



**ASSESSING THE EFFECTS OF RETRENCHMENT ON THE SOCIO-ECONOMIC
STATUS OF RETRENCHED STAFF IN THE PRIVATE SECTOR IN MALAWI**

MASTER OF BUSINESS ADMINISTRATION THESIS

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BA(Humanities), UNIMA

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By

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BA(Humanities), UNIMA

**A Dissertation Submitted to the Department of Management Studies, Faculty of
Commerce, in Partial Fulfilment of the Requirements for the Award of a Degree of Master
of Business Administration**

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The Polytechnic

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DECLARATION

I, Johnstone Kasawala, hereby declare that this dissertation is my own work, except where acknowledged in text and references. It has not been submitted before for any degree or examination at any other university. It has been submitted in partial fulfillment of the requirements of the degree of Master of Business Administration (MBA) at the University of Malawi

Signature:

..........

Date:

.....10th April 2023.....

CERTIFICATE OF APPROVAL

We, the undersigned, certify that we have read and hereby recommend for acceptance by the University of Malawi a dissertation entitled, “*Assessing the Effects of Retrenchment on the Socio-Economic Status of Retrenched Staff in the Private Sector in Malawi*”.

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DEDICATION

To my dad and mum, for their love, prayers, untiring support and encouragement throughout my studies.

To my wife and my children, thank you for your endurance, understanding and support throughout my studies.

Above all, I dedicate to God for making it possible. To God be the glory for he is in control.

(1 Corinthians 13:11- When I was a child, I talked like a child, I thought like a child, I reasoned like a child. When I became a man, I put the ways of childhood behind me.)

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ABSTRACT

The effects of economic crisis have been felt by almost all sectors and institutions (both public and private) worldwide and in almost all organisations. As a survival strategy, informed by scaling down of operations, different organisations have resorted to retrenchment. An increasing trend of retrenchment has been noted and it has been argued that retrenchment of employees had become common in the administrative routines of high/medium performing and distressed companies. The purpose of this study was to *Assess the Effects of Retrenchment on the Socio-Economic Status of Retrenched Staff in the Private Sector in Malawi*". The target population was retrenched staff from the following financial institutions: Malawi Savings Bank, Inde Bank and Opportunity Bank. In this study, 160 retrenched staff participated and these included 20 (12.5%) from MBS, 45 (28.1%) from Inde Bank and 95 (59.4%) from Opportunity Bank. The study findings have revealed a reduction in the proportion of people able to meet basic and luxury needs after being retrenched and women more than men have demonstrated more vulnerability to economic shocks. The study concludes that retrenchment negatively affects the socio-economic status of retrenched staff as earning power is drastically reduced and emotional status worsens. This study recommends the exercise of caution on retrenchment calling for swift measures to be put in place to curb the socio-economic effects with women being targeted as the most vulnerable group. Furthermore, the study calls upon organisations to comply with the existing regulation whilst pushing for amendments in grey areas of the provisions. The study was limited to retrenched staff who were traced and available from three banking institutions which were all acquired by other major banks; therefore, caution must be exercised in the application of the study findings. This implies that further studies need to focus on covering other organisations that had retrenched their staff in other sectors of the economy in Malawi.

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ABBREVIATIONS AND ACRONYMS

B &C	Brown and Clapperton
MSB	Malawi savings Bank
MSB	Malawi Savings Bank
MTL	Malawi Telecommunication Limited
OIBM	opportunity international Bank of Malawi
PTC	Peoples Trading Center
UNCTAD	United Nations Conference on Trade and Development
USA	United States of America

CHAPTER ONE

INTRODUCTION

1.1. Study background

The effects of economic crisis have been felt by almost all sectors and institutions (both public and private) worldwide. According to Isa et al, (2016) different organisations have strategized to survive and remain relevant in this era of economic crisis. One of the strategies that organisations have employed has been to conduct a systematic review of their staff and assess the marginal contribution of each staff member to determine redundancy levels (Dibua et al., 2018). Imam, Qureshi and Khan (2011) seem to agree that the economic crisis, which is synonymous with recession, came with bad news such as retrenchment/laying-off of employees. In fact, Isa et al, (2016) argues that there has been an increased rate of retrenchment in most organizations in developing countries. Literature asserts that the retrenchment of employees has become common in the administrative routines of high/medium performing and distressed companies (Ogbechie, 2015).

From a legal perspective, Lewis (1992) defines retrenchment as a dismissal that is ‘attributable wholly or mainly to’: an actual or intended cessation of business or an actual or expected diminution in the requirements of the business for employees to carry out ‘work of a particular kind’, either generally or in the place in which the employee is employed. Retrenchment per se, is the involuntary termination of employment, occupation, or job by the employer through no fault of the employee. Therefore, retrenchment is a form of dismissal, and its essence is that the employer requires fewer workers. Chandra (2015) argues that retrenchment happens when “a portion of staff or labour force is discharged as surplus in a running or continuing business, the termination of service which follows may be due to a variety of reasons; for example, for economy, rationalization of industry, installation of new labor-saving machinery”.

Retrenchment is a highly undesirable choice (Imam, Qureshi and Khan, 2011) for any organization especially in recession/restructuring periods (Gulati, Nohria and Wohlgezogen, 2010). Organizations employ the downsizing strategy to survive and compete in the global economy (Bhattachryya and Chatterjee, 2005; Cloete, 2012). Restructuring is undertaken with an understanding that it would have a more positive effect such as lower overhead cost, decreased bureaucracy, faster decision-making processes, smoother communication, better productivity and increased earnings (Hellgren, Naswall, and Sverke, 2005; Cloete, 2012).

Literature on the effects of retrenchment has focused on three main perspectives: the perspective of retrenched staff, the survivors and the organisation perspective. For instance, from the perspective of retrenched staff, Ogbechie (2015) explored the socio-economic effects of retrenchment in Nigeria whilst Jolley, Newman, Ziersch and Baum (2011) assessed the positive and negative impacts of job loss on family life among Australian car workers. Furthermore, Nyaberi and Kiriago (2013) and Imam et al. (2011) focused on retrenchment survivors and assessed the impact on retrenchment on performance of surviving employees. On the Organizational perspective, Dibua et al. (2018) assessed the effect to retrenchment on service delivery of the organization.

Nyaberi and Kiriago (2013) argue that retrenchment decisions are costly to the company. Compensation has to be incurred; trade unions are greatly concerned about the social and personal impact of retrenchment situations. In terms of human accounting, redundancies represent the scrapping by one user of a valuable resource and its transfer into a community pool from which it can be withdrawn and put to work by another. In fact, the retrenchment process in Telkom Kenya affected various aspects of surviving employees' morale and job security (Nyaberi and Kiriago, 2013). Jolley et al. (2011) argue that due to retrenchment, a majority of workers had their family lives affected and lowered the standard of living at their homes with a number of aspects affected. For instance, some families lost their spouses due to the fact that they could no longer afford a decent life. Furthermore, a positive aspect of retrenchment was identified for some families in the sense that they had more time to spend with their families (Jolley et al. (2011). Imam et al. (2011) found that retrenchment has a negative effect on morale for surviving staff which was seen to be a demotivating factor, hence reduced productivity. Despite many reported cases, through the media, of staff retrenchment in Malawi, research on the effect or impact of employee retrenchment from all the three perspectives is limited. It is against this background that this study was motivated to assess the socio-economic impact of retrenchment for retrenched staff in the private sector in Malawi.

1.2. Problem statement

The effects of the economic crisis are still being felt worldwide and in almost all organisations. As a survival strategy, informed by scaling down of operations, different organisations have resorted to retrenchment or indeed layout of staff deemed redundant (Isa et al, 2016). Ogbechie (2015) seems to agree with Isa et al, (2016) who also noted an increasing trend in retrenchment and argued that retrenchment of employees had become common in the administrative routines of

high/medium performing and distressed companies. The effects or indeed the impact of retrenchment have been viewed from three main perspectives in literature. These are the perspective of the organization, the surviving employees as well as the perspective of the retrenched staff (Ogbechie, 2015; Jolley, Newman, Ziersch and Baum, 2011; Nyaberi and Kiriago, 2013; Imam et al., 2011; Dibua et al., 2018).

It is imperative to note that, in Malawi, despite the many retrenchment cases in different organisations as reported in press, literature seems to be limited about the effect or impact of retrenchment in Malawi. In fact, section 65 of Pension Act (2010) covers retrenchment and prescribes the conditions under which early payment of benefits can be considered satisfactory to the Registrar of pensions. The Pension Act (2010) in section 65 (1) stipulates that *“the registrar may, on application by a member of the trustee, where the member has permanently left the service of the employer, whether because he has resigned or because the employer has terminated his employment, for any reason otherwise than in circumstances described in section 64 (a) to I, permit the trustee of the fund to pay benefits to the member out of the fund if the Registrar is satisfied that:*

- (a) The member has not secured another employment for a period of more than six months;*
- and*
- (b) Benefits paid to the member are limited to that part of the contributions paid by the member, not the employer, and any investment income on these contributions.”*

Furthermore, the Employment Act (2000) under section 34 and 35 prescribes the conditions for severance pay for employees who have been retrenched. Additionally, the Employment Amendment Act (2010) stipulates that severance shall be paid seven days after termination of employment agreement (Retrenchment) and shall be calculated in accordance to prescriptions of section 35 of the employment Act (2000). It is interesting that both the Pension Act (2010) and Employment Act (2000), in their respective sections cover the retrenched staff perspective and beg a lot of unanswered questions: is the severance payment adequate for retrenched staff? Does the “Early payment of benefits” waiting period affect the socioeconomic welfare of retrenched staff? It is, therefore, against this background that this study was motivated to assess the socioeconomic impact of retrenchment on retrenched staff in the private sector in Malawi.

1.3. Aim of the study

The main objective of the study was to assess the effects of retrenchment on the socio-economic status of retrenched staff in the Private Sector in Malawi.

1.4. Objectives of the study

In order to address the above main objective, the following specific objectives had been formulated:

- i. To establish the effect of retrenchment on emotional status of retrenched staff from the private sector organizations in Malawi
- ii. To evaluate the effect of retrenchment on economic wellbeing of retrenched staff
- iii. To determine the effect of “Early payment of retrenchment and pension benefits” on socioeconomic status of retrenched staff.

1.5. Research questions

This study sought to answer the following questions:

- i. What is the effect of retrenchment on emotional status of retrenched staff?
- ii. How does retrenchment affect socioeconomic wellbeing of retrenched staff?
- iii. What is the effect of the “late or early payment of benefits” on socioeconomic status of retrenched staff?

1.6. Study significance

It is anticipated that the findings of the study will contribute to the existing academic literature and indeed the body of knowledge dedicated to bringing to the fore all the pertinent issues related to socioeconomic effects of employee retrenchment and implications of the provisions within the Employment Act (2000) and Pension Act (2011). It is also expected that the study will inform organisations and institutions that deal with Pension of employees as well as employment related laws and statutes (administrators, regulators and other bodies) to review the existing related provisions to employee retrenchment to abate its socioeconomic impacts. The study further provides some background information to research organizations and scholars to identify gaps in the current research for further research.

1.7. Definition of key concepts and terms

This section provides definitions and descriptions of the key terms as used in this study. It is imperative to indicate that the definitions are based on either the Employment Act (2000) or the Pension Act (2010).

Retrenchment: is an involuntary termination of employment, occupation, or job by the employer through no fault of the employee (Lewis, 1992).

Unemployment: is the term for when a person who is actively seeking a job is unable to find work.

Socioeconomic status (SES): is an economic and social combined total measure of a person's economic and social position in relation to others, based on income, education, and occupation.

Pension Scheme: is defined as scheme whose primary purpose is provision of retirement benefits to a member of the scheme on his retirement from any business, trade, profession, vocation, calling, occupation or employment in which the member was engaged, whether or not it also provides for benefits to be paid in other circumstances as provided for in the Pension Act (2010).

Pension Administrator: defined as the national pension fund administrator appointed under section 7 of the Pension Act (2010)

Severance Pay (Allowance): The Employment Act (2000) defines Severance pay as compensation for unfair dismissal and other payments due to employees upon termination of their employments due to employees upon termination of their employment.

Employee contribution: According to Pension Act (2010) it is defined as a contribution to a pension fund made by an employee including a contribution deducted by the employer from the employee's remunerations where the employer is under an obligation to remit the amount concerned to the trustee of the fund.

1.8.Chapter summary and project organization

The foregoing chapter has introduced the assessment of the socioeconomic impact of retrenchment on retrenched staff in the private sector in Malawi. The chapter has outlined the key problematic issues that prompted and motivated this study. This chapter has also outlined the value of this study as well as describing key terms used in this study. The rest of the dissertation has been organized as follows: Chapter two presents the literature review related to social economic effects of retrenchments on the affected staff and the conceptual framework to be adopted in this study.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

This chapter discusses, and reviews literature related to the effect of retrenchment on retrenched employees. Both theoretical and empirical literature reviewed is presented in this chapter. The theoretical review begins by providing definitions for the term retrenchment and highlighting the prevalence of retrenchment globally and in Malawi. The study stems its motivation from three key theories (Taylor's Scientific management theory, McGregor's Theory X and Ajzen's theory of planned behavior) that justify retrenchment from the basis of organizational performance improvement. Empirical review of related studies has also been done in this chapter and lastly the conceptual framework on which the methodology was based is also presented.

2.2. Conceptual and theoretical literature

2.2.1. Understanding the term retrenchment

The term retrenchment has no statutory definition, and this brings a considerable amount of confusion in clearly defining it. Several scholars and organisations have tried to define the term and shed light on the circumstances where job losses are defined as retrenchment. Sayed (2013) defined retrenchment as a permanent measure to remove surplus staff because of some changes in the nature of the business. According to Thompson and Benjamin (2006) retrenchment entails job losses that result from technological, economic or structural changes within an organization. The World Bank (2005) further defines retrenchment in their context to refer to dismissals or job losses resulting from factors that are not necessarily related to employee conduct or capabilities. The job losses may result from plant or factory closure, organizational restructuring or reduction in operations, and decline in staffing requirements due to factors like decreasing demand for product or service offered by the organization.

The term retrenchment is often used synonymously with terms such as "lay-off" and "downsizing."

2.2.2. Retrenchments Globally and in Malawi

Retrenchment has become a global phenomenon and is considered one of the most challenging forms of restructuring in an organization. In most organisations, costs relating to employees often exceed 40% of the company's budget, hence retrenchment is seldom used as a cost cutting

mechanism particularly in tumultuous times (Westermann-Winter, 2007). Globally countries such as the USA have seen multiple job losses through retrenchment. Table 1 shows the staggering retrenchment statistics for several companies in the USA.

Table 1: Companies that retrenched in USA

<i>Name of Company</i>	Number of employees retrenched
McDonnell-Douglas	17 000
General Motors	74 000
IBM	60 000
Sears	50 000
Philip Morris	14 000
Delta Airlines	15 000
AT&T	40 000
Digital Equipment	20 000
GTE	17 000

Source: Westermann-Winter (2007) as cited in Mthembu (2019).

The wave of retrenchments has also hit the Malawian job market. It is estimated that since 2000, over 200 000 employees have been retrenched from various Malawian economic sectors (Thula, Matola, Nyasulu, and Nyasulu, 2020; International Labour Organization (ILO, 2010). Some of the sectors that were heavily hit by retrenchment in Malawi include the retail, banking, manufacturing, clothing and textile and telecommunications. Table 2 shows some of the local Malawian companies that have substantially retrenched (Thula, Matola, Nyasulu, and Nyasulu, 2020; ILO, 2010).

Table 2: Companies that retrenched in Malawi

<i>Name of the Company</i>	Number of employees retrenched
MSB	387
OIBM	112
INDEBANK	121
CASTEL	109
PTC	237
B&C	120
MTL	230

Source: Westermann-Winter (2007) as cited in Mthembu (2019).

2.2.3. Causes of retrenchment

The need for organizational retrenchment can emanate from internal organizational dynamics or from external variables. According to Ochieno (2013), retrenchment is adopted as a corporate strategy by many organisations for several reasons including the following, technological changes

and advancement, poor organizational profitability, increasing business costs, changes in legislation or government policies, economic crisis and restructuring resulting from mergers and acquisitions

The following section will discuss these several reasons for retrenchment in detail.

2.2.3.1. Poor organizational profitability and increasing business costs

In many organisations the key rationale for retrenching employees is to increase profitability of the company. In most economies business operating costs are constantly increasing thus reducing the profitability of most companies (Ochieno, 2013). Ever increasing energy and raw material costs are a common phenomenon in most developing economies. In stable economies the increase in operating costs is passed on to consumers. However, in unstable economies management explores alternative measures of cutting costs like retrenchment. This way costs are reduced whilst maintaining the competitiveness of the business. In the African context, the participation of organisations in global markets has caused greater pressures on cost and profit margins (Vermeulen, 2010). Increasingly, companies are responding to these challenges through engaging in restructuring in the form of retrenchment.

2.2.3.2 Technological changes and advancement

Technology is continuously bringing improved levels of efficiency to the workplace (Ikechukwu and Chijindu, 2016). Many organisations are leveraging on the power of technology to remain competitive. Technological advancement has enabled automation of operations that were previously done manually thus making those positions redundant (Ochieno, 2013). In essence, these new technologies allow for greater production but with less workforce thus causing companies to retrench. Further, information technology is also allowing for easier storage of data and data analysis (Ochieno, 2013). This in a way cuts off the need for middle management ranks.

2.2.3.2. Restructuring resulting from mergers and acquisitions

The business world is ever-changing both on a local level and within the global context. Organisations have to find ways of coping with these changes. Often business coping mechanisms may include mergers or acquisitions. During mergers or acquisitions major restructuring takes place (Vermeulen, 2010). In instances where mergers and acquisitions are planned and executed effectively, all functions are rationalized (Ochieno, 2013). This results in elimination of some positions and removal of unnecessary operations. Some units are removed during mergers as they might be misaligned to the strategic mix of the new organization (Wilkinson and Redman, 2009).

2.2.3.3. Changes in government policies, regulations and deregulations

Government policies and regulations often affect business operations positively or negatively. Deregulation which is defined as the removal of regulations or restrictions in a particular industry also affects businesses. Over the last decades, governments in developing countries like Nigeria, Kenya, Botswana, South Africa and Malawi started deregulating many industries through structural adjustment programmes. The deregulation resulted in many multinational companies including Telkom, Ericsson, Siemens and Tesco seeking ways to reduce their number of employees, for instance, in Kenya, when the telecommunications industry was deregulated, Telkom Kenya responded by partly selling its shares to Telkom France, thus reducing the number of its employees (Ochieno, 2013). Deregulation and changes in financial policies of the banking sector in Nigeria also saw a lot of banks retrench in 2016 (Ikechukwu and Chijindu, 2016). Although the government condemned the act, banks went on to retrench arguing that the government had no legal rights to control retrenchment in the banking sector of the country.

2.2.3.4. Economic crisis

The global economic crisis is a typical example of an economic crisis that resulted in companies worldwide retrenching. The roots of the global financial crisis can be traced back to the United States of America. In 2007, the USA was faced by a liquidity crisis resulting from loss of confidence in the mortgage credit markets (Baxter, 2009). The crisis was characterized by crashing stock markets, closure of financial institutions, increasing inflation, low economic growth and decline in consumer spending (UNCTAD secretariat, 2009). Due to globalization and economic integration, the crisis was passed over to too many countries including Malawi (UNCTAD secretariat, 2009). For instance, according to Jehoma (2008), in South Africa the crisis led to an economic recession. The crisis impacted African economies in the following ways: there was a notable decline in vital exports thus leading to dropping of prices of export commodities, share prices dropped rapidly, portfolio investments in equities showed negative growth values, and many organisations retrenched as a cost cutting strategy and to match their staff requirements with the falling demand for commodities. In Malawi, it is estimated that about 100,000 people lost their jobs (ILO 2010)

2.2.4. Impact of retrenchment

Increasing job insecurity and displacement have motivated a large body of research on effects, beginning with economic losses. The average displaced worker experiences a long period of unemployment (Brand 2004; Farber 2003, 2005), but the duration has a high degree of worker

variance. Unemployment among displaced workers generally lasts longer during recessions than expansions (Farber, 1997 and Kletzer, 1998). The impact of job loss on careers is considerable even when workers do not experience long-term unemployment. Displaced workers suffer substantial earning losses, which are generally more persistent than the effects of unemployment (Brand, 2004; Cha and Morgan, 2010; Farber, 2003, 2005; Stevens, 2014; von Wachter, 2010). Couch and Placzek (2010) report an immediate 33% earnings loss and as much as 15% loss six years following job separation.

The cumulative lifetime earnings loss is estimated to be roughly 20%, with wage scarring observed as long as 20 years post displacement (Brand and von Wachter, 2013; Davis and von Wachter, 2011; von Wachter, 2010). Reemployed displaced workers are more likely than their nondisplaced counterparts to be employed part-time, and this likelihood has increased over time, particularly during recessions (Farber, 2003, 2005). Displaced workers may also find, when reemployed, that their jobs are of lower quality in terms of job authority, autonomy, and employer-offered benefits compared with both the jobs they lost and those held by their nondisplaced counterparts (Brand, 2004, 2006). Workers also withstand greater job instability for at least a decade following a displacement event (von Wachter, 2010).

Although economic losses occur for displaced workers across demographic categories, across industries, and throughout the skill distribution (von Wachter, 2010), there is nevertheless effect variation by worker characteristics. Displaced workers' losses reflect both industry-specific decline and the loss of firm- and industry-specific skills (Kalleberg, 2000). Older workers with higher predisplacement tenure, those who change industries, and those who experience multiple job losses, thus experience greater earnings losses (Couch et al., 2011 & von Wachter, 2010). As greater skill transferability is expected for educated workers, reductions in employment, earnings, and job quality are typically more pronounced for less-educated workers (Farber, 2003, 2005;). Yet, as the incidence of displacement for more-educated workers has increased, so too have the transition difficulties.

Although displaced workers' economic burdens are substantial during both recessions and expansions, losses are cyclical (Couch et al., 2011; Davis & von Wachter, 2012; Farber, 2005; von Wachter, 2010). Because few firms hire during economic contractions, displaced workers seeking reemployment are in a poorer negotiating position during economic contractions than during

economic expansions. Davis & von Wachter (2012) find that men lose an average of 1.4 years of predisplacement earnings if displaced in mass-layoff events that occur when the national unemployment rate is below 6% and lose an average of 2.8 years of predisplacement earnings if displaced when the unemployment rate exceeds 8%. Similarly, Couch et al. (2011) find that long-term earnings losses for workers displaced during a recessionary period are approximately two to four times larger than losses for workers displaced during a period of economic expansion. There is some debate over variation in economic losses by the specific form of job loss. Researchers (Krashinsky, 2002; Stevens, 1997; von Wachter, 2010) have questioned the findings of an influential study by Gibbons and Katz (1991) that suggests that economic losses associated with layoffs are greater than those associated with plant closings. Gibbons and Katz (1991) argue that in the case of a layoff, the discretionary dismissal of employees acts as a signal of below-average productivity, stigmatizing laid off workers, resulting in large employment and earnings losses. In contrast, a plant closing, in which all workers are terminated without discretion, does not carry a comparable performance signal, rendering earnings penalties less severe. Extending this argument to differences in earnings losses by economic context, we might expect countercyclical earnings losses, as the stigma associated with displacement during an economic contraction should be less than that during an economic expansion. However, as noted above, such losses are cyclical. In support of the evidence for cyclicalities, we should expect larger earnings losses from job loss due to plant closings. As such, closures may indicate weak local economic or macroeconomic conditions. Krashinsky (2002) argues that the Gibbons and Katz (1991) result is driven by the fact that small plants are more likely to close, and that layoffs that occur from larger, higher-wage employment establishments result in larger earnings losses.

Several mechanisms help explicate the large economic losses of displaced workers. Declines in earnings and job quality are likely to increase with unemployment duration. Yet it is unclear whether this association is the result of the length of unemployment itself, and possible stigma effects, or because those workers facing the greatest challenges in the labor market take longer to find a new job (von Wachter, 2010). Workers are also disadvantaged in the market if the industries in which they were previously employed shift their operations elsewhere or permanently reduce their employment levels. Relatedly, lower job quality upon reemployment is a function of the loss of a high-quality match between the worker and the job (von Wachter, 2010). Whereas a worker generally leaves a job voluntarily only when he or she believes there are relative gains in career

attainment to be made, displaced workers likely feel an urgency to find a new job and are in a poor position to perform a quality job screening (von Wachter, 2010).

Lastly, a few studies report positive impacts of job loss for families. Hanisch (1999) highlighted Walsh and Jackson's (1995) study which criticized the view that unemployment always leads to passivity and resignation and cited studies of proactive responses to unemployment. A range of qualitative studies from the United States and Australia suggest that job loss can create opportunities for workers to leave a dissatisfying job, change careers and life directions, and develop new competencies and qualifications, while positive family impacts include reduction in men's work hours or changes in patterns of shift work which can allow them greater opportunity to participate in household chores and child caring (Lippold & Beachy-Quick, 2003; Mitchell & Kristovics, 2005; Mendenhall et al. 2008). Lippold and Beachy-Quick's US study (2003) concludes that theoretical models of job loss and family functioning tend to omit aspects of family time and tradeoff with income.

2.2.5. Theories related to retrenchment

The motivation behind this study stems from three theories: Taylor's Scientific management theory, McGregor's Theory X and Ajzen's theory of planned behavior. These theories are applicable to firms that are looking out for quality service delivery and increased productivity leading to retrenchment of some of their staff.

2.2.4.1. Taylor's scientific management theory

Frederick Winslow Taylor (1856-1915) was an American inventor and engineer who applied his engineering and scientific knowledge to management and developed a theory called scientific management theory. His two most important theory is the "*Principles of Scientific Management* (1911)". The theory rests on three assumptions regarding the function of a company and the human behavior: humans as rational utility maximizer, convergence of interests within the company towards productivity increases, and the 'one- best-way' principle (Taylor, 1932). Taylor's theory is used to relate to various waves of public sector reforms that focused on restricting the public services, aptly described as the structural reform wave, capacity building and improvement of service delivery. Taylor (1932) warned of the risk's managers make in attempting to make change in what would presently be called, the culture of the organization. He stated the importance of management commitment and the need for gradual implementation and education.

The facts of this theory guided this study to establish the way retrenchment could be achieved without creating psychological effect on both the management and the workers. It is evident that retrenchment has a substantial impact on the workers involved. However, the effect can be much more widespread. It is noted that employees who are retrenched, left behind and managers who deal with the retrenchment are also psychologically affected by the process. A poorly executed retrenchment process does not only affect the socio-economic status of retrenched staff but can also lead to loss of productivity, low morale, and decreasing economic performance for those who remain behind. Taylor, in his study of scientific management gives ways in which production and quality of service delivery could be improved. At Bethlehem Steel Works, his management style was able to reduce shoveling staff from 500 to 140 while achieving at the same time quality service. It is due to specialization in particular fields that quality of service is achieved. Retrenchment process is, therefore, guided by this theory to ensure the remaining staff are well trained in their fields for improved production while at the same time improving the remuneration of the employees commensurate with their workload.

2.2.4.2. McGregor's Theory X

In **1960**, Douglas McGregor formulated Theory X and Theory Y suggesting two aspects of human behaviour at work, or in other words, two different views of individuals (employees): one of which is negative, called Theory X and the other is positive, so called as Theory Y. According to McGregor, the perception of managers on the nature of individuals is based on various assumptions.

Firstly, this management theory assumes employees are inherently lazy and will avoid work if they can. Because of this, workers need to be closely supervised and comprehensive systems of controls developed. A hierarchical structure is needed with narrow span of control at each level. According to this theory, employees will show little ambition without an incentive programme and will avoid responsibility whenever they can. A theory X manager tends to believe that everything must end in blaming someone (*in this context is the employees who are to blame*). The Manager thinks all prospective employees are only out for themselves. Usually these managers feel the sole purpose of the employees' interest in the job is money. They will blame the person first in most situations, without questioning whether it may be the system, policy, or lack of training that deserves the blame (Blake and Mouton, 1985). Furthermore, Theory X supervisors cannot trust any employee, and they reveal this to their support staff via their communications constantly. A Theory X manager

can be said to be an impediment to employee morale and productivity. Managers that subscribe to Theory X, tend to take a rather pessimistic view of their employees. A Theory X manager believes that his or her employees do not really want to work, that they would rather avoid responsibility and that it is the manager's job to structure the work and energize the employee. The result of this line of thought is that Theory X managers naturally adopt a more authoritarian style based on the threat of punishment (Blake and Mouton, 1985). The implication for this study is that managers decide to lay-off some of the workers as a strategic tool for increasing their supervisory power on the employees, thereby improve productivity of the organization. Its applicability in the public and private sector is that the employees are viewed by management as not supportive to achieve the organisational objectives but their own, hence management must do something for them to be productive. Retrenchment is used here as a tool by the manager to reduce staff to the level where he can afford close supervision. Fewer staff will be closely supervised, hence increase productivity and production.

2.2.4.3. Ajzen's Theory of Planned Behaviour

Theory of Planned Behavior (TPB) of Icek Ajzen (1988, 1991) helps to understand how we can change the behavior of people. The TPB is a theory which predicts deliberate behavior, because behavior can be deliberative and planned. TPB is the successor of the similar Theory of Reasoned Action of Ajzen and Fishbein (1975, 1980). The succession was the result of the discovery that behavior appeared not to be 100% voluntary and under control, which resulted in the addition of perceived behavioral control. With this addition the theory was called the Theory of Planned Behavior (Gollwitzer, 1999). According to TPB, human action is guided by three kinds of considerations: behavioral beliefs (*beliefs about the likely consequences of the behavior*); normative beliefs (*beliefs about the standard expectations of others*); and control beliefs (*beliefs about the presence of factors that may facilitate or impede performance of the behavior*). Ajzen's three considerations are crucial in circumstances/projects/programmes when changing behavior of people. In their respective aggregates, behavioral beliefs produce a favorable or unfavorable attitude toward the behavior, normative beliefs result in perceived social pressure or subjective norm, and control beliefs give rise to perceived behavioral control. In combination, attitude toward the behavior, subjective norm, and perception of behavioral control lead to the formation of a behavioral intention. Generally, the more favorable the attitude and subjective norm and the greater the perceived control, the stronger should be the person's intention to perform the behavior in question (Gollwitzer. 1999). In the context of this study, the theory helps in explaining the

behaviour of the not only survivors after the retrenchment process is carried out, but also the retrenched staff. When the employees are retrenched on grounds of non-performance they patch up and aim to do better whenever they get an opportunity, whilst those who remain, adjust their behaviour as fear gets in. This theory can help managers facing such situations to put up measures that improve their morale. Thus, the theory can be used to establish the perception of employees towards retrenchment exercise. The theory can also explain the impact of retrenchment on the performance of employees as the behaviour change has ripple effects on the performance of employees: both the survivors and the victims.

2.3. Empirical literature

In exploring the emotional, social and Psychological impact of retrenchment, Jolley, Newman, Ziersch and Baum (2011) assessed the positive and negative impacts of job loss on family life: the perceptions of Australian car workers. This article is deemed to have contributed to research on the impact of job loss on families. The study was based on survey responses from 371 workers and in-depth interviews with 39 of them about the family impacts of their job loss from the Mitsubishi car factory in Adelaide in 2004-2005. This was based on both qualitative and quantitative designs. The findings revealed that a majority of workers said family life had been affected by their job loss. Further, the quantitative analysis identified four variables significantly associated with family impacts; Marital status, children living at home, employment status and financial management. Qualitative responses showed the predominantly negative impacts were financial strain, loss of relationship stability and general stress and worry, although few faced catastrophic impacts from their job loss. However, in contrast to most previous research, Jolley, Newman, Ziersch and Baum (2011) indicates that the in-depth interviews also reveal positive impacts from job loss such as having more time at home and to spend with their family. The study concluded that the existence of ongoing income support and public health insurance in Australia were important in avoiding catastrophic financial impacts on these workers and their families.

Chandra (2015) assessed the socio-economic impact of retrenchment on workers with special reference to Allahabad. Specifically, the study was aimed at discovering the social-economic impact of an unanticipated and involuntary loss of employment through retrenchment of workers, evaluating the efficacy of the law in this regard and tries to assess as to how persons who have lost their employment owing to retrenchment cope with the situation. The study used both secondary and primary data sources with primary data collected from respondents being employees

retrenched from companies selected for the purpose of data collection. Data have been collected based on focused and detailed interviews taking one respondent as one individual unit. The participants of the study were selected on the basis of snowball sampling and convenience sampling. Secondary data, regarding the establishment, the total strength of workers and employees at the time of establishment, products produced at such factories, year of retrenchment, number of workers affected, reasons for retrenchment and details of conciliation proceedings regarding litigation against companies were collected from the Labour Office. The study results reveal that retrenchment has traumatic effects on a person's life and his or her family. Even the employees who manage to survive, the company, the organization and the whole society experience the ill-effects of retrenchment. The situation in case of retrenchment is impetuous and unalterable. Furthermore, employees who experience involuntary retrenchment react more negatively to unemployment and are more likely to perceive retrenchment as a one-sided breach of psychological contract with the organization, a situation which some authors have termed, 'chain of adversity', to express the downward spiral of misfortune that some workers experience after retrenchment. The study recommends support services of retrenched staff as they are pushed into the unorganized sector which might be detrimental to their livelihood.

Another study with a different contextual framework conducted in Nigeria, Ogbechie (2015) assessed the socio-economic effects of retrenchment on retrenched individuals, their families and the society at large. Using a survey, with structured questionnaires, administered to 250 retrenched workers that cut across the civil service and the manufacturing sectors in Nigeria, the study used a statistical package for social sciences (SPSS) to analyse data. The study revealed that the retrenched employees were not equipped with the skills to enable them face unforeseen challenges after retrenchment. Consequently, many of them become incapacitated, idle, and unproductive. The study also revealed that retrenchment has detrimental effects on families and the society. Further. The study recommended the adoption of valuable strategies for staff management in organizations and government to enable them to abate the effects of retrenchment.

Covering the broader thematic area of need to undertake due process in managing retrenchment, Simiyu and Auka (2016) assessed the effect of Retrenchment Practices on Performance of Surviving Employees in State Corporations of Nakuru County. The study examined the relationship between workforce reduction, cost cutting, communication, support, counselling and procedural justice and employee performance. A sample of 253 surviving or remaining employees after the retrenchment was selected from the middle level management and the junior staff of the

three state corporations were studied. Stratified sampling was used to yield the subsamples and total sample size. The representatives were stratified into various departments according to the selected state corporations and selected through simple random sampling. The study adopted a descriptive research design which is mainly aimed at obtaining important information concerning the status of phenomena from which valid conclusion may be drawn.

Results reveal that workforce reduction, cost cutting, communication and procedural justice have a positive influence on employee performance after the retrenchment practice whilst lack of support negatively affects employee performance after the retrenchment practice. The results indicated that retrenchment practices significantly influenced employee performance. The findings reinforce the need for management to embrace due process during the retrenchment practice in order to achieve organizational goal. The study recommends that managers should develop the best strategies to downsize workers and cutting costs to reduce work related stress and that clear communication must be designed in an organization before retrenching employees.

Again, with a different contextual and methodological framework, Ekanem and Umemezia (2018) assessed the socio-economic consequences of retrenchment on the affected individuals, their families and the nation. This study used review of relevant literature to assess the implications of retrenchment. The study revealed that socio-economic implications of retrenchment are: poverty worsening, man power drainage, unemployment and underemployment, decline in social values and the emergence of advance fee fraudster fall in the standard of living, resurgence of social vices and crimes, depression/death. Further, since retrenchment often takes place suddenly, retrenched workers are ill equipped to face the unforeseen challenges that befall them after the incidence. Their plight is worsened by the fact that a sizeable proportion of them are relatively “too old” to find suitable job placement, learn or begin new ventures. Consequently, many of them become incapacitated, idle, unproductive, and sometimes stressed, frustrated and may eventually die prematurely. The study recommends that job security ought to be encouraged within reasonable limits and that the pains of retrenchment or dismissal should be reduced with protective regulation on workforce reduction, dismissal or retrenchment such as embedded in the employment and Pension Act and inclusion of unemployment benefits or social security scheme with regards to collective redundancies.

A further examination of the need for proper management of the retrenchment exercise, in South Africa, led Mthembu (2019) to assess the dynamic effect and implication of retrenchment on

existing staff in Durban Telkom. The aim of this study was to examine the effect of retrenchment on survivor employees' job satisfaction, commitment, mental and physical well-being and ultimately their job performance at Telkom Durban. This was a qualitative research with an interpretivism approach with 12 respondents that were selected using non-probability sampling. Questionnaires were used as data collection instruments. The questionnaires covered various aspects including biographical information of the respondents, their job commitment, the retrenchment process, personal experiences prior retrenchment and their retrenchment coping mechanisms. The study findings revealed that Telkom survivor employees were affected by retrenchment, emotionally, mentally and physically. The emotional and mental states experienced by survivors were predominantly negative and include anger, fear, uncertainty, worry, shock, sadness and disappointment. Although the survivors used various coping mechanisms to deal with their feelings and emotions, the organisation did very little in ensuring the survivors coped which resulted in a reduction in productivity, loss of trust for top management and a decline in job commitment. It is imperative to note that the study could not conclusively determine the impact of retrenchment on the overall profitability of the company as the respondents had conflicting views on the matter. But the study recommended that retrenching organisations should develop strong communication systems, provide support to retrenchment survivors, and ultimately create a conducive organisational climate.

The findings of the above studies reveal that the major focus has been on the immediate effects of retrenchment on the general individual and socio-economic welfare of those affected by retrenchment. The studies have further revealed the statistical perspectives and the dichotomy performance versus socio economic implications of retrenchment on the employees affected the organizations. In Malawi however, it is noted that these studies have not intensely looked at the aggravating factors to such socio-economic effects such as the legal frameworks. The gap observed in these aggravating factors such as pension legal framework (which is aimed at mitigating socio economic effects on the retrenched staff) is thus a subject for this study.

2.4. Conceptual framework

The study stems its motivation from three key theories (Taylor's Scientific management theory, McGregor's Theory X and Ajzen's theory of planned behavior) that justify retrenchment from the basis of organisational performance improvement. In fact, Taylor's theory ensures that the remaining staff are well trained in their fields for improved production while at the same time improving the remuneration of the employees commensurate with their workload whilst

McGregor's Theory X ensures that fewer staff that remain are closely supervised, hence increase productivity and production. On the other hand, Ajzen's Theory of Planned Behaviour explains the behaviour changes of survivors and victims of retrenchment. Based on the theoretical and empirical literature, this study will be guided by the conceptual framework presented in Figure 1. It is obvious that retrenchment implies unemployment or joblessness which leads to socio-economic effects. Retrenchment affects the emotional status of a family (family solidarity), economic wellbeing (expenditures) and livelihood status (food and non-food need). It is imperative to note that future employment opportunities may also be affected by the fact that one has been retrenched. Further, the payments to victims that come with retrenchment may also have a bearing on their socio-economic status. For instance, adequacy of severance and timing of benefits processing are crucial on the socio-economic status of retrenched employees.

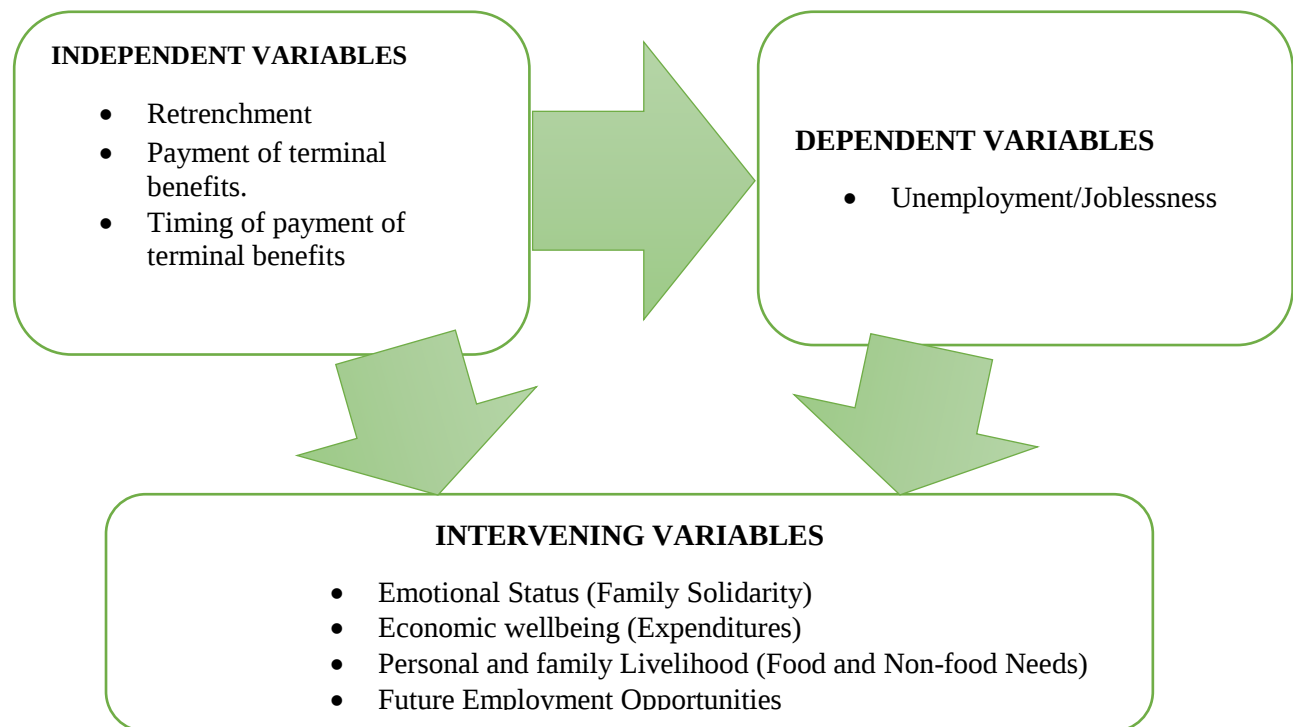


Figure 1: Conceptual framework for the study

2.5. Chapter Summary

This chapter has discussed, and reviewed literature related to the effects of retrenchment on retrenched employees. Both theoretical and empirical literature have been reviewed in this chapter. The theoretical review began by providing definitions for the term retrenchment and highlighting the prevalence of retrenchment globally and in Malawi. The study stems its motivation from three key theories (Taylor's Scientific management theory, McGregor's Theory X and Ajzen's theory of

planned behavior) that justify retrenchment from the basis of organisational performance improvement. Empirical review of related studies has also been done in this chapter and lastly the conceptual framework on which the methodology will be based has also been presented. The next chapter presents and discusses the methodology that was employed in this study.

CHAPTER THREE

STUDY METHODOLOGY

3.1.Introduction

This chapter describes the methodology that was used in conducting the study. The sections include research onion on which the design for this study was based, target population, sample size and sampling procedures, research instruments, data collection procedure, data analysis techniques, and finally data quality and ethical considerations.

3.2.Research design

According to Cooper and Schindler (2003), research design is a plan and structure of investigation so conceived as to obtain answers to the research questions. The plan involves an evaluation aspect that includes identification of data gathering methods, the instruments used and their administration, analysis and organisation of information. Research design gives the logic for answering research questions particularly ‘what’; ‘how’ and ‘why’ type of questions and can generally be classified as qualitative or quantitative. Leedy (2014) states that quantitative research seeks explanations and predictions that can be generalised to other persons and places. The intent is to establish, confirm, or validate relationships, and to develop generalizations that contribute to theory. Quantitative research is based on the measurement of amounts or quantity and is applicable to phenomena that can be expressed in numeric values and can range from simple counts such as the frequencies to more complex test scores (Saunders, Lewis and Thornhill, 2009). Qualitative research, on the other hand, is defined as an enquiry process of understanding a social or human problem, based on building a complex holistic picture, formed with words, reporting detailed views of informants and conducted in a natural setting (Creswell, 2014). Qualitative research is concerned with phenomena aimed at discovering the underlying motives and desires of the participants (Kumar, 1999). Research may also be designed to employ a mixture of both qualitative and quantitative approaches that is mixed-methods design (Saunders et al., 2009). Mixed methods involve integration of qualitative and quantitative research and data in the study. Qualitative data tends to be open-ended without predetermined responses while quantitative data usually includes closed responses such as those found on questionnaires (Creswell, 2014). This study which sought to assess the effects of retrenchment on the socio-economic status of the retrenched staff from the private sector in Malawi adopted a quantitative research design as this approach measures the amounts or quantity and is applicable to phenomena that can be expressed in numeric values. To

present the study professionally, this research was based on the five stages as suggested by Saunders et al. (2009) in the “Onion” as one way of depicting the issues underlying a researcher’s choice of data collection method as shown in Figure 2.

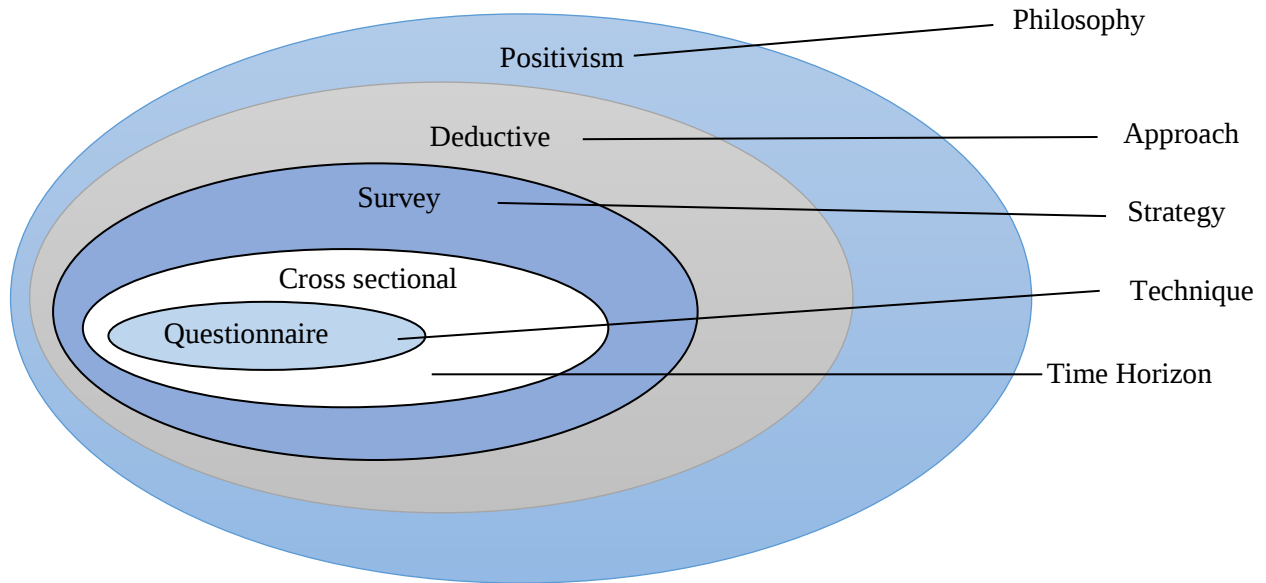


Figure 2: The research “Onion” model

3.2.1. Research Philosophy

A research Philosophy is a belief about the way in which data about a phenomenon should be gathered, analysed and used. Three research philosophies underpin the research design in literature. Saunders et al. (2009) suggest the following; positivism, interpretivism and realism. Positivist philosophy connote the principles of natural science and involves working with an observable social reality. Positivism is based on the notion that research can be objective, that the researcher is independent and that the results are valid, reliable and replicable. It draws on the notion of reductionism and determinism (Remenyi, 2005). Under the positivist philosophy, there is a general application of outcomes from a research into a law like definition similar to physical science. It is implied in positivism that the researcher must remain independent of the research subjects under study so as not influence the results. Furthermore, the observation must be easily quantified to allow statistical inference by use of highly structured methodologies (Gill et al., 2002). As businesses are complex and the environment in which they are being carried out, unpredictable,

there may be a need to use interpretivist philosophy. Interpretive researchers do not suggest that research can be perfectly objective, but they argue that through carefully implementing procedures such as triangulation a large part of bias inherent in individual research can be identified and controlled. This philosophy recognises the need to understand the subjective reality of those attributes under study thereby getting sense of and understanding their motives, action and intentions in a way that is meaningful to the one carrying out the research. In this case, the social construction of the reality behind the study must be considered (Saunders et al., 2009). Saunders et al. (2009) further adds the realist philosophy as an option that can be considered. This is the study of human subjects and the need for an understanding of how people construct their interpretation and meaning out of subjective situations around them. This aims at understanding the broader social forces, structures and processes that influence their views and behaviour. Putting into consideration the arguments raised above the study adopted a positivist philosophy.

3.2.2. Research Approach

According to Saunders et al. (2009) there are two research approaches that dominate the literature: deductive and inductive approaches. Deductive approach involves a search to explain causal relationships between variables where the emphasis is on collection of quantitative data to test hypothesis of the study. This approach requires independence from the researcher on the study. On the other hand, inductive approach, develops theory from observation of empirical data. Hussey et al. (1997) argue that this approach includes inducement of inferences from instances. The approach, therefore, involves collection of subjective qualitative data. The rationale behind this is to get a feel of what is going on and better understand the nature of the problem at hand. In this regard, the study collected data from individual experiences which was subjective to the individuals. Theory would, therefore, follow data other than vice versa with deduction. This study which sought to assess the socio-economic impact of retrenchment on retrenched staff in private sector adopted a deductive approach.

3.2.3. Research Strategy

Saunders et al. (2012) point out that there are different research strategies that are used in a research process and these are: case study, experiment research, surveys, grounded theory, ethnography, and action research. Creswell (2013) describes a research strategy as a set of goals related to an overarching aim or vision, a plan of action for achieving the objectives and measures for showing when the goals have been attained. Blaikie (2009) contends that research strategy provides a set of procedures for achieving research objectives. Considering this study, a survey approach was

deemed appropriate to address the research objectives to gain better understanding of the context of research as argued by Denscombe (2003).

3.2.4. Research Time Horizon

The study was cross-sectional as suggested by Saunders et al. (2009). This design provided an opportunity to examine several variables at the same time within a short period of time. The study was intended to assess the effects of retrenchment on the socio-economic status of retrenched staff in the private sector in Malawi.

3.2.5. Research Technique

Data was collected through paper based semi-structure questionnaire. The research followed a self-administered questionnaire where the respondents were identified and given the questionnaire to complete on their own. According to Saunders et al. (2009) a structured questionnaire is described as a sort of data collection instrument which consists of a closed set of questions. The questionnaire was pre-tested on eight respondents to ensure that it is consistent with the study data demands and was done through written tests.

3.3. Research Population and Sampling Frame

Cooper and Schindler (2003) define a population as the whole set of individuals that the researcher is concerned with. It is the total collection of the elements about which we wish to make inferences. This study sought to assess the socio-economic impact of retrenchment on retrenched staff from banking private institutions. The target population was, therefore, retrenched staff from the following institutions: Malawi Savings Bank, Opportunity International Bank of Malawi and INDE-Bank.

Table 3 Retrenched employees in four Malawian Banks.

<i>Name of the Company</i>	Number of employees retrenched
<i>MSB</i>	387
<i>OIBM</i>	112
<i>INDEBANK</i>	121
Total	620

3.4. Sample Determination, Sample Size and Sampling Technique

A sample is a subgroup, subset or part of a larger population (Saunders et al., 2005). The study used the Cochran's formula (1977) to determine the sample size because the actual population is not known. A sample size of 384 was calculated based on Cochran's formula for calculating a sample when the population is infinite which is given by:

$$n_0 = \frac{Z^2 pq}{e^2}$$

Where n_0 is the sample size; Z is the selected critical value of the desired confidence level and e is the margin of error or the desired level of precision, the level of precision at 99% confidence level. p is an estimated proportion of attribute that is present in the population and $q = (1 - p)$. For the purpose of this study $Z = 1.96$ and $e = 0.05$, the level of precision at 95% confidence interval. $p = 0.50$ and $q = (1 - p) = 0.50$.

Purposive Snowball sampling technique was used as this study targeted retrenched staff who are usually scattered and not easily identifiable. Snowball sampling is defined as a technique for finding research subjects whereby one subject gives the researcher the name of another subject, who in turn provides the name of a third, and so on (Vogt, 1999). This strategy can be viewed as a response to overcoming the problems associated with sampling concealed populations such as the deprived, the socially stigmatized and elites. Although they violate the principles of sampling, the use of snowball strategies provides a means of accessing vulnerable and more impenetrable social groupings. Snowball sampling can be placed within a wider set of link-tracing methodologies (Spreen, 1992) which seek to take advantage of the social networks of identified respondents to provide a researcher with an ever-expanding set of potential contacts (Thomson, 1997). This process assumes that a 'bond' or 'link' exists between the initial sample and others in the same target population, allowing a series of referrals to be made within a circle of acquaintance (Berg, 1988). The technique offers real benefits for studies which seek to access difficult to reach or hidden populations. These are often obscured from the view of social researchers and policy makers who are keen to obtain evidence of the experiences of some of the more marginal excluded groups. Policy makers and academics have long been aware that certain 'hidden' populations, such as the young, male and unemployed, are often hard to locate (Gilbert, N. 2001).

3.5. Data Analysis

Descriptive data analysis was the main technique for analyzing data for this research. Many descriptive statistical approaches were applied on most of the quantitative data collected. For much of the data, Stata14 tool was used for presentation of the data into charts, figures, tables and graphs. This was done for easy interpretation of the results. Two statistical analyses were conducted in this study and these are independent sample t-test and paired sample t-test as explained below:

3.5.1. Independent sample t-test

Independent sample t-test was used to assess the difference in income balance by gender of the retrenched staff. Independent Samples t- test compares the means of two independent groups in order to determine whether there is statistical evidence that the associated population means are significantly different. The Independent Samples t-Test is a parametric test. The test is based on the following data assumptions and requirements (Saunders et al., 2005):

- i. Dependent variable that is continuous (i.e., interval or ratio level)
- ii. Independent variable that is categorical and has exactly two categories
- iii. Cases that have values on both the dependent and independent variables
- iv. Independent samples/groups (i.e., independence of observations)
- v. There is no relationship between the subjects in each sample. This means that: subjects in the first group cannot also be in the second group; no subject in either group can influence subjects in the other group; no group can influence the other group; violation of this assumption will yield an inaccurate p value and; random sample of data from the population
- vi. Normal distribution (approximately) of the dependent variable for each group: This means that: non-normal population distributions, especially those that are thick-tailed or heavily skewed, considerably reduce the power of the test; and among moderate or large samples, a violation of normality may still yield accurate p values
- vii. Homogeneity of variances (i.e., variances approximately equal across groups) When this assumption is violated and the sample sizes for each group differ, the p value is not trustworthy. However, the Independent Samples t-Test output also includes an approximate t statistic that is not based on assuming equal population variances.
- viii. No outliers

The hypotheses are as indicated below:

$$H_0: \mu_1 = \mu_2 \text{ ("the two-population means are equal")}$$

$$H_1: \mu_1 \neq \mu_2 \text{ ("the two-population means are not equal")}$$

3.5.2. Paired sample t-test

The Paired Sample t-Test compares the means of two measurements taken from the same individual, object, or related units. These "paired" measurements can represent things like a measurement taken at two different times (e.g., pre-test and post-test score with an intervention administered between the two time points). In this study, the paired sample t-test was used to assess income earnings before and after retrenchment. The test is based on the following data assumptions and requirements (Saunders et al., 2005):

- i. Dependent variable that is continuous (i.e., interval or ratio level) - The paired measurements must be recorded in two separate variables.
- ii. Related samples/groups (i.e., dependent observations) - The subjects in each sample, or group, are the same. This means that the subjects in the first group are also in the second group.
- iii. Random sample of data from the population.
- iv. Normal distribution (approximately) of the difference between the paired values.
- v. No outliers in the difference between the two related groups.

The hypotheses are as indicated below:

$$H_0: \mu_1 = \mu_2 \text{ ("the paired population means are equal")}$$

$$H_1: \mu_1 \neq \mu_2 \text{ ("the paired population means are not equal")}$$

3.6. Data quality

Saunders et al. (2009) argue that data quality should be exposed to the Cronbach alpha for reliability as agreed by Creswell (2013). According to Creswell (2013), a Cronbach alpha coefficient below 0.65 defines the reliability of the data and thereby validity of the tool that was designed, captured and its validity assessed. In this study the Cronbach alpha was used to assess the internal constituency of the data.

3.7. Ethical considerations

Ganiza (2015) states that upholding of research ethics is considered paramount to successful compilation of findings and results. O'Leary (2005) calls for ethical consideration procedures

especially when dealing with human subjects. There was full adherence to ethical standards throughout the data collection process. The first step was to solicit informed consent and then voluntary participation from the participants. Informed consent was sought by providing the participants with sufficient knowledge about the purposes and intentions of the study, as well as information about the researcher conducting the study. In this way, participants were free to make informed decisions whether or not to participate in the study. Furthermore, the research also sought to protect the participants by ensuring anonymity. There was no use of personal names throughout the research. When completing the written questionnaire, participants were requested not to indicate their names on the questionnaire. This also applied to the interviews. Participants were assured that both the interview and questionnaire data would remain confidential and, if appropriate, stay anonymous. Finally, the issue of confidentiality was emphasized to all the participants and they were assured that the information would only be used for the author's purposes and not be passed on to third party without asking for permission.

3.8. Chapter summary

The previous chapter has reviewed theoretical and empirical literature. The key issues discussed in the previous chapter included the theoretical underpinning of the study in the realm of Taylor's Scientific management theory, McGregor's Theory X and Ajzen's theory of planned behavior that justify retrenchment from the basis of organisational performance improvement. The chapter has also provided an empirical review of related studies as well as a conceptual framework to be adopted in this study. This chapter has presented the methodology that will be adopted in this study. The chapter presents the research onion on which the design for this study is based. The chapter has also provided the sample size and sampling techniques that was adopted in the study. The chapter has finally presented data quality and ethical considerations that were to be made. The next chapter presents and discusses study findings.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1. Introduction

This chapter presents the results based on themes formulated from study objectives. The thematic areas include Ability to meet basic and luxury needs; Career Prospects and Income Earning Power; The emotional state of retrenched employees; Knowledge levels on terminal benefits payment processes. The chapter first presents findings on the social demographic characteristics of the respondents followed by a presentation of socio-economic effects of retrenchment by focusing on ability to meet basic and luxury needs, income balance, earning power, emotional status, as well as an assessment of knowledge levels and processes in pension benefits and severance pay. An independent sample t-test and a paired sample t-test were used to assess the difference in income by gender and comparing the two periods: before and after retrenchment. The last part of the chapter presents and discusses perceived adequacy of pension benefits.

4.2. Socio-demographic characteristics of respondents

The study assessed characteristic of socio-demographic characteristics of the retrenched staff who were the respondents in this study. The variables that were assessed include: age, education level, household size, marital status and current employment status. These are presented and discussed in this section.

4.2.1. Distribution of respondents by gender

Gender of the retrenched staff is an important aspect as it tends to determine how one deals with the aftermaths of retrenchment. Gender of the retrenched staff was, therefore, a very crucial parameter for the study for which assessment of the income balance after retrenchment would be based. Figure 3. presents results on gender of respondents. Results in Figure 3. also indicate that the sample was dominated by females who constituted 53% whilst 46% represented males. This is an indication that gender balance was not observed in the administration of questionnaires because snowball sampling was mostly used in the identification of the respondents.

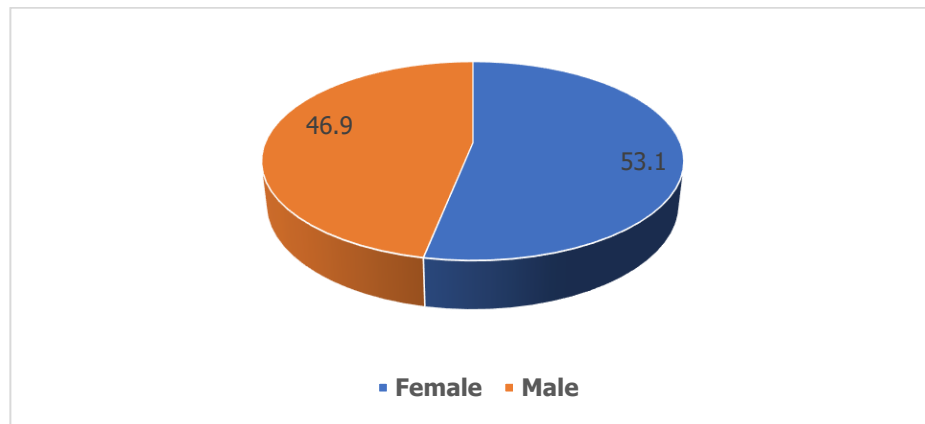


Figure 3: Gender of respondents

4.2.2. Distribution of respondents by age

Age of retrenched employees is important as it tends to affect decision making processes regarding finding a new job or indeed one's employability. Table 4 and Figure 4 present findings on the distribution of respondents' age and their categories. The table indicate that the average age was 39 but ranged from 25 years to 61 years. Further, the table shows that most of the respondents aged between 31 to 40 years dominated representing 47% followed by those with ages ranging from 41 to 65 representing 34%. The least represented age group was that of ages 30 and below, representing 19%. This entails that the retrenched staff was mostly the economically active age bracket of the population implying that they would still be available to provide productive labour services to the economy.

Table 4: Distribution of respondents by age

Variable	Obs	Mean	Std. Dev.	Min	Max
Age	160	39.21875	10.09619	25	61

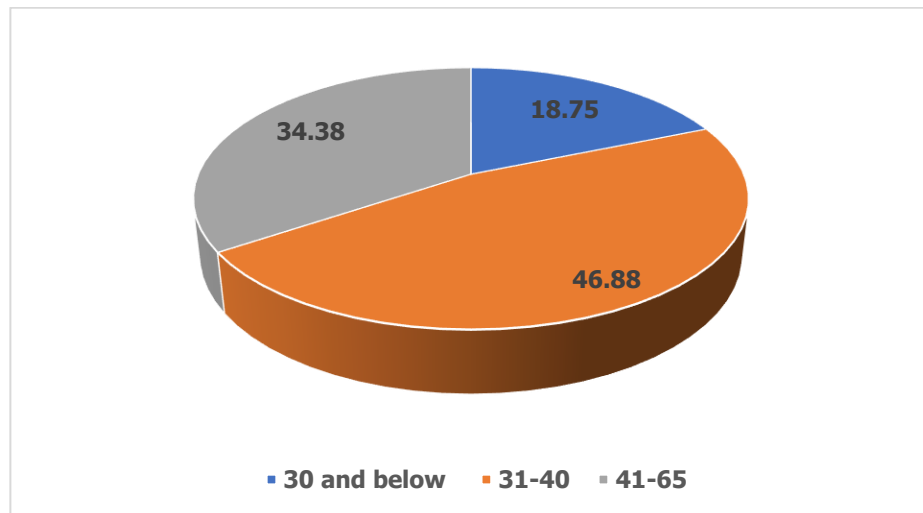


Figure 4: Distribution of respondents by age

4.2.3. Distribution of respondents by level of education.

Education level of an employee is important as it demonstrates learned and acquired skills that a person possesses. Furthermore, it is the basis for human capital development and shapes the productiveness and value that an employee has to an organisation. Figure 5 presents results on education level of the respondents. Results indicate that the respondents were dominated by those with tertiary education, followed by those with secondary school education representing 81% and 19% respectively. This implies that there was high human capital amongst the retrenched staff which would add value to the economy.

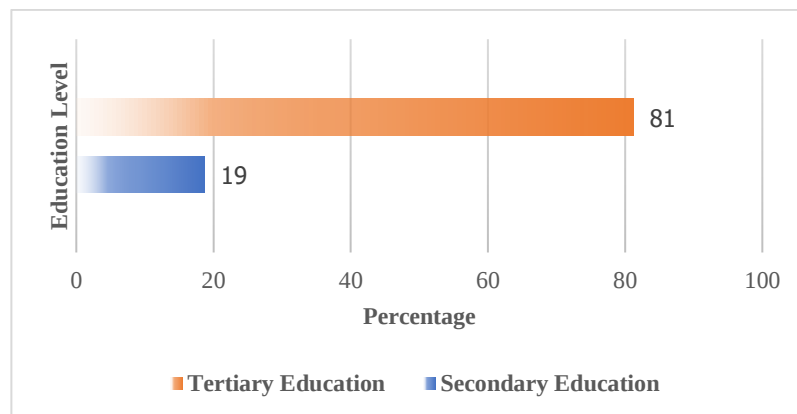


Figure 5: Education level of the respondents

4.2.4. Distribution of respondents by household size

Size of the household for which a retrenched member heads is an important aspect as it translates into the dependency level and paints a picture of how retrenchment can affect households differently. Table 5 presents results on the household size. The table indicates that the average

household size was 2 but ranged from 1 to 9. The average household size is much lower than 4 which was reported by NSO (2021) in the fifth integrated household survey for Malawi.

Table 5: Distribution of respondents by household size

<i>Variable</i>	Observations	Mean	Std. Dev.	Min	Max
<i>Household size</i>	160	2.25	2.113151	1	9

4.2.5. Distribution of respondents by marital status

Marital status of a retrenched person tends to affect the economic status in both directions. For instance, married people would rely on their spouses for survival after being retrenched if their spouses have a stable income source. Figure 6 presents results of marital status. The figure indicates that the married entrepreneurs dominated with 72% followed by those who are single representing about 22%. The least represented were the divorced and widowed with only 3% each.

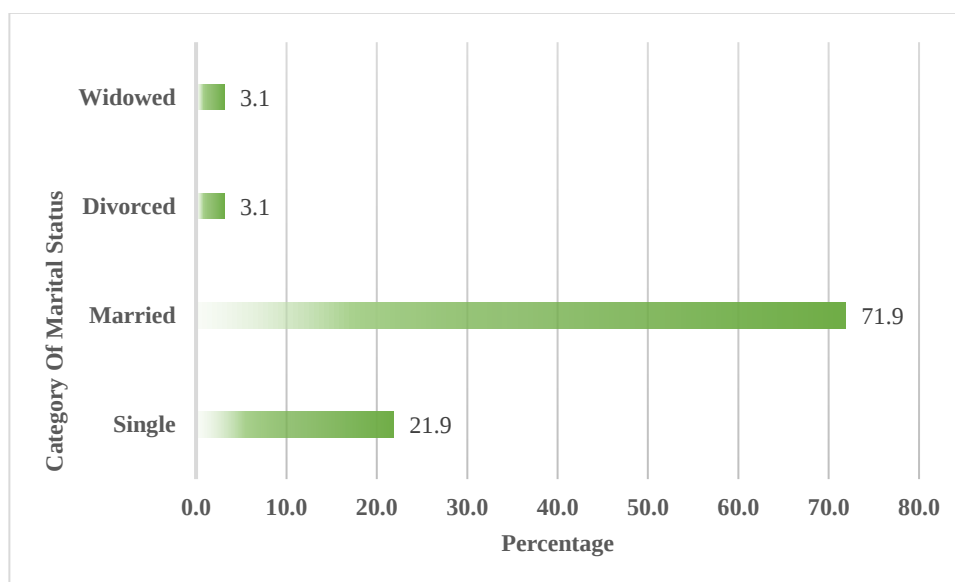


Figure 6: Marital status of the respondents

4.2.6. Current employment status of the retrenched staff

The prevailing employment status of retrenched people tends to affect their current socio-economic survival. A retrenched person who moves on and secures another employment opportunity or indeed ventures into a profitable or productive business is more likely to survive economically. Figure 7 presents results on the existing employment status of the retrenched person. The figure indicates that the simple majority were those who were currently unemployed, representing 47%, followed by those who were employed, representing 34%. The least represented were those that had ventured in businesses, representing 19%. This indicates that a simple majority of those that

were retrenched are unemployed and are not engaged in any productive business venture further implying economic vulnerability for them and their families.

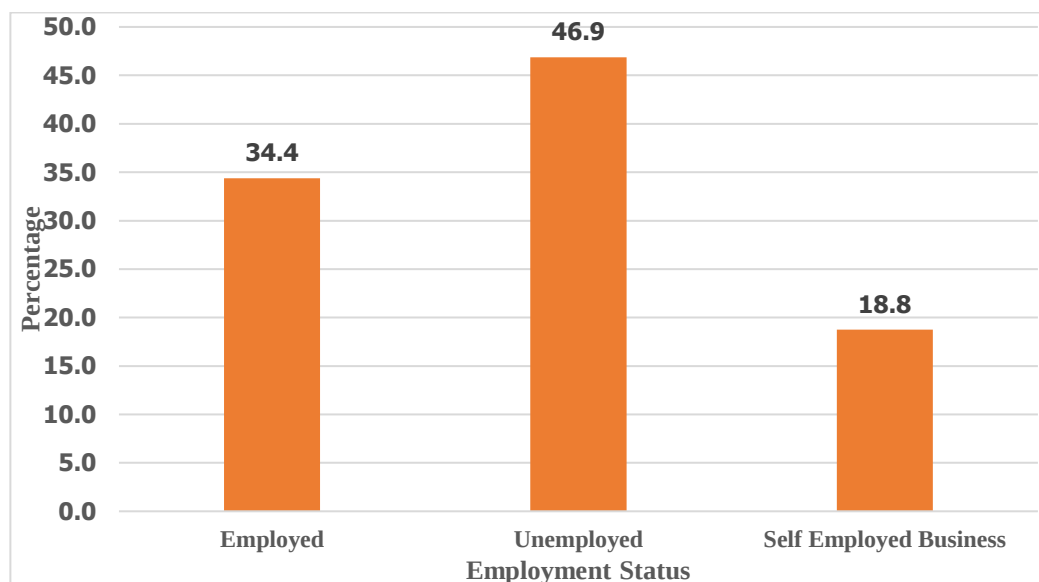


Figure 7: Current employment status of the retrenched staff

4.3. Organisational issues and retrenchment

This section presents and discusses organisational dimensions of the respondents and how they relate to retrenchment.

4.3.1. Name of the organisation for the respondent

Retrenchment as a restructuring process happens in many organisations and is implemented differently depending on the organisation. This study included respondents from different organisations and Figure 8 outlines the organisations where the respondents were retrenched from. It is imperative to mention that although the scope of the study targeted different organisations that had retrenched their staff, snowball sampling was able to pick only three organisations from the banking sector that were acquired by other banks. Results indicate that most of the respondents in this study were drawn from Opportunity Bank, representing 59% followed by Inde Bank, representing 28%. The least represented were those from Malawi Savings Bank (MSB), representing 12%. It is worth noting that MSB was acquired by FDH Bank whilst Inde Bank was acquired by National Bank of Malawi and Opportunity Bank was acquired by First Capital Bank. This implies that First Capital Bank laid off most staff that were at Opportunity Bank during the acquisition whilst FDH had retained most staff who were with MSB, a proposition which was confirmed by one of the retrenched staff.

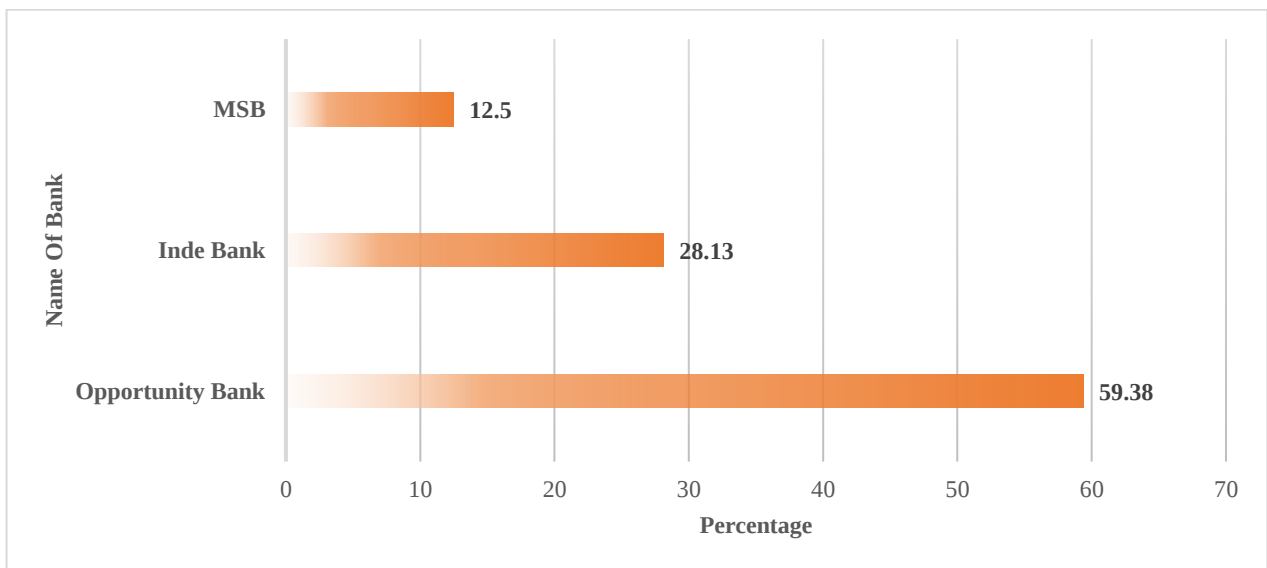


Figure 8: Name of the organisation

4.3.2. Employment, earnings and economic activities of respondents

Several employment and economic aspects of respondents were assessed in this study for the period before retrenchment. Table 6 and Figure 9 show the employment years and monthly earnings of the respondents before retrenchment. Table 6 indicates that, on average, the respondents had worked for their organisation for 8 years before being retrenched. The period, however, ranged from 2 years to 23 years of service. This suggests that most of the retrenched people had worked for close to a decade before they were laid-off. Regarding monthly earnings, results indicate that monthly earnings averaged 524 MK534,563.00 (\$524.08) but ranged from MK66,000 (\$64.71) to MK2,100,000 (\$2058.8) before retrenchment. On whether the retrenched staff engaged in business activities before retrenchment, results indicate that a majority were not engaged in income generating activities aside from working, representing 59%. Only 41% were actively engaged in business activities to supplement employment earnings. This implies that, at the time of retrenchment, those engaged in productive businesses activities stood a better chance of surviving the emotional trauma and economic crisis that come with retrenchment and, therefore, become less vulnerable, compared to those with no productive businesses as indicated by Ogbechie (2015).

Table 6: Employment years and earnings before retrenchment

Variable	Obs	Mean	Std. Dev.	Min	Max
Working Years before Retrenchment	160	7.625	5.418057	2	23
Monthly earnings before Retrenchment	160	534563	459519	66000	2100000

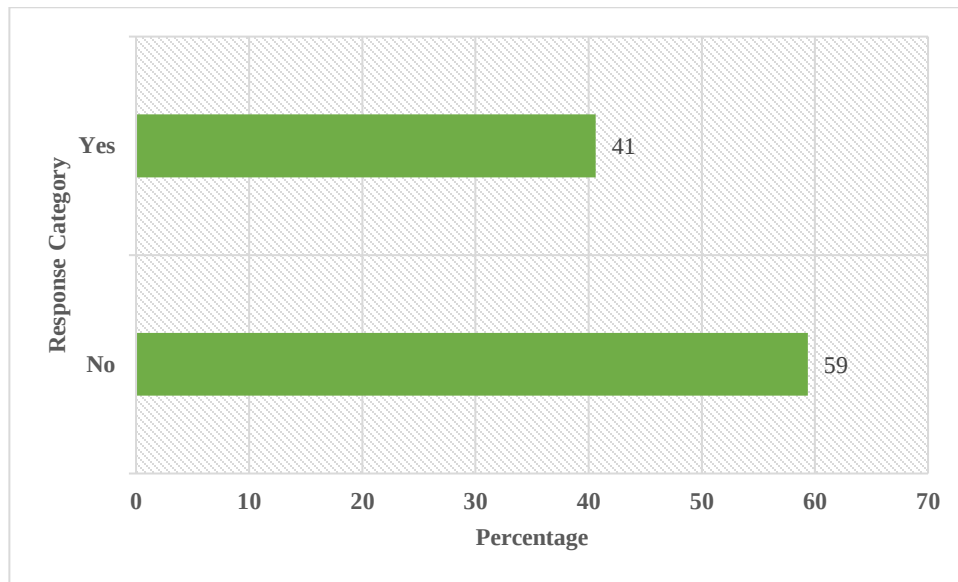


Figure 9: Engagement in business activities before retrenchment

4.4. Assessing the effect of retrenchment on socio-economic status

The study sought to assess the effect of retrenchment on the socio-economic status of the retrenched staff in the private sector. The following aspects were looked at: ability to meet basic and luxury needs before and after retrenchment, income earnings before and after retrenchment, income balance, earning power and emotional status. This section presents and discusses these issues in detail.

4.4.1. Ability to meet basic needs

This study sought to assess the effect of retrenchment on the ability to meet basic needs. To achieve this, a before-and-after analysis was conducted to check the proportion of respondents who were able to meet basic needs before and after retrenchment. Figure 10 presents results on the effect of retrenchment on the ability to meet basic needs. Figure 10 indicates that before retrenchment 100% of the respondents were able to meet basic needs compared to a meagre 22% who were able to meet basic needs after retrenchment. This translates into 78% of those that were unable to meet basic needs after retrenchment implying high levels of vulnerability amongst the retrenched staff. The findings are similar to what Ekanem and Umemezia (2018) found that retrenchment leads people to live below the poverty line through total loss of employment-based livelihood.

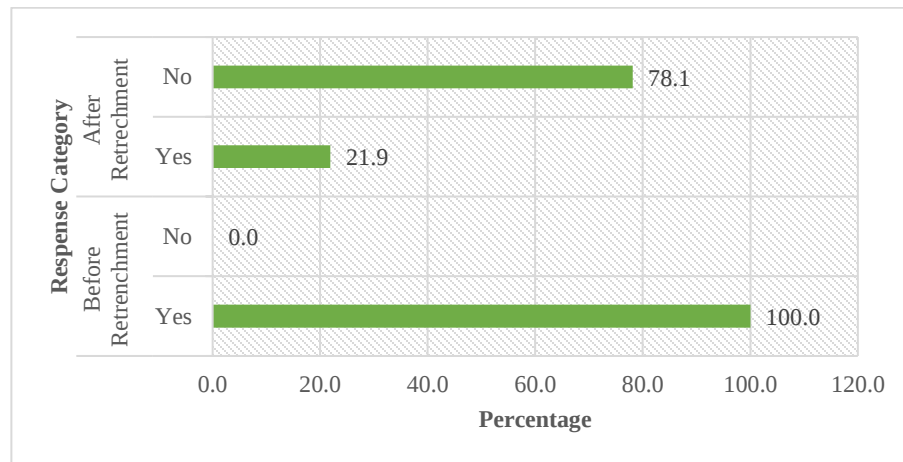


Figure 10: Ability to meet basic needs

4.4.2. Ability to meet luxury needs

In a similar vein, this study sought to assess the effect of retrenchment on the ability to meet luxury needs. To enable this, a before and after analysis was conducted to check the proportion of respondents who were able to meet luxury needs before and after retrenchment. Figure 11 presents results on the effect of retrenchment on the ability to meet luxury needs. The figure indicates that before retrenchment, 41% of the respondents were able to meet luxury needs compared to a meagre 22% who were able to meet luxury needs after retrenchment. This translates into 19% of those that were unable to meet luxury needs after retrenchment implying that they had to adopt some austerity measures for survival of their households. The findings agree with Ogbechie (2015) and Chandra (2015) who found that retrenched staff tend to sell assets such as vehicles and other household assets that they consider to be luxurious to ensure they focus on meeting basic needs for their households.

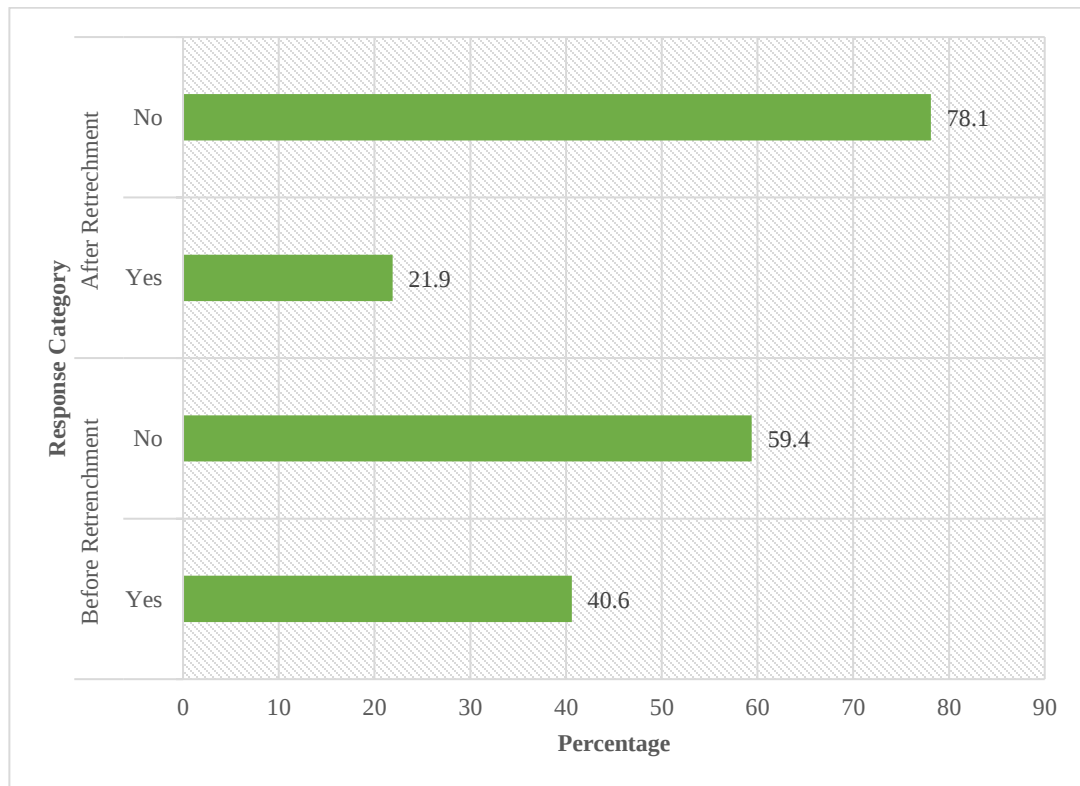


Figure 11: Ability to meet luxury needs

4.4.3. Assessing the difference in income earnings

Income earnings through different activities are an important aspect as they tend to affect economic survival during hard times like retrenchment. This study sought to assess the income earning difference before and after retrenchment. The null hypothesis for this paired sample t-test was that there is no statistically significant difference in mean income earnings before and after retrenchment. The alternate hypothesis was that there is a significant difference in mean income earnings before and after retrenchment. Table 7 presents results on independent sample t-test. Results indicate that the null hypothesis is rejected at 99% confidence interval as evidenced by a p-value of 0.0007. This implies that there is indeed a statistically significant difference in income earnings before and after retrenchment. Furthermore, the results indicate that, on average, income earnings were higher before than after retrenchment. This downturn in income earnings can be attributed to retrenchment. These findings agree with those of Ogbechie (2015) and Chandra (2015) who argue that loss of employment through retrenchment significantly reduces earning power of people and might be worse in cases where those affected are not engaged in business activities as alternatives.

Table 7: Income earnings before and after retrenchment

Variable	Obs	Mean	Std. Err.	Std. Dev.	95% Confidence Interval	
Monthly Earnings before	160	534562.5	36328.16	459519	462814.5	606310.5
Monthly Earnings after	160	459625	39718.37	502402.1	381181.4	538068.6
Difference	160	74937.5	21715.64	274683.6	32049.19	117825.8
$mean(diff) = mean (Monthly earnings before - Current monthly Earnings) \quad t = 3.4509$ $Ho: mean(diff) = 0 \quad degrees of freedom = 159$ $Ha : mean (diff) < 0 \quad Ha : mean (diff) \neq 0 \quad Ha: mean (diff) > 0$ $Pr (T < t) = 0.9996 \quad Pr (T > t) = 0.0007 \quad Pr (T > t) = 0.0004$						

4.4.4. Assessing the income balance

This study also sought to assess the effect of retrenchment on economic wellbeing using income balance. Income balance is the difference between income earnings and expenditures which gives rise to three options: Deficit, Zero, and Surplus income balance. Deficit Income balance is where expenditures exceed earnings, zero income balance is where expenditure match earnings and surplus income balance is where income earnings exceed expenditures. Figure 12 presents results on the effect of retrenchment on income balance whilst Table 8 presents results on the independent sample t-test. Results in Figure 12 indicate that about 47% of the retrenched staff experienced an income deficit compared to a meagre 6% before retrenchment. This entails that 41% of staff who had a healthy income balance had downgraded to deficits implying that they had to borrow or ask for assistance from others to support their expenditure needs. The findings are like what Chandra (2015) reveals that loss of employment through retrenchment forces people deep into debt as they strive to meet their family's needs with the limited savings or earnings.

Furthermore, the study used an independent sample t-test to assess the difference in income balance before and after retrenchment by gender. The null hypothesis for this independent sample t-test was that there is no statistically significant difference in change in income balance between male and female retrenched staff. The alternate hypothesis was that there is a significant difference in change income balance between male and female retrenched staff. Results in Table 8 indicate that the null hypothesis is rejected at 99% confidence interval as evidenced by a p-value of 0.0018. This implies that there is indeed a statistically significant difference in change in income balance before

and after retrenchment between male and female retrenched staff. Furthermore, the results indicate that, on average, male retrenched staff experienced a higher and positive income balance compared to female retrenched staff which could be attributed to extrinsic and societal perception about women being a vulnerable group as they are deemed to be at a higher risk of poverty as stipulated by Peace and Egharevba (2018). The findings are similar to what Chandra (2015) found that, *ceteris paribus*, retrenchment negatively affected female staff more than male staff, owing to the fact that women tend to have limited economic opportunities in society.

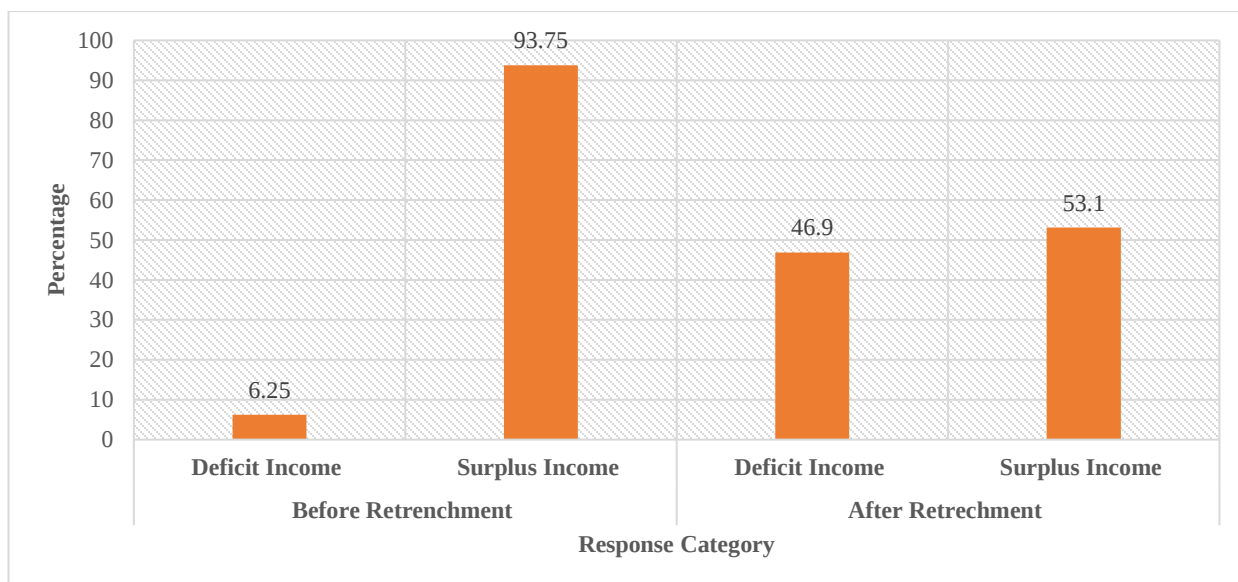


Figure 12: Income balance before and after retrenchment

Table 8: Independent sample t-test of income balance by gender

Group	Obs	Mean	Std. Err.	Std. Dev.	95% Confidence Interval	
Female	85	-4529.412	12471.26	114979.4	-29329.88	20271.06
Male	75	112333.3	36660.65	317490.5	39285.4	185381.3
combined	160	50250	18927.47	239415.7	12868.31	87631.69
diff		-116862.7	36895.6		-189735	-43990.53
$diff = \text{mean (Female)} - \text{mean (Male)}$						
$H_0: diff = 0$			degrees of freedom = 158		$t = -3.1674$	
$H_a: diff < 0$			$H_a: diff \neq 0$		$H_a: diff > 0$	
$Pr (T < t) = 0.0009$			$Pr (T > t) = 0.0018$		$Pr (T > t) = 0.9991$	

4.4.5. Earning power

This study also sought to assess the effect of retrenchment on earning power of retrenched staff. Retrenchment tends to affect the earning power of staff in different ways as shown in Table 9. The results show that 91% of the respondents agreed that they had a significant reduction in income earning power whilst 81% indicated that they had lost wage bargaining power such that those that had found employment were getting lower salaries than compared to where they were retrenched. This was attributable to the fact that they did not have a choice but to take up the job for survival.

Furthermore, the results indicate that due to retrenchment, 75% of the respondents had sunk deeper into debt and financial crisis whilst 84% of the respondents indicated that they were worse off after being retrenched with about 91% admitting that their families at large, were negatively affected by the retrenchment. The loss in career prospects was also assessed and about 72% of the respondents indicated a loss in career prospects with about 59% having challenges in securing employment opportunities. These findings demonstrate high degree of loss in income earning power of retrenched staff as argued by Ekanem and Umemezia (2018) who also found that retrenchment negatively affects ability to generate income or maintain even the existing methods due to emotional stress that comes with it.

Table 9: Retrenchment and earning power

Variable	Response	Frequency	Percentage
Lost significant income Earning power	Yes	145	90.6
	No	15	9.4
	Indifferent	0	0.0
	Total	100	100
Negatively affected earning power from new Job (lower wages than before)	Yes	130	81.25
	No	20	12.5
	Indifferent	10	6.25
	Total		
Increased debt and financial crisis	Yes	120	75
	No	40	25
	Indifferent	0	0
	Total	160	100
Generally Better off than Before retrenchment	Yes	25	15.6
	No	135	84.4
	Indifferent	0	0
	Total	160	100
Negatively Affected Me and my Family	Yes	145	90.6
	No	15	9.4
	Indifferent	0	0
	Total	160	100
Loss in Career Prospects	Yes	115	71.9
	No	35	21.9
	Indifferent	10	6.3
	Total	160	100
Challenges in Getting Employment	Yes	95	59.38
	No	55	34.38
	Indifferent	10	6.25
	Total	160	100

4.4.6. Emotional status

This study also sought to assess the effect of retrenchment on emotional status of retrenched staff. Retrenchment tends to affect those affected in different ways, and these range from confusion to total breakdown. Table 10 presents results on retrenchment and emotion status. Results indicate that 59% of the respondents had experienced shock and confusion after retrenchment whilst 41% reported not to have shock and confusion. Furthermore, a meagre 9% reported to have been angry with the employer whilst the majority, 91%, reported not to have vented their anger on the employer. This is in spite of the majority of them attesting that their employer had not prepared them for retrenchment representing 84% whilst only 16% admitting to having been well prepared

by the employers on retrenchment. Results further show that 41% attested to have had a complete loss of plans whilst 59% indicated that their life plans were still intact despite being retrenched.

Furthermore, the results indicate that a majority attested to the fact that after retrenchment, they had received support from family members, representing 84% whilst a meagre 16% of them denied having been supported by their family members. Moreover, results indicate that 93% attested to being happy with their family members with only 3% being unhappy and the other 3% being indifferent about their family members. It is imperative to note that retrenchment without adequate preparation, in terms of acquisition of skill after retrenchment in preparation for the new face of life, translates into frustration and total confusion. The results are in line with what Ekanem and Umemezia (2018) and Jolley, Newman, Ziersch and Baum (2011) who argue that retrenchment might lead to aggression and frustration to the extent that those affected would vent their anger on family members who may seem unsupportive of them. Ekanem and Umemezia (2018) further argue that the organic and extended nature of the African culture allows for family members to come in when one of their own is faced with a crisis like retrenchment.

Table 10: Retrenchment and emotional status

Variable	Response	Frequency	Percentage
Sudden Shock and confusion	Yes	95	59.38
	No	65	40.63
	Indifferent	0	0.0
	Total	100	100
Complete loss of plans	Yes	65	40.6
	No	95	59.4
	Indifferent	0	0
	Total	160	100
Angry with Employer	Yes	15	9.4
	No	145	90.6
	Indifferent	0	0
	Total	160	100
Employer prepared me for Retrenchment	Yes	25	15.6
	No	135	84.4
	Indifferent	0	0
	Total	160	100
Supported by family members	Yes	135	84.4
	No	25	15.6
	Indifferent	0	0.0
	Total	160	100
Feel unhappy with Family members	Yes	5	3.13
	No	150	93.75
	Indifferent	5	3.13
	Total	160	100

4.5. Assessing the knowledge levels of retrenchment payments

This study also sought to assess the knowledge levels of payment entitlements that are associated with retrenchment. It is worth mentioning that employers ought to prepare their staff for retrenchment and affected staff must be made aware of payment entitlements associated with retrenchment. Table 11 presents results of the knowledge of the two retrenchment provisions. Results indicate that all the retrenched staff were aware of severance pay as evidenced by 100% who agreed with this fact. Surprisingly, only 56% of the respondents indicated that they were aware of pension benefits with 44% not being aware of any pension benefits accrued to them as a result of retrenchment. This was unexpected as employers are expected to provide all the relevant, necessary and sufficient information about retrenchment to the affected staff well in advance before they effect retrenchment. These findings, however, seem to be in line with the observed trend and behaviour of some employers who seem not to follow the provisions of the employment Act,

Labour Relations Act and Pensions Act. Compliance to these legal provisions has been advocated by most labour unions in Malawi who have pushed for amendments to ensure full compliance by the employers.

Table 11: Knowledge levels of retrenchment provisions

Variable	Response	Frequency	Percentage
Severance Pay	Yes	160	100
	No	0	0
	Total	100	100
Pension benefits	Yes	90	56.25
	No	70	43.75
	Total	160	100

4.6. Assessing knowledge levels and processes for severance pay

This study also sought to examine knowledge levels and processes that take place at different organisations surrounding severance pay and pension benefits. It is extremely important that employees are kept in the loop about severance pays and pension benefits. Tables 12 and 13 present results on knowledge levels of the processes of severance pay and Pension benefits.

Firstly, on severance payments and whether the retrenched staff were informed by the employers about termination benefits, the results indicate that a majority were not aware as evidenced from the 72% who declined with only 22% indicating being aware and 6% indicating not being sure about being aware before they were retrenched. On whether they were involved in the calculation of severance pay, the results indicate that 97% were not involved which is a worrisome development as it is advised that employers engage and orient staff on the formulas used to compute the severance pay so that they know how much they would get in the process.

Additionally, the results on rating of transparency in processing severance pay indicate that it was dominated by a poor rating as evidenced by 94% who rated it poor with only 6% rating it good. Regarding time taken to receive severance pay, results indicate that the majority had received it within one month, representing 66% whilst the rest had received it at least within two to three months, representing 66% and 34% respectively. Results also reveal a poor rating on severance pay as indicated by 94% who felt it was poorly administered. Furthermore, on whether severance pay corresponded with the years of service, the respondents were somewhat divided as 50% indicated that it never corresponded with the years of service whilst the other half (50%) indicated that the severance pay was, either to some or greater extent, correspondent to their years of service.

4.7. Assessing knowledge levels and processes for pension benefits

On whether the retrenched staff were aware of their pension benefits before retrenchment, Table 13 shows that a majority was not aware as evidenced from the 78% who declined with only 22% indicating to have been aware of the pension benefits before they were retrenched. Furthermore, results on knowledge levels of the statutory requirements are like those on severance benefits as can be seen from the 78% who indicated to have had no knowledge of statutory requirements with a meagre 22% nodding yes to that. This is a undesirable revelation as it is the duty of the human resource department for any organisation to notify all staff about their pension benefits.

Additionally, results on the period taken to access pension benefits indicate that a majority of the respondents had received the pension benefits 6 months and beyond after retrenchment, representing 97% with only 3% accessing their pension benefits between one to two years. On the rating of the time taken to access pension benefits, results indicate that a majority rated it poor, as evidenced from the 81% who indicated so whilst a meager 19% rated good. On the rating of pension processes, results indicate that 97% rated it poor with only 3% rating it good. On whether the pension benefits were reflective of the years of service, results indicate that the majority perceived that to some extent, the pension benefits were reflective of the years of service as evidenced by the 81% who nodded to that with only 19% being in contrast. The results on pension clearly indicate gaps on the part of employers meeting their pension obligations by making sure of information access on all pension related issues, like how much pension funds are accumulated in each employee account, how they can access the funds in an event of job loss, retirement, resignation and even death. These findings seem to be similar to what Ekanem and Umemezia (2018) found that employers were perceived to be deliberately hiding information on severance pay and pension benefits to disadvantage their employees. Additionally, they argued that the processes generally followed by most employers on both severance and pension benefits are perceived as unprogressive, inconsiderate and poorly rated.

Table 12: Knowledge levels of retrenchment provisions

Variable	Response	Frequency	Percentage
Employer informed me about termination benefits	Yes	35	21.9
	No	115	71.9
	Not sure	10	6.3
	Total	100	100
Involved in Calculating Severance pay	Yes	5	3.1
	No	155	96.9
	Not sure	0	0
	Total	160	100
Rating of Transparency in processing Severance	Poor	150	93.8
	good	10	6.3
	Very good	0	0
	Total	160	100
Rating for Severance Pay	Poor	150	93.8
	good	10	6.3
	Very good	0	0
	Total	160	100
Time taken to receive Severance Pay	Within 1 month	105	65.6
	2-3 months	55	34.4
	Above 6 months	0	0.0
	Total	160	100
Severance Pay corresponded to years of Service	Not at all	80	50.0
	To some Extent	75	46.9
	To a greater Extent	5	3.1
	Total	160	100

Table 13: Assessing knowledge levels of processes of pension benefits

Variable	Response	Frequency	Percentage
Awareness of Pension before Retrenchment	Yes	35	21.88
	No	125	78.13
	Total	100	100
Knowledge of statutory requirements of Pension	Yes	35	21.88
	No	125	78.13
	Total	160	100
Period taken to access Pension Benefits	6-11 months	5	3.13
	1 and 2 Years	155	96.88
	Total	160	100
Rating of time taken to receive Pension benefits	Poor	130	81.3
	good	30	18.8
	Very good	0	0
	Total	160	100
Rating of Pension processes	Poor	155	96.9
	good	5	3.1
	Very good	0	0
	Total	160	100
Pension Reflective of Years of services	Not at all	30	18.8
	To some Extent	130	81.3
	To a greater extent	0	0
	Total	160	100

4.8. Chapter summary

This chapter has presented and discussed study results on the socio-economic effects of retrenchment on the retrenched staff from the private sector in Malawi. The chapter first presented findings on the social demographic characteristics of the respondents followed by a presentation of socio-economic effects of retrenchment by focusing on ability to meet basic and luxury needs, income balance, earning power, emotional status, as well as the assessment of knowledge levels and processes in pension benefits and severance pay. An independent sample t-test and a paired sample t-test were used to assess the difference in income by gender and comparing the two periods: before and after retrenchment.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

This chapter presents study conclusions based on the discussions of the findings on the assessment of the socio-economic effects of retrenchment on the retrenched staff from the private sector in Malawi. Based on the conclusions, the chapter outlines the recommendations as well as the limitations associated with the study and finally points out areas for further research.

5.2. Summary of the research findings

This study has assessed the socio-economic effects of retrenchment on the retrenched staff from the private sector in Malawi. The respondents were drawn from three commercial banks who have since been acquired by other banks and these are: Opportunity Bank, Inde Bank and Malawi Savings Bank.

5.2.1. Retrenchment and the socio- economic wellbeing of retrenched staff

The study sought to assess the effect of retrenchment on the socio-economic status of the retrenched staff in the private sector. The following aspects were looked at: ability to meet basic and luxury needs before and after retrenchment, income earnings before and after retrenchment, income balance, earning power and emotional status. This section presents and discusses these issues in detail.

5.2.2. Ability to meet basic and luxury needs

On the ability to meet basic and luxury needs, results of this study have revealed a reduction in the proportion of people able to meet basic and luxury needs after being retrenchment. The results on the paired sample t-test on income earnings before and after retrenchment have revealed a significant drop in earnings after retrenchment. The study findings also show an increase in income deficit after retrenchment such that 40% of retrenched staff experienced income deficits implying that they could not meet their needs. Further, based on the independent sample t-test, the income balance difference before and after retrenchment had affected women more than men and thus demonstrating vulnerability of women to economic shocks.

5.2.3. Career prospects and income earning power

Results on the effect of retrenchment on earning power of retrenched staff have revealed that a majority believe that retrenchment can lead to loss of income earning power, increase debt and financial crisis and a loss in career prospects.

5.2.4. The emotional state of retrenched employees

Similarly, on the effect of retrenchment on emotional status, the results of this study point to a negative relationship leading to immediate shock and confusion as well as loss of future plans.

5.2.5. Knowledge levels on terminal benefits payment processes

Additionally, the study has revealed that there were limited knowledge levels of processes of severance payments and pension benefits amongst retrenched staff and that these payments were received later than expected. The majority of the retrenched staff lamented that the statutory requirement that an ex-employee need to wait for six months for one to qualify claiming pension as too long. The waiting period need to be revised downwards to either three months or two months.

5.2.6. Early payment of retrenchment and pension benefits and the socioeconomic status of retrenched staff.

The study findings have also revealed that retrenched staff from the three acquired banks perceived that the period taken to access retrenchment benefits takes too long as the majority of the respondents at 97% indicated that they had received their benefits 6 months and beyond after receiving their retrenchment letters while a meagre 3% received their retrenchment benefits between one to two months after severing employment ties with their employers. There is a similar pattern on the time taken to access pension benefits, where results indicate that a majority rated it poor, as evidenced from the 81% who indicated that they accessed their pension benefits beyond the stipulated 6 months waiting period whilst a meager 19% rated good as they accessed their pension benefits within the stipulate six months' time frame. It is therefore suggested that the pension withdraw waiting period be reduced to either three months or four months. The study findings have also revealed that retrenched staff from the three acquired banks perceived that pension benefits were inadequate to support a basic acceptable standard of living that is consistent with prevailing community standards. Thus, the majority suggested that the minimum withdraw percentage that one can access after leaving employment should be revised upward from the current 40%.

5.3. Study conclusions

Based on the discussion of the findings of this study, the following conclusions are made:

Retrenchment greatly affects the socio-economic status of retrenched staff as it is associated with reduction of people in meeting both basic and luxury needs of their households. Retrenchment is associated with reduction in income earnings leading to income deficits. Due to retrenchment, women are more negatively affected with income deficits than male retrenched staff. Retrenchment negatively affects earning power and emotional status of affected staff. It has been established that the economic impact of retrenchment has a direct impact on the emotional state of those affected leading to immediate shock and confusion as well as loss of future plans. Furthermore, there is limited knowledge levels on retrenchment processes and retrenchment payment provisions amongst retrenched employees of the three commercial banks. It has been shown that the long time it takes for people to process their retrenchment and pension benefits affects their socio-economic status and that it is imperative that the pension withdraw waiting period be reduced to either three months or four months. Additionally, pension payments are perceived to be inadequate to support a basic acceptable standard of living.

5.4. Study recommendations

Based on the conclusions of the study, the following recommendations are made:

Organisations that are in the process retrenching staff ought to make adequate provisions for the laid off workers to help them cope with domestic demands during the period they may remain unemployed in the realm of a reasonable severance compensation scheme. Employees in different organisations must be encouraged to diversify their income source to prepare them for economic shocks such as retrenchment and employers should enhance this through adequate trainings in entrepreneurial skills. During retrenchment, women ought to be treated as a vulnerable group with special schemes put in place to cushion the economic shocks.

In light of the existing legal provisions, there is a need to review the statutory provisions governing retrenchment in organisations to ensure that retrenched staff are adequately protected from economic and emotional crisis. There is a need for the ministry of labour to conduct periodical spot checks in different organisations on the compliance of statutory provisions governing retrenchment. There is an urgent need to review and amend the pension act to provide for some

flexibility on pension withdraw waiting period as well as minimum pension withdraw percentage of 40%.

5.5. Study limitations

The study was limited to retrenched staff who were traced and available from three banking institutions which were all acquired by other major banks; therefore, caution must be exercised in the application of the study findings.

5.5. Areas for further research

Further studies need to focus on covering other organisations that had retrenched their staff in other sectors of the economy in Malawi.

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