THE IMPACT OF RETRENCHMENT IN THE FORMAL URBAN LABOUR MARKET IN UGANDA

BY
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THE SCHOOL OF POST GRADUATE STUDIES OF KAMPALA INTERNATIONAL UNIVERSITY IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTERS IN BUSINESS ADMINISTRATION

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DECLARATION

I **OKIROR MICHAEL OTAI**, declare that this dissertation has never been submitted for A Degree in this University or any other institution of high learning. All the information in this dissertation is based on my observation unless otherwise stated.

Signed..... Date 31st/10/2006
Supervisor

Signed..... Date 02/11/06
Professor P.J. Opio

Dedication

Dedicated to my wife Mrs. Alice Mary Anyait Okiror and children; Omoding Okiror Samuel, Aguti Rose, Okiror David, Okurut Micheal, Agnes Amoding, Otai Ivan, Okiror Allan, Odeke Okiror Alfa, and Anyait Joy.

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Abstract

Economic adjustment in developing countries is brought about by stabilization policies, which are aimed re-allocation and more efficient use of resource within the production sector.

The objectives of the study were to analyze differences between retrenched civil servants and non-retrenched employees within the formal urban labour market in Uganda and compare the labour market issues and policy choices that are faced with the workers after retrenchment. The factors analysed, outlined and discussed in this study have a bearing on the success or failure of a mainstreaming programme, and some of the problems introduced in these discussions can be considered.

The study was conducted in the city of Kampala.

It is therefore implied that government takes serious steps towards strengthening these sectors in order to solve the problem of rampant unemployment. This can be done by way of availing credit facilities and a deliberate government policy that favours their expansion.

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Abbreviations and Acronyms

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CSR	Civil Service Reform
ILO	International Labour Organisation
LDC	Least Developed Countries
MPS	Ministry of Public Service
PSC	Public Service Commission
PSRRC	Public Service Review & Reorganisation Commission
SAP	Structural Adjustment Programme
SPA	Programme of Assistance to Africa
IMF	International Monetary Fund
WB	World Bank

Explanation of Key Concepts

i.	Structural Adjustment Programs;	*A set of donor policies designed to create efficiency across sectors by reducing expenditure in some areas.*
ii.	Retrenchment	*A policy designed to reduce the Number of workers in the public sector.*
iii.	Voluntary Retrenchment	*Leaving work/employment at will.*
iv.	Economic Transformation	*Uplift in the general economic and social conditions of a country.*
v.	Private Sector	*Activities outside public sector that are independent of government control.*
vi.	Stabilization of policies	*Allowing moderate fluctuations in the economy*
vii.	Deregulation	*Removing Government control from business*
viii.	Multi-Lateral Aid	*Aid given by major lending institutions such as the World Bank and the IMF*
ix.	Project Lending	*Lending to finance specific projects* Sector Adjustment Loan *Money lending to different sectors of Government i.e. capacity building*

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CHAPTER ONE

1.0 INTRODUCTION

Like many sub Saharan countries, Uganda has been implementing Structural Adjustment Programs. Over 700,000 civil servants have been retrenched since 1990. The government also introduced the Voluntary Retrenchment Scheme, to achieve further reduction in the work force. There are a number of reasons addressed as possible benefits of the retrenchment policy (structural adjustment program in general). It is said to be a quick and equitable way of achieving rapid reductions in staff and to maintaining the fast pace of civil service reform to enable the government move more quickly toward the payment of living wage.

It provides a more "humane" way of removing staff and limits the level of resentment and grievances of those who have to leave service, as it's optional, it offers an opportunity to those who may be more willing to explore opportunities elsewhere and contribute towards private sector development. It's a voluntary scheme that should have a lower overall cost, as it avoids most of the expensive process of review, which is retrenchment.

The Bretton Woods Institutions (The World Bank and the IMF) that many of these reforms derive from under Structural Adjustment Programmes, consider retrenchment as key to economic transformation and good for workers. This is based on the presumption that governments should establish policies that make the labor market more adaptable and thus able to absorb the

shocks of retrenchment. The labor market is taken as the key in determining the wage employment effects of structural adjustment policies.

The prescribed policy changes include: the development of the private sector, which generally means the growth of new businesses in labor intensive sectors, and improving the information available to participants in labor markets, employers who need information on wages and the number and qualifications of workers available at those wages while job seekers need information on wages and jobs available.

Overall, structural adjustment policies are meant to ensure stabilization of policies, which are aimed at fostering re-allocation and more efficient use of resources across the production sectors. On the labor side, it is believed that following the retrenchment exercise and it's resultant unemployment, in some cases of the young, qualified and skilled people as well as the unskilled, it is natural that they have to look elsewhere for employment.

A major component of these structural adjustment policies have been a deregulation of the economy and opening up of the various sectors of the economy. The growing private sectors has created an increasing number of new jobs and shifted a significant portion of the labor force to the private sector. However the growth of the private sectors employment has not compensated for job loses in the public sector. This should form the basis of this study, whose agenda was this retrenchment policy, who are the winners and

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losers? was it good for workers? what are the recommendations for the improvements?

The success of any programme or project largely depends on the participation of the intended beneficiaries or target of the program. In the case of the retrenchment program, it is hard to know who the real beneficiaries were. It would be presumed that the government was the real beneficiary, basing on the fact that it acts on behalf of the people. If that was so, then there should have been an assessment of the actual impact of the program by consulting and discussing with the civil servants who were affected. However this was not how the World Bank and government of Uganda operated. The above position is further expounded in chapter three (specification of the research problem

1.1 Background To The Study: Retrenchment Programme in Uganda

Civil Service Reform (CSR) programmes are increasingly being adopted in a range of African countries and have been closely linked to structural adjustment efforts. The effectiveness of the aid provided in support of these programmes has some times been limited. It is important to review CSR experience and to draw lessons that will enable special Programme of Assistance to Africa (SPA) donors to improve the impact of their aid in this area and to inform the policy dialogue with recipient governments.

The ultimate achievement of structural adjustment policies lie in the long run trickle down mechanism of competitive economic growth. This is not possible however for the following reasons: First, SAP is either short run or medium term-minded. It cannot therefore afford

to wait and see the result of the historical run of the trickle down mechanism. Second, trickle down effect whenever it has occurred in the developed countries has occurred not because of the efficiency of markets but rather because of the level and type of ethics and culture as well as the enlightenment of the leaders, the level of development and sustenance of social institutions, scientific and technological progress, as well as the position of these countries in the world economy. Third, the experience of the sixties and early seventies showed that economic growth, does not necessarily imply trickle down in the developing countries. It should not be surprising therefore that SAP may not have substantially improved the conditions of the majority of Ugandans during the last decade.

Uganda civil service has been marked not only by its bloated structure, but also by inefficient and poor per market, see also table 2.1 and figures I & II. Key problems are:

(a) Inadequate pay and benefits
(b) Poor management skills
(c) Dysfunctional civil organization
(d) Inadequate personnel management and training and leading to abuse of office and government property; moonlighting and corruption; lack of discipline; an erosion of rules and regulations; absolute procedures; lack of appropriate systems; this management and technical skills; poor public service attitudes; and massive bureaucratic red tape.

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Table 1.1 Population, Labour Force and Employment Projections 1988-1995

	1988	1989	1990	1991	1992	1993	1994	1995
PROJECTED POPULATION	16,223,261	16,628,843	17,044,564	17,470,678	17,907,445	18,355,131	18,814,009	19,284,118
LABOUR FORCE	7,138,235	7,316,691	7,499,608	7,687,098	7,879,276	8,076,256	8,278,164	8,485,118
(a) Rural	6,602,389	6,767,207	6,936,388	6,109,797	7,287,542	7,469,731	7,656,474	7,847,886
(b) Urban	536,846	549,483	563,221	577,301	591,734	601,527	621,690	637,232
(c) Annual addition		114,212	117,067	119,994	122,994	126,068	129,220	132,451
GDP G/Rate	7.2	6.1	7.2	7.8	6.9	6.5	6.5	6.5
LABOUR DEMAND								
(a) High level Manpower	165,878	175,998	188,668	203,385	217,418	231,550	246,601	262,630
(b) Low level Manpower	223,490	227,960	232,519	237,169	241,913	246,751	251,686	256,720
(c) Annual increase HLM	11,141	10,119	12,672	14,716	14,034	14,132	15,051	16,029
(d) % Change HLM	-	-10.23	25.53	20.44	-6.83	0.99	9.19	9.78
FORMAL SECTOR EMPLOYMENT								
(a) Government	251,376	260,794	271,919	284,422	296,544	308,791	321,694	335,292
(b) Private	137,992	143,162	149,269	156,132	162,787	169,510	176,593	184,058
(c) Total	389,368	403,956	421,187	440,556	459,331	478,301	498,287	519,350
(d) Annual growth rate	2.96	3.75	4.27	4.60	4.26	4.13	4.18	4.23
UNEMPLOYMENT								
(a) Urban	26,842	27,476	28,161	28,865	29,587	30,326	31,085	31,862
(b) Rural	462,167	473,705	485,547	497,686	510,128	522,881	535,953	549,352
TOTAL FORMAL SECTOR EMPLOYED & UNEMPLOYED	878,378	905,135	934,896	967,105	999,045	1,031,509	1,065,325	1,100,563
BALANCE TO INFORMAL AND AGRIC. SECTOR	6,259,857	6,411,556	6,564,713	6,719,994	6,880,230	7,044,749	7,212,839	7,384,555

Source: The Republic of Uganda. (1990). Ministry of Planning and Economic Development. Discussion Paper No. 4

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Measures so far taken to address these problems include merger of Ministries, functional and structural rationalization, decentralization, privatization/divestiture and forced redundancies, commonly known as retrenchment. In July 1990, there were 320,000 people on government payroll. This number was both unmanageable and impossible to adequately remunerate under the prevailing economic realities. Since then, government has moved to reduce the number.

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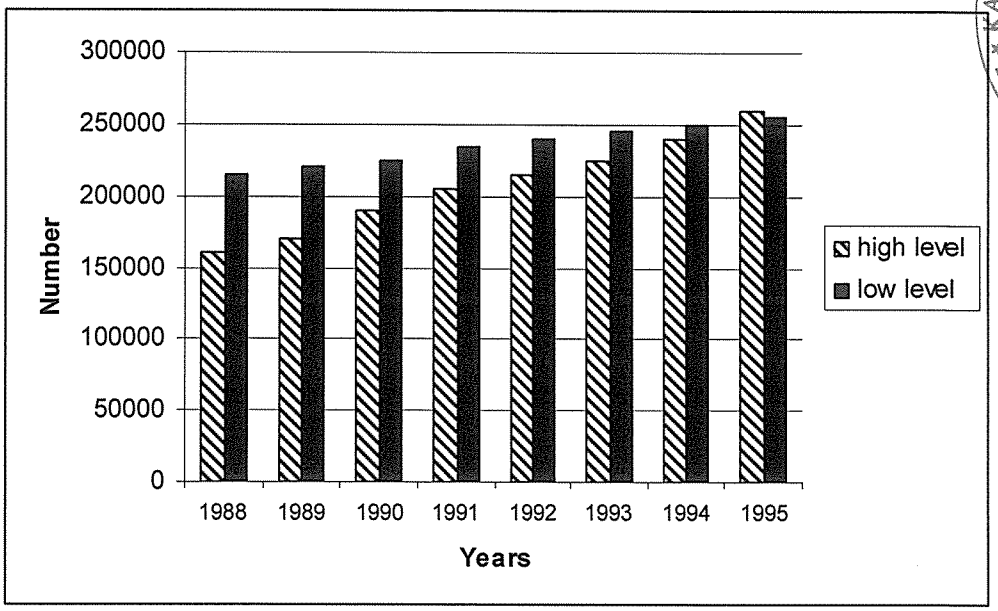
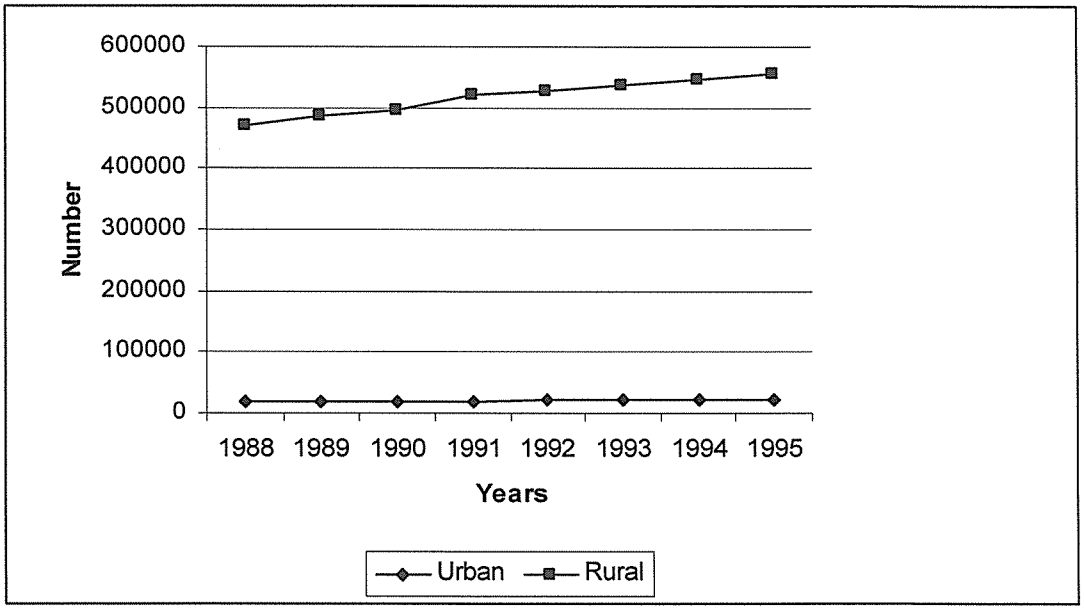
Figure 1.1: Bar graph showing Level of Manpower (1988-1995)



Source: The Republic of Uganda. (1990). Ministry of Planning and Economic Development. Discussion Paper No. 5

Figure 1.2: Line Graph Showing Urban and Rural Unemployment (1988-1995)



Source: The Republic of Uganda. (1990). Ministry of Planning and Economic Development. Discussion Paper No. 5

1.2 Retrenchment and Voluntary Retirement

By September 1993,(Ministry of Public Service 1993) a 46 percent reduction had been achieved (from 320,000 in July 1990 to 174,500 in September 1993), although still far from the optimal size. The majority of the reduction in staff numbers was achieved through compulsory retirement 'on abolition office' or compulsory retirement to facilitate improvements in a ministry of department, and on the basis of individual circumstance such as incompetence and irregularities in appointments. The reduction in the overall size of the Civil Service has taken place in a number of stages. The Public Service Review and Reorganisation Commission (PSRRC) recommended a reduction of 34,000 staff. This consisted of mainly "overdue leavers" such as the over-aged, those who entered the service irregularly, and the non-performers who should not have been in the service if the system was functioning properly. Further reductions will be achieved through compulsory retirement arising from ministerial reviews carried out by the MPs.

Throughout these stages of retirement and compulsory retirement, there has also been a continuous exercise to eliminate ghost workers from the payroll. Government has achieved the removal of an estimate 42,000 ghost workers from the payroll and has established a Payroll Monitoring Unit, to verify the entry and exit from the payroll. This has been particularly successful in the education service (estimated at 95,289 in November 1993.) The abolition of the group employee scheme has also revealed significant levels of ghost workers. The recruitment freeze has also assisted with reducing the civil service payroll through attrition (estimate at approximately 7% per annum).

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1.3 Voluntary Retirement Scheme

The government also introduced the Voluntary Retirement Scheme intended to achieve further reduction. There are a number of reasons why government opted for this scheme, namely:

1. It is quick and equitable way of achieving rapid reductions in staff and to maintaining the fast pace of civil service reform to enable the government move more quickly towards the payment of a living wage;
2. It provides a more humane way of removing staff and limits the level of resentment and grievance of those who have to leave the service;
3. As it is optional, therefore, those who leave may be more willing to explore opportunities elsewhere and contribute towards sector development;
4. A voluntary scheme should have a lower overall cost, as it avoids most of the extensive process of review within retrenchment.

Within the overall context of actions to remove ghosts, abolish the grouping scheme, and administration of forced redundancies, with the objective of reaching the optimal size (of between 145,000 and 150,000 people) a soon as possible, government is introducing a voluntary redundancy scheme. It is planned that the voluntary redundancy scheme will be targeted at approximately 5,000 people mainly belonging to the third category, that is those whose posts are declared redundant and are therefore no longer required for employment in government. The Public Service Commission (PSC) has been conducting interviews with a view to starting the process of rationalizing staffing levels and harmonizing them with the new organizational structures and target establishment numbers. The interviews, conducted by eight Boards, are expected to be

completed by the end of February 1994. In the course of the interviews officers are being categorized into three groups that is those recommended to stay in the approved positions; those who are good and suitable but who have no approved positions in the reviewed ministries but could be deployed in other ministries/department; and those declared redundant and no more required for employment in government.

1.4 Implementation of Retrenchment in Uganda

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

1.5 Elaboration of the Research Problem

Retrenchment is a government-initiated policy, to cut down the number of employees and subsequently, reduce costs incurred by government. This policy is within the Civil Service Reform Programs that have been implemented in Uganda. Civil Service Reform in Uganda was necessary because the civil service had problems including low pay and benefits, poor management skills, dysfunctional organization, and inadequate personnel management and training. These led to abuse of office and misuse of government property, moonlighting and corruption, indiscipline, erosion of rules and regulations, obsolete procedures, in

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appropriate systems, thin managerial and technical skills, poor public service attitudes and massive bureaucratic red tape (Hansen and Twaddle, 1989; Uganda Manpower Survey Report, 1989; Ministry of Public Service, 1989/90; Standing & Tolkman, 1991).

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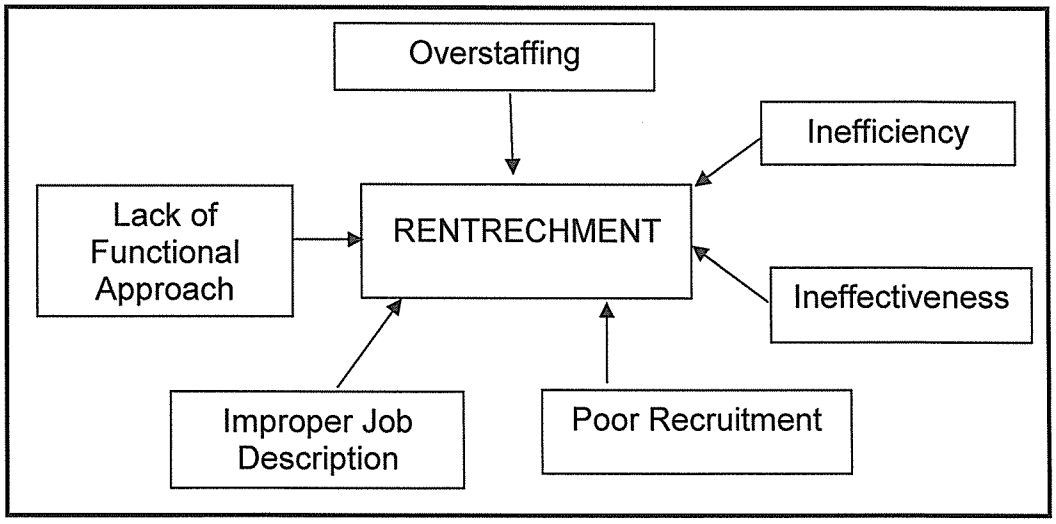
Retrenchment has attracted an ongoing debate on how the structural adjustment programs of the IMF and the World Bank are carried out in the developing nations, as it has costs and benefits depending on how it is managed (see the Figure 1 for the conceptual frame work of the study). The conceptual model shows that the need for retrenchment, its planning, implementation and impact are related. It also shows that the need for retrenchment (for example, of an oversized civil service) leads to planning and then implementation of the exercise. Implementation resulted in dire consequences and this has had implications for employees who are retrenched:

- Loss of employment,
- Loss of income,
- Declining standards of living,
- Lack of social security; and for those who stay on their jobs:
- Heavy work load and job stress,
- Loss of work relations,
- Job insecurity,
- Continued poor pay in relation to work load
- Regressive salary structures where employees who perform the donkeywork are in the low salary scales and are the most affected by retrenchment programs coined by those in higher offices.

Retrenchment has implications for both organizations, and the country. Feedback about retrenchment effects is necessary whether the effects are positive or negative. Particularly, corrective feedback on consequences is necessary to improve subsequent steps and future retrenchment exercises, however in Uganda there is no effective mechanism/ system that tracks down and reports on the effects of the retrenchment exercise and as such little information is available not withstanding the process, methodology and results of an in-depth analysis of the effects of retrenchment on both private and public labour market must be undertaken. (Baguma and Matagi, 2002)

1.6 Conceptual Framework

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



Conceptual framework of retrenchment .

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Due to many factors i.e. overstaffing, inefficiency, ineffectiveness, poor retrenchment procedures, improper job descriptions, lack of functional approach was necessary to carry out retrenchment exercise. The Government of Uganda has now done the Evaluation and had this feedback of Retrenchment.

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1.7 Objectives of the Research

The study will be guided by the following objectives

- To identify effective and humane ways of implementing the retrenchment programme
- To examine the impact of retrenchment on the labour market

1.8 Specification of Hypotheses

The study was guided by the following hypotheses,

- The employment and the formal urban labor play a crucial role in Uganda' labour market
- Retrenchment in the formal labor market has had a negative impact on the social, political and economic development in Uganda

1.9 Specification of Research Questions

The study was guided by the following research questions:

- What are the economic roles played by employment and the formal urban labor market in Uganda?
- What is the impact of employment and the formal urban labor market on political and economic outcomes in Uganda?
- What are the effective and humane ways of implementing retrenchment programmes?
- How are the retrenched people coping up with life after civil service?

1.10 Data Analysis

Descriptive analytical tools such as frequencies and cross-tabulations will be employed. While descriptive analysis may or not have the potential for drawing powerful inferences, descriptive analysis is not only simple to apply and interpret but it is increasingly being recognized as an effective, reliable and valid analytical technique for socio-economic studies. The descriptive analysis is also popular in business research because of its versatility across disciplines. Further, descriptive analysis has a broad appeal to the administrator and policy analyst for planning, monitoring and evaluating.

1.11 Significance of the Research

Given the rising employment share of the private sector, wage developments in this sector have increasingly determined the overall wage structure. It's hoped that this study will propose and solve a matching model of job re-allocation between the public and private sector. The findings from this study will have serious implications for both the public and private sector policy makers.
The findings of this study may be beneficial to the victims of the retrenchment exercise to cope with the loss of job after effects since it will provide practical recommendations towards a successful transfer form public to private sector initiatives.

The findings of the study will boost the documented literature resource of Kampala International University library. This will add to the existing pool of studies at the university, thus narrowing the wide literature gap in as far as retrenchment and its effects are concerned.

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Further more, this study may be used as basic information by researchers, students, academicians and scholars to induce further studies in the same or related disciplines.

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1.12 Structure of the Dissertation

The study is divided into six chapters. The first section of the dissertation will be the abstract, followed by chapter one which entails the explanation of the key terms, introduction of the research problem, objectives of the research and the significance of the research

The second chapter contains literature review. It will encompass a review of the contributions of different scholars to the subject as well as the development of the researcher's own conceptual framework.

The third chapter covers the methodology, which presents the elaboration of the research problem, specifications of the research questions, hypotheses, types of empirical data, sources of empirical data as well as specification of techniques and analysis

The fourth chapter covers a presentation of results and findings, analysis of the findings and interpretation of empirical data.

Chapter 5 covers the implications of the study in terms of theoretical concepts, policy and practice. It also offers suggestions and recommendations.

The sixth chapter covers the conclusions and suggestions for further research.
The last sections of the dissertation will be the bibliography and the appendix.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter examines the views expressed by various authors concerning retrenchment on the formal urban labour market. It is worth noting however, that, in Uganda, literature on the effects of adjustment reforms on labour markets is still scanty. A review of literature from other parts of the world is regarded important in order to show the experiences that could of relevance to the Ugandan situation.

2.2 Retrenchment and it's Effects

Retrenchment means the reduction of expenditures in order to become financially stable, that is, cutting jobs. It is a tactical concept similar to downsizing and corporations under pressure to raise profits, or who are failing in certain sectors and wish to concentrate in higher-gain areas often use this strategy. Capitalist groups frequently advocate retrenchment of the state, accompanied by lowering taxes.

The provision of a living wage in the country is becoming a major concern of the government, institutions and foreign agencies. According to ILO (1995), employment opportunities and wages in the informal sector and small-farm agricultural sectors have grown more rapidly than in the formal sector, as part of the adjustment reforms. The basic assumption of structural adjustment policies is

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that free product and factor markets are the best media for the most efficient economic performance.

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But the impact of structural adjustment policies should be looked at under conditions of social articulation as those obtaining in Uganda. The actors in the market are those individuals who go to the market armed with their prior intellectual, physical, economic and social endowments. Those with more political power, education, wealth and income as well as information about their commodities and those on the market will have more bargaining power in the market place.

The ultimate achievement of structural adjustment policies lays in the long run trickle down mechanism of competitive growth. This is not possible however, for the following reasons. Firstly, SAP is either short run or medium term-minded. It cannot therefore afford to wait and see the result of the historical run of the trickle down mechanism. Secondly, trickle down, wherever it has occurred in the developed countries has occurred not because of the efficiency of markets but rather because of the level and type of ethics and culture as well as the enlightenment of the leaders, the level of development and the subsistence of social institutions, scientific and technological progress, as well as the position of these countries in the world economy. Thirdly, the experience of the sixties and seventies showed that economic growth does not necessarily imply trickle down in the developing countries.

It should not be surprising therefore, that SAP may not have substantially improved the conditions of the majority of Ugandans during the last decade. Since there is no going back on the

retrenchment programme, the factors outlined and discussed in this section have a bearing on the success of failure of the mainstreaming programme, and some of the problems introduced in these discussions can be solved or corrected.

Further, according to Langseth et al (1996), civil service reform in Uganda is not taking place in a vacuum. Civil service reform is not nor should it be the only reform effort undertaken. On the contrary, attempting to implement civil service reform on its own is a guarantee for failure. It is imperative that there be linkages between this and other initiatives to ensure their mutual sustainability. In Uganda, the following policy initiatives were co-coordinated closely with it's economic reform, liberalization and privatization, constitutional reform, decentralization and demobilization. The context and nature of the formal labour market should be considered in reference to the above reforms, which are being co-coordinated with the civil service reform.

In relation, according to Zuckerman (1989), in Uganda, civil service reform was accompanied by price-deregulation and removal of entry barriers to markets. Firstly, the monopoly of the Produce Marketing Board on exports of foodstuffs was terminated. This action opened the way for private traders to compete for supplies of non-traditional exports such as beans, maize and simsim. Next with monopoly of coffee exports, the Coffee Marketing Board was abolished in 1990. As a result, private traders lost no time in entering the coffee export business and currently handle about 80% of Uganda's coffee exports. Uganda has also carried out, in stages, a far-reaching de-regulation of the foreign exchange market. All the above gestures have affected positively and also negatively, to

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some extent, the nature and context of the formal urban labour market, which warrant an investigation.

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Similarly, the World Bank supported adjustment programmes focused narrowly on economic problems with little attention to social consequences. Confusion and controversy raged within the development community as evidenced by the "new poor" who are direct victims of adjustment, such as retrenched civil servants and laid off public and private enterprise employees who are victims of rigorous measures like shifts in production. The study of labour markets in developing economies has traditionally focused on medium and long term issues such as the determinants of rural to urban migration, the growth in the urban labour force and its implications for unemployment poverty.

Zuckerman (1989) further noted that some common features of adjustment programmes particularly affect the distribution of social welfare, positively for some, negatively for others. Civil servants and public enterprise employees find themselves out of work and income. Adjustment programmes should be designed to ensure that in the short and medium term at least the income and standard of living of the poor does not deteriorate further and that in the long-term, the poor should be brought in to the growth process through asset distribution, employment generation and human resource development.

According to Allison and Ringold (1996), macro economic reforms have led to dynamic changes in the labour market in developing countries during the past decade. Following years of instability, with high labour force participation rate and near level unemployment,

labour markets have become characterized by volatility on a number of dimensions. The transition has impacted overall labour force size, as well as individual status within the labour force. The introduction of market forces and dramatic declines in output led to a significant fall in demand for labour, increasing flows from employment to unemployment.

Little hard data exists yet to demonstrate that adjustment adversely affects the poor and other socio-economic groups. Still, literature is emerging which compassionately argues that the poor are worse off because of adjustment. These arguments are so far largely based on ancillary evidence.

Data is hard to come by because many adjustment programmes are still in the near stages and their medium and long-term effects cannot be determined yet. More recently, researchers have focused on the implications of alternative sources and forms of labour market segmentation for the effectiveness of stabilization and structural adjustment programmes. Labour market distortions alter not only the transmission process of macro-economic policies, but also the short and long run effects of structural adjustment policies. In particular, a commonly held view is that distortions may generate false relative price signals, which may lead to an inefficient allocation of resources. Despite remarkable expansion opportunity, transformation has come without great pain. The widening income gap has an expected side effect of transition, accompanying the liberalization of prices and wages and heightened social dissatisfaction that threatens political stability and the success of economic reforms.

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According to Gabribaldi and Brixiova (1998), since the early 1990's, a growing body of imperial and theoretical research has shown that the collapse of a centrally planned economy is accompanied by dramatic changes in the labour market. Overall, it is now clear that the reallocation of jobs between the declining public sector and an emerging private sector is associated with a rise in unemployment and a fall in real wages.

Further, according to Fields and Van (1989), a large literature in development economics has emphasized the role of labour market flexibility in the process of economic growth. A number of observers have argued, for instance, that one of the key features of the "East Asian Miracle" has been the limited impact of trade unions and other distortions on the labour market.

According to Agent (1999), the early neglect of labour market policies in the context of macro-economic management in developing countries may have been due to the widespread perception that chronic excess supply of labour would render policies such as those restraining wage growth largely irrelevant.

A few studies have tried to address the issue of changes in African labour markets under structural adjustment. According to Mazumdar (1989), most African countries faced with government cutbacks in the 1990's, allowed real public wages to be eroded, avoiding the need for large-scale retrenchment. Also, Lindaner et al (1986) in their analysis of four countries i.e. Ghana, Tanzania, Sudan and Malawi in the 1970's and 1980's, found that governments typically tried to protect the public sector wages of the lower skilled worker so that real wages erosion mainly resulted in

declining wage dispersion in the public sector relative to the dispersion in the private sector. Also, the gap between public and private sector wages narrowed considerably.

Horton et al (1994) provide a review of the existing studies covering the 1980's, presenting evidence on 12 countries including three African countries, Ghana, Kenya and Ivory Coast. Among the results relevant for the present study, they find changes not just in the sectoral allocation of workers but also in participation rates during adjustment periods. They find that female participation rates increased. Also, according to a report from the center for the study of African Economics (1998), it was noted that there were significant adjustments and public service reform on the private sector labour market that are varying. While employment changes have generally lagged, those of output and decline in state employment have indeed been large with most of that decline until recently not accounted for by the private sector.

According to Rutkuwski (1998), the urban formal labour market growth has been complementary through absorbing the retrenchees from the public service and has occurred mostly among small firms often with high failure rates. He further asserts that the absorption of the retrenchees into the formal urban labour market has been varied as experienced from other African countries that have undertaken the exercise shows. It is estimated that in the 1980's, the formal urban sector added only one million new jobs compared to the 15 million new jobs created by the informal urban sector.

The informal urban sector is increasingly becoming the employer of last resort in urban Africa. The informal sector is clearly playing the

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role of urban labour wipe off. Again, access to self-employment in commerce is easiest in terms of experience, skills and capital. Therefore, informal enterprises in the trading sector usually consist of one-man ventures. The prevailing assumption that the majority of the urban sector force, retrenchees inclusive will be self-employed contradicts the evidence. Surveys indicate that the chief employment status in urban centers is not self-employment but wage employment.

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According to the World Bank (1995), it is increasingly being noted that the adoption of labour reforms to reduce market rigidities and improve the locative of labour markets, unless accompanied by the introduction of institutional reforms, protection and redistribution, promises reduction in social welfare for workers affected by economic adjustment. This essentially means that, there is need to study more about the absorption of retrenched workers into alternative sectors, wage rates in other sectors, formal urban labour market inclusive and other related issues to establish the impact of public sector reforms on the labour market. This is to ensure that labour reforms are not in vain when embarked on.

Similarly, Redor (1992) asserts that, it is common knowledge that reforms like public service reforms are accompanied with changes in wage earnings. Wages generally fall with GDP, as a result the demand and supply shocks, which accompany them. Simultaneously, changes in the relative supply and demand for different groups of labour, along with changes in the wage settings institution (government), undermine the existing wage structure. For instance, in Mongolia, the wage structure which prevailed at the outset of the public service reform was characterized by two key

features; return to labour market skills often acquired through education, were low and wages were compressed i.e. earnings inequality was low by international standards.

Further, according to Agenot (1996), evidence on the behaviour of urban, private sector wages shows marked differences across regions in the developing world. In many countries in Africa, real wages were either stagnated or fell substantially during the 1980's. In Asia, sustained economic growth has often associated with rising real wages, whereas in Latin America, real wage behaviour has shown considerable differences across countries.

According to Knight and Sabot (1991), distinguishing between differences in earnings that can be justified on efficiency grounds and those that, by misallocation of labour are inefficient is irrelevant to the debate hotly contested in many developing countries over wages policy.

Also Allison et al (1996) assert that employment adjustments in Central and Eastern Europe are most clearly reflected in changes in employment patterns and the allocation of labour across sectors. The increase in the number of small private enterprises represents a general trend away from the previous employment structure, which was dominated by large industrial firms and collective farms.

The withdrawal of the public sector has led to the decentralization and diversification of the economy, and thus affected the sectoral distribution of employment. The share of the labour force working in agriculture and manufacturing traditionally, the cornerstone of the socialist of the socialist economies has declined the most.

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According to regional perspectives on the World Development Report (1995), a market-based strategy requires public action that enhances the functioning of markets, particularly the labour market, and that has important implications for selection of instruments of social policy. The transitions to more market-oriented systems inevitably generate winners and losers. Transfer programmes, reforms to promote labour mobility and policies to equip workers for change are all necessary to increase adaptability and spread the benefits of future growth.

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East Africa's experience demonstrates how sustainable economic growth reduces poverty through many channels including employment creation and rising real wages. As the region adopted market-oriented policies, labour intensive activities expanded, the accumulation of factors that complement labour yielded higher returns and rural employment increased substantially lifting rural incomes. Rapidly growing demand for labour in urban markets allowed wages to rise, and the poor shared in rising living standards.

According to Rutkowski (1995), market-oriented reforms and privatization of the economy have brought about a remarkable increase in returns to human capital in Poland, which has become a decisive factor determining labour market prospects. Well-educated workers see development of the private sector as an opportunity, while poorly educated workers see privatization as bringing increased uncertainty and risk.

2.3 Advantages of Retrenchment

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

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

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

2.4 Strategies for Effective Retrenchment

Appropriate skills, strategies and tactics are needed in implementing and managing retrenchment. This is partly because, retrenchment implies organizational change and change is normally resisted. Biller (1980) highlights some of the tactics used in

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carrying out retrenchment as: indicating that there are no losers or winners not favouritism for special categories of people who will win all the time, advancing general reasons for cutbacks (that are difficult to challenge, preference of some across–the-board cuts that increase fairness and legitimacy, concentrating on incentives especially for those who remain; having open minded management which is innovative, and involving customers in the search for ideas and problems to solutions. In short, having a corporate strategy is important for successful implementation of retrenchment (Behn, 1980).

Having corporate strategy for example, ensured successful retrenchment and restructuring of the shipping and ship building industry in Sweden during the crisis of the1970s. In 1988, Behn indicated that to make retrenchment work, there are basic responsibilities of cutback management which include deciding what to cut, maintaining morale, avoiding mistakes, developing support of key constituencies or stake holders, creating opportunities for innovation, attracting and keeping quality people. According to him, retrenchment has stages. These are: assessing economies needed to carry out retrenchment, taking a long term view, development of performance criteria, creating incentives for co-operation, and being compassionate to the stake-holders.

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

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

2.5 Downsides of Retrenchment

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

Biller (1976) is of the view that organizational costs increase as a result of retrenchment due to the package granted on retrenchment and catering for the needs of re-training those retained by the organization. Cascio (1986) supports this view. He says that although lay-offs are intended to reduce the costs, some costs like the severance package, out-of-placement benefit, pension and administrative processing costs may increase.

Thus it seems likely that the cost bill reduction as an advantage of retrenchment is not attainable in the short run. But even in the long run, its achievement may be bleak. The retained workers become more productive and if the Productivity Theory of wages rules, the wages goes up pushing the wage bill up (Levine, 1978).

Retrenchment may create demoralization, dampen organizational productivity and increase voluntary retrenchment, discourage the organizations' most talented and productive members who will end up leaving the organizations (Behn, 1980) and Standing and Tolkman (1991) warn that the introduction of voluntary retrenchment arrangements may impose considerable financial burdens on the organisation. Wilburn and Worman (1980) say that retrenchment threatens one's faith in the value of his contribution to the organisation and sense of control over the future.

Retrenchment causes industrial unrest. Biller (1980) notes that people whose status, income, and future are dependent on the programs that employ them will inevitably resist the change. This is further enhanced by trade unions, which resist un-called-for layoffs. Wilburn and Worman (1980) says that further resistance may come from members of management who have spent time developing

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policies and programs and whose end may not be seen. Innovation might be dampened because of retrenchment (Biller, 1980).

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

The above findings support the work of Curtis Russell, (1989) who investigated responses of administrators and lower personnel to retrenchment in the western culture and concluded that administrators' responses about events leading to cutbacks have been reactive activities that centralize, formalize and increase downward communication and directive ness. These responses exacerbate the existing problems connected to employee morale, trust, depression and productivity.

Cutbacks and cutback management can introduce threatening environments that engage individual and psychosocial actions to intervene between environmental change and pressures and internal organizational response.

Levine (1984) found that organizations facing crises, for example, reduced resources by implementing cutbacks in personnel and retrenchment, cope with and adapt to their environment by unwittingly exhibiting certain crisis-syndrome characteristics. In

hard times, most of them tighten controls of expenditure, centralize authority, and decision-making, pursue inappropriate strategies that worked in the past, and distort information. These responses affect members and create secondary crises as members try to cope with anxiety. Their working habits may deteriorate, filled with resentment, hostility, and anger and may develop a sense of dependence and search for a leader to save them. Such crises cause physical and psychological problems in the employees.

Marks and De Meuse (2005) states that layoffs cause serious business consequences. Most companies are ill prepared to handle the work that remains after reduction in force. As a consequence, companies tend to increase the use of temporary workers and consultants often at a cost higher than the expense of previous employees and the increase of the use of overtime. In addition, healthcare costs incurred by organizations rise for both victims and the survivors. The survivors are subjected to the psychosomatic effects of intense stress on the job. Meanwhile the psychological trauma of losing one's position triggers psychosomatic ailments. They document the psychological and behavioral reactions to resizing, which include:

(i) Survivor syndrome: People often feel guilty for having been spared, similar to the psychological reaction of children lose playmate or sibling in a fatal accident. Survivors may also become depressed at their inability to avert future layoffs

(ii) Loss of confidence in management: One of the most enduring symptoms of layoff survivor syndrome is the erosion of employee confidence in management. Several factors contribute to this attitude. First, many employees wonder why their leaders did not take proactive action to

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prevent layoffs. Secondly, the employees do not see how the transitions have added any value to the workplace. Third, there is a growing sense that management is motivated by greed rather than by concern for customers or employees.

(iii) Heightened cynicism: In many organizations few people see any benefits for the business or themselves.

(iv) Decreased morale: study after study has shown that morale drops in the majority of companies that resize. Survivors are angry with themselves for not seeing trouble before it arrived and at their leaders for exposing people to such stressful treatment.

(v) Dismal look: Even for those who breathe a momentary sigh of relief for having retained a job, there is a feeling of sadness that follows. People miss their former mentors, workmates and colleagues

(vi) Loss of control: What really controls their lives is the sense that they have lost control of their lives

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CHAPTER THREE

3.0 METHODOLOGY

3.1 Introduction

This chapter presents the methodology to be used, it entails: elaboration of the research problem, specification of research questions, specification of hypotheses, specification of types of empirical data, specification of the sources of empirical data, specification of technique of analysis and the Limitations and delimitations of the study

3.2 Sample Size

The study was conducted in a sample population of 110 respondents drawn from sixteen different institutions representing different sectors; trade, service sector, manufacturing, construction and civil service. The study mainly targeted former public service retrenches, policy makers and employers.

3.3 Data Collection Instruments

(a) Questionnaires

The research employed two specific questionnaires, that is, for former civil servants and one for personnel officers in government ministries and parastatals. The questionnaires were designed in line with the research objectives, hypotheses and topic. It will consist of both closed and open-ended questions. This technique will be selected because it collects detailed and accurate information.

(b) Personal interviews

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This was used by having a one to one interactive interview/conversation with 110 respondents. This tool was selected because it's instrumental in collecting first hand and relatively accurate information. The interviews were simple but able to collect all the relevant information from the respondents.

3.4 Specification of Techniques of Analysis

After the data was collected, the findings were compiled, sorted, edited and computer packages such as Ms excel, Ms Word was used to analyze the data.

The researcher used frequency distribution tables, pie charts and bar graphs to present the findings.

3.5 Specification of types of Empirical Data

The researcher used two types of data that is primary and secondary data.

(a) Primary data

This was first hand data obtained through personal interviews with the respondents and by self-administered questionnaires. This data was collected by physically going out to the field and having an interaction with the various respondents

(b) Secondary data

This was sourced from a review of documented literature resource written by other persons. This type of data was instrumental in presenting historical facts and findings.

3.5.1 Specification of the sources of empirical data

Data was collected from a multiplicity of sources as expounded hereunder: Textbooks, Newspapers, Journals, Magazines, Published, Reports, Internet and other sources.

3.6 Limitations of the Study

The study was constrained by the limited time allocated for the research given the tight academic and others schedules, characterized by course works, tests, lectures and exams. However this was countered by drafting a timetable where all activities are scheduled and strict adherence to the timetable emphasized.

Some of the respondents were not willing to release some "sensitive' information due to various reservations. However this was overcome by giving them reasonable assurance that the responses will be strictly used for academic purposes

It was difficult to identify some of the respondents especially the people who were retrenched from civil service given the fact that most of them are scattered across the country, some retired to the villages whereas others joined the private sector. This was countered by extensively mapping the appropriate respondents with the support of Ministry of Public Service Ministry of Labor Gender and Community Development and other related bodies such as workers unions.

Some of the relevant data was not readily available especially current statistics of the former civil service employees who are now actively involved in private investments. However this was countered by systematical reviewing all the possible information sources, to dig out such relevant data.

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CHAPTER FOUR

4.0 PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.1 Data type and Source

Mapping the impact of adjustment programmes on social welfare seems difficult. Some scholars feel that reliable analytical methodologies to do so have yet to be formulated. A variety of methodologies employ households and other available data. This study has attempted to quantify the impact of adjustment on the formal urban labour market.

The study was conducted in the city of Kampala, which has got all the necessary dynamics representation of all other urbanities in the country. A sample of 16 firms was selected on a simple random basis. The retrenched civil servants currently absorbed in the formal urban private labour market were randomly selected by simple random technique and interviewed. 16 human resource managers were also selected one from each of the firms identified to provide supplementary information but irrespective of whether they were retrenched or not. The following firms; Sadoline Paints (U) Ltd, Lonrho Motors (U) Ltd, Alam Protection Services, Roko Construction, Lakho Investment, Britania Insdustries, Victoria Motor Ltd and Armour Group were selected from manufacturing, trade/commerce, construction and services sectors. All interviews were conducted in English using two sets of questionnaires. The two questionnaires one for the retrenched civil servants and the other doe human resource managers were both open-ended and structured. The main source of date was from primary source.

However secondary sources from desktop reviews, reports and study reviews and publications, provided supplementary data.

4.2 Presentation, Analysis and Interpretation of Findings

The analysis indicates that retrenchment had a significant effect on the formal urban labour market in almost all of the factors analyzed. This supports the hypothesis that differences exist between retrenched civil servants and non-retrenched employees within the formal urban labor market in Uganda. The distribution shows that among the leading sectors in the formal urban labour market, which include manufacturing, construction, service and trade and commerce sectors, the service sector has absorbed more of the retrenched workers. From a study population of 110 respondents taken from 16 organisations, the service sector absorbed 37.3 percent of the retrenched workers followed by the manufacturing sector with 31.3 percent, trade and commerce sectors had 22.95 percent and the construction sector with 8.45 percent of the labour force.

Table 4.1 Distribution of Retrenched Servants by Sector

Sector	Percentage	Number
Services	37.3	41
Manufacturing	31.3	34
Trade and Commerce	22.95	25
Construction	8.45	10
Total	**100.0**	**110**

The results of table 5.2 suggest that the retrenchment exercise in Uganda affected mainly age group of civil servants in the age bracket of 37-47 years representing a percentage of 56.8

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percentage of all those retrenched. The youth in the age bracket of 26-36 years represent a 35.1 percent point. However, the old with more 48 years the least affected with only 8.1 percent of them retrenched.

Table 4.2 Age Distribution

Age Bracket	Percentage
26-36	35.1
37-47	56.8
48 above	8.1
Total	**100.0**

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This can be attributed to the fact that in Uganda the retirement age is 55 years and therefore the age bracket 48-55 years are the minority in the civil service.

Table 4.3 Percentage Distribution of Labour Force by Skills

	Male	Female
Skilled	35.2	10.9
Unskilled	40.6	13.3
Total	75.8	24.2

The shortage of skilled and educated labour was a potential constraint on and also instrumental in generating a remarkably widely dispersed wage structure. The major share of the new influx in the labour force may be relatively unskilled, which increases the supply and reduces the real wage for this type of labour. However, biased technological change increases unemployment so that the income share of the lowest quintile goes down as the labour force grows.

Table 4.4 Distribution of length of employment in current job

Time	Percentage (%)
Less than 6 months	16.7
6 month – 12 months	13.3
1 year – 2 years	23.3
3 years and more	46.7
Total	**100.0**

The analysis reveals that the majority representing 46.7 percent indicate that they have worked in their present organisations over three years. This confirms the earlier findings that indeed most workers were laid off in the early and middle 1990s. Similarly 42 percent have never worked in any other organisations apart from their current ones while 35 percent and 25 percent have moved from 1 to 2 places respectively.

4.5 Distribution of Length of time of getting another job.

Length of time	Percentage (%)
Less than 6 months	23.3
6 month – 12 months	26.7
1 year – 2 years	20.0
3 years and more	30.0
Total	**100.0**

Table 5.5 clearly confirms the fact that the majority of the respondents, representing 30 percent admit they took over three years to get any employment after retrenchment. This can be explained that immediately after retrenchment the majority of these public servants were jobless for around one to two years.

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With respect to when retrenched civil servants were laid off, the results show that at the beginning of the exercise, only 10 percent were laid off while the majority representing 40 percent and 36.7 percent were laid off during 1992/93 and 1994/95 respectively. This also shows that over 70 percent retrenches were successfully laid off within the first five years of the retrenchment exercise. Similarly the results here indicate that a large part of the civil servants representing 73.3 percent retrenched civil servants were laid off at junior levels such as officer clerks, drivers, messengers and account assistants.

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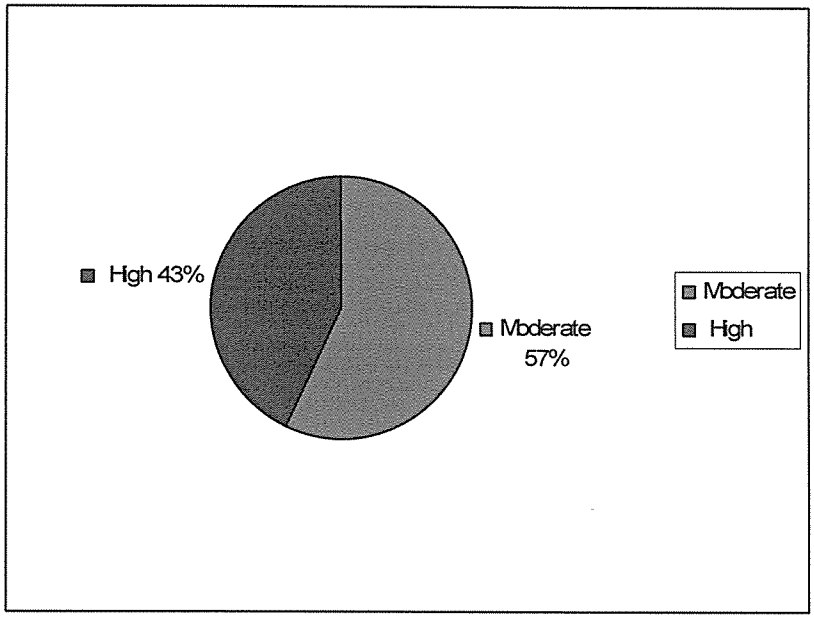
56.7 percent of those in their present jobs are utilizing their acquired skills from the civil service, while 13.3% do not agree at all. However 76.7% say that there is a similarly of duties in their present formal urban private labour market to their former Civil Service.

With respect to the rate of labour turnover, 42.9 percent say it is high following the retrenchment exercise while 57.1 percent say it has remained moderate. It therefore follows that the retrenches have added to the "army" of the unemployed. Job security is therefore limited in the formal urban labour market.

Figure 4.1 Distribution of Labour Turnover



The research also investigated whether there are any gender discrimination in the formal urban private labour market and why if so. The majority 75% revealed no gender discrimination however 20.8 percent agreed that there is gender discrimination in favour of the male counter parts. This they attribute it to the nature of work, which require a lot of energy and courage. However there is a small section which feel that the labour market is predominately male controlled especially at top management levels.

Table 4.6 Distribution of Further Improvement, Training and Packaging Pay

	Yes	No
Did further training after retrenchment	53.3	46.7
Provided further improvement by current body	46.7	53.3
Paid all retrenchment package	53.3	46.7

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Table 5.5, shows that 53.3% of those retrenched went for further training after retrenchment. However only 46.7 percent have received further training in the formal urban labour market. This implies the great importance the formal public labour market attaches to training of their labour force. The study reveals that only 53.3 percent managed to receive all their retrenchment packages.

The finding further shows that the majority representing 58.3 percent considered self-employment with their retrenchment package. However others never considered joining self-employment because it was very small or they were later absorbed into other employment. Over 50 percent have been absorbed in their present private labour market without their choices but for survival basis.

With respect to work productivity in the formal urban labour market, 76.7 percent feel that their work productivity is being maximized in the present employment than during public service.

Table 4.7 Distribution of Retrenches Current Monthly Salaries

50,001 – 100,000	6.7
100,001 – 150,000	13.3
150,001 – 200,000	30.0
200,000 – 250,000	23.3
250,001 – 300,000	16.7
300,001 – 300,000	10.0
Total	**100.0**

The result in table 5.6 suggests that there are important links between former civil servants engaged in the formal urban labour market and their earnings. From tables, the majority is earning a monthly pay of between Shs. 250,000. In comparison of these figures to their civil service, the majority 56.7 percent revealed that this is higher than public service rates while 33.3 percent disagreed that civil service is higher than their present salaries. However this later category also form the bulk of those earning below 200,000.

Table 4.8 Distribution of Pay, Job Security and Treatment

	Better Pay	**More Job Security**	**Better Treatment**
Present job	40.0	23.3	23.3
Civil services	40.0	70.0	66.7
No difference	20.0	6.7	10.0
Total	**100.0**	**100.0**	**100.0**

The analysis shows that there is no significant difference between their present enumerations and civil service, showing 40 percent both but it has not given any clear policy conclusions. The implication could be that he labour market has been characterized by rapid growth of the labour force and limited capacity of the formal sector to absorb this growth.

On one hand, the government has made no attempt to raise wages above the competitive market – determined levels. As a result the private employers seem to take advantage of this to pay its workers as low as the traditional civil servants.

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On the other hand however, the retrenched workers agree 70 percent from table 5.7, that there is no job security in the formal urban private labour market as compared to the civil service. In addition the majority of the workers in the formal urban labour market feel there is better job treatment in the civil services than the private service. The research has also revealed that the majority of the labour force in the formal urban private labour market are not unionized workers representing 76.6 percent. This therefore shows that there is need for a legal and policy framework to ensure job protection and the right of collective bargaining through trade unions, for all trades.

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CHAPTER FIVE

5.0 DISCUSSION OF FINDINGS, CONCLUISION, POLICY IMPLEMENTAION AND RECCOMMENDATIONS

5.1 Discussion of Findings

This research was done to establish the impact of retrenchment on the formal urban labour market in Uganda, the effects of the exercise on the factors of individual and organizational performance and quality of work life in Uganda. The results indicated that retrenchment had both positive and negative effects on the factors in question. The results tend to show that the effects of retrenchment depend on the factors under consideration. In addition, present research considered short-term effects of retrenchment. These findings are in line with research conducted elsewhere (Behn, 1980; Cascio, 1986) and are discussed below.

The discovery that retrenchment had negative as well as positive effects among public officers was supported by employee perceptions of the retrenchment process. This research found out that the respondents perceived retrenchment differently. Some saw it as negative, while others had positive perceptions about it. These findings support literature on reactions to organizational change. For example, Wilburn, Worman (1980) found that organizational change is usually resisted due to the uncertainty it comes with. This can be true in Uganda as well. Sometimes, managers resist such changes too (Behn, 1980). These findings also support Furniss (1974) when he cites a case of courts in

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America, which used the chance of cutbacks to get rid of the "trouble makers." It is likely that a similar situation happened in Uganda.

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For the retrenchees, the situation could be worse. The retrenchees with negative perceptions, which stem from poor retrenchment criteria, could cause political and social unrest (Biller, 1980). This was the case in Uganda, among the veterans and other employees who were retrenched without packages (R. Yombo, *The Monitor*, 28th July 1997). Still, government had promised to pay a living wage after retrenchment but this promise has taken time without being fulfilled. This has caused many strikes among teachers, lecturers, doctors and other civil servants. Some of these problems stem from misunderstanding the rationale of retrenchment.

5.2 Conclusion

Retrenchment had positive effects on some aspects of organizational performance. For example, retrenchment has led to increased sensitivity to the public. This relates well with the overall goal of the Civil Service Reform Program, which is the provision of quality service to the public. Retrenchment has been associated with increased teamwork, participation in decision-making, quality leadership and supervision, creative management, and information management. Improved information management is among the vision of the Civil Service Reform Program

The need to consult and ensure fairness by implementing and monitoring board also took more time. Delays in releasing funds by the Ministry of Finance and Auditor General's offices because, of combining normal pension work with ex East African Community

employees' compensation and normal retirement exercise led to work overload. Delays in retrenchment could have caused a shift in perceptions regarding the intentions, and fairness of retrenchment. The recommendation here is that it is better not to retrench until funds are ready.

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

The perceptions of people who were not retrenched could influence their performance at work. If they see that retrenchment was not fairly done, they may develop job insecurity. This might have

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happened since retrenchment is still an ongoing process. In some cases, and for some reasons, those to be retrenched were identified and not paid packages to leave. This can cause industrial unrest, which may cause more damage and thus increasing costs of retrenchment.

5.3 Policy Implications and Recommendations

The sectoral analysis results shown in table 5.1 indicate that the services and manufacturing sectors lead in the absorption of the former civil servants. Therefore, the government should offer support to towards broadening and strengthening these sectors in order to solve the problem of rampant unemployment. This can be done by way of availing credit facilities and a deliberate government policy that favours their expansion.

The analysis as depicted by table 5.2 also shows that the youth and the middle aged were the worst affected. This being the most dynamic, energetic and productive age group, wider consultations and careful planning needed to have been done before the implementation of the exercise. It is therefore imperative that more studies be conducted in this area to establish how the retrenchment exercise could have inflicted on the retrenchment victims. It is implied in the above analysis that programmes aimed at strengthening self-employment and entrepreneurship is embarked on as a matter of agency.

The skills analysis of the labour force shows that the majority is unskilled. This implies that in order for the formal urban private sector to expand, there is need to upgrade the unskilled labour force in order to obtain better results. It should be a policy that re-

training be a requirement by government on the part of formal organisations in the private sector.

The analysis was also able to ascertain that it took the majority of the retrenched workers a remarkably long time to find alternative jobs. Redundancy period was therefore prolonged for most retrechees. This further confirms that the exercise was done without enough consultations and manpower planning as to the alternative employment for the victims of the retrenchment exercise. Manpower planning should be a central point of emphasis.

At the beginning of the exercise, the analysis shows that a small percentage of the civil servants were retrenched as compared to the subsequent phases of the exercise. This should have offered an opportunity to the authorities to scrutinize the weakness of the retrenchment exercise. Alternative sources of employment should have been identified and expanded other than overwhelming the formal urban sector labour market as it turned out to be.

The analysis of the labour turnover reveals that it is relatively high. This means that there is limited job security in the formal urban private sector. This implies that there should be a regulating mechanism in the formal urban private labour market so as to discourage uncertainty in employment. The uncertainty further exacerbates unemployment problem.

The study revealed gender imbalances in the sector in favour of the males. This implies that deliberate attempts be evoked to rise female participation in labour force by way of affirmative actions.

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There is need to foster the formal urban private labour market sectors' capacity to improve their human resources. The study in table 5.5 exhibited that the number of firms that offer training opportunities to their employees is very few.

The retrenchment had an effect on the sectors wage determination. The study reveals that the majority of the employees earn between Shs. 150,000 to 200,000, which most employees of the civil service earn. There should therefore be a review of the wage policy in the sector, to march earnings with productivity. In summary the following are some specific policy recommendations: -

The government should adopt an interventionist approach to the labour market in form of wage and employment policies in tended to:

- Raise the incomes of the poor workers
- Reduce income inequality
- Protect the employees
- Expand employment

There is need to use the tripartite organisations (government, workers and the employers), workers and the employers to discuss minimum wages and its legislation.

Employers should employ a few practical tips so as to effectively implement retrenchment policies. Employees should be prepared in advance for impending changes as a result of retrenchment. Employees for instance should be given a realistic preview of the psychological aspects of retrenchment. Employees should be actively involved in the retrenchment process. Employers must always maintain open, honest and frequent communication with

employees through out the retrenchment process. Employees should also be given an inspiring long time vision of the retrenchment exercise as well as addressing the emotional side of the retrenchment exercise.

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Appendix I

QUESTIONNAIRE – A

FORMER CIVIL SERVANT

Sector:-

Manufacturing 1

Trade/Commerce..... 2

Services..... 3

Construction 4

1. How long have you worked in this organisation?

   Less than 6 months 1

   6 months to 12 months 2

   12 months to 2 years 3

   3 years and more 4

2. When were you laid off?

   1990/91..... 1

   1992/93..... 2

   1994/95..... ... 3

   1996/97..... ... 4

   1998/99..... ... 5

3. At what post or title were you working as in public service by then?

   Junior..... ... 1

   Senior 2

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4. How long did it take you to find another job after being laid off?

Less than 6 months to 12 months 1

6 months to 12 months..... 2

12 months to 2 years..... 3

3 years and more..... 4

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5. Do you feel your work productivity is being maximized in your present job compared to during your civil service period?

Yes 1

No..... 2

6. Please give reasons why yes?

1.....

2.....

3.....

4.....

5.....

7. Please give reasons why not?

1.....

2.....

3.....

4.....

5.....

8. When you compare your present benefits including net salary to that while you were still in civil service, which of the following statements do you agree?

Present benefits better..... 1

Civil Service better..... 2

No difference..... 3

9. Looking at your present job and during your civil service, where do you see more job security?

Present job..... 1

Civil service..... 2

No difference..... 3

10. Comparing the two employment services where do you feel better treatment?

Present benefits better..... 1

Civil service better..... 2

No difference..... 3

11. Please in 10 above elaborate further your reasons

1.....

2.....

3.....

4.....

5.....

12. Do you think that a particular sex is preferred or favoured in this present organisation and why?

Male 1

Female 2

Reasons:-

1.....

2.....

3.....

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13. Since you joined this organisation, has there been any further improvement of your skills by this organisation in way of further training?

Yes..... 1

No..... 2

14. Did you go for further training of your skills after leaving the public service?

Yes..... 1

No..... 2

15. When you left the civil service, were you paid all your retrenchment package?

Yes 1

No 2

16. If Yes to 15 above, did you consider self-employment with that package?

Yes..... 1

No..... 2

17. If No to 16 above, please give reasons

1.....

2.....

3.....

4.....

5.....

18. Why did you choose to join this organisation?

1.....

2.....

3.....

4.....

5.....

19. Does this organisation have any relationship with the department of public service you were working in?

Yes..... 1

No..... 2

20. If Yes in 19 above, what type of relationship

1.....

2.....

3.....

4.....

5.....

21. Do you feel the present organisation is utilizing your acquired skills?

Very much..... 1

Some how..... 2

Not at all..... 3

22. If not at all to 21 above, why not?

1.....

2.....

3.....

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4.....

5.....

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23. Are you duties in this organisation similar to the ones you were carrying out in public service

Yes..... 1

No..... 2

24. If No in 23 above, how have you been able to adapt to the new work situation?

1.....

2.....

3.....

4.....

5.....

25. Which other places have worked in after leaving the public service? (*Outline them*)

1.....

2.....

3.....

4.....

26. What are the major reasons for leaving?

1.....

2.....

3.....

4.....

5.....

27. Do you belong to any trade union?

Yes..... 1

No..... 2

28. What is your current salary/wage range?

Below 50,000..... 1

50,001 to 100,000..... 2

100,001 to 150,000..... 3

150,001 to 200,000..... 4

200,001 to 250,000..... 5

250,001 to 300,000..... 6

300,001 above..... 7

29. How do you compare this amount to your former one in civil service?

Present higher..... 1

Civil service higher..... 2

No difference..... 3

30. Gender?

Male..... 1

Female..... 2

31. What is your age bracket?

15 – 25..... 1

26 – 36..... 2

37 – 47..... 3

48 above..... 4

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32. What is the highest formal education level you attained?

Never..... 1

Primary 2

Secondary..... 3

Tertiary/Vocational/Diploma..... 4

33. In your present job do you get confirmation letters?

Yes..... 1

No..... 2

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Appendix II

QUESTIONNAIRE – B

PERSONNEL OFFICER/HUMAN RESOURCE MANAGER

Manufacturing 1
Trade/Commerce..... 2
Services..... 3
Construction..... 4

1. How long have you worked in this organisation?
   Less than 6 months..... 1
   6 months to 12 months..... 2
   12 months to 2 years..... 3
   3 years and more..... 4

2. How many workers/employees altogether do you have?
   Less than 10..... 1
   10 to 20..... 2
   21 to 30..... 3
   31 to 40..... 4
   41 to 50..... 5
   51 to 60..... 6
   74 to 100..... 7
   Above 100..... 8

3. (3A) Skilled/trained..... Male.....
   Female.....

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(3B) Unskilled/untrained..... Male.....

Female.....

(3C-1) Retrenched..... Male.....

Female.....

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4. Were you a part of those retrenched?

Yes..... 1

No..... 2

5. Following the retrenchment exercise, do you feel there has been a change in employment demand?

Increased..... 1

Decreased..... 2

6. How do you see the rate of labour turnover in your organization after the retrenchment exercise?

Labour turnover high 1

Labour turnover moderate..... 2

Labour turnover constant 3

Labour turnover low 4

7. Following the retrenchment exercise, what has been your recruitment requirements in terms of qualifications and job experience?

1.....

2.....

3.....

4.....

5.....

8. How do you rate the performance of the retrenched workers compared to the non-retrenched ones in your organisation?

Retrenched employees very good.....1

Retrenched employees moderate.....2

Retrenched employees very poor..... 3

9. How do you rate the remuneration of your overall work force after the retrenchment exercise?

Improved..... 1

Remained constant..... 2

Worsened..... 3

10. Please give reasons for your choice in 9 above:-

1.....

2.....

3.....

4.....

5.....

11. What criteria do you use to determine salaries or wages for your employees?

1.....

2.....

3.....

4.....

5.....

12. In your opinion, what is the future of the private urban formal labour market in Uganda?

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1.....
2.....
3.....
4.....
5.....

13. Gender? Male..... 1
Female..... 2

14. What is your age bracket?
15 – 25 1
26 – 36 2
37 – 47 3
48 above..... 4

15. What is the highest formal education level you attained?
Never..... 1
Primary..... 2
Secondary..... 3
Tertiary/Vocational/Diploma..... 4

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QUESTIONARE FOR FORMER CIVIL SERVANTS

Dear Respondent

I am Okiror Michael Otai pursuing Masters in Business Administration, currently carrying out a study on **"Retrenchment on the formal urban labour market in Uganda"**

This comes to seek your assistance in answering the following questions; your responses will be used strictly for academic purpose and will be treated with utmost confidentiality.

Thanks.

SECTION A: DEMOGRAPHIC DETAILS

1. Sex

   (a) Male (b) Female

2. Level of education

   (a) Certificate holder (b) Diploma holder

   (c) Degree (d) Other (specify).....

3. How many dependents do you have?

   (a) None (b) 1 to 5

   (c) 5 to 10 (d) More than 10

4. Which Ministry, parastatal or organization were you employed ?.....

   .....

   .....

5. How long had you served in civil service prior to your retrenchment?

   (a) Less than a year (b) 1 to 5 years

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(c) 5 to 10 years (d) More than 10 years

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6. How would you describe the formal urban labour market in Uganda?

   .....

   .....

   .....

   .....

   .....

7. What was your social economic status prior to being retrenched?

   (a) it was very good

   (b) it was good

   (c) it was average

   (d) it was poor

8. What was your average monthly income before retrenchment?

   (a) less than 100,000/= (b) 100,000/= to 300,000/=

   (c) 300,000/= to 600,000/= (d) more than 600,000

9. What us your average monthly income after retrenchment today?

   (a) less than 100,000/= (b) 100,000/= to 300,000/=

   (c) 300,000/= to 600,000/= (d) more than 600,000

Thank you for your cooperation

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QUESTIONARE FOR GOVERNMENT MINISTRY/PARASTATALS

Dear Respondent

I am Okiror Mike Otai pursuing Masters in Business Administration, currently carrying out a study on **"Retrenchment on the formal urban labour market in Uganda"**

This comes to seek your assistance in answering the following questions; your responses will be used strictly for academic ic purpose and will be treated with utmost confidentiality.

Thanks.

1) Organization.....
.....
2) How many employees were retrenched?.....
3) What criteria was used o retrench staff?.....
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.....
4) How was the whole retrenchment programme conducted?
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5) Did you play any role in the retrenchment programme?

(a) Yes (b) No

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6) What was the effect of retrenchment on the organization?

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7) How did the retrenchment programme benefit the organization?

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8) How would you describe the performance and effectiveness of the organization after the retrenchment programme?

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9) What demerits were associated with the retrenchment programme?

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10) How best can the retrenchment programme be implemented?

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Thank you for your cooperation

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Interview Guide

1) How did you cope with competition in the labour market as an employee?
2) What contribution did you make towards the economic development of Uganda before retrenchment?
3) How does your contribution then compare with what you are able to offer today?
4) How would you describe the retrenchment methods in Uganda and is there room for improvement?
5) How have you coped with life after retrenchment?
6) What role do the stakeholders including governments, Non-Government Organisations and the private people have to play in the life of retrenched workers?
7) How has employment and the formal urban labour market affected the political and economic condition of Uganda?
8) What is the role played by employment and the formal urban labour market in Uganda?

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