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**RETRENCHMENT IN RWANDA COMMERCIAL BANKS ANALYSIS
OF BPR- I&M.**

STUDY PERIOD: 2011-2016

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Done At Huye 6th, July 2017

DECLARATION

To the best of my knowledge, I Jean Damascene RENZAHO declares that this research document entitled “Criteria used my Rwanda Commercial bank in employee’s retrenchment. Case study of I&M and BPR” is my original work and has not been presented for any other University or other Institution of high education for academic qualification.

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APPROVAL

I, Dr. MUSEKURA Célestin, certify that this work has been under my supervision and has submitted with my approval.

Signed:

Dr MUSEKURA Célestin

Date: /...../ 2017

DEDICATION

To my wife MUNGANYINKA Claudine,

My children

UR Lectures, and all supporters of gender mainstreaming,

To my family and Friends,

This work is dedicated.

ACKNOWLEDGEMENTS

My gratitude goes first to almighty God whom all things are possible.

This work would not have been possible without the assistance of different persons to whom I express my sincere gratitude.

I since thank my wife MUNGANYINKA Claudine and my Children for their moral support and patience they have shown me during my absence.

My thanks are especially extended to Dr MUSEKURA Célestin who kindly supervised this research; his advice and great assistance are inestimable through the duration of this study,

I thank also the lectures from UR and all staffs for their knowledge and skills shared with us.

I thank most sincerely the PBR and I&M staff who participated in our research, we recognize highly their role.

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LIST OF ABBREVIATIONS

RPF: Rwanda Patriotic Front

BCR: Commercial Bank of Rwanda

BPR: Banque Populaire du Rwanda

UBPR: Union des Banques Populaire du Rwanda

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ABSTRACT

This study entitled the retrenchment in Rwanda commercial banks. A case study of BPR and I&M. Comparative data have been used.

The companies that were study included all those that are commercial banks and specifically BPR and I&M bank. The objective of the study was; to examine the criteria used by BPR and I&M bank in employees retrenchment; to evaluate employees perception on retrenchment criteria used by BPR and I&M Bank; to examine the impact of retrenchment on individual and organizational performance and to establish the best ways of carrying out retrenchments in future without adversely affecting the remaining employees in both BPR and I&M Bank.

The research design was quantitative and entirely used secondary data and qualitative including interviews from different staffs. These criteria therefore included BPR and I&M bank only. Data gathered was from 2011to 2016 analyzed using Excel and SPSS to measure the criteria used by Rwanda commercial bank in employees retrenchment.

The findings of the study suggest that commercial banks use seniority, employees' individual productivity, misconduct, incapability, early retirement programs 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.

CHAPTER ONE: GENERAL INTRODUCTION

1.1 Background of the study

During the last two decades, retrenchment as a strategy used by corporations to reduce the diversity or the overall size of the operations of the company has become the strategy favored 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. (Burke R.J and Cooper C.L 2000a.)

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 program 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 programs like training.

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 Criteria. Further, it may not meet the employer's needs, and employers may wish to add Criteria 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 (Hall D.T. and Goodale J. G 1986).

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).

The business environment has been undergoing drastic changes for some time 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. Gandolfi, F., (2009a).

In Rwanda 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 Rwanda, the parastatals that have undertaken retrenchment include Rwanda Airways, Rwanda Tea, Rwanda Commercial Bank and National Bank of Rwanda. In the civil service, various ministries have been reducing their staff since 1994 in an effort to reduce costs and increase efficiency (Stacey Ann Johnson et al. 2009).

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 Criteria, 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).

It is noted in the Central Bank of BNR Supervision Annual Report (2010) that the commercial banks remained stable during the year 2006 to 2010 and recorded remarkable increase in levels of profitability. Aggregate net profits before tax rose from 2.8 billion in 2009 to 8.9 billion in 2010. 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 slowdown 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 to commercial banks especially Commercial bank of Rwanda (I&M BANK) Banque Populaire du Rwanda (BPR). As a result of liquidations and mergers, the increasingly advanced levels of information technology embraced by commercial banks have had a positive impact in both I&M BANK and BPR, though this has led to a massive reduction in the workforce. The new and dynamic information systems adopted by I&M BANK and BPR 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 ordinary manual processing tasks. (BNR, report 2010)

In recent years, a number of mergers and acquisitions have taken place to both I&M BANK and BPR. 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 collaborations. Over the last few years, there has been a tendency by BPR 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 exacting 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. In this study we will analyze criteria used by commercial banks especially I&M BANK and BPR Ltd to determine employees to retrench (BNR, report 2010)

1.2 Problem Statement

It is becoming increasingly difficult for commercial banks to cut down the size of their workforce. There are a number of factors limiting 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 labor 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. Yet, no systematic research seems to have been undertaken to find out the criteria used by commercial banks to determine employee's retrenchment.

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. (Mercy Gacheri Munjuri, 2011)

They had a relatively strong feeling that there was injustice in the process. Usually, BPR and I&M BANK are faced with the challenge of determining who to let go. In BPR retrenchment was seen as targeting certain individual or group of individuals without following any Criteria. Also as I&M BANK' human resource manager confirmed that staff is reduced according to recent automation of certain aspects of branch operations, discontinuation, etc also BPR had the same system like I&M bank.

Various literatures have been done on the fields of retrenchment, the good examples are: The nature of responses of survivors to downsizing by Moi (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. Most of them were global and no account was taken to investigate the criteria used in by commercial banks for retrenchment particularly in Rwanda.

The proposed study is intended to fill this gap in knowledge.

1.3 The purpose of the study

The main purpose of this study is to establish the criteria used by commercial banks in Rwanda to determine employees to retrench

1.4 Objective of the study

1. To identify the the criteria used by BPR and I&M bank in employees retrenchment.
2. To determine employees perceptions about retrenchment criteria used by BPR and I&M Bank.
3. To assess the impact of retrenchment on individual and organizational performance .
4. To suggest the best ways of carrying out retrenchment for further improvement.

1.5 Research questions

- 1) What criteria do commercial banks in Rwanda use to identify employees to be retrenched?
- 2) What are the perceptions of employees about retrenchment criteria used by BPR and I&M Bank?
- 3) What are impacts of retrenchment on individual and organizational performance?
- 4) What are the best ways of carrying out retrenchment for further improvement?

1.6 Significance of the study

1.6.1 to the researcher

The study will equip the researcher with real experience of scientific research and will lead him to attainment of a master's degree in MBA. Also this study will provide enough skills on the Criteria's used by Rwanda commercial banks to determine employees to retrench especially I&M BANK and BPR.

1.6.2 to the university

This study will add knowledge to existing literatures about Criteria used by Rwanda commercial banks to determine employees to retrench. The research will be of great help to the University of Rwanda by adding scientific work to the library to be used by both students and literatures.

1.6.3 To the human resources manager of commercial banks

This study will be as a practical guideline for the banks human resource management especially BPR and I&M BANK human resource managers to identify weakness and strengths in employee's retrenchment as such human managers can improve the Criteria they use for determining employees to retrench. Employees' retrenchment, a business term, is a measure of how staff is reduced by a company to meet or surpass its efficient. It is seen as a key performance indicator within business. This study will market commercial banks and findings will help to formulate appropriate packages for its clients.

1.6.4 for future research

This study will stimulate further research on the topic of employee's retrenchment and Criteria to be used by commercial banks and besides that the information gathered will be of great help to potential researchers. This study will add on the existing literature and will help the academicians by getting more reference in future when carrying out research on similar or related topics.

1.7 The scope of the study

The study is limited to two banks I&M BANK and BPR Ltd among other commercial banks in Rwanda for the period 2011-2016.

1.8 Limitations of the study

The researcher faced the following limitations: The response rate was not as high as expected because some of the respondents failed to return their questionnaires, while others declined to be involved in the study claiming that in so-doing, they would be going against the organizational policy. Out of the forty-three questionnaires that were distributed, only twenty responses 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. 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.

1.9 Organization of the study

This study is organized into five chapters. The first chapter presents the general introduction which contains background of the study, statement of the problem, objectives of the study including general and specific objectives, research questions, scope of the study, significance of the study, and organization of the study. Chapter two which is the literature review highlights different theories related work to the study of chapter three gives the methodology of the research and it describes the types of data to be collected, why it was collected, from where, how it was collected and ought to be analyzed. Chapter four answer research questions by analysis and interpretation of study findings, finally. Chapter five present the summary, recommendations and conclusion.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter gives an overview of the literature review on concept of downsizing and retrenchment, reasons for retrenchment, consequence of downsizing, effect of poor retrenchment on survivors, effect of poor retrenchment decision on leaves, role of management in retrenchment, characteristics of effective retrenchments, retrenchments process, Criteria for retrenchments, steps in the selection process of a Criteria, banking sector in Rwanda, retrenchments among Rwanda commercial banks. We then draw attention to the gap in the literature as basis for the current research.

2.2 Concept of retrenchment and downsizing

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).

Retrenchment refers to the termination of employment of a permanent employee due to redundancy and also it refers to 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).

2.3 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).

Drew (1994) compartmentalized the factors that cause downsizing into three main categories; macroeconomic, industry specific, and company specific. Empirical evidence revealed that declines in sales (industry specific), declines in profits (industry specific), poor financial results (company specific), greater responsiveness to customer needs (industry specific), and increased international competition (macroeconomic) were the main downsizing driving forces for the surveyed firms.

Mishra and Mishra (1994) assert that firms have downsized in order to cut costs, seeing few alternatives for coping with the increasingly competitive global market-place. They contend that the kind of downsizing that took place in the 1980s was mainly an effort to reduce the number of employees in order to remain competitive, a trend that continued well into the 1990s.

Ryan and Macky (1998) concluded that downsizing was employed not only to cut labor costs by shedding labor in the short run, but to apply downward pressure on wage demands from the remaining workforce in the longer term. Harrington (1998) attributes downsizing to surpluses of both employees and facilities. This in itself is seen as a direct result of increased competition, increased efficiency, reduced need for middle managers resulting from de-layering and employee empowerment, and improved quality and reliability of products which require fewer resources for maintenance. Luthans and Sommer (1999) concluded that global competition, technological innovation, increased customer influence, macroeconomic forces, and pressures from rival firms represented the main downsizing driving forces of the 1990s.

2.4. Consequence of downsizing

Gandolfi (2008) observed that downsizing activities produce profound consequences:

2.4.1. Financial consequences

The overall picture of the reported financial effects of downsizing is bleak (Gandolfi & Neck, 2008). A multitude of studies, cross-sectional and longitudinal, have shown that while some firms have reported financial improvements (Sahdev, 2003), the majority of downsized firms have not been able to reap improved levels of efficiency, effectiveness, productivity, and profitability (Gandolfi, 2009). The downsizing literature portrays an overwhelmingly negative picture of the financial benefits of downsizing. There is strong evidence suggesting that a pure downsizing strategy is unlikely to be effective (Macky, 2004). Many downsizing efforts have shown to produce

financial results that are dismal and economic consequences that are devastating (Burke & Greenglass, 2000).

2.4.2. Organizational consequences

Downsizing is expected to generate financial and organizational benefits (Palmer, Kabanoff, & Dunford, 1997). The major economic benefit that is expected is a direct increase in shareholder value. The rationale is that future costs are more predictable than future revenues and cutting costs should translate into higher profits. Since people represent a considerable component of operating costs, the cutting of employees seems a rational, natural response. Anticipated organizational benefits include lower overheads, less bureaucracy, faster decision making, smoother communications, greater entrepreneurship, and increased productivity (Burke & Cooper, 2000).

2.4.3. Human consequences

Downsizing-related human costs are extensive (Gandolfi, 2009) and far-reaching (Burke & Greenglass, 2000). Downsizing scholars have identified and empirically studied the symptoms associated with the emotions behaviors, and attitudes of survivors. These symptoms have come to be known as 'sicknesses'. The most prominent sickness, the survivor syndrome, is a set of emotions, behaviors, and attitudes exhibited by surviving employees (Littler, 1998).

Downsizing engenders a variety of psychological states in survivors, namely, guilt, positive inequity, anger, relief, and job insecurity. These mental states have the potential to influence the survivors' work behaviors and attitudes, such as motivation, commitment, satisfaction, and job performance. The survivor syndrome is characterized by decreased levels of morale, employee involvement, work productivity, and trust towards management (Cascio, 1993).

2.5. 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.

2.6. Effect of poor retrenchment decision 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 2006; Hall and Goodale, 1986). Charles (1974) 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:

2.7. Characteristics of effective retrenchments

According to Burke and Nelson (1998) effective retrenchment have been the following characteristics: Retrenchment should be implemented by command from the top, with recommendations from lower level employees, based on job and task analyses of how work is organized. The management develops a change-management plan with a clear vision especially of the ideal future organizational identity and specific steps to conduct and oversee the transition.

Management should pay special attention in the form of outplacement, generous severance pay, retraining, and family counseling to those employees who lost their jobs. In addition, the management should create placement opportunities and allow reasonable time for employees to find jobs elsewhere. Those employees who did not lose their jobs received special attention through increased information exchange among top managers and employees.

2.8. Retrenchments process

Burke and Nelson (1998) further contend that a successful retrenchment process requires planning that begins long before the formal announcement, which can be divided into four steps:

2.9.1. Making the Decision to Retrench

The decision to retrench must be made with care. Employees often see retrenchment as a failure by top management to control costs and hiring in the first place. It also represents a failure to count employees as valued assets but to see them simply as costs. Managers can show their concern by exhausting all possible alternatives before deciding to retrench. For short-term declines, some companies have successfully implemented hiring freezes, salary freezes, overtime restrictions, and pay cuts, elimination of bonuses, shortened work weeks, or unpaid vacations. Companies can offer voluntary separation with severance benefits or early retirement. (Gambion, 2009)

The real danger in offering voluntary separation is that the best performers may be the first to leave because they have the most attractive employment alternatives. Thus, companies must manage such

separations carefully to avoid losing people with key skills or competencies. Only after the company offers other alternatives and voluntary separations should it consider forced lay-offs.

This approach shows employees that management is concerned about their interests and needs rather than just its own short-term needs to reduce costs. While this approach may take longer and incur upfront costs, it will pay for itself in the long term through survivors' increased trust (Gambion, 2009)

2.9.2. Planning the Retrenchment

The implementation plan must consider all stakeholders' needs. Laid-off employees and survivors must trust that management is concerned with their needs, not just those of shareholders, so they feel in control of their destiny, even if it involves lay-offs. Form a cross-functional team. The team to plan and implement the retrenchment should represent all members' interests so employees see that management is looking carefully at everyone's needs and concerns. Provide training to managers. Training should explain how to communicate the retrenchment announcement empathetically and convincingly. It should give the managers who execute the lay-offs skills and practice in telling employees that they will lose their jobs.

Some laid-off workers will be unable to comprehend what is happening and will lash out at the messenger or become violent. However, managers prepared to deal with their emotions and those of employees in advance can feel competent in executing this difficult task. Often these managers need counseling and support after they share the news with employees to deal with their own guilt and stress. - Form a cross-functional team.

2.9.3. Making the Announcement

At this stage, the company not only showed concern for employees' needs (whether survivors or laid-off workers) but must also be open and honest about the reasons for the retrenchment and the implementation process, thus helping to mitigate distrust. The company must communicate its vision so that survivors can have a sense of hope and personal control about the future and feel empowered. Severance packages and other benefits for retrenched employees are critical so that they feel in control and can find other employment.

- Explain business rationale. Managers should explain to employees where the company is headed. Employees should know why retrenchment would help rejuvenate the organization.

Communicating a clear vision helps them trust management's competence in turning the company around. If they see the larger vision, they will also feel more in control.

- Notify in advance. Advance notice helps employees feel in control so that they can better plan their futures. It also enhances their trust in management's openness and willingness to share sensitive information.
- Be specific and time the announcement appropriately. Employees want to hear about their company's retrenchment from the organization itself, not from the newspaper or television. Thus, it is critical to communicate the retrenchment announcement simultaneously to all affected constituencies.

2.10. Implementing the Retrenchment

According to Gandolfi (2009), tell the truth and communicate. A company should anticipate employees' questions and answer them throughout the implementation phase. It should ensure time to listen and understand employees' concerns and needs.

- Help departing employees find other jobs. The crisis is not over until departing employees are gainfully re-employed. Sometimes employees can be absorbed into other parts of the business. Outplacement agencies can facilitate employment in new firms.
- Be fair in implementing separations and be generous to laid-off workers. Survivors will judge a company's future interactions with them on how fairly it treats those laid off. The selection process should focus on past performance or some other objective criteria, and the criteria should fit with the vision of the future.
- A company should also provide generous benefits so workers feel treated. Outplacement services can include career counseling, stress management, skills assessment, retraining reimbursement, and job placement assistance such as secretarial support, job fairs, resume preparation, and interview training. Generous benefits repay themselves by making survivors more positive about the retrenchment.
- Involve employees in retrenchment implementation. A well-implemented downsizing focuses not only on removing employees but also on changes in work design. Remaining employees often have ideas about restructuring their jobs and improving internal processes, so companies should involve them.
- Train survivors. It is easy to assume that the survivors will know how to carry out their responsibilities after the workforce is downsized. Nevertheless, they may feel overburdened

in taking on the jobs of former co-workers that require different skills. Training should give them confidence to work in a new environment.

2.11. Criteria for retrenchments

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.

2.11.1. Seniority systems

Flippo (1984) observed 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).

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, 1983).

2.11.2. 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).

2.11.3. 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).

2.11.4. 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).

2.11.5. Early retirement programs

Many organizations have resorted to early retirement programs as Criteria 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) noted 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 noted 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) suggested other criteria which included: 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.

2.11.6. Steps in the selection process of a Criteria

Enterprise Business Centre's Information Resource Centre (2001) pointed to the following steps in the selection process as good human resources management practice:

- 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 has the current effect staffing 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)

2.12. Implementation of Retrenchment

Management set-up that included the Implementation and Monitoring Board, the Planning and implementation committee and the Permanent Secretary's' Administrative Reform Commission were formed to facilitate the planning and implementation of the reform. Retrenchment was implemented in phases. Martin Orech (1995), the then head of the Civil Service and Permanent Secretary in the Ministry of Public Service, in a seminar for Permanent Secretaries on 6th, December, 1995 said that the Civil Service which had 320,000 personnel in 1990 was then 150,000. This implies that about 170,000 civil servants have been retrenched.

Appropriate skills, strategies and tactics are needed in implementing and managing retrenchment. This is partly because; retrenchment implies organizational change and change is normally resisted. Biller (1980) highlights some of the tactics used in carrying out retrenchment as: indicating that there are no losers or winners not favoritism for special categories of people who will win all the time, advancing general reasons for cutbacks (that are difficult to challenge, preference of some across-the-board cuts that increase fairness and legitimacy, concentrating on incentives especially for those who remain; having open minded management which is innovative, and involving customers in the search for ideas and problems to solutions. In short, having a corporate strategy is important for successful implementation of retrenchment (Behn, 1980).

Having corporate strategy for example, ensured successful retrenchment and restructuring of the shipping and ship building industry in Sweden during the crisis of the 1970s. In 1988,

(Behn, 1980) indicated that to make retrenchment work, there are basic responsibilities of cutback management which include deciding what to cut, maintaining morale, avoiding mistakes, developing support of key constituencies or stake holders, creating opportunities for innovation, attracting and keeping quality people. According to him, retrenchment has stages. These are: assessing economies needed to carry out retrenchment, taking a long term view, development of performance criteria, creating incentives for co-operation, and being compassionate to the stake-holders.

Behn (1988) says that managers maintain productivity. Retrenchment is dependent on leadership and management. Behn (1980) says leaders must explain the reality, take a long term view, develop a corporate strategy, develop measures of performance, and be passionate or considerate.

Burke (1988) suggests that the manager or consultant do the following: set goals, participate in decision-making, redesign jobs to improve person-environment fit, and orientation programs and programs to manage staff reductions. On a general note, Bentley (1986) listed 3 issues which in effect summarize what has been discussed above to include: redefining the organization's mission, reorganizing the structure, and re-staffing/adjusting personnel. These improve retrenchment management. Furthermore, Bennett, Fadil and Greenwood (1994) highlight on the importance of organizational culture during the retrenchment period and recommend the designing and implementation of a cultural intervention strategy before and after retrenchment. The conclusion here is that retrenchment must be effectively implemented and managers should have the required skills to do this.

2.13. Costs and Benefits of Retrenchment

Retrenchment has attracted different interpretations and effects (Standing and Tolkman, 1991). It has costs and benefits depending on how it is managed. The conceptual model shows that the need for retrenchment, its planning, implementation and impact are related. It also shows that the need for retrenchment (for example, of an oversized civil service) leads to planning and then implementation of the exercise. Implementation may result in positive or negative consequences and this has implications for employees who are retrenched and those who stay on their jobs. Retrenchment has implications for both organizations, and the country. Feedback about retrenchment effects is necessary whether the effects are positive or negative.

Particularly, corrective feedback on consequences is necessary to improve subsequent steps and future retrenchment exercises.

Positive impact implies that the retrenchment exercise is likely to achieve its main objective which is improved quality of service delivery. Baron and Greenberg (1990) argue that for retrenchment to be effective, it needs to follow the sequential steps of identifying the need for change, planning for the change, implementation, evaluation and feedback.

2.14. Disadvantages of Retrenchment

Levine (1984) found that retrenchment resulted in fiscal stress and human resource shrinkage that caused many difficult problems for government managers. These problems are caused by methods used by managers to cope with the need to retrench and decrementalism (decrease in budget without loss of visible operating effectiveness). The major problem is decrease of human resource that results from cost cutting measures which brings loss of skills, energy, morale, commitment, physical and mental health degradation that results from employees withdrawing physically and emotionally. Decrements also cause reduced co-operative attitudes, greater fear and distrust, poor communication, lowered performance goals, restriction of production and increased turnover.

Biller (1976) is of the view that organizational costs increase as a result of retrenchment due to the package granted on retrenchment and catering for the needs of re-training those retained by the organization. Cascio (1986) supports this view. He says that although lay-offs are intended to reduce the costs, some costs like the severance package, out-of-placement benefit, pension and administrative processing costs may increase. It seems thus likely that the cost bill reduction as an advantage of retrenchment is not attainable in the short run. But even in the long run, its achievement may be bleak.

The retained workers become more productive and if the Productivity Theory of wages rules, the wages go up pushing the wage bill up (Levine, 1978).

Retrenchment creates demoralization, dampen organizational productivity and increase voluntary retrenchment, discourage the organizations' most talented and productive members who will end up leaving the organizations (Behn, 1980) and Standing and Tolkman (1991)

warn that the introduction of voluntary retrenchment arrangements may impose considerable financial burdens on the organization. Wilburn and Worman (1980) say that retrenchment threatens one's faith in the value of his contribution to the organization and sense of control over the future.

Retrenchment causes industrial unrest. Biller (1980) notes that people whose status, income, and future are dependent on the programs that employ them will inevitably resist the change. This is further enhanced by trade unions, which resist un-called-for layoffs. Wilburn and Worman (1980) say that further resistance may come from members of management who have spent time developing policies and programs and whose end may not be seen. Innovation might be dampened because of retrenchment (Biller, 1980).

Denga (1987) states retrenchment of workers, inflamed psycho-social problems, for example, reduced self-esteem, general irritability, stomach ulcers, and tendency to commit crimes, high blood pressure, heart disease, financial emaciation and depression. Such stressful events are not limited to low cadre employees; managers are equally adversely affected. For example, Burke (1988) found that contemporary sources of stress both managerial and professional included organizational retrenchment and decline and future job ambiguity and insecurity.

The above findings support the work of Curtis Russell, (1989) who investigated responses of administrators and lower personnel to retrenchment in the western culture and concluded that administrators' responses about events leading to cutbacks have been reactive activities that centralize, formalize and increase downward communication and defectiveness. These responses exacerbate the existing problems connected to employee morale, trust, depression and productivity. Cutbacks and cutback management can introduce threatening environments that engage individual and psycho-social actions to intervene between environmental change and pressures and internal organizational response.

Levine (1984) found that organizations facing crises, for example, reduced resources by implementing cutbacks in personnel and retrenchment cope with and adapt to their environment by unwittingly exhibiting certain crisis-syndrome characteristics. In hard times, most of them tighten controls of expenditure, centralize authority and decision-making, pursue inappropriate strategies that worked in the past, and distort information. These responses affect members and create secondary crises as members try to cope with anxiety. Their working habits may deteriorate, filled with resentment, hostility, and anger and may develop a sense of

dependence and search for a leader to save them. Such crises cause physical and psychological problems in the employees.

2.15. Advantages of Retrenchment

On the other side, retrenchment could have positive aspects. An effective adjustment policy, therefore, should be associated with high organizational productivity and not strikes (Cascio, 1986). It should also be associated with high quality of working life of the employees.

Many retrenchment programs have been implemented in Africa. For example, in the Gambia, Guinea, Guinea-Bissau, Ghana, Equatorial Guinea, Cameroon, Tanzania, Zimbabwe, and Lesotho, Reports on these Programs have not indicated how the immediate impact of retrenchment, especially in terms of immediate work and organizational outcomes have been addressed (United Nations, 1991).

Some Ugandan experts have said that organizational performance and innovation increase as a result of retrenchment. This is reflected in improved service delivery (Ssezi, Director, Public Service, 1999, personal communication). Namatovu (1993) isolated some of the advantages of retrenchment to include restructuring of jobs and departments, reducing of over-staffing, redundancy and overcrowding, improved performance, discipline, efficiency, training and salary enhancement. This research, therefore, is the first of its kind and more supportive evidence is needed.

2.16. Quality of Working Life and Retrenchment

Quality of working life is a neglected issue in organizations in the developing countries. Quality of work life is defined by Lawler (1973) as the employee perceptions of their physical and mental wellbeing at work. These perceptions can be favorable or unfavorable.

Quality of working life has been identified by other researchers to have the following components: pay, employee benefits, job security, alternative work schedules, job stress, participation in decision making, workplace democracy, profit sharing, pension rights, working hours, programs that enhance workers' welfare and overall job satisfaction. Most of the above variables were isolated by the Work in America Institute Surveys as the most important quality

of work life issues of the 1980s and beyond. Therefore, retrenchment programs which have positive effects must address these components.

Productivity and quality of work life are important because where they have been addressed, monetary benefits, improved labor relations, fewer grievances, lower absenteeism, reduced turnover and strikes have been achieved (Casio, 1986). Where it exists, high quality of work life has been associated with high job performance (Cascio, 1986). In summary, retrenchment has positive and negative effects on individual, and organizational performance, as well as quality of work life. However, in Uganda, its effects are not well known.

2.17. Concept in banking sector in Rwanda

Banking sector in Rwanda and Commercial bank

The banking sector in Rwanda 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.

A recent Central Bank report on the financial sector in Rwanda indicates that all commercial banks made a consolidated net profit of Rwf4.6 billion in the first three months of 2011. All commercial banks in Rwanda earned substantial profits in the first quarter of 2011, registering the strongest recovery from a dire 2009, the year that was characterized by high interest expenses and billions of bad debts, followed by a net loss last year.

However, things turned around this year with a robust rebound in the financial industry, awarding banks with high profits in contrast to the pain they endured during the financial meltdown. In fact commercial banks should maintain their optimism because Central Bank planned that credit designated for the private sector is expected to increase by 20 percent this year.

As a sign of reassurance, the Central Bank said that there is a guaranteed liquidity should commercial banks need more money to lend. The good performance in the industry is a result of a prudent fiscal policy for the last five years and increasing lending to stimulate economic growth. The current growth has not been hampered by the Central Bank's tight rules that govern the financial game in Rwanda. Banks work in an austere monitored environment, but there have been a series of monetary easing measures of late.

For example, the Central Bank in 2010 massively reduced its key repo rate; the rate of interest which a central bank charges on the loans and advances to a commercial bank to a record low of six per cent from nine per cent in 2009. This development came on the heels of a stimulus package of Rwf20.21 billion in the banking system in 2010 in addition to Rwf14.51 billion that was spent a year earlier in form of short and long term deposit liquidity facilities to commercial banks.

The Central Bank was also able to mobilize resources with an improved asset quality management, triggering an acute funds mobilization of approximately Rwf751.1 billion at the end of March 2011, an increase of 26 per cent from the Rwf594.6 billion it mobilized in 2010. The Central Bank's report indicates that the monetary business in Rwanda has blossomed because commercial banks have now firmly held their position in terms of assets, loans, capital, deposit and profitability.

The current report is a direct contrast to events in 2009 and 2010 when losses in Rwanda's banking sector was fuelled by the sharp mismatch between bank deposits and loan disbursement as a result of poor risk management practices within banks.

When you look at 2008, it was a problem of the banks, says by the Chief Operations Officer of Banque populaire du Rwanda (BPR), In 2009 we started to feel that there's lack of liquidity in the market when large depositors started withdrawing money from the banking sector, putting it in properties and investing in the stock exchange.

The major issue, he says, was that people who managed to deposit in banks demanded high interest rates on their deposits, leading to high interest expenses incurred by banks. Naibo believes the situation was actually worsened by high default rates because of the low economic activity in all sectors. That affected the profitability of banks, he says, but is now upbeat that the situation has already improved.

But the improvements have not come from nowhere; a combination of improved risk management and the Central Bank's policy actions ultimately encouraged banks to lend more to the private sector. Numbers published by the Central Bank indicate that private sector credit grew by 10 per cent (Rwf404.3 b) in the first quarter of 2011. However, after healing the panic caused by poor management in credit and lending, banks have become relatively cautious when it comes to lending, a move that could help reduce non-performing loans from 10 per cent to the Central Bank's threshold of seven per cent.

In fact many analysts have come out to strongly criticize banks for failing to manage a long term liquidity facility that had been offered by the Central Bank. Instead of addressing the real economic problems that had been created by the financial crisis, most banks invested a considerable amount of the money in a few selected lucrative sectors such as mortgages, while denying retail businesses access to loans. Because the Central Bank maintains a tight regulatory stance on lending and rates, commercial banks deposit interest rates slightly declined to 7.1 per cent in December 2010 from 8.5 per cent in December 2009 and lending rates remained high, oscillating between 16.7 per cent and 17.6 percent. While deposits grew by 22 per cent to Rwf540.2 billion in the first quarter of 2011, as banks' loan books expanded, BK's Naibo says that banks still largely depend on local deposits. (BK Report, 2017).

Bankers believe that the increasing competition as result of more banking licenses being issued by the Central Bank will bring about the much needed competition in the industry and encourage innovation. According to the Managing Director of Commercial banks of Rwanda (I&M BANK), the current growth can also be attributed to improved value addition to banking services, which may be a result of heightened competition within the banking industry.

Historical background and their current status in Rwanda

I&M Bank

I&M Bank is a medium-sized bank, serving large corporations, small-to-medium businesses, and individuals. As of December 2015, I&M bank's total assets were valued at RWF 175 billion (approx. US\$232.8 million). Shareholder's equity at 31 December 2014 was approximately US\$28.9 million (RWF: 21.6 billion). Note: US\$1.00 = RWF738.84 on 6 August 2016

I&M Bank was opened in 1963 under the name Banque Commerciale du Rwanda (BCR) or Commercial Bank of Rwanda. In the beginning, it was wholly owned by the Government of Rwanda. In 2004, it was privatized. As of April 2010, Actis Capital owned 80 percent and the Rwandan government owned the remaining 20 percent of the financial institution. Actis Capital is a private equity investment firm, headquartered in London, United Kingdom, that specializes in

investments in developing countries. The firm's investment portfolio was almost US\$5 billion as of April 2010.

In July 2012, Actis Capital divested from BCR by selling its shares to a consortium of I&M Bank Group from Kenya, PROPARCO from France, and the German Investment Corporation. The Rwandan government retained its shares in the bank. In August 2013, the bank rebranded to I&M Bank (Rwanda) to reflect its current shareholding. In September 2015, I&M Bank Rwanda appointed its current Managing Director - Robin Bairstow.

I&M Bank (Rwanda) is a member of the I&M Bank Group of companies. The group is a leading financial services provider in East Africa, with an asset base estimated at over US\$1.875 billion (KSh176.5 billion) as of December 2014. The group has operations in Kenya, Mauritius, Rwanda, and Tanzania.

BPR

As of October 2015, BPR was a medium-sized financial services provider in Rwanda. Its total asset valuation was approximately US\$325 million. At that time, shareholding in the bank was valued at about US\$50 million. The bank focused its lending to businesses in the agricultural sector. It employed 1,477 staff at that time.

The origins of BPR can be traced back to 1975, when the first Banque Populaire was formed in the settlement of Nkamba, in the city of Kibungo, Eastern Province. Over the next ten years many other similar banks were founded around the country. In 1986, the various autonomous Banques Populaires formed an umbrella called the Union des Banques Populaires du Rwanda (UBPR). UBPR was operated as a cooperative bank.

In January 2008, following 33 years of experience in the Rwandan financial sector, UBPR was transformed from a cooperative bank into a commercial bank: Banque Populaire du Rwanda S.A. In June 2008, Rabobank, the Dutch cooperative banking conglomerate, acquired 35 percent of the shares in BPR. In July 2012, Visa Inc. certified the bank to issue visa-branded debit and credit cards.

In January 2016, Atlas Mara completed its acquisition of a controlling stake of BPR after acquiring shares from existing shareholders and merging the bank with the commercial banking business that was spun off BRD.

2.18. Retrenchment among commercial banks in Rwanda

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 endeavors 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 bank's 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 Rwandan commercial banks sector. 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 Rwandan commercial banks sector can be able to meet new and emerging market challenges and thus remains competitive, it has become inevitable to gradually reduce the work force with the aim of improving productivity (BNR, 2001).

An interview with the Human resource Manager of I&M 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 cognizance 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, and improved systems among others.

The rationale for retrenchment targeted people who have been performing poorly, outstanding disciplinary cases and medical cases among others. Rwanda Commercial Bank (I&M BANK) reduced its work force from 330 to 276 workers and this was done between 1999 and 2004. The bank reduced its operation from 135 to 113 outlets.”

2.19. Summary and Gaps to be filled by the Research critical

This chapter has presented and discussed the criteria used by Rwandan commercial banks in employee retrenchments and specifically in the BPR and I&M bank. The research has also identified that staff rationalization/ retrenchment exists globally and has been there since the start of the studies in management and is always aimed at improving organizational efficiency and effectiveness. Therefore there is need to assess the effects of staff rationalization/ retrenchment and the way it affects the organizational performance and staff. Managers should be able to fully assess and re-evaluate the various recommendations by putting into consideration the organization’s uniqueness in terms of culture, key skills and competences, structure, among others for the benefit of all the stakeholders. All employees are part and parcel to any given Manager’s team and without their concerted efforts; his/her organizational roles would come to nothing. The research therefore, seeks to bring to the limelight that any retrenchments, staff rationalization, downsizing or redundancy has its own unique effects on the organization’s success and must be carefully implemented. Anything affecting the human resources (the most important resource) of an organization need to be critically looked into beforehand and in case of a foreseen adverse effect then is prudent to change tact/strategy.

There is however, need for further studies to be carried out in this particular area, especially the developing and underdeveloped economies due to the reliance on labor intensive ways of production.

Critical analysis of the study

The objectives of this study was to establish the criteria used by commercial banks in Rwanda to determine employees to retrench and to establish a frequency of use of each criterion and also to determine if there was any association between the criteria used to determine employees to be retrench age, ownership, and size of organization for here some group of authors draws the same conclusion

Summary

Summary of the findings The first objective of the study was to establish the criteria used by commercial banks in Rwanda 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 used 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 was most popularly used was assessment of employees' individual productivity. All the respondents had a performance appraisal system in place where the daily progress of employees was measured. These records played a very big role in making retrenchment decisions. Misconduct as a criterion for retrenchment was also popular and some of the behaviors that banks considered as misconduct include fraud, insubordination, regular unauthorized absenteeism, financial mismanagement, leaking out confidential information, alcoholism, and negligence among others. Early retirement programs were also used to a moderate extent. Incapability as a criterion was 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, ownership and size of the organization. All banks used 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 Rwanda 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.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the process and procedures involved in conducting the research study. The aim of this study was to examine the criteria used by Rwandan commercial banks in employee retrenchments and specifically in the BPR and I&M bank. It explains the research design, population, sampling selection techniques, sample size, data sources, data collection instruments, data processing, analysis and presentation.

3.2 Research design

According to Kenneth D. Bailey (1982:13), a reach design is a stage where the researcher must decide on what group of people to answer questions. The researcher used descriptive research and a sample study to identify the criteria for retrenchment to achieve its efficient, questionnaires at hand were answered by the board of directors, accountants, loan officers, cashiers and customer care staffs in both BPR and I&M BANK. The researcher also employed a phenomenological research design and methodology to achieve the objectives of this study.

3.3 Study Population

Population

According to J. J. CASTILLO (2009, p.113), «a research population is generally a large collection of individuals or objects that is the main focus of a scientific query. It is for the benefit of the population that researches are done. » In the various fields of healthcare, Dictionary of Cancer Terms (2011) reminds us that a population study is a study of a group of individuals taken from the general population who share a common characteristic, such as age, sex. This group may be studied for different reasons. The number of population concerned by our research in BPR&IM Bank was 104 bank officers.

3.4 Sampling techniques

Grinnell William (1990) stated that before the sample can be selected, the researcher has to decide on how many people are needed to take part in the study. In other words the researcher has to decide on the sample size to be used. The correct sample size depends both on researcher, population is considered sufficient to provide reasonable control over sampling error. Since the study was limited in commercial banks, the size was made up 104 in both BPR and I&M BANK.

Bailey (1978:83) explains purposive sampling technique as a technique whereby the researcher uses his own judgment about which respondents choose and picks only those who can best meet the purposes of the study. The researcher will use purposive sampling technique it is affordable method to choose specific respondents basing on their familiarity with the subject and their ability to give information readily since the study required specific information. The researcher will select human resources managers and other active members to constitute his respondents. This sampling technique will help the researcher to economize the little time he has to carry out the research.

Table 1: Sample size

The size of population was selected randomly and distribution was made randomly and I&M Bank takes a large number of population because it may provide a consistency information and as BPR is newly recognize as commercial bank

Target population	No. of employees	Sample size	Sampling technique	Basis for sampling
BPR staff	84	51	Universal sampling	Relevance of collective data.
I&M Bank staff	20			
TOTAL	104			

3.5 Data collection instrument

According to Hornby et al (1963:249), data are defined as a facts or things certainly known and from which conclusions may be drawn. In this study both primary and secondary data were used to collect information from respondents. Primary data are data collect from informants using techniques such interview schedule, questionnaires and observation among others (Kenneth D. Bailey, 1982:290). Secondary data are data collected from documents such as pamphlets, records and reports. It is a method that provides a rich source of information to the researcher. Secondary data were gathered from university library, and other sites.

3.5.1 Primary Data

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 divided into

two sections. Section a sought bio-data of the respondents and organizations while Section B address aspects of retrenchment, mainly the criteria used in identifying employees to retrench and effect of retrenchments on individual and bank performance. The questionnaire were administered on a ‘drop and pick up later’ basis. The researcher was able to get original information from the respondents of BPR and I&M bank, in that structured questionnaires was developed by the researcher and administered to the target respondents.

To evaluate the overall value of primary data, the researcher weighted precision, correctness and reliability against high cost time pressure and limited access to materials. The main techniques of primary data collection were interviews and questionnaires that were given to the staff of the banks in the study. Therefore, primary data were collected from respondents in the form of answers to the administered questionnaire.

3.5.2 Questionnaire

The questionnaires were self-administered by the researcher and this improved capacity of the respondents to answer questions since some of the questions was translated into vernacular in order to reach more people from this study.

3.5.3 Interview guide

The researcher replied from respondents and the interview guide helped in completing the work. This method had increased response rate, help to collect information from people who have not time to answer written questionnaire and getting information from people who were reluctant to reply, help to go deeper in the conversation and there were possibility to cross check whether information were corrected.

Qualitative interviews may be used either as the primary strategy for data collection or in conjunction with observation, document analysis or other techniques (Bogdan and Biklen, 2003:47). An interview guide or “schedule” with a list of questions or general topics that the researcher wants to explore during the interview ensured good use of limited interview time. The questions or topics kept interactions during interviews more focused.

The interview guide was employed to help the researcher elicit verbal responses from the respondents. Use of interviews helped the researcher to probe the respondents and therefore get more in-depth information. Interview guides are open and this characteristic pertinent to this study

because unwilling respondents could more easily and flexibly be convinced to answer all the questions.

The researcher has record replies from respondents and the interview guide will help in completing the work. This method will increase response rate, help to collect information from people who were not able or have not time to fill questionnaires and getting information from people who are unwilling to reply, help to go deeper in the conversation and there being possibility to cross check whether information will be correct.

3.6 Ethical considerations

Ethical issues arise from the kind of problems that social scientists investigate and the methods used to obtain valid and reliable data. An ethical consideration is pertinent to this study because of the nature of the problem, the methods of data collection and the kind of persons serving as research participants. Participants will be informed of the nature of the study and allowed to choose whether to participate or not. The researcher therefore will ensure that participants knew that their involvement is voluntary at all times.

Right to privacy refers to freedom of the individual to pick and choose for him or herself the time and circumstances under which to participate in the research. To safeguard the privacy of the participants, respondents will be kept in a private environment away from passersby or intruders. And the participants will not be asked to write their names on the questionnaires during the research also helps ensure anonymity

Participants will be informed and assured that the information they provided would be treated as confidential. In cases where the researcher will be able to identify particular participant's information, she would not reveal it publicly.

3.7 Validity and reliability of the study

Content validity of the instruments was determined by expert judgments as supported by Fraenkel and Warren (2000:70) and Huck (2000:65).The instruments was scrutinized by the supervisor and the panel of the study to judge the items on their appropriateness of content, and to determine all the possible areas that needed modification so as achieve the objectives of the study. The supervisor was determined whether the items in the questionnaires and interview guides adequately represented all the areas that needed to be investigated. In addition, the researcher also was ensured validity of the collected data by administering the interview guides personally.

On reliability of the research instruments, the questionnaire was also pilot-tested. The Split-half procedure will be used to test the reliability of the respondents. This procedure was chosen over other methods such as Kuder-Richardson approaches for its simplicity (Fraenkel and Warren, 2000:75). 4 questionnaires pilot questionnaires will be administered for this purpose; 3 for human resources of BPR and 3 for Human resources of I&M BANK.

The open-ended and structured questionnaires were scored by giving a mark for relevant responses and a zero (0) for irrelevant and blank responses. The questionnaires so selected will be divided into two equal halves, taking the odd- numbered against the even-numbered items. After administration to the pilot group, separate scores will be assigned to every respondent on the two halves. The scores of the halves will be analyzed, computed and then correlated using the split-half measure of reliability. The reliability of the scores as a whole will be then estimated using the Spearman-Brown Prophecy formula and found to be 0.76. This index is expected to be greater than 0.5 and closer to +1. This means that there will be a positive correlation between the even numbered statements and the odd numbered ones. In this case the questionnaire can be said to be reliable.

3.8 Data processing

Before the actual data analysis, the gathered data will be validated, edited and then coded. In the validation process, the questionnaires will be checked to determine whether an accurate number or acceptable sample obtained in terms of proportions of the issued questionnaires. Questionnaires will be also checked for completeness. Information from interview guides will be expected to be straight forward since the questions had been validated in relation to content and also since the researcher ensured relevance during administration and discussion with the respondents.

During editing, the questionnaires will be examined to check whether there were errors and omissions, adequate information and legibility and whether the responses will be relevant. Those questionnaires not found useful will be discarded.

The third step in data processing will be involved coding. After going through all the collected questionnaires, uniform categories of responses will be identified, classified and fed into appropriate categories in a computer worksheet using SPSS Version 16.0. According to Rubin and Luck (2007:65), in any study it is imperative that an appropriate analytical technique should be adopted so as to bring out the quantitative meaning of the data.

3.9 Data analysis and presentation

Data collected will be carefully edited, sorted and coded to eliminate the inconsistencies and errors that will be made during the data collection. After data processing, it will be subjected to descriptive analysis to create meaning of what will be collected from the field and find out the relationship that support or contradict original or new hypothesis by using statistical package for social scientists (SPSS) and Microsoft excel programs. Information will be presented in form of percentages, frequencies and tables.

Data will be analyzed quantitatively and qualitatively. Quantitative data will be analyzed by frequency tables and percentages. Frequency tables represent the most commonly used method in presenting data in descriptive research (Kathuri and Pals, 2006:117). Associations between selected variables will be tested using chi square.

Qualitative data will be evaluated, classified into logical thematic categories based on the objectives and then coded. Analysis of qualitative data collected using interviews and document analysis will be an ongoing process where emerging themes will be categorized based on the research questions. As the research progress, some of the questions will be refined while new ones will be formulated to fill in the research gaps detected. Any questions arising during categorization will also be included.

In the early stages of fieldwork data collection, data analysis involved developing simple categories based on the characteristics of respondents and the events that appeared in the research context. Field notes pertaining to responses from each group were filed and coded under the appropriate classification.

As the fieldwork progressed, the researcher used what she learnt to refine, and sometimes redefine the categories of data. After each refinement, the researcher reviewed and re-filed all relevant field notes. A running summary was drawn from the field notes on a daily basis.

The analysis of the structured items was done by using the Statistical Package for Social Sciences (SPSS). Unstructured items were analyzed manually along major concepts and themes, and the results were presented using descriptive statistics. Conclusions were drawn from the analyzed data, leading to recommendations and suggestions for further improvement of the illegal drug abuse as a major cause of family conflicts.

3.10 Limitations of the study

Financial constraints: Costs expected to be involved during the research like transport, communication and stationery will be very much and no funding will be available. The researcher will use his own savings to be successful in carrying out the study.

Poor respondents' attitude: Some of the respondents may think that the researcher is making a study so as to be paid by some organizations; so they was also want some out of pocket. The researcher will explain well that the research was be for academic purpose and the findings would also be of benefit to them after this, members cooperated well and the study was successfully done.

Lack of time; as research demanded a lot of time in collecting literature and analysis but the researcher will dedicate all the free time to research

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION OF FINDINGS

4.1. Introduction

The purpose of this study was to analyse criteria used by commercial banks in Rwanda to determine employees to retrench by. In this chapter, the researcher analyzed and interpreted the data collected from the field. This chapter, therefore, includes the presentation and discussion of data, which is done in order to support and back up the conceptual part of this study. Qualitative and quantitative analysis of data was essential part of this chapter, on which results the conclusions and recommendations based on.

4.2. Presentation of case study

4.2.1. I&M Bank the former BCR

Immediately after the RPF (Rwandese Patriotic Front) brought to an end the 1994 genocide, John Nyombayire, Economist and former Professor of Mathematics and Economics, who later became a banker, regained the country of his ancestors to take stock of what had become of the Commercial Bank of Rwanda, (BCR), of which the Government is a big shareholder

A disheartening financial situation at the resumption of banking activities

In the confusion and disorder that followed the war, the recovery of Rwanda's financial system was a top priority for the new government. The Société Financière pour les Pays d'Outremer (SFOM) = (BNP, BBL and the Dresdner Bank) were majority foreign shareholders. At that same time, SFOM and its partners had considerable shareholding (42, 5 %) in BCR. The BBL, of which was BCR's main pillar, immediately appointed Mr. Nyombayire as its consultant with the mission of taking stock of what remained of this disaster stricken bank and draw up plans for its closure.

A small team was hired, most of them Rwandans who worked in the banking systems of either Burundi, Uganda or Zaire, and who had regained their homeland. The accounts and information system were a mess, books of account scattered everywhere, archives plundered, the Banking headquarters perforated by artillery shells, a broken down telephone system, vehicles looted, top banking executives and workers either killed or in flight, and emptied coffers. That is what our courageous banker and his team found waiting for them.

But worse was in store for them, when some member of the team visited the 13 up-country branches. What remained of the buildings were either roofless structures, or a few standing walls.

The communication equipment and machines were either looted or destroyed, files and books of accounts torn and scattered outside in the gardens, office equipment stolen, etc.

That is the atmosphere in which the team began its enormous task of making inventory. But far from making plans for closure of the Bank, with the help of government, together with its dynamic team, set upon rebuilding and reopening of the bank, and indispensable and important element, a cog in the economic wheel of the country.

A well-thought-out investment program

In the same period, stock taking inside the country confirmed that a vast investment program was necessary to reconstruct a network of branches which would be able not only to attract savings but also to help in development by way of financing small projects of production or agriculture.

The branches network, BCR headquarters as well as its computer system limping since the reopening (which even would be confronted to serious Y2K problems) necessitated an important program of investment, but there were no means. After some hesitations an investment program (the absolute minimum necessary) of two million dollars was presented to the Board of Directors towards the end of 1996. After several discussions, the Management of BCR was authorized to present a three-year recovery plan, which shows that the bank can make necessary investments based on its generated cash-flow.

The team embarked on its work to draw its first three-year plan ever made at BCR. The green light was given by the Board of Directors and an intensive work took off, not only to reconstruct, but also to modernize the bank and safeguard it against the passage of the year 2000 (This started already at the end of 1996). They started a hard labor: we became all at the same time architects, entrepreneurs, constructors, computer scientists, electronics experts and politicians. But a team of dynamic people, who believe in this project of reconstructing their bank and their country, could work practically day and night. In two years, a totally new computer network "client-server" on Windows NT was developed with powerful servers and 120 intelligent work stations. An integrated bank software "Delta Bank" was installed, the old work methods were replaced by a modern approach of the customer. A pleasant work atmosphere and welcoming counters were constructed.

The today's BCR can in no way be compared to the BCR of October 1994. Highly qualified manpower (BCR counts among its staff 40 % University Graduates), modern buildings and

counters, a well performing computer system, 100 % computerized bank procedures, branches all over the country performing with a motivated personnel, a Mobile Bank serving up-country where there is no permanent branch, a security system and a sophisticated access control, specialized vehicles for the conveyance of funds.

The total of investments that can be paid off is nearly six million dollars. The total of investments in human resources is such that figures alone cannot convey its importance services

1. Account Opening

You can easily open an account with BCR, only on presentation of identity papers for private customers and upon presentation of the company articles or the legal registered documents for new customers with a legal status. Accounts can be held in local currency (RWF) or in any foreign currency currently quoted in Rwanda. Accounts can be opened at our Kigali HQ or in any Kigali or up country branch.

A minimum initial deposit can be required.

Procurators are accepted to enable different persons to operate an account, signing alone or together. Therefore special forms are available. All banking operations are subjected to the most recent edition of our General Operations Regulations.

An account statement will be edited after each operation on an account. Our customers can choose between our sending the statement to their home or business address, keeping it for them at our counters or putting it in a special “post-box “in our banking hall at a small charge. Daily, weekly, monthly and yearly statements can be ordered.

2. Transfers

Customers can transfer money from one account to another in our Bank, to accounts held in another local bank or a Bank in another Rwandan city or to any Bank in the world. Transfers can be ordered from a local currency or foreign currency account.

Transfers from local to foreign currency accounts or vice versa, or from one foreign currency account to another can be subject to National Bank Regulatory Instructions. The Bank will credit the customers' account for any amount received from another local or foreign bank. If the Bank receives any foreign currency to be credited on a customer's specific account and if this account is not opened in the same currency, the Bank converts automatically the amount received, unless prior notice received from the beneficiary. We will normally credit customers' accounts without charges,

unless otherwise specified by the sender's bank. Certain transfers are subjected to a special commission. Preprinted formulas for transfers can be ordered by our customers at a small charge.

3. Checkbooks

We edit checkbooks on request of our customers at a small charge. According to National Bank's regulations, checks can only be drawn in local currency (RWF). Checks drawn on BCR can be cashed at whatever agency or branch of our Bank. All checks drawn on whatever bank and in any currency can be deposited at our counters for further credit to your account. Certified checks can be obtained for payments in favor of Customs, Revenue Authority, National Bank, etc, either by debiting a customers' account or against deposit for non-customers. For local payments or foreign currency withdrawals abroad, we can issue Bankers' checks for your safety.

4. Loans & Credit Facilities

BCR is willing to study any justified request for credit lines, investment loans, personal loans handed over to our bank either by customers or non-customers, private persons or companies. Various kinds of credit schemes and loans for equipment, new vehicles or trucks, houses or constructions of buildings, import or export financing and even current assets and working capital needs can be financed. Our specialized departments will advise you accordingly. Our tariffs and conditions are almost the best you can find in the local market. For short term credit we can allow "overdraft" facilities if justified and with timely return of funds.

5. Savings Account

In order to promote regular saving (especially for the younger people) we developed savings accounts with an attractive interest calculated and booked at the end of the year.

Withdrawals and deposits on these savings accounts are free. No minimum or maximum limits have been fixed.

6. Fixed Deposit

BCR offers its customers a possibility for term deposits from one month to five years' period. Interests on these Fixed Deposit Accounts vary accordingly to fix period and amounts involved. These deposits can be made in local and foreign currencies. Interests on fixed deposit accounts vary according to local money market situation for the RWF-account and as far as foreign currency fixed deposits are concerned, interest follow the international quotations.

Minimum fixed deposit in local currency is 250.000 RWF and 50.000 USD or equivalent for foreign currency. Interests are fixed up to due date and paid by this date, either in current account or added to the fixed deposit.

7. Treasury bills

BCR offers Treasury Bills at one to five years. Interest are payable at the end of each year. Please contact our commercial services for subscription.

8. Foreign Exchange

All foreign exchange is subject to the National Bank of Rwanda's foreign exchange regulations. At BCR you can change Rwandese currency against foreign currency or vice-versa. Exchange can be made against cash money, by debiting an account or against checks. We also exchange your Traveler's' checks AMEXCO, THOS COOK, etc. at very competitive conditions. In general exchange from foreign currency to RWF is free; from RWF to foreign currency exchange is subject to certain conditions and justifications, as per National Bank of Rwanda's Foreign Exchange Regulations.

(e.g. : For a business trip abroad a customer can buy 10.000 USD or its equivalent in any other foreign currency, for a tourist trip this amount is limited to 4.000 USD). Our experts will gladly help and advise you in this matter.

9. Import / Export

BCR has been specializing for years in Import and Export finance facilities. Our License and L/C Departments have gained an important experience over the years. Through our important network of foreign correspondent banks all over the world and thanks to our foreign shareholders, Bank Brussels Lambert in Brussels, London, Eastern Europe, Singapore, Banque Nationale de Paris in Paris, New-York, London, Dresdner Bank in Frankfurt, Tokyo, we are able to notify and confirm International Letters of Credit (L/C) for any importation at competitive conditions.

Import licenses, as export licenses as well as Mod A (for any transfer abroad) are validated immediately by our services.

BCR is happy to offer to any customer or non-customer a newly introduced fast and secure money transfer service: Western Union from December 1997 on. This is an extremely fast - within 20

minutes - system of money transfer all over the world. You can send money to and receive from anywhere. A bank account is not needed. Of course the foreign exchange regulations have to be respected.

10. Credit Card

BCR is negotiating with its counterparts to introduce and to have accepted all kinds of international credit cards in the Rwandan market. Up to now most international hotels and airlines in Kigali accept payment by cards such as: Amexco, Diners' Club, Master Card, Eurocard

Shareholders of BCR

	<i>% of the shares</i>
Rwandese Government	44,44 %
Banque Bruxelles Lambert(Bruxels)	42,51 %

BCR rebrands to I&M Bank

I&M Bank (Rwanda), is a commercial bank in Rwanda. The bank is one of the commercial banks in the Republic of Rwanda, licensed by the National Bank of Rwanda, the national banking regulator. The bank is a medium-sized bank, serving large corporations, small-to-medium businesses (SMEs), as well as individuals. As of June 2013, the bank is the second-largest financial services provider in Rwanda, with total assets valued at about US\$198 million (RWF:127.56 billion), with shareholders' equity of approximately US\$26 million (RWF:16.7 billion). The bank was opened in 1963 under the name Banque Commerciale du Rwanda (BCR) or Commercial Bank of Rwanda. In the beginning it was wholly owned by the Government of Rwanda. In 2004, it was privatized. As of April 2010, Actis Capital owned 80% and the Rwanda Government owned the remaining 20% of the financial institution.[7] Actis Capital is a private equity investment firm, headquartered in London, United Kingdom, specializing in investments in developing countries, whose investment portfolio is almost US\$5 billion, as of April 2010.

In July 2012, Actis Capital divested from BCR by selling its shareholding to a consortium of the I&M Bank Group from Kenya, PROPARCO from France and the German Investment Corporation (DEG). The Rwanda Government retained its shareholding in the bank.[8] In August 2013 the bank rebranded to I&M Bank (Rwanda) to reflect its current shareholding. Commercial bank of Rwanda (BCR) has rebranded to I&M Bank Rwanda, with the bank promising expansive regional services.

Last year, a consortium led by I&M Bank Limited, a Kenyan incorporated bank, acquired 80 per cent of the shareholding in BCR. As a result, the shareholding of the bank changed with 55 per cent going to I&M Bank, 12.5 per cent to PROPARCO and DEG, two European development finance institutions, each, 19.8 to the Rwandan government and 0.2 per cent to private shareholders. “We are now part of the regional banking sector growth as our renaming means more services like the brisk online money transfer services,” Sanjeev Anand, managing director of the now I&M Bank Rwanda said in a phone interview yesterday. Anand said the bank had renamed after receiving statutory approvals. “All the existing contracts, agreements and documents in the name of Commercial Bank of Rwanda (BCR) will remain contractually binding and enforceable,” he explained.

Mission and Vision of I&M Bank Rwanda

Vision

To become a company where the best people want to work. The first choice where customers want to do business, and where shareholders are happy with their investment.

Mission

To be partners of growth for all our stakeholders. We will achieve this through:

- Meeting our Customers’ expectations
- Motivating & developing every employees
- Enhancing shareholder value.

Culture

“Nurture a culture of fairness to our partners”. This is with regard to three key relationships:

- Employee – Employer.
- Customer – Bank.
- Shareholders.

Objectives

For our customers to say with pride: my bank our staff to say with a sense of attachment and pride: I work for I&M bank Rwanda for our shareholders to say: I own I&M bank Rwanda bank shares

Strategy

Consciously develop an image of an institution genuinely interested in long term relationships being proactive and responsive to customers' requirements and expectations.

Provide the highest quality of service consistently with warmth and friendliness so that customers genuinely feel comfortable.

Offer value for money to our customers in terms of products and services.

Be recognized for ethical practices and fully respect rules and regulations.

Be recognized as a Company with clear procedures and well developed internal systems to foster an efficient delivery platform for products and services.

Be perceived as an Institution, which has fresh ideas and is keeping pace with technology to improve product delivery standards.

Be recognized for providing congenial working atmosphere where there is mutual respect for each other.

Be an organization, which strives to attract talented professionals through a dynamic human resources policy, which is based on: Having a fair reward policy and career planning.

Showing no bias towards race, or religion or ethnic background.

Providing an enabling environment to bring out the best from its most valuable resources.

Interacting and close understanding at all levels.

Creating an environment where work is a pleasure, a challenge and not a burden.

Being an employer who encourages its employees to enrich standards either through education, training, or other support. The employee feels assured that the employer will standby when really needed.

Having good communication to keep staff abreast of the broader picture to make each one a part of the organization and its aspirations. This is also to promote feedback and suggestions to make the organization more efficient and being profitable and a HAPPIER PLACE.

4.2.2. Historical background of BPR Ltd.

According to Pierre Georges BRAND defined people's bank (Banque Populaire S.A) as a social body, a group of individuals who come together to form a cooperative to provide security for their savings and redistribute in form of loans to the members of that group for their professional activities or for ameliorating their standard of living. Peoples bank as a name suggests it can be

defined as a state of cooperative for savings and offering credits to the people. This is the origin of the term "BANQUE POPULAIRE"

In the year 1968, Rwandan government thought of establishing Banque Populaire du Rwanda but it could not afford itself. It thought necessary to look for friendly states from overseas that had experts to provide a help. These states included France, Canada, and Swaziland.

In the year 1971, the government of Swaziland sent experts to carry out a pre-study and examine whether the installation of Banque Populaire in Rwanda can be successful. The study tested favorable and on 7th December 1972 a treaty between two parties Rwanda and Swaziland concerning establishment of credit and savings cooperatives were signed.

It is on this note that the first Banque Populaire was installed on 4th August 1975 at NKAMBA in former commune (District) KABARONDO in KIBUNGO which is now call it EASTERN PROVINCE. In the year 1986, the umbrella of these peoples banks (Union des Banques Populaire du Rwanda S.A (UBPR) was formed to bring together all those cooperative Banks that had organizational characteristics of savings and credit offering. With this, a union of those cooperative Banks were formed in 1988 under the law n° 31/1988 of 12 October 1988 governing organization of cooperative societies of the decree-law n° 7/1981 on the 28th April 1981regurating financial institutions.

These cooperative Banks worked independently, they didn't have head offices .Only the Umbrella had its headquarters in Kigali city and it would harmonize the entire system while providing proper administration, logistics, and technical support for the prosperity of other branches, the primary target was to expand services to rural areas regarding the regulations put forward by National bank of Rwanda guiding financial institutions.

The evolution of these People's banks continued as time goes on.

In January 2008 these Rwanda peoples banks that had cooperatives regulations, were transformed and became commercial banks. Over 140 independent units that had limited powers to exercise banking services were now legally recognized to operate as other financial institutions in Rwanda.

Apart from local citizens, the Holland bank (RABOBANK NEDERLAND) had a third of the shares in the Banque Populaire by June 2008 after the transformation from UBPR to commercial Banks. Rabobank position in its financial investment and technical support strengthened the prosperity for this financial institution

4.2.3 .Mission and vision

Mission: To offer a full range of financial services in the urban and rural area in a market driven and financially sustainable way; based on cooperative characteristics. Special attention will be given to farmers, agribusiness enterprises, private individuals and micro as well as general objectives small and medium enterprises.

Vision: To become a leading bank in Rwanda which offering quick and better quality services.

MOTTO: The motto of the Banque Populaire du Rwanda S.A is “Our neighborhood bank” means “BANKI YACU, HAFI YACU” as it is known in Kinyarwanda

Logo of Rwanda People’s Bank.

Objectives of BPR S.A

The BPR S.A has the following objectives:

1. Creating a suitable environment that may attract clients to invest their funds according to the conditions determined by the policy and regulations of savings,
2. To enhance the spirit of saving among Rwandans this is the sign of the better future standard of living.
3. Provide loans to customers to help them meet their financial, economic and social needs, these loans are refunded according to the terms of the loan contract that are defined by the policy and regulations of loans,
4. Encourage the spirit of initiatives, local labor by prudent usage of savings and credit services offered by the Banque Populaire du Rwanda,
5. The need to fight against the widespread of speculations and depreciations in credit and savings domain.

Organization structure of BPR Rango sub-branch

The Rwanda Peoples’ Bank RANGO Sub/ Branch have four outlets: These outlets include; KIGEMBE, KANSI, MIGINA and GISHAMVU.

4.3. Beneficiaries of financial service provided by BPR Rango sub-branch

The member and non-member of BPR Rango sub-branch living in Huye are the principle members. Members benefit through being allowed to form solidarity groups that enable them to apply the loan without material guarantee, they are also trained of how to run viable project. Poor people are also the main beneficiaries of financial services provided by BPR Rango sub-branch most of them

are founded in Huye district and the most to apply for loan delivered by BPR Rango sub-branch, they are moments when an poor people have an urgent problem, they given a loan called bank overdraft without waiting to follow the normal procedures of applying for a loan but an interest has to be paid later. The bank to attract more savings and profits it also deal with non-member clients, they are called so because they have paid the compulsory member capital. They are given similar services like those of full members but do not have access to overdraft loan. And are not allowed to form solidarity groups, they are also trained of how to run profitable projects.

4.4 Target clients

The bank targets clients that are economically deprived or those having capacity to make an activity generating income. The clients are obliged to complete all requirements when they wish to obtain a credit to reinforce their economic activities. This bank require material guarantee or collateral on credit offered to individual

4.5. Analysis of primary data

The data analyzed was collect from 51 respondents drawn from BPR Huye branch staff and managers and I&M bank. The major methods employed were the use of structured and unstructured questionnaires and face-to-face interviews. Unstructured questionnaires were used mainly to respondents how did not have enough time to fill the questionnaires. The researcher then would interviews the respondents and fills the questionnaires himself.

Data was collected carefully and edited, sorted and coded to eliminate the inconsistencies and errors that made during the data collection.

After data processing, it was subject to descriptive analysis to create meaning of what was collected from the field and find out the relationship provides answers to research questions by using Microsoft excel programs and SPSS. Information was presented in form of percentages, frequencies and tables, and histograms. During editing process much emphasis was put on the accuracy, completeness, uniformity, legibility and comprehensively in answering the questions. Tables were constructed according to the main themes in the questionnaire to summarize all the findings of the study. The data from the study was summarized and presented in percentages, frequencies and tables, and histograms. All of the two banks has carried out a retrenchment, and were therefore they were in a position to respond to questions that addressed the criteria used by commercial banks in Rwanda to identify employees to retrench.

The analysis was 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.
- ✓ Data on the Employee’s Perceptions Regarding Retrenchment
- ✓ Data on the Effect of Retrenchment on Individual Performance
- ✓ Data on the Ways of Improving Performance of Employees after Retrenchment
- ✓ Data on the Factors Hindering Employee Performance after Retrenchment
- ✓ Data on The Impact of Retrenchment on Organizational Performance
- ✓ Data the Retrenchment and Quality of Working Life
- ✓ Criteria used in determining employees to retrench

Table 1: Gender distribution of respondents

Gender	Frequencies	Percentages
Male	38	75%
Female	13	25%
Total respondents	51	100%

Source: primary data, 2014

From Table 3, it can be observed that the respondents were 75% male and 25% female. This is indicating that among the total population female takes a great average in data collection on this study.

4.6. Data analysis and interpretation of findings

4.6.1. Introduction

The data from the study was summarized and presented in percentages, frequencies and tables. Some of the banks had 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 was 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.

Table 4.1 Age distribution

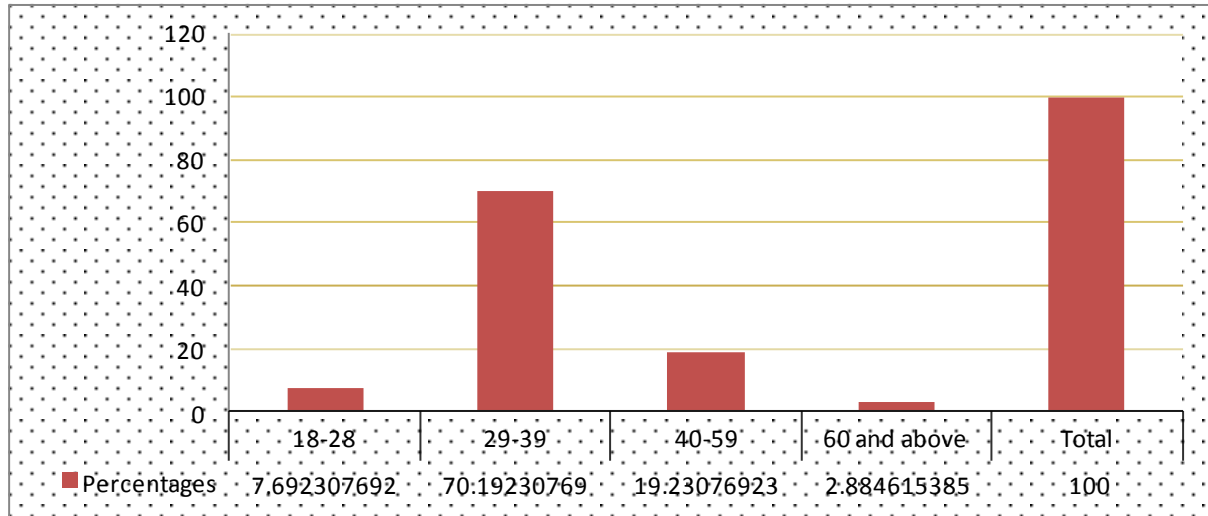
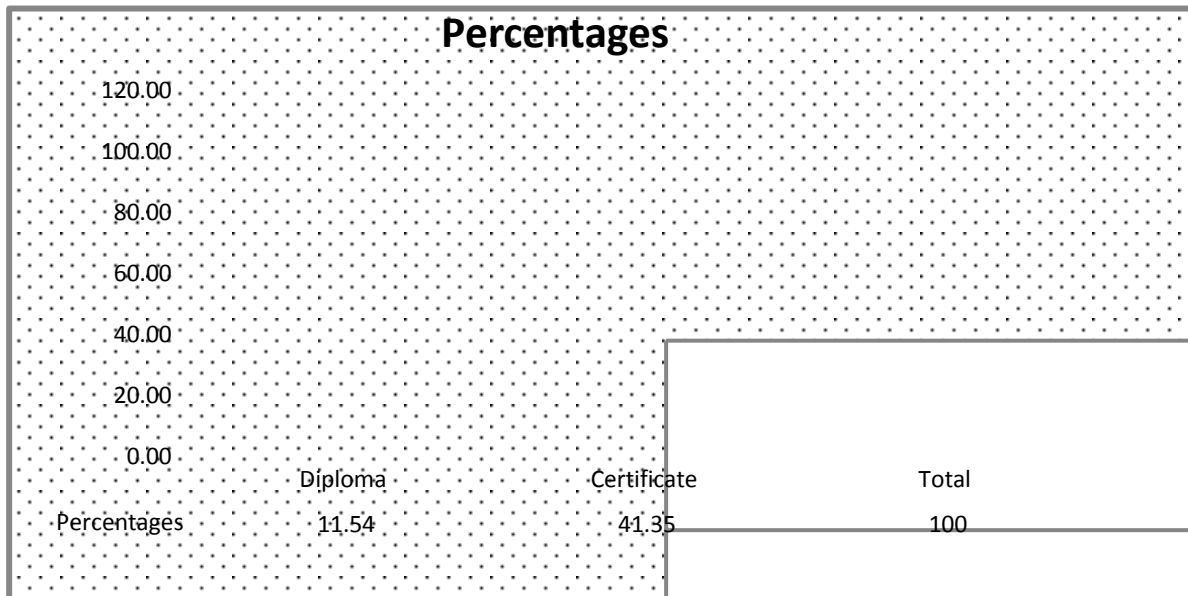


Table 2: Education distribution of respondents

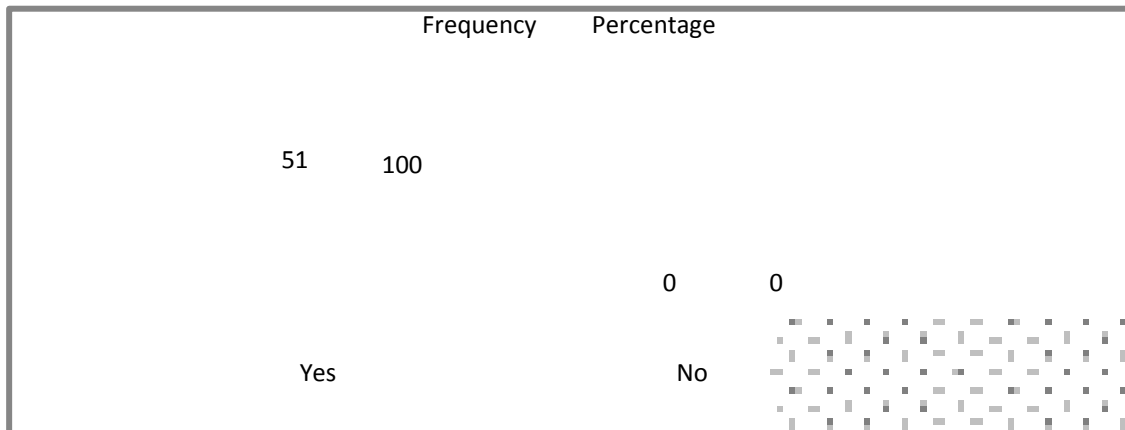


Source: field work, 2014

From the table here above, it is indicated that the entire organization has relatively a higher number of well- educated employees within its ranks (47.12% being degree holders, 11.54% with diplomas and only 41.35% being certificate holders). This may further confirm that a bigger fraction of employees are well informed about what affect them from the environment (both internally and externally).

4.6.2. Existence of retrenchment policy in the bank

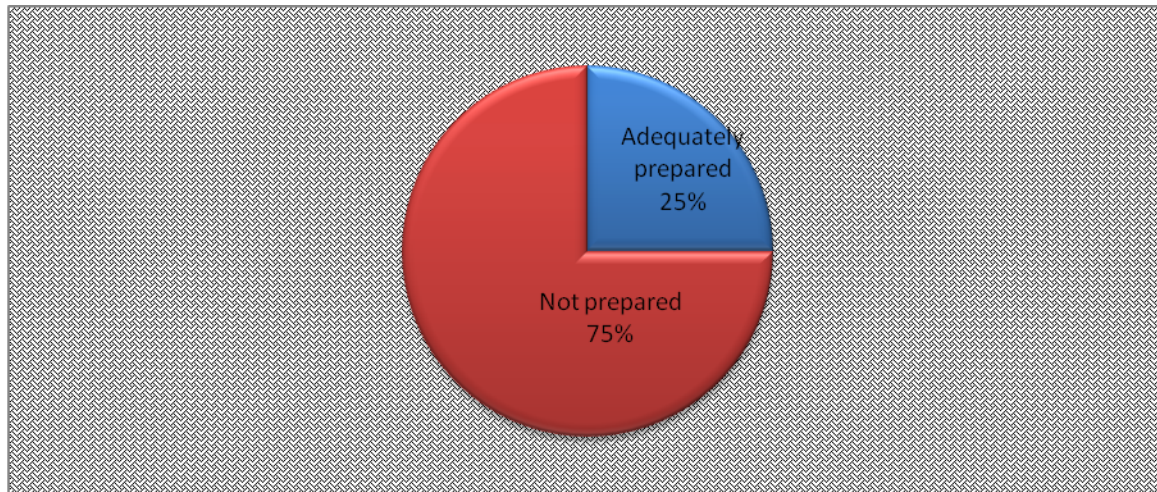
Figure 1: Existence of retrenchment policy in the bank



Sources: primary data, field work 2014

From figure above, 100% of respondents accepted that there was a retrenchment policy in their bank while zero percent of the total respondent replied to not have any retrenchment policy. It is evident that both BPR and I&M Bank had a retrenchment policy in place.

Figure 2: Respondents on preparation for retrenchment

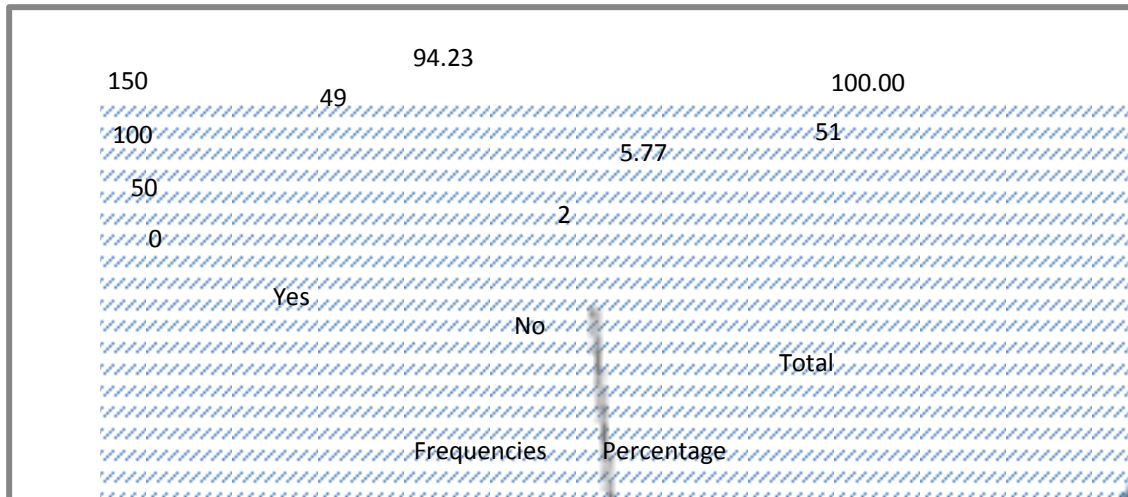


Source: primary data

The above figure shows the distribution of respondents according to their response on where there is a preparation of retrenchment policy. 75% of the respondents were found not to have been prepared for the retrenchment and 25% of respondents highlighted that retrenchments do not adequately prepare before their implementation. The majority indicated that very little was done and yet and yet it was

felt that indeed it was a major exercise. This could be one of the facts contributing to feelings of uncertainty amongst the long serving employees of both BPR Ltd and I&M Bank in Rwanda.

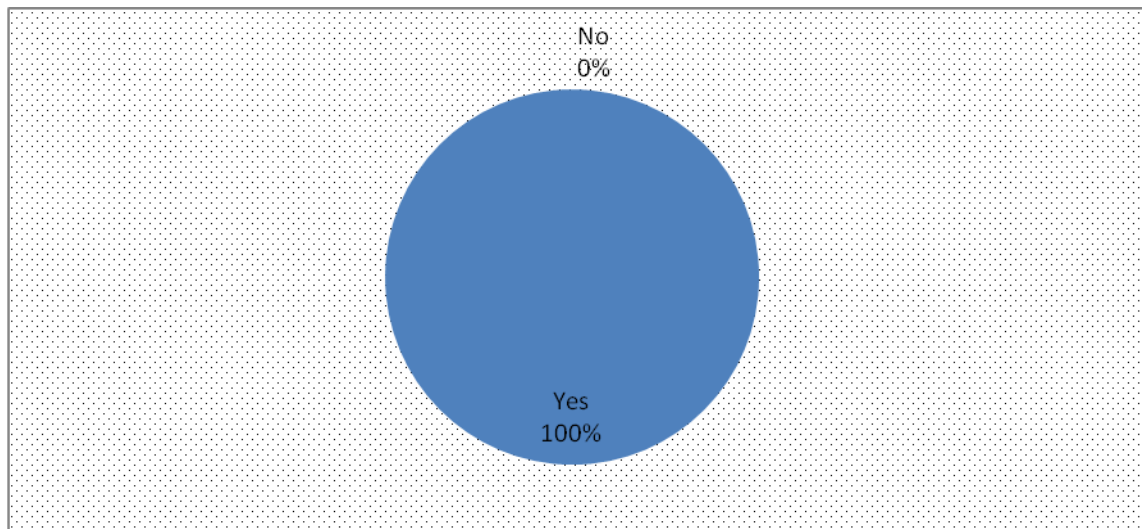
Figure 3: Provision of out placement services by the bank



Source: primary data, 2014

From the above figure, 94.23% of respondents that had 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, 5.77% of the respondents responded that had retrenched did not provide any outplacement services to the leavers. It is healthy to conclude that both I&M Bank and BPR Ltd had outplacements service to retrenched employees.

Figure 4:Existence of performance appraisal in the banks



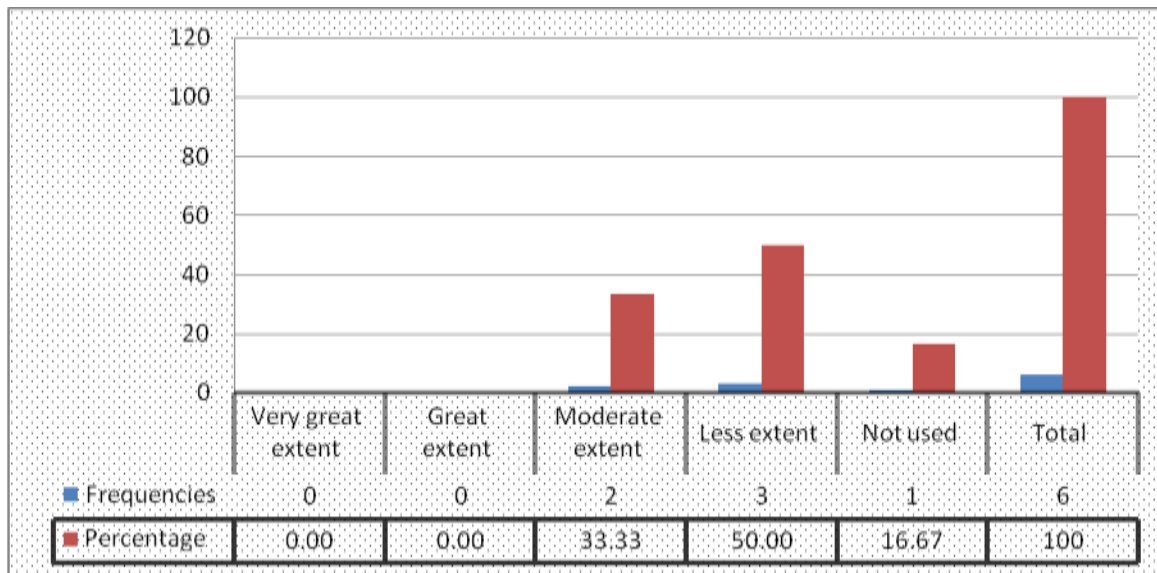
Source: Primary data, 2014

100% of the respondents said that they had a performance appraisal system in place. This shows that the daily progress/ performance of the employees are measured. BPR and I&M bank use employees' individual productivity in making retrenchment decisions solely rely on this assessment.

4.6.3. Criteria used in determining employees to retrench

Only human resource managers in both BPR and IM Bank were respondents to the criteria they use to determine employees to retrench, the number of human resource managers answered questionnaire were 6 and there result are represented in the following tables and figures.

Figure 5: Use of the last-in first-out method as a criterion for retrenchment

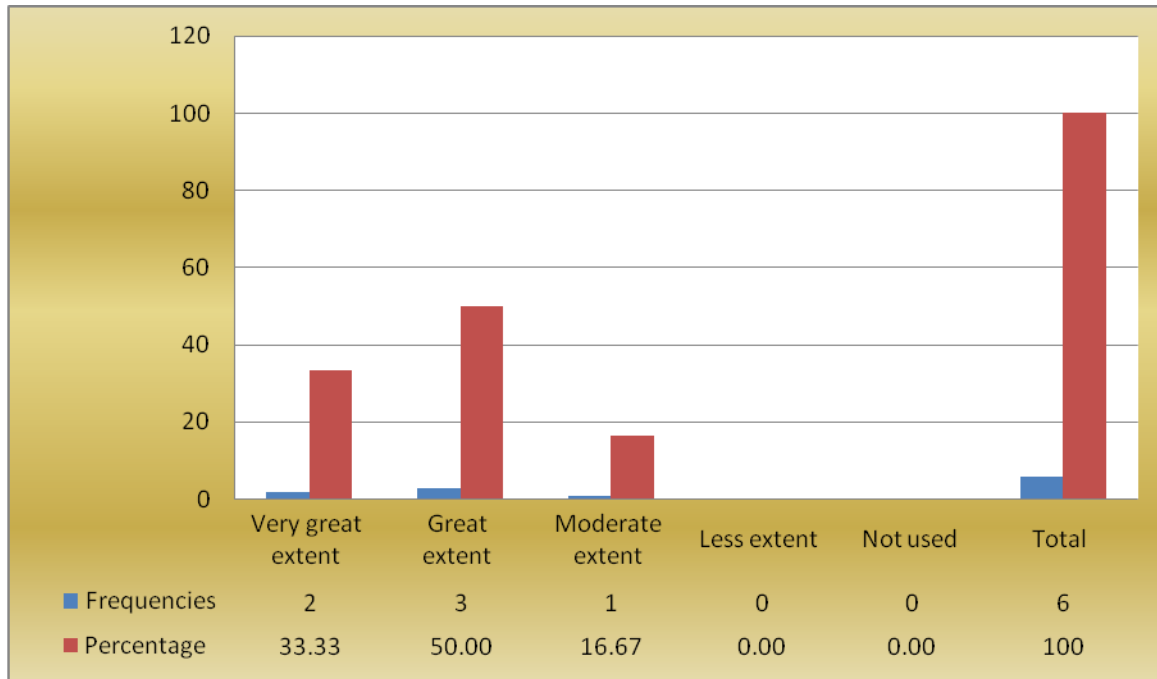


Source: Primary Data

The above table show the distribution of respondents according to the use of last in first out as retrenchment criteria and the figure shows that 0% of the respondents used the last-in first-out method as a criterion for retrenchment to a very great extent, 0% to a great extent, 33.33% to a moderate extent, 50% to a less extent, and 16.67% did not use the method at all. This means that both BPR and I&M bank do not consider much more LIFO as criteria to be used most the time in determining employees to retrench. Alternatively those who were nearing retirement may have been retrenched.

As it was interviewed in both I&M Bank and BPR, 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 to the commercial banks. 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

Figure 6: employees' individual productivity in the retrenchment in both banks

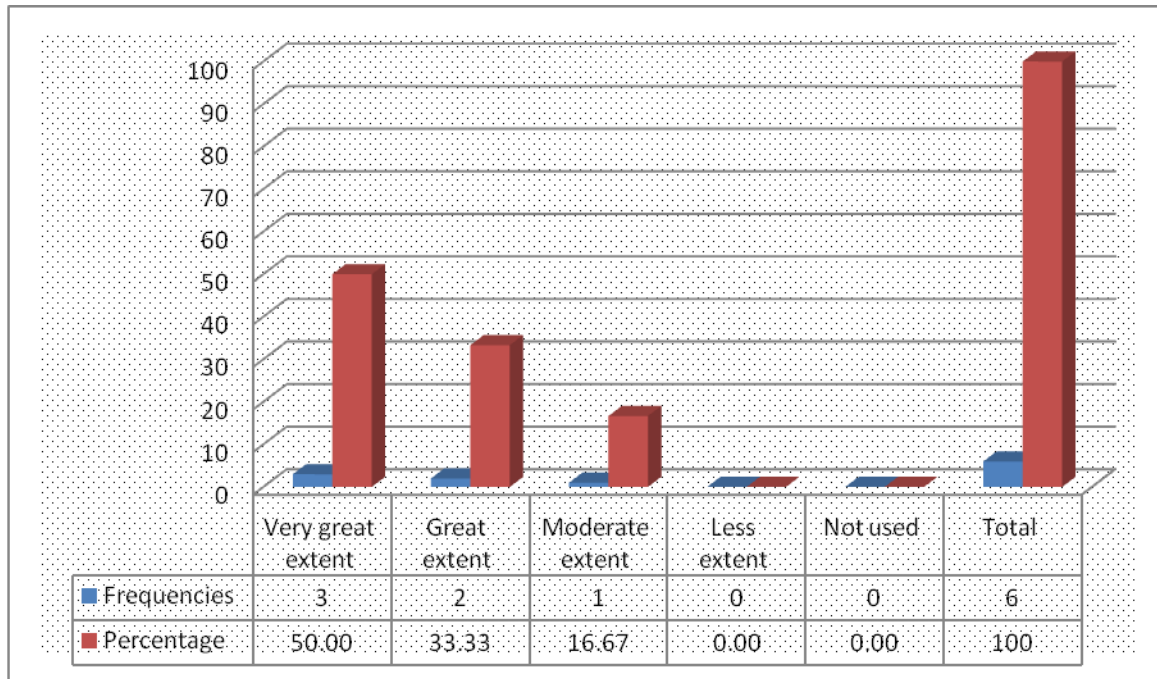


Source: Primary Data, 2014

The above figure shows the distribution of human resource managers according to their responses on the use of employees' individual productivity in the retrenchment, 33.33% of the respondents considered employees' individual productivity in the retrenchment decision to a very great extent, 50% to a great extent, and 16.67% to a moderate extent and 0% where no sure while 0% also were not sure. This means that both BPR and I&M bank consider employees' individual productivity in the retrenchment process.

An interview held by both human resources managers of BPR and I&M Bank, reported that they in determining employees to retrench, they consider 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 bank, supervisor or fellow employees. Human resource manager also 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.

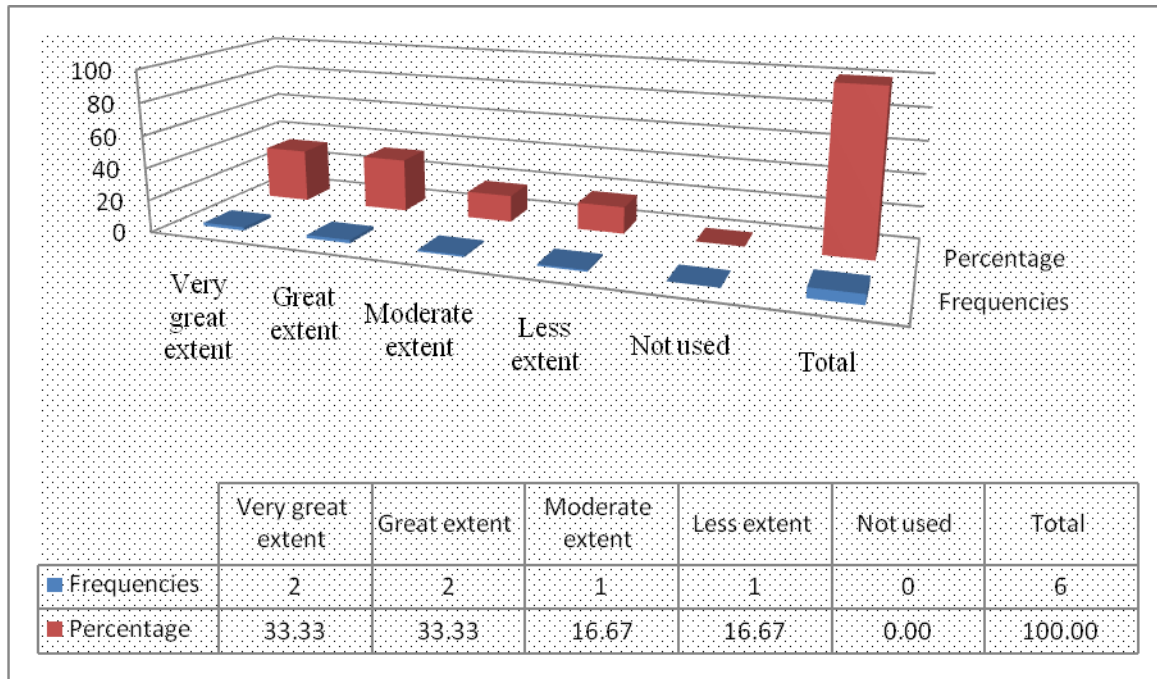
Figure 7: considered misconduct as a criterion for retrenchment



Source: Primary Data, 2014

From above, respondents were distributed according to their answers on the use of considered misconduct as a criterion for retrenchment and it can be observed that 50.00% of the respondents considered misconduct as a criterion for retrenchment to a very great extent, 33.33% to a great extent, 16.67% to a moderate extent, 0% to a less extent, and 0% did not consider it at all. This means that both BPR and I&M Bank considered misconduct as a criterion for retrenchment. Misconduct in both BPR and I&M bank as deliberate and willful violation of the employer’s rules and may include thieving bank’s money and disobedience of employees. Certain offences had attracted the label ‘gross misconduct’ led to their retrenchments. These include theft, drunkenness, break of confidence and refusal to carry out a legitimate order. An interview held by Human resource manager of investment and mortgage bank Rwanda (I&M Bank) said that “Gross negligence in the absence of any element of intention, does not amount to gross misconduct. They consider the level of misconduct of various employees in the past.

Figure 8: incapability as a criteria for retrenchment

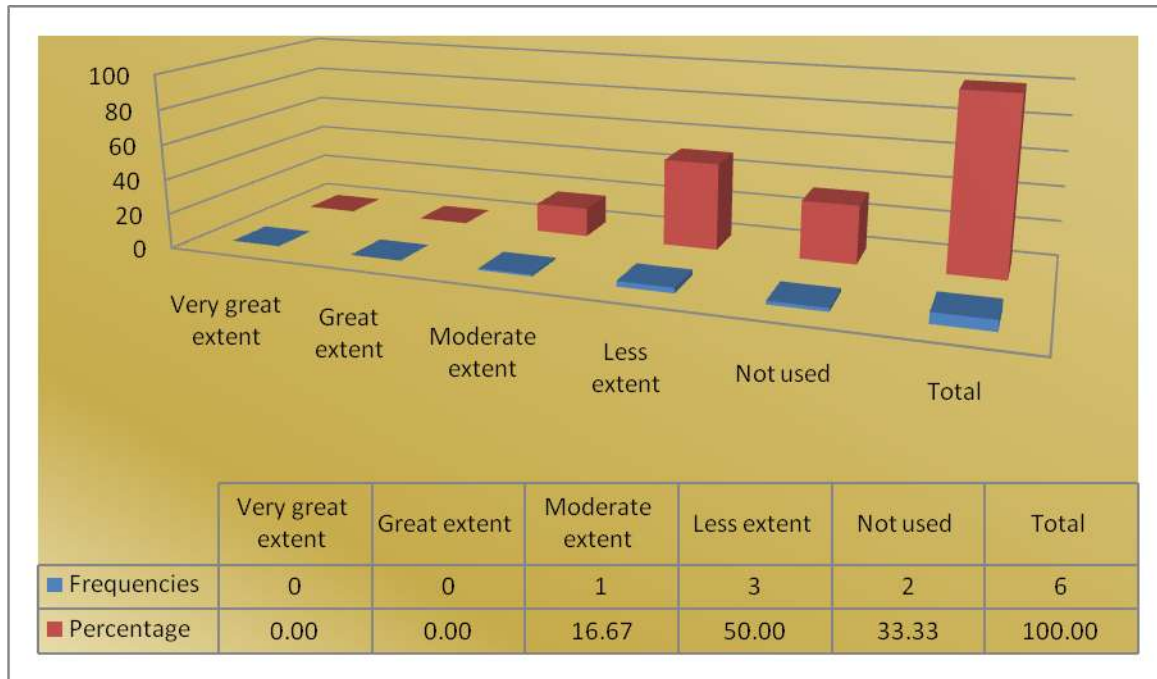


Source: Primary Data, 2014

The above figure shows human resource managers distribution accounting to the use incapability as a criteria for retrenchment in Rwanda commercial banks 33.33% of the respondents considered incapability as a criterion for retrenchment to a very great extent, 33.33% to a great extent, 16.67% to a moderate extent, 16.67% to a less extent, and 0.00% did not consider it all.

An interview where conducted about this criteria and the human resource managers of responded that “It is fair to dismiss an employee on the grounds of capability or qualifications, but subject to the test of reasonableness”. Both managers in both banks responded that in terms of capability, they refer to skills, aptitudes, or any other physical or mental quality. In term of qualifications they refer to employee’s 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.

Figure 9: Use early retirement programs as a criterion for retrenchment



Source: Primary data, 2014

The above figure shows the distribution of respondents according to use of early programs as a criteria for retrenchments, it shows that 0% of the respondents used early retirement programs as a criterion for retrenchment to a very great extent, 0% to a great extent, 16.67% to a moderate extent, 50% to a less extent, and 33.33% did not use it at all.

4.6.4. Employee Perceptions Regarding Retrenchment

The perceptions of participants regarding retrenchment were interesting because they could influence the performance of the survivors, hence influence the success of the retrenchment exercise. Results on how the participants perceived retrenchment (the meaning of retrenchment) appear in following table. The results are presented in terms of frequencies.

Table 2: Distribution of respondents according to the meaning of Retrenchment to the Survivors

Positive/expected perceptions	No.	%
Reducing the number of employees	33	74.04
Removing ‘deadwood’ for performance improvement	2	4.81
(drunkards, poor performers)	1	2.88
Firing excess staff	4	3.85
Establishment of effective management structure for service delivery	4	3.85
Make less or cut down expenses	1	2.88
Creating employment	1	1.92
Removing unqualified old people due to retire (not technically fit)	2	2.88
To lessen/ arrange ones expenditure/operation	1	0.96
Create room for better working conditions	1	0.96
Hard work and dedication to duty	1	0.96
total	51	100

Source: Primary data

The above table shows the distribution of respondents according to their views on the meaning of retrenchments. Table Shows that the majority of the responses (74.04%) on retrenchment were in the expected direction that is, reducing the number of employees, other perceptions regarding retrenchment included, removing ‘dead wood’ to improve performance (4.81%), firing excess staff (2.88%), establishing of an effective management structure for service delivery (3.85%), and cutting down expenses (2.88%). Creating employment and removing unqualified people about to retire comprised 1.92% of the responses each. Lessening expenditure, creating room for better working conditions, hard work and dedication to duty comprised of 1.92% of the responses. To lessen and arrange ones expenditure operation 0.96%, creating room for better working conditions 0.96% and hard work and dedication to duty 0.96%. this means that employees in both banks BPR and I&M Bank understand retrenchments as there bank use to reduce the number of employees.

Negative perceptions	No.	%
Premature layoff/retirement of work force	34	32.69
Creation of poverty to those affected	4	7.69
Ransom dismissal of employees for various reasons	1	1.92
Laying off workers without any cause	1	1.92
Punishment	1	1.92
Malicious methods to provide efficient, well paid employees under limited resources		
The concept was not grasped correctly and workers were victimised	2	2.88
Has made no change to workers	0.5	0.96
Disorganization of employees	2	2.88
Abolishment of jobs	1	1.92
Reduction in strength	4	3.85
Remaining with a skeleton ministry	0.5	0.96
Non – response	14	28.85
Total response	51	100.00

Source: Primary data, 2014

The negative perceptions that could threaten the successful implementation of the retrenchment exercise were also considered. Premature layoff of workers was the most popular reported response (32.69%). 7.69% of the respondents perceived retrenchment as creation of poverty. Ransom dismissal of employees for various reasons, lying off workers without cause, punishment, and malicious methods to provide efficient well paid employees with came next in popularity with 1.92% each. The concept of retrenchment being grasped incorrectly leading to victimization of employees, retrenchment not bringing any change to workers, disorganization of employees, abolition of jobs, reduction in strength and remaining with a skeleton staff were each reported on aggregate of (24.99%). Non-response comprised 28.85% of the total responses, which is a quite high.

4.6.5. Effect of Retrenchment on Individual Performance

The participants were asked to report on the effect of retrenchment on several factors concerning individual performance. The responses were scored as negative impact, no impact, positive impact, no idea and non-response. The results appear in below.

Table 3: The Impact of Retrenchment on Individual Performance

Effect	Reduced	No effect	Improved	No idea	
	(%)	(%)	(%)	(%)	
Employee and job performance generally	12	28	55	5	100
Increase and decrease of Punctuality	7	32	59	2	100
Absenteeism in your department increase and decrease t	55	19	17	9	100
Number of employees remaining on duty all the time	11	23	61	5	100
Having two or more jobs	37	15	13	35	100
Number of alcoholics in your dept.	48	10	7	35	100
Efficiency and effectiveness	11	26	59	4	100
Personal responsibility	6	28	64	2	100
Employee accountability	11	30	38	21	100
Corruption & unprofessional behavior	31	23	11	35	100
Loyalty to your boss	6	30	61	3	100
Employee discipline	4	27	62	7	100

Source: Primary data

The above table shows that the majority of the participants reported that the retrenchment exercise had a positive effect on employee performance generally (55%), the number of employees reporting to work on time (punctuality) (59%); absenteeism (55%); number of employees remaining on duty most of the time (61%); reduction in the number of employees having 2 or more jobs or ‘moonlighting’ (37%) and reduction in alcoholism (48%); employee efficiency and effectiveness (59%), employee responsibility (64%), and employee accountability (38%). The majority of the participants reported that retrenchment had improved employee loyalty and discipline (61% and 62%, respectively).

The majority of the participants did not know the effect retrenchment had on corruption and other unprofessional behavior (35%). These results show that retrenchment was associated with increased individual performance in some respects, reduced performance and had unknown effects on other respects. Some of its effects are yet to be determined. There was no reason for social desirability bias to operate in these responses. In some instances, the response format was reversed to avoid the development of response biases.

Factors Hindering Employee Performance after Retrenchment

An open-ended question was put to the participants to report factors that hindered their performance after retrenchment. Table 4 shows the results.

4.6.6. The Impact of Retrenchment on Organizational Performance

The participants were requested to indicate how retrenchment had impacted on 13 factors of organizational performance. The response format used was: reduced, no effect, improved and no idea. Percentages were used to analyze the results only percentage was presented in table to sum up the respondents' answers.

Table 4: Effects of Retrenchment on Organizational Wide Factors

Effect	Reduced (%)	No effect (%)	Improved (%)	No idea (%)	Total %
Awareness of the needs of the bank	9	32	44	15	100
Team work	11.44	33.32	52	3.24	100
Constructive feedback about performance	10	40	39	11	100
Joint decision making	11	32	47	10	100
Quality leadership	6	34	49	11	100
Employee supervision	10	38	48	4	100
Creative management in your bank	5	30	50	15	100
Information gathering, storage & dissemination.	10	29	40	21	100
Selection procedures	9	39	20	32	100
The way jobs are designed	8	39	33	20	100
Training opportunities	23	45	29	3	100
Chances of promotion	27	41	22	10	100
Departmental performance	10	30	57	3	100

Source: Primary data, 2014

The relative frequency distributions in above table show that the majority of the participants reported that retrenchment was associated with increased sensitivity to the needs of the bank (customers) (44%), and increased teamwork (52%). The majority of the participants reported improvements in joint decision-making (47%), quality leadership (49%), employee supervision (48%), creative management (50%), information management in their organizations (40%), and departmental performance (30%).

Furthermore, the majority of the participants reported that retrenchment had no effect on the way performance feedback was given (40%), job design (39%), and training opportunities (45%). The majority of the participants reported that retrenchment had no effect on selection procedures (39%) and chances of promotion (41%). The above results show that retrenchment had positive, negative as well as no effects on some aspects of organizational performance.

Impact of Retrenchment on bank’s Goals, Mission and Values

Organizational performance after retrenchment was also assessed by presence and achievement of organizational goals and knowledge of organizational mission. The participants had to use the terms reduced, no effect, improved, or no idea. Non - response was also an alternative

Table 5: Distribution of respondent’s according to the impact of retrenchment on bank’s goal, mission and values

Factor	Reduced	No effect	Improved	No idea	Non-response	Total
	(%)	(%)	(%)	(%)	(%)	
Presence of achievable. Goals	3	30	44	17	6	100
Knowledge of organizational goals	3	25	49	17	6	100
Meeting of organizational goals	7	29	57	3	4	100
Knowledge of organization’s mission	4	23	44	19	10	100
Knowledge of organizational values	4	28	43	20	5	100

Source: primary data, 2014

The above table shows that the majority of the participants reported that their bank had implemented achievable goals (44%). Retrenchment was also reported to be associated with

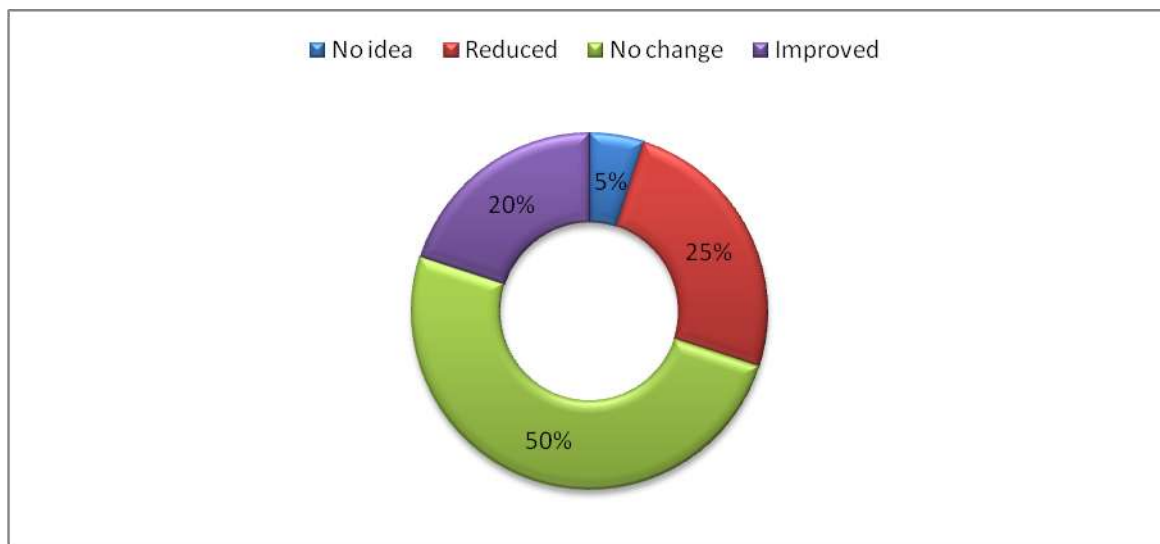
increased knowledge of bank's goals (49%), retrenchment and meeting of organizational goals (57%). Retrenchment was also associated with increased knowledge of the bank's mission (44%) and increased knowledge of bank' values (43%).

4.6.7. Retrenchment and quality of productivity

3.6.1 Effect of Retrenchment on Employee Work Attitudes

The three work attitudes assessed quantitatively were: job motivation, job satisfaction and organizational commitment (Warr, Cook and Wall, 1979). These attitudes were considered because they influence employee performance and mental well-being. The participants had to indicate the impact of retrenchment on the work attitudes using the response format: no idea, reduced, no change, or improved, being scored 1 to 4, respectively. Table below shows the result.

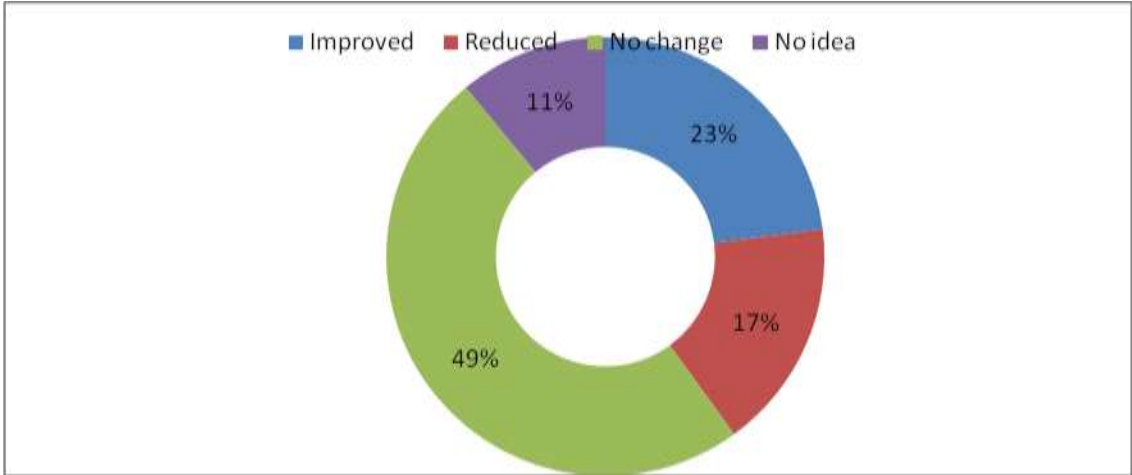
Figure 10: The Effect of Retrenchment on Motivation and Morale of Survivors



Source: primary data

Above figure shows that the majority of the participants reported motivation and morale did not change as a result of retrenchment (50%). 25% reported that motivation and morale had reduced due to retrenchment and 20% reported that motivation and morale had improved due to retrenchment. 5% had no idea.

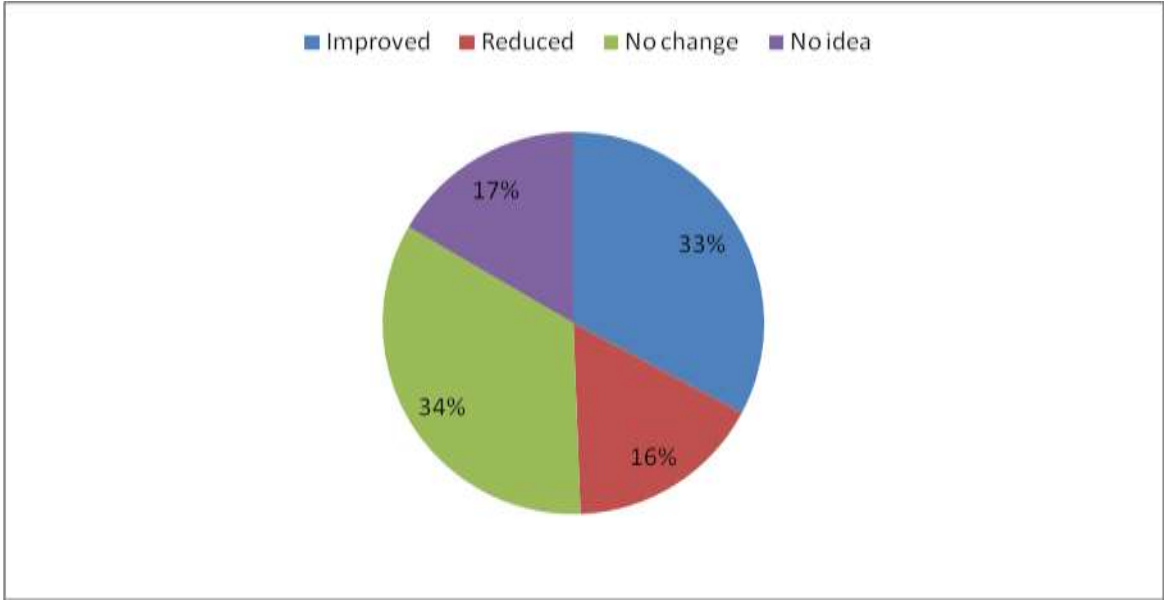
Figure 11: Effect of Retrenchment on Job Satisfaction of Survivors



Source: Primary data

The above figure shows that the majority of the participants reported that job satisfaction did not change as a result of retrenchment (49%). 23% reported that job satisfaction had improved and 17% reported that motivation and morale had improved due to retrenchment. 11% had no idea.

Figure 12: Effect of Retrenchment on Organizational Commitment

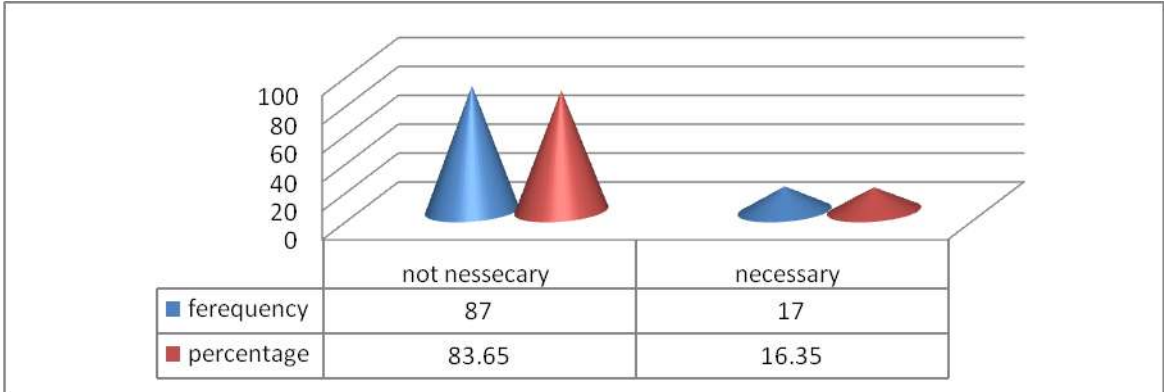


Source: Primary data

The figure above shows that the majority of the participants reported that organizational commitment did not change as a result of retrenchment (34.0%). 32.8% reported that organizational commitment had improved after retrenchment and 16.6% percent reported that organizational commitment had reduced after retrenchment. 16.6% had no idea.

In summary, retrenchment had differential effects on factors of quality of working life. It was associated with increased participation in decision-making. The majority of the participants reported no change in job attitudes, and a reasonable number of participants reported it had brought job insecurity, Some factors of quality of work life were influenced positively, others negatively.

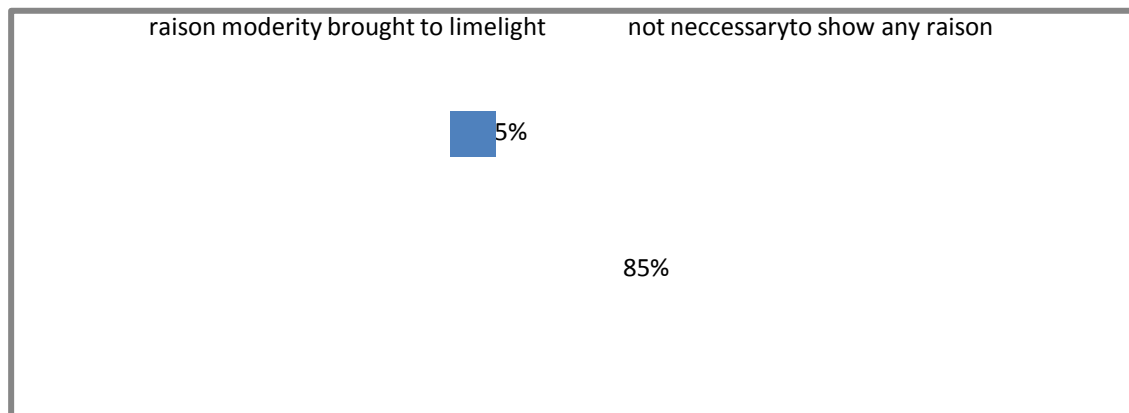
Figure 13: Respondents on the opinion over retrenchment in rwanda commercial banks



The majority (83.65%) of the respondents indicated that retrenchment exercise Rwanda commercial banks was not necessary. However, 16.35% of respondents indicated that retrenchment was a necessary evil. We may attribute this argument to the fact that this organization and many others commercial banks were labor intensive and therefore required more human capital than any other resources to function effectively. The retrenchment exercise may actually not have been in the interest of Rwanda commercial banks in general and was implemented prematurely in BPR and I&M bank and hence should be reconsidered in future.

4.3.9. Ways of improving future retrenchments in bank

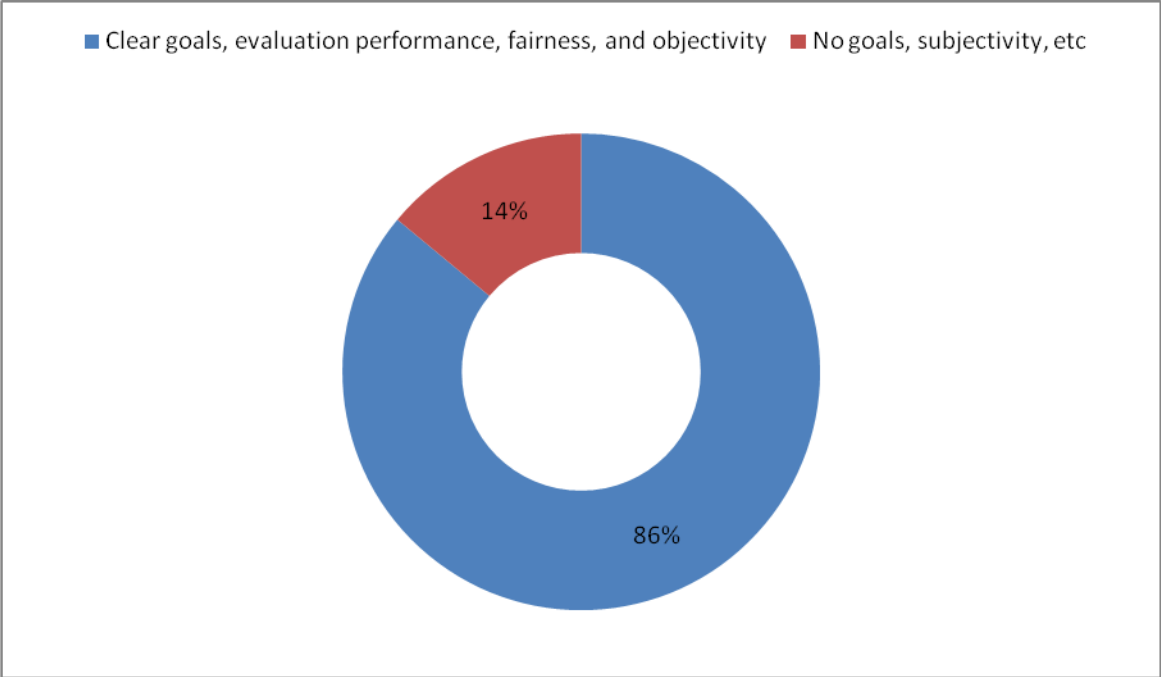
Figure 14: Respondents on views of a task force for future retrenchment



Source of data: primary data

The majority (85%) of the respondents indicated that they would be able to evaluate and bring to the limelight reasons and all modalities required for the purpose of carrying out retrenchment in future in order to avoid the mistakes of the past . 15% of the respondents said that there was no need to proper preparations and consultations. This brings to the fore the fact that a majority of employees would have no problem if a well and planned and understood restructuring process was put in place on a gradual basis and could be supported by many.

Figure 15: Respondents on the basis for retrenchment



Source: primary data

From the table above, 86% of the respondents indicated that the way forward on future retrenchment must have goals which are smart and should be well evaluated on its necessity, based on individual's performance, be fair and seen to be fair and objective in nature. Only 14% of the respondents thought that even without clear goals, retrenchment could still be affected. This shows that many employees would wish to accept any idea that is well argued, discussed, presented and viewed in all perspective as fair and objective in nature.

CHAPTER FIVE: SUMMARY OF MAJOR FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Summary of Major Findings

Introduction

This chapter is a summary of major findings, conclusions and recommendations on criteria used in commercial banks in determining employees to retrench. Retrenchment as a reform mechanism can work when certain other measures are well put in place (such as adequate preparations of workers before and after the exercise, carrying out retrenchment in a way that will not shock those who are left and also improving the pay package of employees to boost their morale)

The first objective of the study was to determine criteria used by BPR and I&M bank in employees retrenchment, the second one was to examine employees' perception on retrenchment criteria used by BPR and I&M Bank, where the third was to evaluate the impact of retrenchment on individual and commercial banks' performance, and the fourth was to recommend to the top management on the best ways of carrying out the reform program in future without adversely affecting the remaining employees.

Objective one: Criteria used to determine employee to retrench

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

The criterion that was most popularly used was assessment of employees' individual productivity. All the respondents had a performance appraisal system in place where the daily progress of employees was measured. Early retirement programs were also used to a moderate extent. Incapability as a criterion was 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, ownership and size of the organization. All banks used the same criteria despite their age, ownership and size. The success of retrenchment as a reform strategy rests in the careful strategic planning coupled with the skillful implementation of the programmer.

The human resources management in a liaison with the top management should preferably be at the center stage and coordinate the entire exercise putting into consideration the dynamism of human capital. This would ensure that the company does not lose employees who have key skills and competence required to carry on, in order to avoid the rehiring of new workers which may become very expensive. Retrenchment has the effect of creating anxiety among both the separated persons and those employees within its rank and it should therefore be managed well and professionally in the interest of all to avoid unnecessary pitfalls.

Objective two: Employee Perceptions Regarding Retrenchment

The fact that negative perceptions stem from the way retrenchment was designed and implemented is unquestionable. The first phase of retrenchment in both BPR Ltd and I&M bank was based on subjective criteria. Human resource managers did not know the implications of the questionnaire information gathered yet it was on this information that decisions to retrench or not were based. Some of the managers saw retrenchment as a chance to victimize some employees. The worries and negative perceptions must be understood in this light. However, subsequent retrenchment was based on objective criteria.

Objective three: Individual and Organizational Performance

Individual performance

These had seriously affected the performance of the Service and hampered service delivery. Their reduction is welcome and is in line with the visions, goals and objectives of the bank Reform Program including retrenchment.

Besides, a reasonable majority of the participants agreed that retrenchment had no impact on corruption and unprofessional behavior.

The majority of the respondents identified some factors that hindered their performance after retrenchment. These factors include: inadequate funding, low motivation and morale, work overload, lack of tools, poor transport, job insecurity, and poor training. These factors seem to be real problems.

Respondents suggested more ways of how such hindrances could be reduced so as to improve performance among the survivors. Suggested ways included paying a living wage, improving welfare, training of workers, motivation and morale boosting workers, improved conditions of living, improving chances of promotion and capacity building, reduction of job insecurity, computerization, and timely reshuffle. Again some of these suggestions have already been

identified by commercial banks and appear in the strategies bank is using to improve the performance of its employees.

Retrenchment had positive effects on some aspects of bank's performance. For example, retrenchment has led to increased sensitivity to the bank. This relates well with the overall goal of the employees Reform Program, which is the provision of quality service to the customers. Retrenchment has been associated with increased teamwork, participation in decision-making, quality leadership and supervision, creative management, and information management. Improved information management is among the vision of the bank reform Program. Retrenchment was also associated with increased departmental performance.

On the other hand, a majority of the participants reported that retrenchment had no effect on job design, training opportunities, feedback on performance, chances of promotion and selection procedures

Quality of Working Life

Regarding occupational attitudes, the majority of the respondents reported no change in motivation and morale, job satisfaction and organizational commitment. A majority of participants reported these attitudes to be poor. This implies that, regarding these attitudes, the situation is still bad. It is hoped that if the recommendations of this study are implemented, positive changes in these attitudes will result. Most of the participants reported as still poor. Furthermore, a majority reported dissatisfaction with current salary packages and their inability to meet most of their financial needs. In order to improve individual performance, commercial Banks should provide a living wage.

Another aspect of quality of work life assessed was job insecurity. A high percentage of respondents reported job insecurity. This was due to the fact that retrenchment was not yet over and was badly implemented. The rationale and criteria for retrenchment were not clear. Personnel decisions were largely subjective.

5.2 Conclusions

The findings of the study point to the fact that commercial banks in Rwanda use various criteria for determining employees to retrench, which include seniority, employee individual productivity, misconduct, incapability, early retirement programs, 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. 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.

Retrenchment according to the study carried has brought about uncertainties, low morale and poor attitude towards work top management. Many of the employees interviewed were of the opinion that the retrenchment exercise was done haphazardly which left them uncertain about their jobs since they were not sure whether the “hammer would fall on them” and become the next victims. Given that the employees were not well prepared by their employer, the whole reform exercise was treated with a lot of suspicion and the employees and the employees expressed the feelings that their employer was not concerned about their well-being.

Elimination of so many jobs lowered the morale of employees in both BPR Ltd and I&M Bank since they had not been assured that their own job were secure. In addition, no meaningful salary increases had been made to boost the morale of employees and if any it was too low and not commensurate to the tasks performed assigned.

Many of the workers interviewed and completed the questionnaire complained of increased workload as they were expected to shoulder both their responsibilities and that of their colleagues who were retrenched. The much anticipated payroll savings were not actually realized since many highly paid employees were recruited which had an upward surge on the wage bill. There were positive and negative effects of retrenchment. The bloated workforce was reduced and therefore removed the idleness and unnecessary duplication of roles. Both BPR and I&M Bank would have to improve its image in as far as employees’ perception of the retrenchment exercise was concerned, which lowered the morale brought about uncertainties and lowered the productivity of their workers.

These perceptions could influence the performance of employees who stayed at their jobs. If they see that retrenchment was not fairly done, they may develop job insecurity. This might have happened since retrenchment was ongoing by the time this study was done. In some cases, and for some reasons, those to be retrenched were identified and not paid packages to leave. This can cause industrial unrest, which may cause more damage and thus increasing costs of retrenchment.

It was clear from the findings that retrenchment has had a negative effect on employees who were currently serving BPR Ltd and I&M Bank staff rightsizing may not necessarily be worse but the way in which the whole exercise is handled determines its failure to success.

Burke (1988) had already found that job design and participation in decision making are some of the factors that need to be addressed after retrenchment. Some of these factors like offering well designed jobs; training opportunities and human resource management are part of the objectives of the Reform Program, which is already being implemented. This implies, in part, that retrenchment as a strategy has not assisted in achieving some of the objectives of the retrenchment. However, this may be a rushed conclusion since this study was done soon after the retrenchment exercise was started the majority of the participants reported that after retrenchment, participation in decision-making had increased. This is a welcome development, which should be encouraged by all stakeholders. Participation in decision-making causes the parties to be committed to the decisions taken. Retrenchment had positive effects on some indicators of quality of work life and had negative effects on others.

5.3 Recommendations

BPR and I&M Bank had made good efforts in trying to reduce the bloated workforce and improve development and training. However the following recommendations were made in order to hasten the process and come out with the desired results:

1. Retained employees should be retrained in related skills and on change of attitude.
2. The employees should be made to own the reform process through involvement in decision that may affect them so that there is maximum support for the top management in its strategic plans.
3. The salary packages of the long serving employees should be enhanced to match with the tasks performed and be viewed as equitable to boost the morale.
4. In future, any retrenchment of staff should be carried out after thorough preparations of the employees to be affected
5. The retrenchment of staff must be carried out objectively after thorough preparation in nature.
6. Retrenchment or staff reduction geared towards cost reduction should only be carried out as a last resort but should not be followed with mass recruitments of new employees, especially where the retained human capital has the relevant competences and skills.

Since such negative perceptions about retrenchment are likely to have a serious impact on the early stages of implementation of the exercise. Managers of retrenchment should be sensitive to employee perceptions and work on them through seminars, counseling and public relations.

Managers should study the negative perceptions with the view of changing them. These perceptions should also be noted by those who want to implement retrenchment. Normally, tactics in handling organizational change are important here. These include the involvement of the stakeholders early in the process of change, and giving information. Participation in decision-making at an early stage ensures commitment to the process of change. The stakeholders should be given a chance to suggest how retrenchment should be implemented (in fact union leaders complained of being excluded from the planning and implementing of retrenchment. This should be avoided in future exercises). They should be involved in all the stages of retrenchment. The rationale and criteria of retrenchment should be explained early in the process through improved public relations. This is how organizational change can be better managed.

Commercial banks are already tackling this problem through phased increment of salaries depending on the recovery of the economy and through monetization of most benefits. If this exercise is completed, it is hoped that employee welfare, living conditions and employee motivation will improve. However, the effect of inflation should be considered when determining salaries

A counseling section should be created as a structure to deal with the psychosocial and emotional issues that arise in the process of retrenchment including job insecurity. This structure can service the survivors and the retrenches as well as providing general information about retrenchment. In addition, the human resource function, as suggested earlier, should be improved to explain the meaning of retrenchment to the concerned parties.

The rationale and criteria for retrenchment should be made clear right at the beginning. Managers should take caution not to use retrenchment, as opportunities to punish employees they think are uncooperative or disobedient. Rather they should be objective in applying the criteria for retrenchment. An attractive severance package will also serve as an attractor for those employees who want to separate with the organization voluntarily or involuntarily. The process of retrenchment should be made as transparent as possible. The above measures coupled with increased skills in performance evaluation should reduce the problem of job insecurity. Existence of these problems further shows that some of the strategies for retrenchment did not work as hoped. Given that the main intention of retrenchment could not be to wind up to the company; the term should ensure that the resultant leaner staff in a bank remains efficient and effective to be able to compete in the market. The commercial bank's human resources planning and the corporate

strategic planning must therefore be well integrated. The remaining employees should be well “nourished” in terms of pay packages and overall welfare since the effects of retrenchment becomes very traumatic .incidences of conflict, low morale, uncertainty, stress, roles ambiguity, job dissatisfaction and viewing the top management with suspicion and other co-employees are usually witnessed. This if not checked properly could undermine the commercial bank’s performance level and stability.

Training and counseling programs should be arranged to prepare all workers for the intended change. This may be in the area of stress management and adaptation to changes. Retrenchment or any major change, affects all workers psychologically and they should therefore be prepared to indeed accept the change. The retained employees would be affected after seeing through most of their employees leave and also the increased workload may have a negative impact. The employees should also be enlightened about and be involved in the process. It is prudent to note that employees have to be able to own and accept the change and be part of the process on that they would be able to side with the management as the reforms are implemented. The retained employees should be able to have open sessions with their respective supervisors in order to express their views and concerns about learner work force and increased workloads.

Training is a systemic process to enhance on accusation of knowledge, skills, rules, concepts or attitudes and further develops the abilities of individual in order to satisfy current and future work related needs. Employees who may not have adequate skills after retrenchment, costs the firm a great deal of financial resources since they may not be able to cope with the demands of their new responsibilities. This may lead to the frustration of employees, which could lower their productivity.

5.4 Recommendations for Further Study

Retrenchment as a method of staff reduction and costs control is a new phenomenon to developing countries which have economies that are still growing and labor intensive. Further research should be carried out on the suitability of method to cut down on costs in relation to the growing population.

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Appendix 1. Questionnaire the ordinary staff

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

Section A

Part I: Respondent Profile

1. What is your gender? [] Male [] Female
2. What is your age group? [] 18 – 28 years [] 29 – 39 years [] 40 – 59 years [] Over 60 years
3. Which Level of education do you have? [] Degree [] Diploma [] Certificate
4. For how long has the organization been in existence? [] Less than 10 years [] 11-20 years [] 21-30 years [] Over 30 years

Part II: Organization Data

5. Does your organization have retrenchment policy? [] Yes [] No
6. How many times have you carried out retrenchment over the last 5 years?

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

If yes, what do they include?
8. Is there a performance appraisal system in place?
[] Yes
[] No
If no, how is performance measured? _____
9. How many employees were left after the last retrenchment? _____
10. Staff retrenchments 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
11. 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

12. 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

13. 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

14. 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

15. How is seniority defined?

- Age
- Length of service with the organization

Other, please specify _____

16. Is there a performance appraisal system in place?

- Yes
- No

If no, how is performance measured? _____

18. What behavior does the organization consider as misconduct?_____

19. What factors characterize incapability?

Lack of skills

Lack of aptitude

20. Does the organization have any early retirement programs? Yes No

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

22. 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_____

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

We used verbal communication recording in interviewing respondent