

# Effect of Retrenchment Practices on Performance of Surviving Employees in State Corporations of Nakuru County

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**Abstract:** Organizations, both large and small, are faced with uncertain business conditions, competitive market environments and rapid technological changes. Organizations are struggling to survive and are focusing on ways to improve their performance. The main objective of this study was to examine the effects of retrenchment practices on performance of surviving employees in state corporations of Nakuru County. It examined the relationship between workforce reduction, cost cutting, communication, support, counselling and procedural justice and employee performance. To achieve this, data was collected from a sample of 253 survivors from the selected state corporations. The results indicated that retrenchment practices significantly influences employee performance. The findings reinforce the need for management to embrace due process during the retrenchment practice in order to achieve organizational goal.

**Keywords:** Retrenchment, Cost Cutting, Work Force Reduction, Counselling, Procedural Justice, Support

## 1. Introduction

Retrenchment is one of the turn-around strategies adopted by organizations. It is the process of shading off excess workforce. It is also referred to as downsizing, right sizing and even re-organization. Retrenchment is something akin to downsizing, when a company or government goes through retrenchment; it reduces outgoing money or expenditures or redirects focus in an attempt to become more financially solvent. It involves reducing of the employees through purposive and earlier retirements Mishra and Spreitzer (1998). It can be either a forced or voluntary one. As a strategy, retrenchment is meant to reduce costs associated with payroll. In Kenya retrenchment gained prominence the late 1980s and 1990s following the recommendation by World Bank and other lending organizations as one of the conditions of qualifying for Aid (World Bank Technical Report paper No 357, 1996).

Retrenchment was implemented in the public service in Kenya in the early 1990s as a strategy of downsizing to reduce personnel cost and restructuring to streamline operations and improve efficiency and effectiveness. The 1980 World Bank and service reforms structural adjustments aimed at assisting the civil service reduce the wage bill and assist the retrenched enter and revitalize the private sector. The World Bank retrenchment program had training package included to equip retrenched with entrepreneurial skills to survive in the private sector. This would then create employment for both the retrenched and other job seekers hence improving their living standards and eradicating poverty. The retrenchment program was planned as the government carried out ministerial revitalization and staff right sizing exercise and came up with optimal number.

According to the Kenya Government policy contained in a circular from the permanent secretary, secretary to the cabinet and Head of the public service of June 2000. The Government had taken measures to reduce the size of the Civil Service Reform programmes (SRP). In October 1993 these steps included retrenchment of staff through the Voluntary Early Retirement Scheme (VERS) and abolitions

of vacant posts arising from natural attrition. It is worth noting that whereas CSRP phase 1 of CSRP (1993-1997) resulted in decrease in the size of the civil service, the measure did not contribute to correcting the imbalances between budgetary allocation to personal emolument (PE) and operations and maintenance (O&M) high proportions of revenue still went into the wage bill and there was no significant improvement in service delivery while the leisured budget allocation balance between PE and O&M had not been achieved. No baseline survey was undertaken under VERS and as a result essential service for example health was seriously affected. VERS was not coordinated properly since certain functions proposed for transfer were excluded from pilot phases. Certain organizations as TSC continued recruiting staff thus defeating the very objective of retrenchment.

Retrenchment aims to improve performance and productivity, enhance competitive advantage, reduce costs, and improve quality. However, post-retrenchment effects may be far from its intended objectives Cascio (2002). It can lead to decline in organizational loyalty, job satisfaction, stress and increased incidences of health related complaints (Cameron, 1998). Organizational performance is also negatively influenced by the loss of organizational knowledge and memory possessed on the one hand by those who were retrenched and, on the other hand, by the survivors' quitting in the post-retrenchment period of decreasing loyalty and job satisfaction. The shift from organizational to career loyalty is manifested in surviving employees focusing on the acquisition of marketable skills and seeking new job opportunities (Sheaffer *et al.*, 2009). These employees tend to concentrate less on their tasks, neglect organizational objectives such as quality, product development, and so on. These finally lead to the stagnation or deterioration of organizational productivity.

Post-retrenched organizations are also characterized by the restructuring of the organization and work procedures, the elimination of certain fields of work and creating new ones. Such restructuring is more likely to negatively influence the operation of the organization if unnecessary tasks are

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inserted and if the new tasks are less interesting and offer less autonomy. Cameron (1998) lists the following negative outcomes of downsizing: centralization, absence of long-term planning, restriction of innovation, resistance to change, turnover of staff, decreased morale, loss of slack, the emergence of special interest groups, loss of credibility of top management, loss of key personnel and losing too many employees in general, retraining, employment of an increasing number of temporary workers, more overtime, and increased retiree health costs.

## 2. Statement of Problem

Retrenchment is a common phenomenon that has been adopted by organizations since early 1990s. The major aim of retrenchment is to reduce costs in organizations and increase profits earned in organizations. Over 75% of the organizations that have adopted retrenchment have not achieved their objective, world bank technical report paper no 357 (1996). On the contrary, retrenchment has presented more negative than positive effects to the organization and survivors. Retrenchment results in human resource shrinkage that causes many difficult problems to managers. Research about the effects of retrenchment in relation to other factors affecting survivors have been conducted including effects of retrenchment on organizational performance at the Telkom Kenya, Eldoret branch, Ochieno (2010), effects of retrenchment on the motivation and loyalty of surviving employees of Telkom Kenya limited, Duncan (2013), 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 sectors by Mwangi (2002), the effects experienced by organizations in managing the survivors of downsizing by Karimi (2002) and survey of the practices of staff downsizing among the major oil firms in Kenya by Guyo (2003). The effect of retrenchment on the survivor (those who remain in the organization after the retrenchment) can be either positive or negative. However, no similar studies on the effects of retrenchment on performance of survivors have been conducted particularly in K.P.L.C, K.C.C and Telkom Kenya of Nakuru County.

## 3. Objectives of the Study

The general objective of the study was to determine the effect of retrenchment on performance of surviving employees in selected state corporations in Nakuru Town. The specific objectives were to:-

- 1) Determine the effect of workforce reduction on performance of surviving employees in state corporations.
- 2) Determine the effect of cost cutting on performance of surviving employees in state corporations.
- 3) Determine the effect of communication on performance of surviving employees in state corporations.
- 4) Determine the effect of procedural justice on performance of surviving employees in state corporations.
- 5) Determine the effect of Employee support on performance of surviving employees in state corporations.

- 6) Determine the combined effect of workforce reduction, cost cutting, procedural justice, communication and support on performance of survivors in state corporations.

## Research Hypotheses

This study tested the following hypothesis:-

- HO<sub>1</sub>: Workforce reduction has no significant effect on the performance of surviving employees in state corporations  
HO<sub>2</sub>: Cost cutting has no significant effect on the performance of surviving employees in state corporations  
HO<sub>3</sub>: Communication has no significant effect on the performance of surviving employees in state corporations  
HO<sub>4</sub>: Procedural justice has no significant effect on the performance of surviving employees in state corporations  
HO<sub>5</sub>: Employee support has no significant effect on the performance of surviving employees in state corporations  
HO<sub>6</sub>: There is no significance effect of workforce reduction, cost cutting, procedural justice, communication, counselling on performance of survivors in state corporations.

## 4. Literature Review

### Retrenchment practices

Retrenchment is something akin to downsizing, when a company or government goes through retrenchment; it reduces outgoing money or expenditures or redirects focus in an attempt to become more financially solvent. Many companies that are being pressured by stockholders or have had flagging profit reports may resort to retrenchment to shore up their operations and make them more profitable. Although retrenchment is most often used in countries throughout the world to refer to layoffs, it can also label the more general tactic of cutting back and downsizing (Wallace and Foster 2010). Companies can employ this tactic in two different ways. One way is to slash expenditures by laying off employees, closing superfluous offices or branches, reducing benefits such as medical coverage or retirement plans, freezing hiring or salaries, or even cutting salaries. There are numerous other ways in which a company can employ retrenchment. These can be non-employee related, such as reducing the quality of the materials used in a product, streamlining the process in which a product is manufactured or produced, or moving headquarters to a location where operating costs are lower, (Wallace and Foster 2010).

The second way in which a company may practice retrenchment is to downsize in one market that is proving unprofitable and build up the company in a more profitable market. If one market has become obsolete due to modernization or technology, then a company may decide to change with the times to remain profitable determined, (Wallace and Foster 2010). Employees are often the casualties of retrenchment, as the tactic does not take their interests into account. They are often considered simply as commodities that are either profiting or costing the company, and are therefore either unnecessary expense or a financial Liability.

The stresses in the U.S financial markets that first emerged in 2007 transformed themselves into a full-blown global financial crisis in 2008. As the crisis intensified, the effects

of financial turmoil on developing countries increased in step, as risk version sent spreads soaring, equity markets tumbling and exchange rates falling and capital flows into decline. In this climate, growth prospects for both high-income and developing countries have deteriorated substantially, and a movement of global growth from 2.5 percent in 2008 to 0.9 percent in 2009 has become a reality. World trade has been expected to decline by approximately 2.1 percent during 2009, the first such fall since 1982. With import demand turning to negative ground, developing countries will find it quite difficult to generate any positive gains in exports, serving to take a toll on growth. South Africa's unemployment rate sank to 23 percent in September last year, a record low since the inception of the Labor Force Survey in 2001 "It is the biggest decline since 2001 which was at 29.4 percent." South Africa's economic growth is likely to weaken further in 2009, falling below 3 percent for the first time in almost a decade, as tighter monetary policy and high inflation causes household consumption to falter (Wallace and Foster 2010).

Retrenchment is a massive change for most and due to the global economic crisis; this has become a harsh reality for most. This reality does not have to mean 'doom and gloom'. Change is often the very catalyst we need to take control of our own lives. According to report released by Solidarity in December 2008, 310 000 jobs are on the line with 32 companies already retrenching about 22 000 employees. The hardest-hit sectors in South Africa are mining and manufacturing industries. It is expected that about 13 000 mining jobs will be shed. The current developments will and have had a tremendous impact on South Africa's unemployment rate. In the second quarter of 2008, the rate stood at 23 percent. As a result of mass retrenchments, unemployment was expected to climb to 25 percent in the first three months of 2009. In addition, Solidarity also reported that these developments do not only impact those who lost their jobs, but "every employee supports between seven and eleven dependents, which means that between 150 000 and 200 000 people will be affected by these retrenchments" Through these harrowing times of change and turmoil, there is an obvious need for companies to encourage and insist on their staff undergoing some form of training and counselling to ensure that they are provided with the knowledge and skills to continue with life after retrenchment(Wallace and Foster 2010). Not only is this assistance required for the employees engaging in the retrenchment process, but also for those employees who have not been retrenched but suffered the loss of a fellow colleague who has been. These feelings can often be underestimated, and without the correct preventative measure, a business might find their employees leaving on their own accord due to feelings of "mistrust" and "betrayal" from the organization.

#### **Retrenchment Practices and Employee Performance**

Although retrenchments have become standard managerial strategy in most organizations, their effectiveness in increasing organizational efficiency is unclear (De Meuse, 2004). Different theories are divided, and research findings inconsistent (Krasz, 2004). It has been assumed that retrenchment reduces expenses and reorganizes processes ensuring in improved competitiveness and profitability

(Cascio, 2002). Therefore, cutting costs through layoffs is a safe way for increasing profitability, and consequently raising share value (Redman & Wilkinson, 2009). Additionally, shareholders are expected to react favorably to downsizing announcements although recently, Cameron (1998) has shown that retrenchment announcements have an overall negative effect on stock market prices. Nevertheless, cutbacks communicate streamlining and raise expectations of a future growth in profits. A positive response will be expressed in an increase in shareholder returns and should enhance the company's attractiveness to investors (Cascio, 2002).

Most studies have focused on financial performance, because of the assumption that firm's reason for existence is profit maximization. Because firms' bottom line is their economic state and market position, it is clear that the association between retrenchment and economic results is of major importance. Researchers have followed the differences between long and short-term results (Sheaffer et al., 2009). De Meuse (2004) notes that retrenchment may improve performance in the short-run because dismissals reduce expenses. This improves profitability and liquidity indices, enabling industry dominance through a cost leadership strategy. Moreover, organizations benefit from an initial increase in output, as survivors work harder and more competitively in an attempt to keep their jobs (Krasz, 2004). Despite the improvement in liquidity, initial growth in output is short-term and accompanied by organizational behavior changes including the survivor syndrome (Noer et al., 2006). Additionally, a cost leadership strategy may be erroneously emulated and applied in the wrong context. The ability and right to a voice is linked with feelings of respect and value, which emphasizes the importance of the interpersonal factors of procedural justice. The idea of procedural justice is especially influential in the law. In the United States, for example, a concern for procedural justice is reflected in the Due Process clauses of the United States Constitution. In other common law countries, this same idea is sometimes called natural justice. Natural justice generally binds both public and private entities, while the U.S. concept of due process has a "state action" requirement which means it applies only to state actors. But in the U.S, there are analogous concepts like some form of training is needed for all employees, it may give general knowledge of new techniques or a broader outlook but can be mostly beneficial to employees and employers. An effective training programme can improve efficiency and morale of survivors, introduce new techniques, provide for succession enabling qualified replacement to be available, raise the standard of unskilled personnel thus helping overcome labor shortages, develop supervision and decrease the amount of supervision needed, lead to a reduction in scrap and improve machine utilization.

Kozlowski et al, (2003) state that employees who remain with the organization will also be affected by downsizing strategies intended to improve organizational flexibility, increase employee responsibility, and streamline operations. For example, employees may respond with reduced trust and organizational commitment when the organization breaks its 'psychological contract' with them. A survey found that 74 percent of senior managers in downsized companies said



that morale, trust, and productivity suffered after downsizing (Henkoff, 1998). Downsizing may have unintended negative consequences for individuals and organizations. Brockner et al, (1999) state that some managers report that layoffs have a decidedly negative effect on their subordinates' productivity, morale, and overall commitment to the organization. Researchers report such downsizing effects as: feelings of job insecurity, anger, job stress, decreased loyalty and organizational commitment, lowered motivation and productivity, and increased resistance to change (Isabel, 2010).

Literature that examines the survivors of downsizing found that survivor's syndrome describes a common set of symptoms that emerges in layoff survivors. These symptoms include guilt, anxiety, fear, insecurity, anger, and in more severe cases, depression or other emotional and physical ailments. Survivor's syndrome also refers to the way some survivors react when many of their friends and colleagues are forced to terminate their relationship with the company (Noer, 1998). There is therefore an urge to study the implications of retrenchment on the employees left in the organization with a focus on other employee-work aspects. When poor decisions are made regarding employees to let go such that the wrong employees are released of their duties, this may affect the survivors in many ways.

The victims of retrenchment have been shown to suffer from shock, grief, disbelief, anger and feeling of betrayal, fear, shame, embarrassment, fantasy and despair. The survivors are also affected by the dismissal or exit of their colleagues. They suffer from fear, insecurity and uncertainty, frustration, resentment and anger, sadness, depression and guilt, injustice, betrayal and mistrust (Tylezak, 1999). These negative effects lead to the "survivor syndrome" (Noer, 1998), which is manifested in a variety of ways through a spectrum of attitudes and perceptions. It has been noted that if these problems are neglected or mishandled or worse still if their existence is denied, the consequences for the organization can be severe if not devastating.

#### **Indicators of Employee Performance in an Organization**

Landy and Farr (1983) have identified over 40 different operational definitions of absenteeism. Total numbers of days missed, average length of absence, frequency of absence, dividing absence into voluntary and involuntary, are just a few ways to define absenteeism. How this concept is defined will greatly affect job performance ratings, since these measures are usually only moderately related. The second major problem with using absenteeism is it does not seem to be a normally distributed work performance variable. The majority of workers miss very few days of work each year, while a small minority of workers are frequently absent. Although measuring absenteeism will allow you to distinguish between the two groups, it will give you very little information about the majority of employees. Also, measures of absence are largely unrelated on a year to year basis. Work Samples as measures of Job Performance Having people perform their normal job tasks while being supervised (tested) is an additional way of judging job performance. This is the approach which has been adopted by the U.S. Military to help assess job performance (they also use personnel data and judgement data as well). In

1980, The Joint-Service Job Performance Measurement Enlisted Standards Project (JPM) began large scale hands on testing of specific tasks associated with the specific job title. These are tests of maximal performance, usually under timed conditions.

#### **Operationalization of the Study Variables**

Retrenchment strategies adopted by various organizations as turnaround strategies to improve profits include; improving efficiency through automation of systems, improving organization productivity and competitiveness by ensuring the organization contain the right work force. Reduction of workforce size to cut excessive financial costs on work force in order to offer an attractive remuneration package. The various turn around strategies of retrenchment may result to positive and negative effects both to the survivors and the organization.

Once retrenchment has been carried out, the surviving employee usually experience excessive workload due to extra duties they assume from those who were retrenched, Support for those displaced, and for those retained, provides a release for pent-up emotions and allows employees to get on with the work at hand. Workforce reductions will continue with the decrease in funding and the decline in customers' census, but it is imperative that the quality of care be maintained (Thomas, 1995).

Efforts to cut costs should be directed toward decreasing waste and eliminating redundant work, not at decreasing the number of employees. The employees must remain the primary caregiver at the workplace to maintain quality care. Changes that remove the employees from work will influence the quality of services that customers receive in the future. One negative customer outcome can be much more costly, directly and indirectly, than the salaries of several employees. When organizations cut costs, decision makers often assume that the parts of the organizations that remain after the cuts can continue to produce at pre-reduction levels. They rarely do. For example, downsizing the Purchasing function can have ripple effects throughout the organization. And cancelling one project can actually affect other projects even if they don't depend on the cancelled project. Fundamentally, organizations are systems. Moreover, they don't "factorize" easily-their parts are interconnected in ways that are outside our awareness.

Organizational communication research has evolved considerably from the early conceptions of communication and its role in the organization. Recognition for the importance of communication to the management process can be attributed largely to the work of employees Barnard (1998) who maintained that communication was the very "heart" of the management process. Communicate the retrenchment far enough in advance so that people have adequate time to find new work. Start your assistance program to help people find new jobs some time well before their projected separation date, so that they know that retrenchment is really coming and do not cling to false hopes which are sure to be shattered; Advise personnel on their rights to company benefits, the amount of their severance pay, time of payment etc. A review of the literature with respect to organizational communication

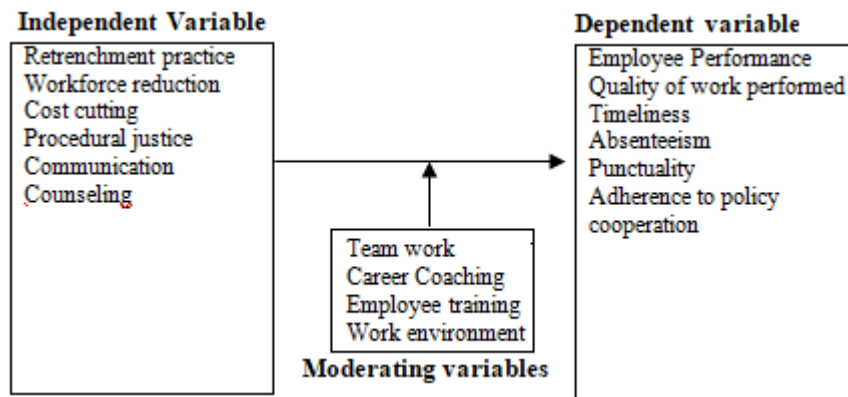
reveals a central, shared emphasis on the issues of control and coordination through proper communication. Make available information on social security, unemployment compensation, and other assistance available to unemployed people.

Provide counselling and advice on where to obtain direct help on career plans and financial problems caused by the loss of a job. Counselling should be offered before and after the retrenchment exercise to ensure that employees are prepared and also accept the outcome of retrenchment. It is

becoming increasingly common nowadays for organizations to provide counselling facilities for employees.

## 5. Conceptual Framework

The conceptual frame comprises three variables (independent, dependent and moderating variables). The frame work shows the relationships among the variables. It reveals how retrenchment affects performance of surviving employees and how that effect is influenced by moderator variables in state corporations.



Conceptual framework showing a relationship between retrenchment practice and employee performance. Source researcher (2014).

Retrenchment directly affects the performance of surviving employees. Once workforce has been reduced, workload of employee increases therefore they are required to perform more duties hence the quality of work performed is affected. Through cost cutting measures such as abolition of employee allowance like medical care, housing, overtime, transport and tea break may reduce employee morale and motivation therefore surviving employees may not cooperate at work. The procedure adopted to retrench employees may affect the performance of surviving employees.

When a fair and just procedure is adopted the surviving employees will be satisfied with the management decisions and retrenchment outcomes. A subjective and unjust procedure of retrenchment demoralizes surviving employees. This may influence their adherence to organizational policies and how they cooperate at their work place. Effective communication may hinder negative effects of the retrenchment practices in organizations. Through communication those to be retrenched will be prepared and will adjust with the outcomes of retrenchment practices. Poor or lack of communication may result to gossiping of survivors in affected organizations. Counselling hinders effects of retrenchment such as psychological stress and depression at work place. The effects of retrenchment can be reduced by adopting measures such as training, team working, career guidance and work environment.

## 6. Methodology

### Research Design

The study adopted a descriptive research design. According to Lockesh (1984) descriptive research studies are designed

to obtain important information concerning the status of phenomena from which valid conclusion may be drawn.

### Sample size & Sampling design

A sample 253 surviving or remaining employees after the retrenchment was selected from the middle level management and the junior staff of the three state corporations (KPLC, TELCOM & KCC) studied. Stratified sampling was used to yield the subsamples and total sample size shown in table 1. The representatives were stratified into various departments according to the selected state corporations and selected through simple random sampling. The sample size was obtained through Yamane's formula below (Yamane, 1967)

$$n = \frac{N}{1+N(e^2)}$$

Where;

n = the sample size

N = the size of population

e = the error of 5 % points.

Substituting the figures the sample size was 253 survivors.

To determine the sample size per stratum the following formula was used

$$n_i = \frac{N_i * n}{N}$$

Where:-

n<sub>i</sub> = sample size of the stratum

N<sub>i</sub> = population of the stratum

N = population of the study

n = sample size of the study

Substituting the figures in the formula the size per strata will be:-

State corporations	Population(Ni)	Sample size(ni)
K.P.L.C	473	194
K.C.C	48	19
Telkom Kenya	58	22
TOTAL	569	235

**Data Collection**

Questionnaires were used to obtain the required information. Drop and pick method was administered on the questionnaires to collect data from respondents (middle level managers and junior staffs). Permission was sought before conducting the study.

**Reliability and Validity**

The instrument's reliability was determined using the Cronbach alpha coefficient at 0.96. A cronbach alpha coefficient of 0.70 or more implies a high degree of reliability of data was adopted. According to Borg and Gall (1983), validity of an instrument is better improved by expert judgement. The study determined the accuracy, truthfulness and meaningfulness of inferences that are based on the data collected from the use of questionnaire. Content validity was adopted to measure the degree to which data collected using a particular tool represents a specific domain of indicators as a content of a particular concept. Validity of the tools also involved discussion with experts in the field of human resource management. The academic experts at the department of Business established the validity of the research instrument.

**Data Analysis**

Preliminary analysis procedures of cleaning, frequencies, consistency checks, and debugging were done on the data obtained. Data- analysis involved descriptive statistics to determine mean, mode and percentages of data collected. Inferential statistics was adopted to determine correlation and regression of the data collected. Hypothesis testing was done using Pearson's correlation and regression analysis; correlation was used to determine the relationship between the independent variable and dependent variable. Regression analysis was used to determine the contribution of each of the independent variable to the dependent variables. Data was analysed with the aid of computer software (SPSS version 22). The findings or results of the study are presented below:

**Profile of the Respondents in the selected state corporations**

This profile of the respondents was analyzed using the frequency tables. The demographic attributes analyzed included:- Designation, Age, Level of academic qualification, Duration of service. The demographic attributes analyzed included designation, gender and academic qualification.

**Position held in the Organization**

Position held in the organization					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Manager	77	32.8	32.9	32.9
	Staff	157	66.8	67.1	100.0
	Total	234	99.6	100.0	
Missing	System	1	.4		
Total		235	100.0		

Source: Research Data

From the data collected 32.9% of the respondents were managers while 67.1% were staff. This implies that in the selected state corporations staffs comprise a greater proportion. From the analyzed data staff represents a greater proportion of the organization's human resources, managers form a small proportion. This is in agreement and consistent with the 14 principles of management practices, the principle scalar chain whereby supervisors should have a manageable number of subordinates under them. To maintain order in an organization, instructions should be given from a central position, the employees should adhere to and obey the instructions, and this is according to the principle of management subordination.

**Respondent's Level of Education**

Level of education					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	certificate	48	20.4	20.5	20.5
	diploma	94	40.0	40.2	60.7
	Degree	92	39.1	39.3	100.0
	Total	234	99.6	100.0	
Missing	System	1	.4		
Total		235	100.0		

Source: Research Data

From the analysis most staff members were diploma holders who formed 40.2%. it can be noted that there is a small margin between diploma holders and degree holders. Degree holders formed 39.3% while certificate holders formed 20.5%. from this analysis it can be concluded that most organizations are employing more diploma and degree holders. Data from the selected state corporation indicates that most employees are diploma and degree holders. Level of education positively influences employee performance. Most organizations are currently contracting more degree holders in higher positions because it is perceived they are capable of making more rationale decisions. Most certificate and diploma holders offer technical skills. These results are consistent with other scholar's work conducted previously.

**Respondent's Duration of Service in the Organization**

Duration of service in the organization					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0 - 9 years	25	10.6	10.6	10.6
	10 - 19	65	27.7	27.7	38.3
	20 - 29	91	38.7	38.7	77.0
	30 years and above	54	23.0	23.0	100.0
	Total	235	100.0	100.0	

Source: Research Data

From the data analyzed majority of the respondents have served in the organizations for duration between 20-29 years. This category formed 38.7% of the respondents, fewer employees have served for a duration between 0-9years, this category formed 10.6%. this implies that most employees who are contracted in the selected corporation are willing to stay in this organization. From the table of data analysis most employees have served for quite along duration of over 20 yrs. this implies that in the three selected state corporations employees are retained till end of contract



holding all factors constant. Retrenchment in these organizations is adopted as a turnaround strategy mostly during recession. Long term of service also implies that employees are appreciated, recognized and offered an attractive reward. This practice of management motivates them to stay and serve for longer duration. These findings are consistent with literature and previous empirical studies.

**Respondent's Age**

		Age			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18 - 24	36	15.3	15.3	15.3
	25 - 31	83	35.3	35.3	50.6
	32 - 37	54	23.0	23.0	73.6
	38 - 44	37	15.7	15.7	89.4
	45 years and above	25	10.6	10.6	100.0
	Total	235	100.0	100.0	

Source: Research Data

From the analyzed data majority of the respondents are between an age bracket of 25-31 years. This category formed 35.3% while those who were aged above 45 years formed 10.6%.this implies that in the selected state corporation the management are recruiting younger employees. From the selected state corporations most employee are aged between 25-40yrs.this is in agreement with career development curve. This age bracket comprises individuals who are motivated and aggressive at work place given the best work environment. Performance at this age bracket is exponentially high because individuals are highly motivated by management's recognition, attractive reward, personal ambitions, goals and achievements.

**Retrenchment practice and performance indices of the study**

Variable	N	Mean	SD
Workforce reduction	235	2.4227	.77445
Cost cutting	235	2.3468	.77222
Communication	235	2.1206	.79775
Procedural justice	235	2.2496	.79773
Support	235	3.3028	.63746
Work performance	235	2.2574	.79351

The indices of the retrenchment practice and performance were generated and tabulated as represented in the table 4.5 above. The mean response of workforce reduction was 2.4227 with a standard deviation of 0.77445 among the respondents, Costing cutting had a mean of the mean response 2.3468 with a deviation of 0.77222 among respondents, Communication had a mean of response of 2.1206 with a standard deviation of 0.79775 among respondents, procedural justice had a mean response of 2.2496 with a standard deviation of 0.79773, Support had a mean response of 3.3028 with a standard deviation of 0.63146 among respondents while performance had a mean response of 2.2574 with a standard deviation of 0.79351 among respondents.

**Retrenchment practices and employee performance of survivors**

Organization adopt various practices of retrenchment, such turn around strategies may involve direct cutting down of employee number(downsizing) or indirectly cutting the costs of production this may involve restructuring of the organization plan. The analysis of the relationship between retrenchment practices and employee performance seeks to create awareness on the extent to which retrenchment practice indicators such as workforce reduction, cost cutting communication, procedural justice and support affects employee's performance. An analysis on the extent to which retrenchment practices affects employee performance was done by running both a linear and multiple regressions.

**Work force reduction practice in selected State Corporation**

Workforce reduction involves the cutting or laying off some employees of a given organization, the influence of workforce reduction on employee performance was analyzed using a linear regression whose model is given below.

$$Y = \beta_0 + \beta_1 X_1 + e$$

Where:-

$\beta_0$ =constant

$\beta_1$ =parameter estimate

$X_1$ =work force reduction

Y=employee performance

e=error

The result of the analysis is given in the table below

**Workforce reduction**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.379 <sup>a</sup>	.144	.140	.73580

The computed R square = 0.144,this means that workforce reduction explain 14.4% of how it influence employee performance while 85.6% is explained by the other factors from the table of parameters estimates, computed  $t = 6.257$  is greater than 2.0 implying that the effect of workforce reduction on employee performance is significant. We therefore reject the null hypothesis,  $H_{01}$ : work force reduction has no significant effect on employee performance of survivors. Table below shows the parameter estimates,

**Model parameter estimates.**

Coefficients(a)						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.316	.158		8.332	.000
	Workforce reduction index	.389	.062	.379	6.257	.000

Across study of the computed P values indicators that work force reduction affects negatively employee performance such that reduction of workforce will decrease employee performance by 0.389.

**Cost cutting practice in selected State Corporation**

Cost cutting involves cutting down of employee's allowances such as medical, housing, transport, sick leaves

and training, cost cutting may also involve reducing the cost of production in the organization. The relationship between cost cutting and employee performance was analyzed using a linear regression whose model is given below.

$$Y = \beta_0 + \beta_1 X_2 + e$$

Where:-

$\beta_0$  = constant

$X_2$  = cost cutting

$\beta_1$  = parameter estimate

e = error cost cutting

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.402 <sup>a</sup>	.162	.158	.72796

The computed R-square = 0.162 this implies costing cutting explains 16.2 percent of relationship between this variable and employee performance while 83.8 percent is explained by other factors. This means that cost cutting affects employee's performance to some extent. From the model parameter estimates computed t = 6.711 which is more than t = 2.0 this therefore means that cost cutting significantly influence employee performance.

#### Model parameter estimates

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.287	.152		8.454	.000
	Cost cutting index	.414	.062	.402	6.711	.000

Since P = 0.000 it therefore implies that cost cutting is quite significant in influencing employee performance.

#### Communication practice in selected State Corporation

Communication in this study implies passing information pertaining the retrenchment practice to employees. Communication intends to prepare the employees on the outcome of retrenchment. The relationship between communication and employee performance was also analyzed using a linear regression whose model is given below.

$$Y = \beta_0 + \beta_1 X_3 + e$$

Where:-

$\beta_0$  = Constant

$\beta_1$  = Parameters estimates

$X_3$  = communication

e = error factor

#### Communication

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.315 <sup>a</sup>	.099	.095	.75475

Holding other factors constant communication explain 9.9 percent of the dependent variable because the R-square = 0.099.

#### Model parameter estimates

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.593	.140		11.372	.000
	Communication index	.313	.062	.315	5.065	.000

The computed t = 5.065 with the p. value of 0.000, this means that communication significantly affects employees performance. Computed t = 5.065 is more than 2 therefore we reject the null hypothesis HO<sub>3</sub> that states there is no significant relationship between communication and employee performance. Computed B – value indicates that communication about the retrenchment practice influence employee performance by 0.313

#### Procedural justice Practice in selected State Corporation

Procedural justice during the retrenchment exercise intends to ensure there is fairness in the process of retrenchment and the outcomes of the retrenchment practice are satisfactory. The relationship between procedural justice and employee performance was analyzed using a linear regression whose model is also given below.

$$Y = \beta_0 + \beta_1 X_4 + e$$

Where:-

$\beta_0$  = Constant

$\beta_1$  = Parameter constant

$X_4$  = Procedural Justice

e = Error factor

#### Procedural justice

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.344 <sup>a</sup>	.119	.115	.74658

The computed R square = 0.119, this means that procedural justice explains 11.9 percent of the dependent variable while 88.1 percent is explained by other factors.

#### Parameter estimates

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.487	.146		10.184	.000
	Procedural justice index	.343	.061	.344	5.599	.000

Since t = 5.599 more than 2 we reject the null hypothesis HO<sub>4</sub>, there is no significant relationship between procedural justice and employee performance. Computed B-value implies that procedural justice influence employee performance by 0.343.

#### Support practice in selected State Corporation

Support in the study implies counseling, retraining, team building and team work among various supports that can be adopted to help the employees perform better after the



retrenchment practices. The relationship between support and employee performance was also analyzed using a linear regression model below.

$$Y = \beta_0 + \beta_1 X_5 + e$$

Where:-

$B_0$ =constant

$B_1$ =parameter estimate

$X_5$ =support

$e$ =error factor

support

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.132a	.017	.013	.78823

The computed R-square = 0.017 this implies that support explain 1.7% of the dependent variable while 98.3% is explained by other factors.

Table of parameter estimates

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.714	.272		6.303	.000
	Support index	.165	.081	.132	2.036	.043

Since  $t = 2.036$  more than  $t = 2.00$  we reject the null hypothesis  $H_0$  there is no significant relationship between support and employee performance computed B-value indicates that support influence employee performance by 0.165. Since  $P = 0.043 < 0.05$  support significantly influences employee performance.

### Multiple regressions between retrenchment practices and performance variables

After the analysis of how each single component influence employee's performance, a multiple regression was run to determine the collective influence of retrenchment practice on employee performance. The multiple regression model used is given below.

$$Y = \beta_0 + \beta_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

Where:-

$B_0$ = model constant

$\beta_1, \beta_2, \beta_3, \beta_4$  and  $\beta_5$  are the model parameter estimates

$X_1$ = workforce reduction

$X_2$  = Cost cutting

$X_3$ = Communication

$X_4$ =Procedural justice

$X_5$  = Support

$e$  = error factor

The regression summary result is shown in table below

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.459a	.211	.194	.71255

Source: research data

The computed R-square = 0.211, this implies that the independent variable considered in this model explain 21.1 percent of the dependent variable while 78.9 percent is explained by other variables.

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.966	.272		3.556	.000
	Workforce reduction index	.165	.092	.161	1.801	.073
	Cost cutting index	.195	.095	.190	2.049	.042
	Communication index	.030	.095	.030	.313	.755
	Procedural justice index	.190	.093	.191	2.044	.042
	Support index	-.017	.081	-.014	-2.13	.832

From the table above workforce reduction ,cost cutting, communication and procedural justice have positive p values while support have a negative p value, this implies that lack of support negatively affects employee performance after the retrenchment practice. From the analysis support component has a negative B-value which means that this component influence employee performance negatively. Though initial analysis indicates that holding other factors constant support significantly influence performance, collectively support does not contribute to better employee performance because much time and other resources are used and this has a negative connotation on employee performance. Workforce reduction, cost cutting, and procedural justice have positive B-values, this means that this components influence employee performance positively. These components have apposite connotation on employee performance, for instance if the number of employees increase, efficiency is enhanced hence employee performance increase. On the other hand if production costs are reduced and employee reward increased employee performance is enhanced. Efficient communication enhances timely delivery of information and instructions hence enhance employee performance. Fair and just procedure enhance trust in management leading to enhanced employee performance. This research results are consistent with previous empirical studies including, survey of the practices of staff downsizing among the major oil firms in Kenya by Guyo (2003).it is clearly indicated and evident that retrenchment practices significantly influence employee performance.

		Workforce reduction	Cost cutting	Communication	Procedural justice	Support	Work performance
Workforce reduction	Pearson Correlation (r)	1					
	p-value						
	N						
Cost cutting	Pearson Correlation (r)	.752**	1				
	p-value	.000					
	N	235					
Communication	Pearson Correlation (r)	.377**	.441**	1			
	p-value	.000	.000				
	N	235	235				
Procedural justice	Pearson Correlation (r)	.348**	.421**	.767**	1		
	p-value	.000	.000	.000			
	N	235	235	235			
Support	Pearson Correlation (r)	.171**	.162*	.422**	.395**	1	
	p-value	.009	.013	.000	.000		
	N	235	235	235	235		
Work performance	Pearson Correlation (r)	.379**	.402**	.315**	.344**	.132*	1
	p-value	.000	.000	.000	.000	.043	
	N	235	235	235	235	235	

From the analysis the retrenchment practices component positively correlate, this retrenchment practices components have a multi collinear and a positive correlation with employee performance. Cost cutting and workforce reduction have a strong positive correlation, communication with cost cutting and work force reductions have a positive correlation but not a strong one. Procedural justices with communication have a strong positive correlation but with workforce and cost cutting the correlation are positive though not strong. Support has a weak positive correlation with work force reduction though with a more positive correlation with cost cutting, communication and procedural justice. This is in agreement with regression analysis results. Retrenchment practice components have appositive multi co-linearity and positive correlation with employee performance; this is in agreement with related results from previous empirical studies including survey of the practices of staff downsizing among the major oil firms in Kenya by Guyo (2003).

## 7. Summary, Conclusion and Recommendation

This chapter presents the summary, conclusion and recommendations that should be adopted during and after the retrenchment practice.

### 7.1 Summary

The selected state corporation included Kenya power and lighting company, Kenya cooperative creameries and Telkom Kenya. 32.9% of the respondents comprised the managers while 67.1% formed the staff. Most staff members were diploma holders and degree holders with 40.2% and 39.3% respectively. From the analysis most staff members were diploma holders who formed 40.2%. It can be noted that there is a small margin between diploma holders and degree holders. Degree holders formed 39.3% while certificate holders formed 20.5%. From this analysis it can be concluded that most organizations are employing more diploma and degree holders. From the data analysed majority of the respondents have served in the organizations for duration between 20-29 years. This category formed

38.7% of the respondents, fewer employees have served for a duration between 0-9 years, this category formed 10.6%. This implies that most employees who are contracted in the selected corporation are willing to stay in this organization.

From the analysed data majority of the respondents are between an age brackets of 25-31 years. This category formed 35.3% while those who were aged above 45 years formed 10.6%, this implies that in the selected state corporation the management are recruiting younger employees.

From the table above workforce reduction, cost cutting, communication and procedural justice have positive p values while support have a negative p value, this implies that lack of support negatively affects employee performance after the retrenchment practice. From regression analysis retrenchment practice has p-values with t- more than 2.00, for instance work force reduction, cost cutting, communication, procedural justice and support have p-values of 6.257, 6.74, 5.065, 5.599 and 2.036 respectively. Since p-values are more than t=2.00 then we reject all the null hypothesis. On the other hand these components have positive B-values for instance workforce reduction, cost cutting, communication, procedural justice and support have positive B-values 0.389, 0.414, 0.318, 0.343 and 0.165 respectively. Correlation results show that all the retrenchment components have positive B-values though support has a weak positive B-value.

From the analysis the retrenchment practices component positively correlate, this retrenchment practices components have a multi collinear and a positive correlation with employee performance. The computed R-square = 0.211, this implies that the independent variable considered in this model explain 21.1 percent of the dependent variable while 78.9 percent is explained by other variables.

### 7.2 Conclusion

Most organization that have adopted retrenchment have not achieved their objectives; retrenchment presents more

negative effects to the victims of retrenchment and even the survivors. From the results presented retrenchment significantly affects employee performance. From the analysed data the following conclusions can be drawn between retrenchment practices and employee performance:-

First and foremost workforce reduction affects the quality of work performed by employees. Workforce reduction also directly affects the punctuality of employees at work, timeliness, adherence to organizational policy, cooperation and the availability of employees of work. Workforce reduction leads to increased workload leading to work-related stress. Reduction in employee welfare and remuneration significantly demotivates surviving employees this directly affects the loyalty of employees to the organization. Secondly cost cutting in the long run affects the quality of work, punctuality, cooperation, adherence to organization policy and the availability of employee at work reason being the quality of products may be compromised. Thirdly communication significantly affects the performance of employee there is a significant relationship between communication and employee performance, the quality of work performed, availability of employees, cooperation, and adherence to organization policy and punctuality of employee at work are factors directly influenced by proper and effective communication. Fourthly the procedures adopted to conduct retrenchment directly affect employees performances the quality of work, availability of employee at work, cooperation, punctuality and how employee adhere to organizational policies may be affected by fairness and justice during the due process in handling issues related to employee relation in the organization. Employee's trust or mistrust in management depends on procedural justice. Finally counselling programmes have a significant effect on employee performance, majority of the employees agreed that counselling directly influence the quality of work they perform, their availability at work, their cooperation at work, how they adhere to organizational policies and their punctuality at work. Regression and correlation results show that there is a significant relationship between retrenchment and employee performance. According to the results retrenchment procedure can lead to both positive and negative effects to the organization and surviving employees.

### 7.3 Recommendation

Based on the findings managers should develop the best strategies to down size workers and cutting costs to reduce work related stress. Clear communication must be designed in an organization before retrenching employees. Communication makes employees to develop trust in the management. Managers should also adopt fair procedure during the retrenchment practice. Procedural justice develops trust in management satisfaction in retrenchment results and decision made by managers. Counselling practice is very vital it enables employees accept the outcomes of retrenchment and adapt to the change in the overall organization plan.

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