

**THE IMPACT OF RETRENCHMENT/
REDUNDANCY ON EMPLOYEES THAT REMAIN
IN EMPLOYMENT:
A CASE STUDY OF KENYA BREWERIES LIMITED.**

UNIVERSITY OF NAIROBI
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DECLARATION

This project has been submitted in the partial fulfillment of the award of Post Graduate Diploma in Human Resources Management – University of Nairobi.

I declare that this project is my original work and has not been presented for academic purposes in any other university or institution of higher learning.

SIGNED.....

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**This research project has been submitted with my approval as the University
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DEDICATION

I dedicate this project to my parents Mr. & Mrs. James Gatithi, brothers and my only sister without whom the entire course would not have been successful. Thank you all for your financial and moral support, patience and understanding during the entire duration of my course.

ABSTRACT

Retrenchment today has become a household name in many organizations as Companies strive to minimize costs and maximize profits. The loss of a job can be devastating to an individual especially if it is not voluntary. It has been established that retrenchment leaves a lot of job insecurity to the remaining staff, bringing their morale down, as they do not know about their fate in future.

In Kenya, before the 1980's, early retirement was mostly voluntary and was useful to those who wished to leave employment after working for many years while they were still strong. In other cases, deteriorating health conditions would force one to take early retirement option. This study was aimed at establishing the impact of retrenchment to employees that remain in employment. The objectives of the study included:

- i. To determine whether there is a retrenchment policy that exists in Kenya Breweries Limited and whether it's adequate.
- ii. To find out the perceptions of KBL staff towards the retrenchment process.
- iii. To find out the impact of the on-going retrenchment on remaining employees' morale at KBL.
- iv. To recommend appropriate changes to the current retrenchment exercise to ensure retrenchment exercises are more successful.

The study was focused on Kenya Breweries Limited where questionnaires were administered to the selected sample population to assist in data collection. The general findings were that employees were not well informed about the retrenchment exercise. It is also observed that there are no proper communication channels from top management

to employees. It was also found that the staff who remained suffered survivor syndrome wondering what the future holds for them. A lot of work was left for the remaining staffs forcing them to be multiskilled to enable them perform tasks they could not do before. It was also noted that the performance of employees has gone down and a large number of the remaining staff feel insecure in their current job.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

This chapter brings up the wide concept of retrenchment, which has become a common concept in organizations worldwide. Retrenchment is the exercise of reducing the number of employees in any one Organization to manageable volumes that cost the organization less to maintain. In the UK redundancy is defined by law as a situation in which for economic reasons, there is no longer a need for the job in question to be carried out in the place where it is currently carried out. Although the selection of employees to be made redundant, can take into account the ability to perform the job, individual failings are not the main reason that a job is being lost (Taylor, 2002).

The Employment Rights Act (1996) states that redundancy occurs only when a dismissal arises either mainly or wholly for one of the following reasons:

- Where the employer has ceased, or intends to cease, carrying on the business in which the employee is or was employed
- Where the employer cease, or intends to cease, carrying out this business at the place where the employee is or was employed
- Where the requirements for employees to carry out work of a particular kind have ceased or diminished (or are expected to), and where the employee is employed to carry that work out
- Where the requirements to carry out work of a particular kind have ceased or diminished at the place where the employee is employed.

Several terms have been used in Human Resource in place of the term retrenchment or redundancy that include:

- building down
- career reappraisal
- compressing
- decruting
- dehiring
- dejobing
- delayering
- demassing
- deselection
- disemploying
- downcsoping
- downsizing
- exiting
- headcount reduction
- involuntary quit
- lay-off
- letting-go
- non-retaining
- outplacing
- payroll adjustment
- rationalizing
- rebalancing
- reduction in force
- re-engineering
- releasing
- resizing
- restructuring
- rightsizing
- severance
- slimming
- streamlining
- termination

Under the retrenchment program, staff, regardless of age or years of experience they may have gained in the organization, have to be laid down if their services are no longer required by a company. *Armstrong (1999)* looks at retrenchment as a decision to reduce expenditure for both internal and external factors likely to affect the services or survival of the organization.

A company decides to undertake the retrenchment exercise for strategic and financial reasons. The expectation is that the expense reduction will lead to a positive impact such that there will be improved profitability and productivity.

The concept of retrenchment has come about as a result of the intense and increased competition in the global and domestic markets, low sales for goods and services, poor management planning, business mergers, take-overs and change in strategies.

Organizations have found it necessary to eliminate the unnecessary management layers within. In this way, there will be fewer employees working and performing more than one task, which is referred to as multiskilling. A flatter organizational structure brings about a re-designed and more flexible workforce. The retrenchment exercise is usually a continuous process that may take as long as five years or more.

A large number of people may lose their jobs, and as is the case with retrenchment, the elimination of jobs is a permanent action and no replacements are done. Due to losing of jobs, many employees no longer believe in the concept of lifetime employment. It is therefore the duty of the employers to provide much needed support to the ‘surviving ‘ employees. When not handled properly and with care, the exercise may cause problems initially meant to be solved and may be intensified due to the impact on the loyalty and attitudes of the ‘survivors’.

Retrenchment sometimes means voluntary or involuntary retirements and salary freezes. The loss of a job can be devastating to an individual especially if it is not voluntary.

In Kenya, before the 1980's, early retirement was mostly voluntary and was useful to those who wished to leave employment after working for many years while they were still strong. In other cases, deteriorating health conditions would force one to take early retirement option.

Today, a number of organizations, particularly in the textile industry, have closed down causing massive loss of jobs because of unfair competition from second hand clothes. Many other organizations have introduced modern techniques of production that have put emphasis on capital intensive processes of production in order to improve quality of their products. This has inevitably added to loss of employment opportunities and even loss of existing jobs in form of retrenchment.

Over the last two decades, many times nations have developed innovative policies influencing retirement and work pattern, including private and public pension schemes. With the advent of structural adjustment programs (SAPS), retrenchment has replaced not only redundancy, but also retirement, with the end result being the same because the end product of both is experiencing of loss of employment.

The current study focuses on Kenya Breweries Limited, which was founded in 1922. Until about 1997, it was a monopoly in the local beer brewing industry. It was also exporting its products to many different parts of the world.

It had 5 branches countrywide namely in Ruaraka where main brewing industry is situated, Maltings which dealt with Barley used for brewing, Molo, Mombasa and

Kisumu. In total, the company had a workforce of 4,500 employees countrywide in all departments. The departments included Operations, Distribution, Sales, Finance, Marketing, Human Resources, Packaging, Security, Information System & Technology, Technical, Stores, Procurement, Packaging, Brewing and Laboratories.

The company produces quality beer products for both local and international markets. The company's brands include: - Tusker, Guinness, pilsner, whitecap, Tusker Malt Lager mainly for Export, Pilsner Ice and Pilsner Ice Light among others. After retrenchment of staff, the company had to close most of the branches like Mombasa, Kisumu, and Molo. Only skeleton staffs have been retained in those branches for the purpose of beer sales and distribution. The retrenchment exercise that started in 1997 is still on going and the company has 459 staff remaining from a workforce of 4,500. It should be noted that after encountering stiff competition with Castle Brewing Limited for a period of about five (5) years, Kenya Breweries managed to take over the company, which lead to loss of many jobs for Castle Brewing employees and only a few were absorbed by Kenya Breweries mostly in the Sales and Marketing Departments.

The Company took over all Castle brands and others were faced out of the market thus the Company is now not experiencing stiff competition as before since KBL is the only main company brewing and selling beer products in the country.

1.2 STATEMENT OF THE PROBLEM

After encountering stiff competition with its only competitor Castle Brewing Company who had entered the beer industry market in 1997, Kenya Breweries Limited embarked on a retrenchment program, which is still in force up-to now. The exercise was carried out because the company was experiencing stiff competition, economic hardships, reduction in beer sales and less market share and the company could no longer afford to keep and maintain so many employees.

The company decided it was only going to concentrate on its core business of brewing beer and it even contracted out most of the services, which included staff transport, beer distribution, tea making, cleaning, mailing, forwarding and clearing of goods at the port and stationery. Employees do not know what the retrenchment policy at Kenya Breweries Limited states. There does not seem to be an understanding by employees on the concept of retrenchment and so the whole exercise is faced with a lot of hostility and resistance.

Initially there was no clear communications on the whole exercise and so employees especially the ones that remained met it with a lot of hostility and resistance. The heads of departments would confirm to employees, retrenchment as a process that entails them losing of jobs and being retired even when they are still in their productive age. It is therefore seen as negative exercise and its advantages are not fully appreciated. This may be because employees are not just affected by more than just the fact of layoffs and how they are managed but also what is done to the 'victims'. 'Survivors' may display negative attitudes and this influences work performance and it lowers commitment to the

organization. It causes low morale, poor performance and job insecurity to the retained staff.

The main purpose of this study was to find out the reactions of employees towards the retrenchment process. The study was carried out so as to establish how the remaining employees are affected after retrenchment program, which is still on going.

1.3 RESEARCH QUESTIONS

This area deals with the question that may lead to possible solutions of the problem.

These questions were posed to the staffs of KBL who are the target of this study. Some of the questions posed to them would be: -

- Are staff aware of the retrenchment policy and do they understand it?
- What changes can be introduced to ensure that the exercise is carried out successfully?
- What is the general feeling of staff on the retrenchment program
- Has the morale of the remaining staff gone up or down due to retrenchment?
- What is the organization doing to increase the motivation level of employees?
- Are staffs adequately prepared by the organization before they leave company services?

1.4 OBJECTIVES OF THE STUDY

The objectives of this study were: -

- i. To determine whether there was a retrenchment policy that exists in Kenya Breweries Limited and whether it's adequate.
- ii. To find out the perceptions of KBL staff towards the retrenchment process.
- iii. To find out the impact of the on-going retrenchment on remaining employees' morale at KBL.
- iv. To recommend appropriate changes to the current retrenchment exercise to ensure retrenchment exercises are more successful.

1.5 SIGNIFICANCE OF THE STUDY

The main purpose of this study was to find ways to improve the efficiency and work performance of employees who remain after others have been retrenched. The study has been carried out so as to establish how the remaining employees have been affected after the retrenchment program, which is still on going, and to find out their reactions towards retrenchment.

The results of the study will also be useful to the management in establishing better way of carrying out the exercise and on ways of improving the performance of staff left behind. The findings will act as a basis for future researchers who might wish to explore the field of retrenchments.

1.6 LIMITATIONS OF STUDY

- i. This was a very sensitive area of study and respondents were not willing to give sincere and honest information.
- ii. The staff were too preoccupied to attend to the questionnaire due to the workload, thus they took long to respond to the questionnaires.
- iii. There was no ample time to conduct the research since this was done during free time and after work, which was fairly exhausting.

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1.7 SCOPE OF THE STUDY

The scope of this was the staff based at the Head Office of Kenya Breweries Limited only. The reason why the researcher chose Kenya Breweries Limited is because of massive retrenchment program that have been carried out since 1994 and was easier to get the relevant information especially from Human Resources Department and employees from most affected department.

1.8 ASSUMPTIONS OF THE STUDY

- The company decided to carry out the retrenchment exercise due to stiff competition and reduction of costs.
- Retrenchment became one of its strategies in order to reduce remuneration costs.
- The retrenchment exercise in Kenya Breweries Limited has been on-going.
- The remaining employees are unsure about their jobs.
- Not all employees are prepared for the retrenchment program.
- Staff morale has gone down

1.9 DEFINITION OF KEY TERMS

a. Evaluation

To access or form an idea of Retrenchment

b. Retrenchment/Redundancy/Downsizing

“Measures to reduce the size of the workforce in an organization”.

c. Policy

“Set of ground rules and criteria to be applied when taking decision relating to a particular function or activity. Thus, the existence of a policy establishes boundaries that restrict the scope and nature of decisions concerning a specific issue.”

d. Process

“Series of steps or stages that make up an activity.”

e. Strategies

“Plans for future action”

f. Staff Performance

“Functional effectiveness of employees in an organization.”

g. Survivor Syndrome

“ State of feeling guilty as a result of being left behind after in retrenchment”

h. Kenya Breweries Limited

A limited founded in 1922. It is one of the East Africa Breweries Limited Group of Companies.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

In this chapter, extracts of what has been said on the subject of retrenchment and its effect on the workforce will be highlighted.

2.2 CONCEPT OF RETRENCHMENT

Despite the fact that managers have been implementing the retrenchment exercise, it is often badly managed with many negative consequences. Majority of employers do not have an agreed and written retrenchment procedure. There is much to be gained from a humane, planned and strategic approach to retrenchment.

According to Cameron (1994, 1998), the way retrenchment is implemented is more important than the fact that it is implemented. He sights out three approaches to retrenchment that are:

- *Workforce reduction strategies* – these are basically focused at reducing headcount and are usually implemented in a top-down, speedy way. The problem with the strategy is that it becomes difficult to predict exactly who will be eliminated and who will remain.
- *Work redesign strategies* – the strategy aims at reducing work (in addition to or instead of reducing the number of workers) through redesigning tasks, reducing work hours and merging units.
- *Systematic strategies* – at greater extent this focuses on changing culture, attitude and values. It does not only focus on reducing the workforce.

There are various ways through which retrenchment exercise can be carried out. The most commonly used include:

- Natural attrition/wastage:

This is the most preferred method the most positive and humane method to reduce the workforce. It is seen as a way of giving employees a choice on whether to leave or to stay at work, which reduces the potential for conflict and employees' feelings of powerlessness.

- Voluntary Redundancy

Employers mostly prefer this method when downsizing though there are some concerns that it is expensive as employees with long service find it attractive while the best workers leave because of demand on their skills on the other hand the poorer employees stay because they are less marketable. Hardys's (1987) research suggests the reverse actually occurs in practice where marginal performers are more likely to take up voluntary redundancy packages because of either disillusionment with the job or the fear of dismissal without any financial cushion at later date. (Pg303)

One of the main advantages of this method is that at least employees are given a choice and this destigmatizes the loss of job. Although voluntary redundancy is much preferred to compulsory, unions sometimes see it as selling jobs (Barrar and Sullivan, 1988).

- Compulsory Redundancy

This is based on managerial decision-making that gives the employers the opportunity to design and implement criteria based on business needs. In this method the employee is not given a choice on his departure. Normally it is a last resort strategy for employers and is the least acceptable by employees.

- Early Retirement

This method is used alongside other methods of workforce reduction although it is also sufficient to generate the required cuts. Early retirement is seen less as a method of retrenchment and more as a way of avoiding it (Casey, 1992:426). This method differs with the others in that employees opting for early retirement are less likely to seek to re-enter the workforce.

- Ill-Health retirement

This method is used as a result of long-term sickness. A common argument is that this is a consequence of intensification of work and associated increases in stress levels leading to long-term sickness.

Effective communication is essential at all levels of the retrenchment process. If it is improperly handled, retrenchment can demoralize retained workers who fear future loss of their own jobs. The employees must understand the corporate strategy and role they play in it. Breaks in communication are seen as sinister and lead to rumours (Kettley,

1995). Reduction of middle management layers will require lower level employees to make decisions previously made at higher level.

According to *Sims & Sims (1994)* any firm preparing to retrench its workforce is faced with the issue of successfully overcoming human resistance to change. Retrenchment implies massive organizational changes, and it is human tendency to resist these changes.

2.3 CAUSES OF RETRENCHMENT

The following factors can result in retrenchment according to Gennard and Judge (2005):

- Market Fluctuations affecting demand for your products and hence reduction in the number of people required to produce it.
- Changes in the availability of raw materials or components affecting levels of production hence reduction of people.
- Technology advances affecting the way work is done. This averts the need for some jobs and alters the skills required to perform others. For instance computerization of certain systems may mean less job to be performed by employees thus need for reduction in numbers.
- Government action influencing product demand may lead to directly or indirectly scrapping of some jobs or realignment of responsibilities in order to comply with legal obligations.
- Changes in the cost of labour relative to that of other resources.
- Change in ownership: this includes Mergers, Takeovers and Privatization which gives rise to retrenchment. Change of ownership can affect the aspect of company life. Corporate objectives are likely to change, as may the climate of the whole organization. In the case of mergers and takeovers, unnecessary duplication of

functions will be a primary target. The new organization is unlikely to need two finance directors, two HR directors, and two sales & marketing directors etc. also their support staff will be equally vulnerable. In the case of privatization, the quest for a more cost effective, leaner structure is likely to produce casualties.

- Rationalization or cost-reduction programmes may be made necessary as a result of mergers, takeovers or privatization. UNIVERSITY OF NAIROBI
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- A falling return on investment or some other financial standard may also prompt an organization to try to reduce expenditure, thus if people constitute a significant part of the total budget, this will then be an area requiring cutting down on costs. This can be done by amalgamating jobs, revising work methods or automating them leaving some of the workforce surplus to requirements.
- Restructuring may also be needed as a result of Business process Re-engineering to make better and more cost effective use of resources and to derive more sensible and workable organization structure. For instance if the company has one group of clerks receiving job applications and another one summarizing details of the applicants in preparation for interviews, it may be seen important to combine the two jobs. This will save on duplication of effort, increase in job satisfaction, reduce labour costs and improve customer service.
- Delaying: This is a comparatively recent phenomenon that strives to reduce the level of management to create a flatter and more empowered organization. This may be driven by ideological reasons or purely by cost reductions, which results to job insecurity for middle managers.

- Relocation of Premises: This can arise due to high rents, poor accommodation, bad communications, staff shortages or even personal preference that may determine need for a new site. For those who are not able to move with the organization may be redundant unless the organization offers them reasonable alternative employment.
- Finally, financial collapse or closure of organization will mean declaring the entire workforce redundant.

2.4 COSTS OF RETRENCHMENT

This will be divided into four parts that is individual, the Company, the Union and the Country.

a) The Individuals

In an article, Journal of Applied Behavioural Science Stephen Fink (Vol.7 1971) analyzed four stages through which the human system passes as it adapts to crisis that is shock, defensive retreat, acknowledgement and adaptation to change.

Victims of retrenchment suffer the following consequences.

- Psychological: In the period of anticipation of retrenchment, blood pressure rises and stays high for those who remain unemployed. For those who find jobs have a rapid reduction in blood pressure though it still remains higher than normal up to six months after they are re-employed.
- Social: In our society it is a tradition that people are expected to work for a living for at least forty years. Those who face retrenchment have a feeling of inadequacy fuelled by the unspoken censure of society.

- Economic: Although an employee with long service will receive some cash compensation from the organization which declares him redundant, this will not necessarily enable him to maintain his standard of living throughout the period of unemployment, the length of which he cannot predict.

b) The Company

Companies also go through a series of phases during retrenchment. The management also suffers shock when confronted with the exercise of retrenchment. Although the company will eventually adapt and learn to face the change, it may suffer in a number of ways that include:

- Loss of Morale: Loss of morale can result before the retrenchment exercise is formally announced that is when rumours are circulating freely. After retrenchment, *survivor syndrome* may mean that those who stay feel guilty at having survived and become demotivated and anxious, while the relocation of work results in feelings of incompetence and stress.
- Employee reaction: Employee reaction during the defensive retreat phase can mean loss time through industrial action and disrupted production.
- Loss of public confidence: Though retrenchment may happen as a way to strengthen the base of the organization in preparation for further growth, the shareholders and other creditors e.g. suppliers may not see it like that. Clients and customers too may start to look around for alternative sources of supply in fear that the organization might let them down.

- Time: Coping with employee reaction, complying with legislation, reassuring the public and counseling both leavers and stayers to help them adapt takes time. For retrenchment to be changed from a negative to a positive force for the future good of the organization then one will need to spend time redesigning the organization structure to reflect changed objectives and making it work.
- Cash costs: The company will be obliged to make retrenchment payments to all retrenched staff between the ages of eighteen and sixty five who have been with the company for two years and more.

c) The union

The trade unions are also affected by retrenchment as it is seen to undermine its powers. Trade unions are therefore reluctant to accept redundancy and may agree to work sharing or the forming of cooperatives in order to sustain their members right to work. Trade union cooperatives require that all possible measures should be taken to avert retrenchment and that there should be close union consultation at all stages.

d) The Country

Although industry that is over staffed is unproductive and slows down the rate of economic growth, unemployment, which results from retrenchment, also has adverse effects on national economy. Not all retrenched staff have skills, which are obsolete. Many could make a useful contribution to our economic prosperity. A high level of unemployment costs the country dearly through loss income tax, national insurance

revenue, reduced spending power and the effect on confidence among investors and the population at large.

2.5 PREVENTING RETRENCHMENTS

According to Gennard and Judge (2005) there are eight possible strategies in preventing retrenchment that include:

- Limits of recruitment: This will enable the company to reduce the overall size of the organization through natural wastage (labour turnover, retirements). Most trade unions will accept this as a valid way of dealing with overstaffing.
- Dismissing of temporary employee: Employee on temporary basis perhaps through an employment agency, may have a small stake in the company than most other employees.
- Dismissing those over retirement age: Although those over the retirement age may still have a valuable contribution to make, their long-term stake in the future of the company is also limited.
- Early retirement: If rules of the company's occupational pension scheme allows it, then the company can offer people who are reaching the end of their working life a chance to retire early.
- Work sharing: Reduction in overtime working is the first step in stretching out the available work in order to keep everyone employed. Shortening of working hours and introducing short-term working hours is the next step.
- Transfer and retraining: For employees whose previous skills will no longer be required by an employer, training in a new skill will be vital.

- Voluntary redundancy: The company may offer voluntary redundancy terms to those who are willing to take up.
- More effective Human Resource Planning: More effective HR Planning is the only real strategy for avoiding retrenchments. It is too late to use it as a remedy when the organization is in crisis but it is vital if the organization is to prevent living in crisis.

2.6 RETRENCHMENT POLICIES AND PROCEDURES

Salamon (1987) cites out three main phases in handling of retrenchment situation, which includes:

- a) The Preliminary discussion phase requires management in consultation or negotiation with appropriate Trade Unions to establish the need for retrenchment having considered alternative approaches to alleviating the need to dismiss employees.

Determine the numbers and types of employees to be dismissed and the period of time over which the reduction in the labour force is to be achieved.

- b) The main procedural application phase which is concerned with implementing any previously determined retrenchment policy or procedure, particularly in respect of:

- The selection of employees to be retrenched
- The level of compensation to be paid
- The provision of assistance to retrenched employees

In cases where there is no existence of a policy or procedure on retrenchment within the organization, then this main phase will involve both the determination and negotiation of such a policy or procedure as well as its application.

) The individual employee phase involves the notification and counseling of the individual employees to be retrenched.

All stakeholders are advised through appropriate communication channels of the policy and procedures of the exercise. Appropriate action is taken to obtain commitment and support from relevant stakeholders. Provide appropriate assistance and advice on the use of procedures.

The application and implementation of the policy and procedures in a retrenchment process is planned according to the best practices. Agreed selection criteria are consistently applied to identify affected employees. The psychological impact of retrenchment and the use of support mechanisms are explained to all the employees.

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Retrenchment has become a common concept in Kenya, which was adopted by organizations in the 1990s. For this reason, many organizations are putting retrenchment policies in place. The few that have retrenched, policies have not communicated to the employees because such policies are deemed as confidential. Employees do not know what is normally contained in those policies.

When employee is given a letter to leave the company, they are under the mercy of the organization, as they do not know any of their rights in this exercise. Any organization intending to retrench its staff should have a policy in place that communicates this information to the employees and explain to them how the exercise is going to be carried out. The policy should also have in place a retrenchment package that is to compensate its

employees with. Every employee should know how the dues are to be calculated before their cheques are out.

According to Salamon (1987) the retrenchment procedure consists the following:

- i. Allow for consultation with and disclosure of information to the relevant employees or their representatives well in advance of the proposed date of the retrenchment exercise.
- ii. Identify the methods which will be used to select those to be retrenched
- iii. Specify when and how individuals affected will be notified of their retrenchment and of the alternatives open to them.
- iv. Specify to whom appeals may be made.
- v. Detail the method of calculation of retrenchment payments, the procedure for paying them and any special provision that will be made for those who leave before the completion of their notice period.
- vi. Specify whether any bonuses or other inducement will be offered to key personnel to encourage them to stay beyond the expiry of their official notice period if required.
- vii. Outline arrangements for those affected by retrenchment to take time off with pay, to look for new employment.
- viii. State that employees who accept alternative employment within the organization will do so, on trial basis. If either party is not satisfied within a specified period, the retrenchment and the retrenchment payments will stand.

Dealing with Individuals

- i. Notification of retrenchment: it's important to notify the workforce of retrenchment. Informing people personally is time consuming but saves on initial shock phase slightly.
- ii. Retaining: This avoids the psychological, social & economic consequences of unemployment even though the employee may take some time to adjust to the fact that his old job is no longer required.
- iii. Counseling: Sensitive counseling at this stage will help the staff to identify the ways in which an apparently hopeless situation can be turned into something positive.
- iv. Rebuilding the Company: This involves dealing with *survivor syndrome*. Effective communication is also very vital for the remaining staff to avoid them becoming speculative. The allocation of work, shape and structure of the organization and future objectives can all be approached participatively. The remaining workforce will require time to come into terms with changes, training to cope with new tasks, and also counseling in accepting new structures, tasks and responsibilities.

2.7 CONCLUSION

Paul Navaratnam (Oct 27 2001) says that to be retrenched from a company is a traumatic experience, especially when it is done without notice. From the security of a monthly wage/salary, the employee no longer enjoys a regular income, which he has become accustomed to for many years. The trauma of being jobless means the uncertainty of gainful employment and loss of a certain lifestyle that the individual (and family) had gotten used to. Coupled with this is the stigma of being fired from job.

Greenburg (1992) says that it has been established that retrenchment leaves a lot of job insecurity to the remaining staff, bringing their morale down, as they do not know about their fate in future (Survivor Syndrome). Survivor Syndrome depend on how those who are retrenched will be treated. Retrenchment leaves survivors struggling in its wake; these individuals must receive the highest levels of communication and consideration. They often experience a psychological state that is like bereavement, and they will inevitably lose some degree of trust in their organization or even in their immediate manager. But if the retrenched staff are treated fairly and equitably then survivor syndrome may be minimized. *Kanter (1985)* cites "Change is exciting when it is done by us, threatening when it is done to us.

On the other hand no matter how experienced one becomes, managing retrenchment is also not easy for any manager. Retrenchment is one of the most emotive issues that any manager can be called upon to deal with. Calling individuals into your office to inform them that they no longer have a job is never easy. For the employee relations' specialist at the beginning of his or her career, managing retrenchment exercise can be just as traumatic as for the retrenched employee.

Finally as it was earlier discussed counseling of both the retrenched staff and the survivors is of paramount importance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter deals with the method that was used for data collection, how the samples were selected and the procedures that were used to collect data.

3.2 TARGET POPULATION

The population of interest in this study was the permanent staffs of KBL who were in Operations, Sales & Marketing, Brewing and Packaging Departments. These departments were chosen because they were the most affected by the retrenchment exercise. All these employees were based at the Tusker House Offices of Kenya Breweries Limited thus they were readily available to answer my questions. The minimum level of education was O level. The distribution of the total population was as follows:

TABLE 3.1 Total Population of Kenya Breweries limited

Departments	Male	Female	Total
Human Resource & Administration	18	11	29
Finance	13	6	19
Brewing	50	7	57
Sales & Marketing	55	35	90
Distribution	11	5	73
Operations	80	20	100
Audit	12	9	21
Packaging	43	13	56
Procurement	16	8	24
Quality Control	32	15	47
Total	330	129	459

3.3 SAMPLE FRAME

The complete list of all KBL staff could not be obtained as they wished to remain anonymous but they were willing to answer my questionnaires since they were readily available.

3.4 SAMPLE SIZE

A sample size of 60 members of staff out of a total population of 459 employees was studied to give a fair reflection of the KBL population since the staff population was homogeneous. The staff members in the sample size range between the ages of 26 to 54 years of age.

The sample size was distributed as follows:

TABLE.3.2 Sample Selection of the Total Population

Department	Male	Female	Total
Operations	10	5	15
Sales & Marketing	9	6	15
Brewing	8	7	15
Packaging	10	5	15
Total	37	23	60

3.5 SAMPLING DESIGN AND PROCEDURES

Stratified disproportionate Random sampling was used for the study. As the numbers were not so large, the researcher used questionnaires, which were given to the employees to fill. The sample was from four departments, that is: Operations, Sales & Marketing, Brewing & Packaging. The researcher selected the sample because all the employees were located in one area and it was easier and simpler to follow up on the returning of the questionnaires.

The four departments where questionnaires were distributed were the most affected by the retrenchment programme and that was why they were being used for the exercise.

3.6 DATA COLLECTION INSTRUMENT

In this study questionnaires were used to collect data. This method was preferred because of the following reasons:

- It was less time consuming as compared to other instruments of data collection.
- The respondents were given a time limit within which to return the questionnaires.
- Even when a respondent was not in the office they could fill in the questionnaire at their own time and leave it for collection whereas for person-to-person interviews one may have been forced to look for the respondent.

The researcher used structured and open-ended questions. This ensured that the replies given were not too diverse and were easier to analyze for presentation.

3.7 DATA COLLECTION PROCEDURE

Data was collected at the respective offices of the staff based at the Kenya Breweries Limited Tusker House mostly over lunchtime. Authority to administer the questionnaire was granted by the Human Resources Department. The questionnaires were hand delivered to the respondents as they were within the working premises.

3.8 DATA ANALYSIS PROCEDURE

The data was subjected to quantitative analysis. The questions were analyzed by deduction and induction method. The data was analyzed and presented in numerical form. As the number was not so large, this was an easier method to do the presentations and for

the reader, it would be simpler and faster to get a clear picture just by glancing at the figures. Data was presented in tables and bar charts.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 INTRODUCTION

This chapter presents and discusses the analysis of the data collected. The data is presented according to the research questions. The response for returning the questionnaire was quite encouraging as it was 100%. All the questionnaires sent out to Operations, Sales and Marketing, Brewing and Packaging departments were returned duly completed. The major issues addressed here are nature of the existing retrenchment policy, perceptions of employees on the exercise, impact of the on-going retrenchment exercise and recommendations on the appropriate changes to the retrenchment exercise.

4.2 THE EXISTENCE OF A RETRENCHMENT POLICY

In this question the researcher wanted to find out whether a policy on retrenchment existed. The researcher also wanted to know whether the employees knew or were aware of the policy on retrenchment and whether they knew what it entailed and the procedures to be followed during the exercise. Table 4.2.1 shows the responses of employees regarding their awareness on retrenchment policies and procedures.

Table 4.2.1 Awareness of Policy and Procedures

Staff Awareness Policy	Frequency	Percentages
Yes	25	41.6%
No	35	58.3%
Total	60	100%

A total of 58.3% of the population was not aware that there was a retrenchment policy and procedures to be followed when carrying out the exercise. However, only 41.6%

knew about it and they were mainly from Sales & Marketing Department. This shows that most employees were not aware of the laid down policy and procedures. This was because when the retrenchment exercises started in the company, employees were not well informed about it. It used to be a secret. However, the Human Resources Department is supposed to ensure that all employees know about it and its contents.

Table 4.2.1 shows the staff understanding of the policy and procedures.

Table 4.2.2 Staff understanding of the policy and procedures

Staff understanding of the policy and procedures	Frequency	Percentages
Yes	10	40%
No	15	60%
TOTAL	25	100%

Out of twenty-five respondents who were aware and knew that there was a policy on retrenchment only ten of them who represented 40% of the population understood what the policy said and what it was all about and what was entailed therein. The other fifteen respondents who represented 60% of the population, though they knew about the policy, they did not understand what was contained in it. From the above analysis, it shows that many of the employees do not know much about the laid down Retrenchment Policy and Procedures. The HR department together with Heads of departments needs to enlighten

employees on the contents of the policy and procedures followed during the retrenchment exercise.

Another issue that was analyzed in this study was the company’s adherence of the retrenchment policy and procedures as table 4.2.3 shows.

4.2.3 Company Adherence of the retrenchment Policy and Procedures

Company Adherence of Policy Procedures	Frequency	Percentages
Yes	10	100%
No	-	-
TOTAL	10	100%

All the ten respondents who said they were aware of the policy and understood it said that the company adheres to the Retrenchment Policy and Procedures every time a retrenchment exercise is conducted. From the entire analysis of the existing retrenchment policy, it shows that though there is laid down Retrenchment Policy and Procedures majority of the employees know very little about it.

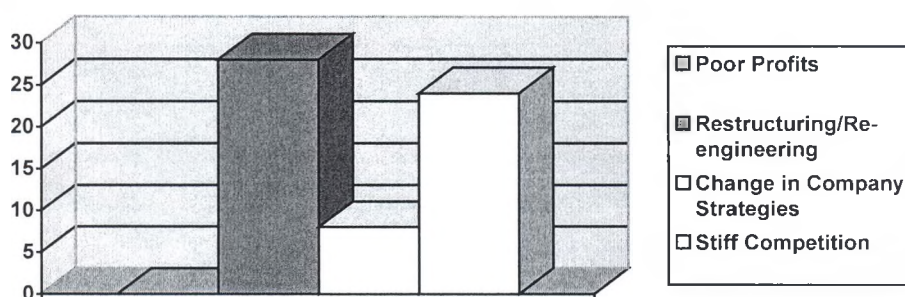
4.3 Communication of retrenchment to employees

Retrenchment programme was initially not communicated to employees thus they did not take it positively and there was a lot of resistance from the employees. Employees did not acknowledge the whole exercise due to lack of information but since they did not have a choice, they just had to accept and wait in fear of getting the retrenchment letter.

Employees had various suggestions on the probable causes of retrenchment as shown in table 4.3.1 below.

4.3.1 Suggestion on probable causes of Retrenchment

Causes of retrenchment	Frequency	Percentage
Poor Profits	0	0%
Restructuring/Re-engineering	28	46.7%
Change in Company Strategies	8	13.3%
Stiff Competition	24	40%
Total	60	100%

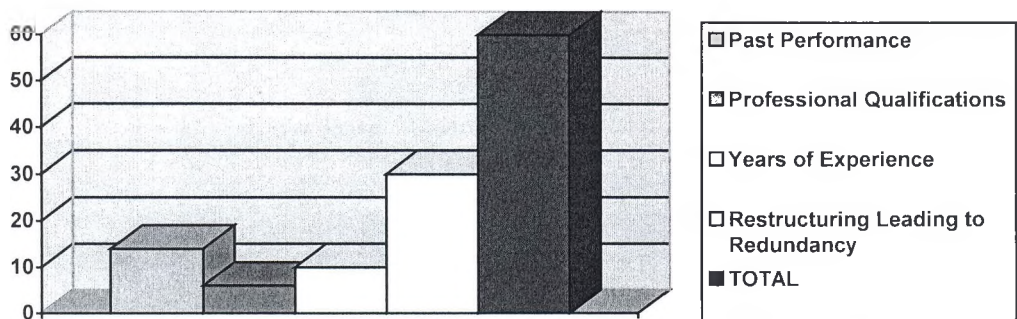


A total of 46.7% had the opinion that retrenchment was caused by restructuring/re-engineering, 13.3% had the opinion that it was caused by change in company strategies while 40% of the population had the opinion that it was caused by stiff competition. From the above analysis it is clear that most employees know the causes of retrenchment. It also shows that many knew that the company was undergoing stiff competition with Castle Breweries and hence undertook to restructure/re-engineer.

Table 4.3.2 below shows the criteria used to retrench employees.

4.3.2 Criteria used to retrench staff

Criteria used to retrench staff	Frequency	Percentage
Past Performance	14	23.3%
Professional Qualifications	6	10%
Years of Experience	10	16.7%
Restructuring Leading to Redundancy	30	50%
TOTAL	60	100%

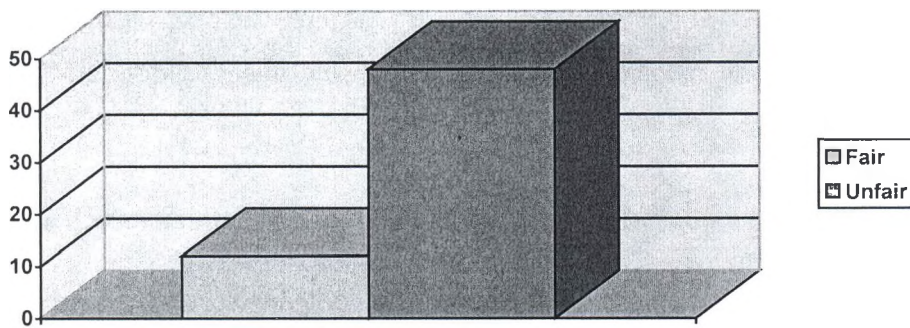


A total of 23.3% thought that the criteria used for the exercise was past performance, 10% feel that it was professional qualifications, 16.7% thought that it was years of experience while 50% of the total population thought that it was restructuring leading to redundancy. Since the exercise has been going on for a long time now, it means that more employees know that the cause of retrenchment mainly restructuring leading to redundancy and sometimes they look at ones past performance.

Employees Perceive the Retrenchment Programme as shown in table 4.3.5 below.

4.3.5 How Employees Perceive the Retrenchment Programme

Employees Perception on Retrenchment	Frequency	Percentages
Fair	12	20%
Unfair	48	80%
TOTAL	60	100%



On the question of how employees perceived the Retrenchment Programme, 20% felt that the exercise was handled in a fair manner while 80% perceived the exercise as being unfair. From the analysis majority of employees are not positive about the Retrenchment Programme.

4.4 The impact of the on-going retrenchment on remaining staff.

This area sought to establish the impact of retrenchment on the remaining staff. What effects it had left on the employees who remained in the organization.

According to the employees retrenchment process is still ongoing as it is shown in table 4.4.1 below.

4.4.1 Status of Retrenchment

Status of Retrenchment	Frequency	Percentages
Completed	0	0%
Ongoing	60	100%
TOTAL	60	100%

All (100%) respondents believed that the retrenchment exercise was still an on-going process. Though the exercise is not carried out in massive numbers as in the earlier years, its still an on-going process happening from time to time in different departments for

instance in February 2006 some employees were retrenched from specific departments like Sales & Marketing, Operations, Procurement and Finance. The heads of department recommend to Human Resource Department on the person they want retrenched and the person is issued with a retrenchment letter by the Human Resource Department.

Table 4.4.2 shows the retrenched employees from year 1998 to 2004.

4.4.2 Retrenched employees from 1998 – 2004

DEPARTMENTS	RETRENCHED STAFF	PERCENTAGE
Human Resource & Administration	120	2.97%
Finance	270	6.68%
Sales & Marketing	700	17.32%
Distribution	280	6.92%
Operations	940	23.26%
Audit	80	1.98%
Brewing	580	14.35%
Information System & Technology	122	3.02%
Technical	89	2.20%
Stores	80	1.98%
Packaging	550	13.61%
Procurement	90	2.23%
Quality Control	140	3.46%
TOTAL	4,041	100%

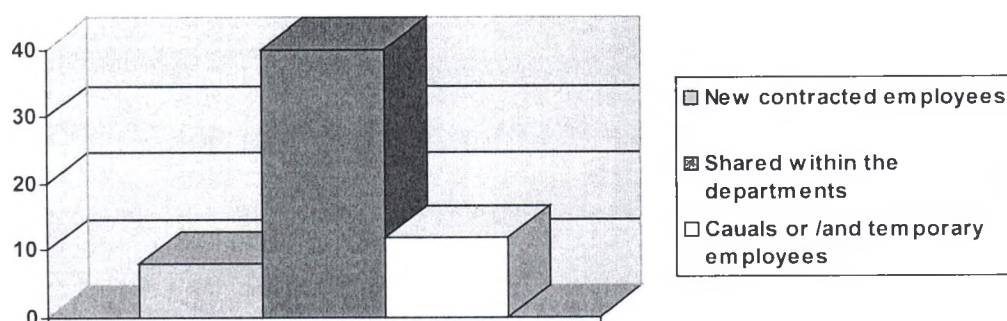
The figures in the table above show the numbers of employees who have been retrenched in different departments between 1998 and 2004. Initially the organization had a total of 4,500 employees, 4,041 employees were retrenched remaining only 459 employees.

These figures were obtained from the Human Resources Department. From the above figures Operations department had the highest number of retrenched staff followed by Sales & Marketing, Brewing and Packaging i.e. 23.26%, 17.32%, 14.35% and 13.61% respectively. These four departments were the most affected by the retrenchment process.

Table 4.4.3 below shows who performs the duties for the staff that left.

4.4.3 Performance of duties

Who performs the duties	Frequency	Percentages
New contracted employees	8	13.3%
Shared within the departments	40	66.7%
Casuals or /and temporary employees	12	20%
TOTAL	60	100%



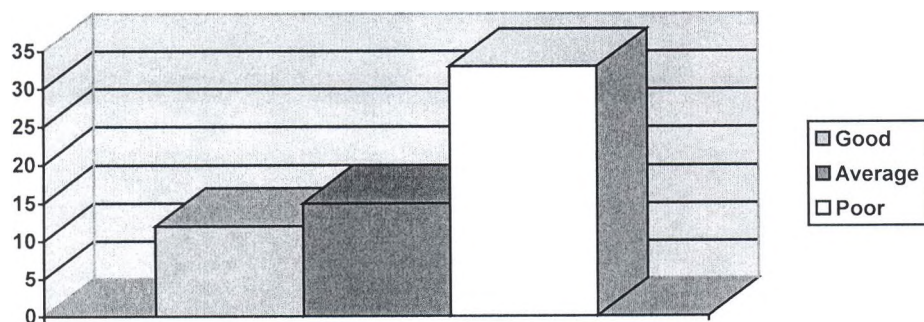
New contracted employees perform 13.3% of the duties of the retrenched staff, 66.7% of the duties are shared among the staff left behind while 20% of the duties are performed by casual and temporary staff. From the above analysis it shows that the staff that remained have more work to do than before as they share the duties of those who left. Though the remaining staff are overworked, it also means that they are multi-skilled thus can perform many different tasks.

The staff left behind have got so much work that leads to a lot of pressure in meeting of deadlines and lack of time to socialize as staff are even forced to work on during their free time i.e. lunchtime, hours after work and on weekends.

Table 4.4.4 shows the performance levels of the employees.

4.4.4 Staff Performance Levels

Staff Performance Levels	Frequency	Percentages
Good	12	20%
Average	15	25%
Poor	33	55%
TOTAL	60	100%

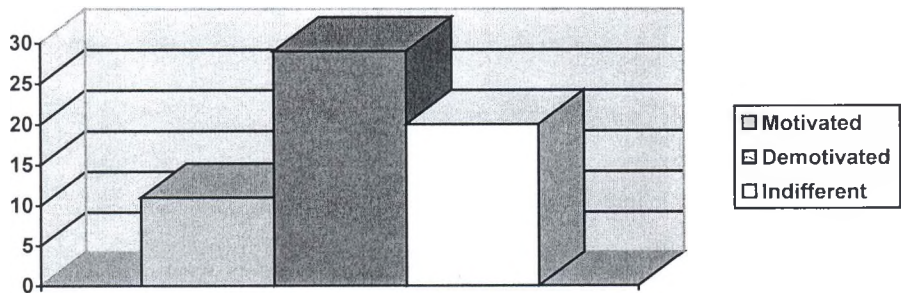


A Few (20%) said their performance level was good, 25% said it was fair while 55% said it was poor. The analysis shows that more than half of the staff are not performing as expected. This is because some are overworked, others are not motivated and are not satisfied.

Employees’ morale and motivation level was also analyzed as shown below in table 4.4.5.

4.4.5 Morale and Motivation Level of Employees.

Morale & Motivation Levels	Frequency	Percentages
Motivated	11	18.3%
Demotivated	29	48.3%
Indifferent	20	33.3%
TOTAL	60	100%

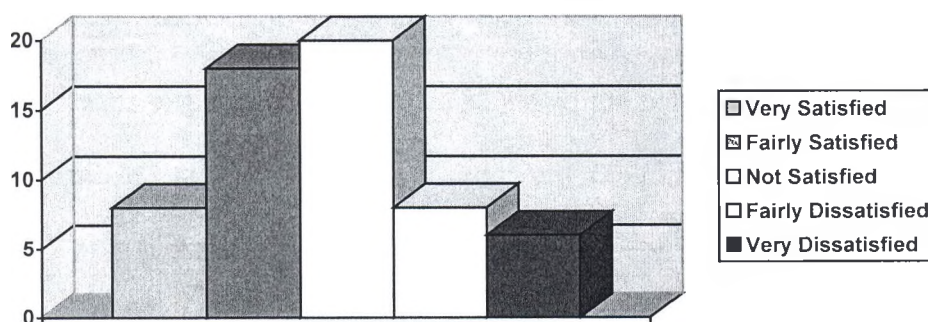


Regarding the morale and motivation level of employees, 18.3% are the only ones who are motivated, 48.3% are demotivated while 33.3% are indifferent. From the analysis above, it means that most of the workforce is demotivated and their morale is down while those who are indifferent are just there doing their work as a routine. Due to the fear of a future retrenchment, employees’ morale for work has gone down and their motivation level is low. All these affects the performance of employees and the company is looking into these areas e.g. increasing employees’ salaries and doing whatever else it can to motivate and improve performance of the employees who have been left.

Another issue covered in the study was employees’ level of satisfaction in their present jobs as analyzed in table 4.4.6.

4.4.6 Level of Satisfaction in present jobs

Satisfaction Levels	Frequency	Percentages
Very Satisfied	8	13.3%
Fairly Satisfied	18	30%
Not Satisfied	20	33.3%
Fairly Dissatisfied	8	13.3%
Very Dissatisfied	6	10%
TOTAL	60	100%

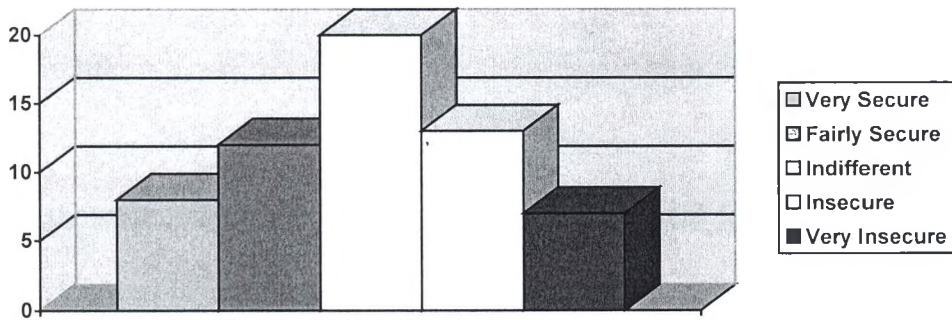


A few (13.3%) of the population is satisfied with their jobs, 30% are fairly satisfied, 33.3% are not satisfied, 13.3% are fairly dissatisfied and 10% are very dissatisfied. While there is likelihood that 100% satisfaction is an ideal situation, majority of staff are not fully satisfied in their jobs.

Table 4.4.7 shows how employees felt in regard to job security in their job.

4.4.7 Security in Present Job

Job Security	Frequency	Percentages
Very Secure	8	13.3%
Fairly Secure	12	20%
Indifferent	20	33.3%
Insecure	13	21.7%
Very Insecure	7	11.7%
TOTAL	60	100%



Only 13.3% of the population feels secure in their present jobs, 20% are fairly secure, 33.3% feel indifferent, and 21.7% feel insecure while 11.7% feel very insecure. Uncertainty seems to linger in this area as 33.3% of the population fall under fifty - fifty category while others are in Insecure and Very Insecure as far as job security is concerned. These has attributed to low morale and compromising of standards and low performance resulting from fear of the unknown.

4.5 Recommendations on appropriate changes to the retrenchment exercise

Table 4.5.1 shows the extent to which employees are prepared for retrenchment.

4.5.1 Retrenchment preparation

Retrenchment Preparation	Frequency	Percentages
Yes	5	8.3%
No	55	91.7%
TOTAL	60	100%

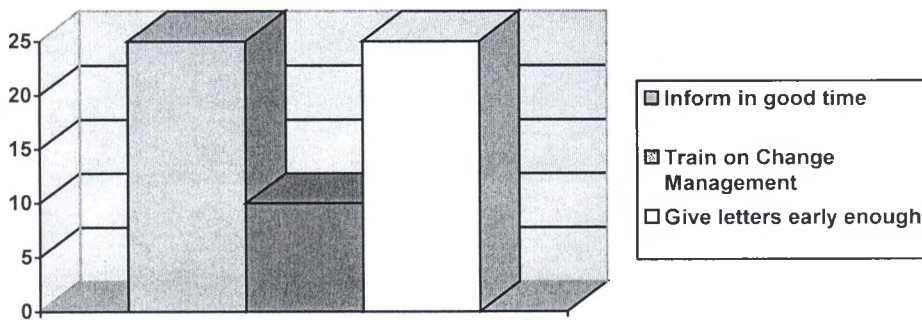
Very few (8.3%) staff felt that those retrenched are adequately prepared but 91.7% felt that they are not adequately prepared. The analysis show that the organization does not prepare retrenches adequately as they are just given letters on the last working day. This

is very devastating to an employee and causes a lot of stress related problems and uncertainty in life.

Table 4.5.2 shows how the employer should prepare employees for retrenchment.

4.5.2 Preparing employees for Retrenchment

Employees Preparation	Frequency	Percentages
Inform in good time	25	41.7%
Train on Change Management	10	16.6%
Give letters early enough	25	41.7%
TOTAL	60	100%

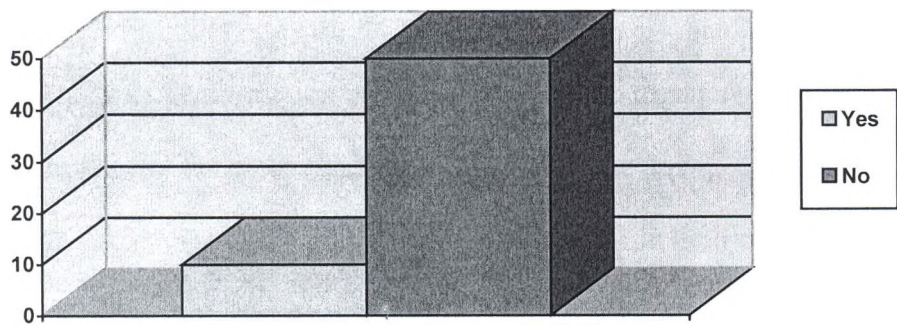


A good number (41.7%) felt that employees should be informed of retrenchment in good time, 16.6% feel that they should be trained on change management, 41.7% feel that they should be given their letters early enough. The analysis shows that majority of the employees would like to know that they are being retrenched early enough so that they can make necessary arrangements for their future.

In table 4.5.3 shows the extent to which employees had prepared themselves for retrenchment.

4.5.3 Personal preparation for retrenchment

Personal Preparation	Frequency	Percentages
Yes	10	16.7%
No	50	83.3%
TOTAL	60	100%



On the issue of personal preparedness on retrenchment 16.7% said they were prepared while 83.3% said they were not prepared for it. Analysis show that very few people are normally prepared for the exercise especially those nearing retirement age. Majority who are normally young are never prepared for retrenchment.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

This chapter gives a summary of the findings from the data analysis and presentation. It also gives a conclusion of the findings, recommendations for action to be taken by the organization and gives suggestions for further research.

5.2 SUMMARY OF FINDINGS

The findings were as follows:

- There is lack of information on retrenchment from organization to the employees.
- Performance of the employees left behind has gone down.
- A large percentage of the employees are not secure in their current jobs.
- Lack of proper communication channels from top management to employees.
- Employees are now multiskilled and can perform more than one task than before.
- Volume of work per employee has increased due to lack of manpower.
- More than half of the employees who have been left behind are demotivated since they do not know their fate as retrenchment is still on going could come anytime.
- Though there is retrenchment, the company still continues to employ more in certain department like Sales & Marketing and Operations Department thus leaving employees wondering why retrench then employ.
- Some departments are understaffed so they tend to employ temporary employees all the time to do the work.
- The employees have not understood the retrenchment policy and procedures.
- The company does not prepare employees well in advance for the exercise.

- The process of carrying out the programme is unfair to employees who are leaving, which causes stress to the ones remaining, as they know they will be treated the same way when leaving.

From the above findings it is clear that some of the issues covered are in line with the literature review while a number of others differ. For instance it has been established that there is a retrenchment policy at KBL and 41.6% of the population are aware of it while 58.3% are not aware. On table 4.3.1 employees have given suggestions on the possible causes of retrenchment like poor profits, restructuring/re-engineering, change in company strategies and stiff competition, which agrees with literature review.

The issue on how employees perceive the retrenchment programme also agrees with literature review, as majority of the staff feel the exercise was unfair.

Findings on issues such as impact of retrenchment on remaining staff, performance levels, morale and motivation level of employees as well as level of satisfaction and job security agree with literature review. The remaining staff in KBL suffered survivor syndrome, their morale was also affected thus bringing down their performance level.

On the other hand it was also established that some issues are differing with literature review for instance retrenchment policies and procedures were not adhered to thus employees were not prepared for the exercise. Communication being of paramount importance, it was found that employees at KBL were not made to understand the retrenchment policy and procedures and at the same time there was lack of proper communication by the top management thus causing a lot of tension among employees.

5.3 CONCLUSION OF FINDINGS

From the findings it is evident that retrenchment has affected the remaining employees in great deal. There was a lot of resistance from the employees on the whole exercise. Most employees are demotivated and they do not have job security as they feel retrenchment can come anytime without being given a notice since the exercise is continuous. There seems not be any trust between employees and the management. Employees feel that the management is taking decisions on them without involving them.

The study shows that the company needs to do a lot of communication to its staff on matters of retrenchment and other matters concerning employees, as there are always negative rumours and speculations on issues concerning employees most of the time. Employees feel that those who leave are not handled humanly and they know it would not be different for them if they were to leave. This makes them loose morale on their jobs and their performances are not to the expected levels and thus the company's performance goes down as well.

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5.4 RECOMMENDATIONS FOR ACTION

The recommendations are as follows:

- Employees should be treated as individuals as they have different problems ranging from family to work related.
- The organization should have effective communication at all levels about their intentions and the whole exercise of retrenchment well in advance.
- Employees should be educated on retrenchment policy and all the information in the policy given to them so that they can understand it and also procedures of

carrying out the exercise to be explained to them so that they can appreciate the whole exercise.

- The company should communicate more regularly to the employees so that they can get to know what is happening and the changes proposed to take place. Future plans should also be revealed to employees since what happens affects them.
- The company should train employees on change management so that all of them can try to cope with change, as change is inevitable. The organization should also spell out clearly what they require and expect of employees.
- Employees should be empowered by being given more responsibilities so that they can be multi-skilled.
- The company should arrange how employees can be trained on investment while they are still in employment to prepare them in case of retrenchment.
- The employer should look for appropriate time to send off employees for retrenchment but not the last day of the month.
- There should be a counselor to talk to the remaining employees on how to cope with work and the changes taking place.
- Employees feel they should be involved in introducing certain changes in the organization and this will create trust between employees and management.
- The organization should introduce change management system with good incentives so as to improve employee performance.
- The organization should make employees know that, they are an important asset to the organization and this will make them have some ownership and commitment to their jobs.

- Management should instill confidence and create trust of employees and this can improve performance of the employees.

5.5 SUGGESTIONS FOR FURTHER RESEARCH

Suggestions are made for further research on:

- Are there scientific ways that can be employed to lessen or reduce the aggregate results of retrenchment at individual's level and their families, survivors, companies and society at large?
- Are there strategies that can be applied for companies to survive stiff competition and technological changes without necessarily resulting to retrenchment? Is retrenchment the necessary evil?
- Are there organizations that have never carried out retrenchment exercise yet they face stiff competition and technological changes? How do they survive?

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Appendix 1

QUESTIONNAIRE ON THE IMPACT OF RETRENCHMENT ON EMPLOYEES
THAT REMAIN IN EMPLOYMENT

1. Are you aware of the existence of a retrenchment policy in KBL?

YESNO
2. If yes do you understand the policy?
3. What is your perception about the retrenchment process that was carried out?
4. Was the retrenchment process well communicated to the employees?

YESNO
5. How best would you have preferred the company to communicate to the staff?
6. Do you think the staffs were well prepared about retrenchment process?
7. What do you think were the possible causes of retrenchment?

a)

b)

c)

d)

8. Do you think the company achieved its goals through the retrenchment process?
.....
.....

9. Do you think the retrenchment exercise is over or still on going?
.....

10. Now that you were left behind, do you feel there is job security in your job?
.....

11. What would you comment on the workload after the retrenchment exercise?
.....

12. What would you comment on your motivation level after the retrenchment?
.....
.....
.....

13. How would you rate your performance level?

Good Average Poor

14. Do you feel satisfied with your job now that you were left behind?
.....
.....

15. What would you suggest to the company regarding preparation of employees on retrenchment exercise?

- a)
- b)
- c)
- d)