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Title: Short Term Effects of the Retrenchment Exercise on Individual and Organisational Performance in the Uganda Civil Service: Part I

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IBPP Note. This article provides empirical data on some political psychological consequences of organizational retrenchment in a political bureaucracy within a country often unattended to by Western researchers. It was written by Dr. Peter Baguma, Senior Lecturer, Institute of Psychology, Makerere University, Kampala, Uganda, and International Editor, IBPP. Dr. Baguma can be reached at uparipari@mulib.ac.ug.

Abstract. This study set out to assess the short-term effects of a retrenchment exercise on individual and organisational performance in the Uganda civil service. In all, 247 senior and lower rank employees from 6 civil service ministries were administered a questionnaire that measured individual performance, factors hindering employee performance and suggestions on how performance could be improved, and organisational performance factors. The majority of participants reported retrenchment had positive or unknown effects on individual performance. Factors hindering employee performance were inadequate funding, lack of motivation, work overload, and lack of tools--to mention but a few. Providing a living wage, improved incentives, and training were some of the factors identified that could lead to improved performance. The majority of participants also reported that retrenchment had positive or no effects on organisational performance. Specific recommendations are given in the text.

Introduction.

Retrenchment is a government-supported, ministry-wide exercise of cutting down the number of employees and reducing costs and belongs to the civil service reform programmes that have been implemented in Uganda. The civil service reform in Uganda was necessary because of problems including (1) inadequate pay and benefits, (2) poor management skills, (3) dysfunctional civil service organisation, and (4) inadequate personnel management and training. This led to abuse of office and misuse of government property, moonlighting and corruption, lack of discipline, erosion of rules and regulations, obsolete procedures, lack of appropriate systems, thin managerial and technical skills, poor public service attitudes, and massive bureaucratic red tape (Hansen and Twaddle, 1989; National Manpower Survey, 1988; Public Service Review and Reorganisation Commission Report, 1989/90).

The civil service reform had specific objectives. These included (1) improving the general service delivery to the public, (2) improving financial viability in the short and medium term, (3) strengthening capacity, and (4) reversing the progressive decline in public service efficiency and effectiveness (Ministry of Public Service, 1993).

In order to attain the stated objectives, strategies were devised and these included retrenchment. The main objective of retrenchment was to reduce the size of the civil service and thereby reduce costs. This would improve salaries, quality of work life of workers, and performance of workers. In part, improvement of service delivery was a long-term objective of retrenchment.

Implementation of retrenchment in Uganda.

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The Ministry of Public Service put in place a system charged with the overall management of the retrenchment exercise with three organs comprised of the following:

(1) The Implementation and Monitoring Board was charged with direct management of retrenchment and also with the duty of scrutinising files of people recommended for retrenchment. (2) The Planning and Implementation Committee was charged with the duty of planning and design of the reform and was inter-ministerial in membership. (3) The Permanent Secretaries Administrative Reform Commission was charged with facilitating the planning and implementation of the reform.

Retrenchment was implemented in phases as Lagara (1996) reports. In 1992, 6,339 Central Government staff were identified and retrenched from the headquarters and the neighbouring districts of Mukono, Mpigi, Mubende and Kalangala. They were paid their packages ranging from 300,00 to 3,000,000 shillings. The lowest paid were those on temporary terms who were entitled to notice and leave.

In 1993, 7,241 were retrenched from the rest of the remaining districts. Their packages, too, were paid, based on the approved guidelines. In 1993, 6,578 teachers were retrenched. Out of these, 3,200 were overage and had to retire with normal pension benefits; 103 were reinstated because they had attained higher qualifications; 1,475 unidentified (could be ghosts) were removed from the payroll; and 1,903 licensed teachers were paid their retrenchment packages, including notice, leave, severance and transport.

The guiding principles for retrenchment for the period of 1992/93 included overdue leavers or the over-aged, illegal entrants who had no proper qualifications, and those who were corrupt, undisciplined, poor performers, and alcoholics. Alcoholism was later dropped, because this criterion was difficult to establish.

Abolition of the group employee cadre was done in 1994. This led to the laying off of 50,000 group employees. However, 7,000 were to be put on permanent and pension terms as support staff. Most of these were paid (ex-gratia) of 150,000 shillings each. Many names kept surfacing, raising fears that they could be ghosts.

Removal of redundancies followed in 1994. This happened when restructuring and rationalisation reduced government ministries from 43 to 18. Ten Permanent Secretaries were retired as a result of a merger of ministries. Their packages ranged from 3,000,000 to 9,000,000 shillings depending on length of service. They were also paid a pension. Some 4,406 redundancies were laid off from ministries' headquarters and paid packages ranging from 1,500,000 to 9,000,000 Uganda shillings. In 1994, 800 more redundancies from the ministries' headquarters were removed and paid packages ranging from 1-million to 12-million shillings each.

Removal of ghost workers. From 1992 to 1994, 40,000 ghosts were identified and removed from the payroll as a result of computerisation. This exercise had no cost for the government.

Voluntary retirement scheme. This scheme was introduced to assist the government move to rapidly achieve an optimal size in order to pay a living wage to those in the Civil Service. In 1994, voluntary applicants were paid off. The packages included a sum of one million golden hand shake payments that ranged from 1,000,000 to 8,000,000 shillings. Those who qualified for a pension were also paid.

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The last retrenchment in the Districts. Restructuring and reviews in the districts indicated that over 8,000 staff were to be retrenched. The processing is almost complete and severance will soon follow. This will end the retrenchment exercises in Uganda. To improve packages, the fixed annual-benefits approach was used (Lagara, 1996).

Criteria for retrenchment

Before 1994, a questionnaire was designed for all civil servants and--based on its results--the employee was either to be transferred, promoted, demoted or retrenched. This procedure was not objective, evaluators were not clear on the implications, scoring was not uniform, and cross-checking was not done. As a result, many employees were victimised. Victimisation was based on issues such as finance, women, and interests, corruption, and nepotism.

In addition, politicians stigmatised the word "retrenchment" by trying to discredit the exercise as unfair. This distorted the perceptions regarding retrenchment. Thus, retrenchment took on a political tone. This caused a lot of problems for the retrenchment exercise. Efforts were made to improve subsequent retrenchment, but still problems came up mainly due to poor record keeping in ministries. The 1992/93 retrenchment, therefore, was based on erroneous criteria.

Research has indicated that subjective and/or unrealistic criteria were used. These included performance appraisal, behavioural habits or conduct, education or academic qualifications, age, and the last in/first out principle. These criteria were assessed by a questionnaire administered by Heads of Department (evaluators). This gave the retrenchment managers or the Heads of Department a chance to victimise some employees. In fact, some better performers were also retrenched, while some poorer performers remained (Baguma, 2000).

The plight of retrenched

Retrenched were given packages depending on terms of service they were on at the time of retrenchment. This was supposed to be followed with support packages. This was, however, not done due to lack of funds that were to be secured from donors. Many misused their packages by buying booze and marrying second wives. Few invested the packages in business. Most of those with small businesses are not getting enough money from them (Baguma, 2000). Some of the small businesses have collapsed. The retrenched are finding hard to satisfy the food, medicine, and education needs of their families. Some of those who took to booze have since died (Baguma, 2000). The plight of retrenched is a lesson to the survivors. The survivors are likely to retire early when they are still strong enough to face the challenges of unemployment (Byohangirwe, personal communication, November 12, 2000).

In Uganda, however, few commentators have noted the ills of retrenchment. Katabazi (1992) indicated that more than two thirds of the retrenched were people with more than three dependents. Provision for them becomes harder after retrenchment.

A story that appeared in the New Vision newspaper (July 1, 1997) regarding the retrenched workers of Uganda Railways (URC) indicated that those retrenched in para-statal and government organisations in 1992 complained that the exercise was inconsistent and unjust. They were paid miserable packages and denied pensions. They were paid packages ranging from 2,000,000 millions to 300,000 shillings. However, subsequent packages ranged from 56,000,000 to 4,000,000 shillings (Katorobo, 1997).

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The retrenchees may not be redeployed as was suggested in the Decentralisation and Reskilling Proposals. The idle retrenchees may then threaten political and social stability. It was reported in the mass media that retrenched soldiers threatened to go to the bush or to demonstrate. Some have been implicated in highway robberies. For example, it was reported that veterans had formed a rebel group that held four captives travelling from Ssembabule district to Kampala. This rebel group said the reason for going to the bush was retrenchment without payments (Yombo, 1997). In a related incident, it was reported that for five years veteran retrenchees had not been paid their pension and gratuity totaling up to 40 billion shillings (exchange rate = 1500 shillings for a dollar) (Kakande, 1997).

Retrenchment may increase unemployment or employment. This partly depends on the way it is handled. The former is likely to be so especially in countries where the economy--the industrial sector, in particular--is not strong.

The working conditions of the employees in the Uganda Public Service

Senior management--i.e., from directors and above--get monetised benefits that are translated into a salary package. For lower public officers, only housing has been monetised up to 40%. All public officers with vehicles are entitled to mileage allowance. Transport allowance of 1500 shillings that equals to around 1 US\$ is paid per working day around Kampala for 22 days. Lunch allowance is also paid to ensure presence at work. Employees are paid an allowance for official work, a night allowance, and subsistence allowance for travel exceeding 20 miles from the station. There are rates for travel within 20 miles from the work station.

The employees are paid a pension at retirement. Early retirement starts at 45 years of age, especially for those with 10 years unbroken service. Mandatory retirement is at the age of 60 years of age. These conditions are slightly better than those prior to retrenchment (See Twaddle et al, 1989).

Effects of retrenchment on organisations

Namatovu (1993) found that retrenchment in Uganda was associated with demoralisation, work overload, insecurity, and departure of better qualified and senior personnel because of an increase in voluntary turnover. Some Ugandan experts have said that organisational performance and innovation increase as a result of retrenchment. This is reflected in improved service delivery (Ssezi, , personal communication, 1999). Namatovu (1993) isolated some of the advantages of retrenchment to include restructuring of jobs and departments; reducing over-staffing, redundancy and overcrowding; improved performance, discipline, efficiency and training; and salary enhancement.

On the other hand, Burke (1988) found that contemporary sources of stress--both managerial and professional--included organisational retrenchment and decline and future job ambiguity and insecurity. Baguma and Matagi (1997) actually found that retrenchment in Uganda was associated with job insecurity. Levine (1984) found out that retrenchment brings loss of skills, energy, morale, commitment, physical and mental health degradation that results from employees withdrawing physically and emotionally, reduced co-operative attitudes, greater fear and distrust, poorer communication, lowered performance goals, restriction of production, and increased turnover.

Biller (1980) is of the view that organisational costs increase, the wage bill goes up, and innovation is dampened. Wilburn and Worman (1980) say that retrenchment erodes the organisation's morale and

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dampens productivity. Denga (1987) said retrenchment of workers inflames psycho-social problems-- e.g., reduced self-esteem, general irritability, stomach ulcers, tendency to commit crimes, high blood pressure, heart disease, financial emaciation, and depression.

Russell (1989) reported that retrenchment leads to centralisation, formalisation, and increased downward communication and directiveness. These responses exacerbate the existing problems connected to employee morale, trust, depression and productivity (cf. The United Nations, 1991).

Baron (1990) indicates that for organisational change to be effective, it needs to follow the sequential steps of identifying the need for change, planning for the change, implementation, evaluation and feedback. Current writers support this position. For example, Carnall (1995) indicates that effective change management is associated with improved organisational effectiveness and performance.

In Uganda, effective organisational change can be associated with increased efficiency. For example, Asoka (1999) did her research on the Uganda National Water and Sewerage Corporation. Organisational change should apply elements of scientific change management, for example, the use of consultants. Results indicated that conditions for change existed but were not taken advantage of. The major objectives were not adequate and no new strategies were devised. As a result, the impact of restructuring was negative. Government and politicians interfered in the change process.

Magala (2000) has shown that diagnosis and planning stages are the most crucial for performance in an academic institution in Uganda. Kinobe (1996) researched change management in a financial institution and showed that lack of involvement and lack of support from employees led to "not my concern attitude" and that those directly involved in the change were isolated. There was lack of transparency, poor decision-making, de-motivation, and poor resources management. As a result, consequences were disastrous. Computerisation became a source of disharmony, resentment, insecurity and incongruence among all stakeholders. It took 10 years to realise major objectives.

Retrenchment should also be handled using change-management principles in order to yield better results. Management of change principles have been found to work in other places like Europe, where their use has lead to successful mergers (Lloyds TSB, 2000).

In all, dependable research has been conducted on the effects of retrenchment in the developed world. However, in Uganda, the effects of retrenchment on the job and organisational performance are not well researched.

Hypotheses: Here are the hypotheses that guided the following empirical study.

1. Retrenchment has positive effects on various indicators of individual performance.
2. The participants will report various factors hindering the effective performance of employees after retrenchment.
3. The participants will suggest various ways of how to improve performance of employees.
4. Retrenchment has positive effects on various indicators of organisational performance.

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(IBPP Note. Next week the conclusion of the article will be posted comprising the Method, Results, and Discussion sections.)

(See Asoka-Odooy, M (1999). Managing planned change in Uganda parastatals: A case study of National Water and Sewerage Corporation. A MAPAM Dissertation (unpublished). Makerere University, Kampala, Uganda; Baguma, P. (October, 2000). The implementation of the retrenchment exercise and its consequences on the retrenched public officers in Uganda. Paper presented at the International Social Science Conference, Makerere University, Kampala, Uganda; Baguma P., & Matagi, L. (1997). Effects of retrenchment exercise on organisational performance and the quality of working life in Uganda. Research report submitted to the Network for Ugandan Researchers and Research Users Secretariat, Kampala, Uganda; Baron, A., & Greenberg, H. (1990). Organisation theory and design (4th ed.). St Paul, MN: West Publishing; Biller, R P. (1980). Leadership tactics for retrenchment. *Public Administration Review*, 40, 604-609; Burke, R. J. (1988). Sources of managerial and professional stress in large organisations. In C.L. Cooper, & R. Pain R (Eds.). *Causes, coping and consequences of stress at work* (7th ed.). John Wiley & Sons Chichester, England; Carnall, C. (1995). *Managing change in organizations* (2nd ed.). London: Prentice Hall; Curtis-Russell, L. (1989). Cutbacks, management and human relations: Meanings for organisational theory and research. *Human Relations*, 42, 671-689; Denga, D. I. (1987). Counselling the retrenched worker in Nigeria. *Journal for the Advancement of Counselling*, 10, 269-276; Folkman, S., & Lazarus, R. S. (1988). Coping as a mediator of emotion. *Journal of Personality and Social Psychology*, 54, 466-475; Hansen, H .B., & Twaddle, M. (1989). Uganda now: Between development and decay. Kampala: Fountain Publishers; Kakande, J. (1997). 40 billion to pay soldiers pension. *The New Vision*, 12(182), 40; Katabazi, P. (April, 1992). A draft report for a study on the support for retrenched civil servants; Katorobo, J. (1997). Ex-civil servants complain over pay. *The New Vision*, 12(156), 8; Kinobe, B. (1996). Management of technological innovation in East African Development Bank. An MBA dissertation (Unpublished). Makerere University, Kampala, Uganda; Lagara, M. (1996). Progress report on the reduction of civil service number: July 1991 to February 1996. Ministry of Public Service, Kampala, Uganda; Levine, C. H. (1984). Retrenchment human resource erosion, and the role of the personnel manager. *Public Personnel Management*, 13, 249-263; Lloyds, TSB. (2000). Life after merger: Managing change at Lloyds TSB. *IRS Employment Trends*, 709, pp 11-16; Magala, C. (2000). Management of change in tertiary institutions: A case of Makerere University. An MBA dissertation (Unpublished). Makerere University, Kampala, Uganda; Ministry of Public Service (August 19-20, 1993). Management of change. Kampala, Uganda; Namatovu, B. (1993). Effects of the retrenchment exercise on Ugandan organizations. A B.A Dissertation, Dept of Psychology, Makerere University, Kampala, Uganda; National Manpower Survey. (February, 1988). Census of the civil servants. Ministry of Finance, Planning and Economic Development, Kampala, Uganda; Public Service Review and Reorganisation Commission Report. (September, 1989/90). Kampala, Uganda; Standing, G., & Tolkman, V. (1991). Towards structural adjustment: Labour market issues in structural adjustment. Geneva, ILL; United Nations. (October 7-11, 1991). Size and cost of the civil service: Reform programmes in Africa. Accra, Ghana; Wilburn, C. R., & Worman, A. M. (1980). Overcoming the limits to personnel cut-backs: Lessons learned in Pennsylvania. *Public Administration Review*, 40, 609-612; Yombo, R. (1997). Veterans form a rebel group. *The Monitor*, 210, p. 5.)(Keywords: Individual, organizational performance, retrenchment, survivors, Uganda.)