational policy. Out of the forty-three

questionnaires that were distributed, only twenty were collected. The contents of the study would have been richer if a larger number of respondents were involved. The response rate was too low to allow for the use of statistical tests.

5.4 Suggestions for further research

A similar study can be conducted in another industry to check whether there is similarity in the criteria used in determining employees to retrench across the board.

A study can also be done to establish the fairness involved in applying the various criteria for retrenchment.

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APPENDICES

APPENDIX 1

INTRODUCTION LETTER TO THE RESPONDENTS

University of Nairobi
Faculty of commerce
Department of business Administration
P. O Box 30197
Nairobi

Dear respondent,

RE: COLLECTION OF RESEARCH DATA

I am a postgraduate student at the Faculty of Commerce in the University of Nairobi. In order to fulfill the degree requirement, I am undertaking a research project on the criteria used by banking institutions to identify employees to retrench.

You have been selected to form part of this study.

This is to kindly request you to assist me collect the data by filling out the attached questionnaire which will be mailed back at a later date.

My supervisor and I assure you that the information provided will be purely confidential and will be used for academic purposes. All the findings of the research will be availed to you upon completion and the name of the establishment will not appear in the report.

Your co-operation will be highly appreciated.

Thank you in advance.

Yours sincerely,

Mercy Gacheri
STUDENT

Prof. Peter K'obonyo
SUPERVISOR

APPENDIX 2

QUESTIONNAIRE

Please answer the following questions by ticking [] in the appropriate bracket or by giving the necessary details in the spaces provided.

SECTION A

PART 1: RESPONDENT PROFILE

1. What is your gender?

[] Male [] Female

2. Title or position of the respondent in the organization.

3. What is the title given to the head of Human Resource department in your organization?

4. How long have you been with this organization?

[] 0 – 8 years

[] 9 – 16 years

[] 17 – 24 years

[] Over 24 years

PART II: ORGANIZATION DATA

5. Name of the organization

7. For how long has the organization been in existence?

Less than 10 years

11-20 years

21-30 years

Over 30 years

8. How many employees are in the organization?

1-500 501-1000 1001-1500 Over 1500

9. How would you classify your organization in regard to ownership?

Locally owned

Foreign owned

Combination of local and foreign

Other Please specify _____

10. In case your organization is a joint venture between foreign and local investors, what is the proportion of ownership?

Largely foreign owned

Largely locally owned

Equally owned

11. How would you rate your bank according to the value of assets owned?

Assets over Ksh. 5000 M

Assets between Ksh. 3000 M and Ksh. 4999.9 M

Assets between Ksh. 0 and Ksh. 2999.9 M

12. Does your organization have retrenchment policy?

Yes

No

13. How many times have you carried out retrenchment over the last 5 years?

14. How many employees were left after the last retrenchment?

15. Do you provide counseling and other outplacement services to the leavers?

If yes, what do they include?

SECTION B: QUESTIONS SPECIFIC TO CRITERIA FOR RETRENCHMENT

16. Staff retrenchment occur by seniority, on the last-in first-out basis.

To a very great extent

To a great extent

To a moderate extent

To a less extent

Not at all

17. To what extent did you consider employees' individual productivity in the retrenchment decision?

To a very great extent

To a great extent

To a moderate extent

To a less extent

Not at all

18. To what extent is misconduct considered as a criterion for retrenchment?

To a very great extent

To a great extent

To a moderate extent

To a less extent

Not at all

19. Incapability is used as a criterion for retrenchment.

To a very great extent

To a great extent

To a moderate extent

To a less extent

Not at all

20. Are early retirement programs used as a criterion for retrenchment?

To a very great extent

To a great extent

To a moderate extent

To a less extent

Not at all

21. How is seniority defined?

Age

Length of service with the organization

Other, please specify _____

22. Is there a performance appraisal system in place?

Yes

No

If no, how is performance measured?

23. What behavior does the organization consider as misconduct?

24. What factors characterize incapability?

Lack of skills

Lack of aptitude

Ill-health

Any physical and mental qualities

Other, please specify _____

25. Does the organization have any early retirement programs?

Yes

No

26. What other criteria does the bank use as a basis for retrenchment?

27. Who is involved in the selection of those to be retrenched?

The organization senior management

External consultants

Combination of both senior management and external consultants

Other, please specify _____

28. When did your organization lastly retrench and which criteria did it use?

APPENDIX 3

List of commercial banks in Kenya

1. African Banking Corporation Ltd.
2. Akiba Bank Ltd.
3. Bank of Baroda (Kenya) Ltd.
4. Bank of India Ltd.
5. Barclays Bank of Kenya Ltd.
6. Chase Bank (Kenya) Ltd
7. CharterHouse Bank Ltd
8. Citibank, N.A.
9. City Finance Bank Ltd.
10. Commercial Bank of Africa Ltd.
11. Consolidated Bank of Kenya Ltd.
12. Co-operative Bank of Kenya Ltd.
13. CFC Bank Ltd.
14. Credit Agricole Indosuez
15. Credit Bank Ltd.
16. Daima Bank Ltd.
17. Development Bank of Kenya Ltd.
18. Diamond Trust Bank Kenya Ltd.
19. Dubai Bank Kenya Ltd.
20. Equatorial Commercial Bank Ltd.
21. Fidelity Commercial Bank Ltd.
22. Fina Bank Ltd.

23. First American Bank of Kenya Ltd.
24. Giro Commercial Bank Ltd.
25. Guardian Bank Ltd.
26. Habib Bank A.G. Zurich.
27. Habib Bank Ltd.
28. Imperial Bank Ltd.
29. Industrial Development Bank Ltd.
30. Investment & Mortgages Bank Ltd.
31. Kenya Commercial Bank Ltd.
32. K-Rep Bank Ltd.
33. Middle East Bank of Kenya Ltd.
34. National Bank of Kenya Ltd.
35. National Industrial Credit Bank Ltd.
36. Oriental Commercial Bank Ltd.
37. Paramount Universal Bank Ltd.
38. Prime Bank Ltd.
39. .Southern Credit Banking Corp. Ltd.
40. Stanbic Bank Kenya Ltd.
41. Standard Chartered Bank Ltd.
42. Trans-National Bank Ltd.
43. Victoria Commercial Bank Ltd.