Chapter 7
Impact Retrenchment of Workers

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1.0 Introduction

Retrenchment in layman’s term is known as ‘reduction of workforce’ whereas in lawful terms it is respected as “termination of contract’. The industrial court restricted the utilization of the term ‘retrenchment’ to cruel a release of excess work. In the HR term, ‘retrenchment’ is characterized as a movement to legitimately end any work contract with the representative by advertising a recompense bundle. Such offer to conserve may come into as common acknowledgment or constrained upon by one party which of course would be the employer (Retrenchment – Understanding, Process and Procedures - RSS - NHRC, 2014).

Besides, According to Section 2 of the Retrenchment and Severance Benefits Act (RSBA), Retrenchment is defined as “the termination of employment of a worker at the initiative of an employer for the reason of redundancy.” Redundancy refers to the existence of surplus labour. In Trade Dispute 119 of 1993, the Industrial Court articulated it was “unmistakably clear” that the conjoint effect of “retrenchment” and “redundancy” meant that the existence of surplus labour is the one and only ground on which an Employer may justify retrenchment under the RSBA (The Employers Consultative Association of T&T, 2017).
On the other hands, Ojha (2015) emphasizes that there have a lawful arrangements which administer the hone of retrenchment. Retrenchment has more to it than the fair end of work by a boss. Area 2 of the Industrial Disputes Act, 1947 characterizes retrenchment as “the end by the boss of the benefit of a worker for any reason at all, something else than as a discipline dispensed by way of disciplinary activity, but does not incorporate:

1.1 Voluntary retirement of the workman, or
1.2 Retirement of the workman on reaching the age of superannuating if the contract of employment between the employer and the workman concerned contains a stipulation in that behalf; or
1.3 Termination of the service of the workman as a result of the non-removal of the contract of employment between the employer and the workman concerned on its expiry or of such contract being terminated under a stipulation in that behalf contained therein; or
1.4 Termination of the service of a workman on the ground of continued ill-health.

According to Ojha (2015) also the meaning of retrenchment was excluded in the Industrial Disputes Act, 1947 in its unique structure. It was embedded by Amendment to the Act in 1953. Therefore the Industrial Disputes Act, 1947 accommodates certain conditions in which the end of business would not be considered as conservation. It is intriguing to note here that the arrangement to Section 2 was embedded later through the Amendment Act 49 of 1984. Segment 2 gives that end of work on non-restoration of business understanding upon its expiry will not be considered as ‘conservation’. Before this arrangement was added to the Act, the Courts were of the assessment that non-restoration of such contracts of business would establish conservation with the end goal of this Act. This feeling was communicated by the Supreme Court in Hindustan Aluminum Corporation v. Territory of Orissa. It was later understood that the judgment was a terrible judgment and the arrangement was thusly added to the area.
2.0 DISCUSSION

Workers are an association's backbone. Thusly, they ought to be esteemed and ensured by the association. Be that as it may, authoritative survival in some cases relies on the effective execution of cost-cutting measures, and it is the representatives in such circumstances who are most seriously influenced (Holt, 2014). Indeed, with globalization, a decrease in one piece of the world influences other world markets. This prompts the repetition of specific employment, and Secondly, some stripping of activities. Associations are proactively saving because of their mergers, acquisitions, partnerships, and joint endeavors went for widening their worldwide reach (Ochieno, 2013).

According to Bashir (2012), conceivable explanations behind conservation in many business associations incorporate inclination congested, rebelliousness and changing commercial center. Retrenchment is along these lines a measure for them to endure. However, this corrective measure is a reactive piecemeal and crisis motivated. Some alternatives include induced retirements, separation with benefits, separation without benefits, induced pay-quit and retraining. Except for reduction of expenses for the business organisation and consequently increase in profits and dividends for shareholders, retrenchment affects the assurance of those representatives who stay after conservation as it causes a survivor syndrome due to lack of sufficient information.

Indeed, the reduction of an organisation's extent of activities prompts diminished incomes because of the diminished economy of scale and may cause the demise of the business. Laying off certain representatives has cost ramifications as far as remuneration for the more experienced and more generously compensated specialists who remain. Conservation without pulling back a portion of the items or administrations bargains proficiency and over-burdens the rest of the specialists who are relied upon to work increasingly, prompting diminished profitability and failure to satisfy market need (Reference.com, 2015).
Figure 1.4: Malaysia Unemployment Trend. (Source: MalaysiaKini, 2016)

Based on ministry statistics, the number of retrenchments in 2015 is the most elevated over the most recent five years, anyway, it is lower than in 2007, 2008 and 2009. The answer Likewise expressed the most quantities of specialists saved in 2015 were from the money, protection and takaful segments with 17,628 labourers let go. As should be obvious in Figure 1.4, an aggregate of 38,499 specialists was conserved in 2015, comprehensive of typical retrenchments just as those let go by means of deliberate severance plans. 25,917 specialists were given up in 2014, while 33,086 were retrenched in 2013 (MalaysiaKini, 2016).

MalaysiaKini (2016) also stated that the falling cost of oil over the most recent couple of years saw an overwhelming effect on the net-oil trading Malaysian
economy, while the takeoff of outside players in the assembling part left enormous holes in business.

Furthermore, the favorable position that we can see when organisation do the save of specialist is incorporate diminished costs, improved effectiveness, improved aggressiveness and decreased dependence on the business sectors. Conservation builds benefits for investors and makes a methodology to endure financial downturn. While the disservices of retrenchment incorporate development decay, diminished benefits, littler workforce, decreased profitability and failure to satisfy buyer need (Reference.com, 2015). Ochieno (2013) retrenchments are gone for cutting expenses, there is a general presumption that if organisations hold the best workers and administrators amid conservation, the organisation ought to perform better.

As stated by Aminuddin (2016), article 28 in collective agreement, the retrenchment benefits is:

1) The provision of this Article shall apply to those employees of the Company who are declared redundant for instance whose service are surplus to the Company’s requirement.

2) The Company shall inform the Union of the categories and grades of employees to be retrenched not later than one (1) month prior to that date on which the services of the employees concerned are to be terminated.

3) Representation on behalf of the employees affected by redundancy will be made by the Union within fourteen (14) days of the notice given under (28.2)

4) Subject to the needs of the business the Principle of “LAST-IN-FIRST-OUT” shall be adopted.

5) The Company shall give notice to the employees affected by the redundancy and the length of notice shall be in accordance with the provisions of Section 12 of the Employment Act 1955.

6) Any employee whose service is terminated on the grounds of redundancy in accordance with the provisions of this Article, shall in addition to receiving such notice or pay in lieu thereof, appropriate to the employee concerned, be paid a lump sum payment hereinafter referred to as retrenchment gratuity.
7) The quantum of retrenchment benefit payable shall be as follows:
   a. Three quarter (3/4) months’ basic salary based on the last drawn month basic salary, multiplied by the number of completed years of continuous service and proportionate of any incomplete year of service if he has been employed by the Company for a period of less than five years.
   b. One (1) months’ basic salary based on the last drawn monthly basic salary, multiplied by the number of completed years of continuous service and proportionate for any incomplete year of service if he has been employed by the Company for a period of five (5) years or more.

8) In the event of vacancy being applied for a retrenched employee, such an employee will be given favourable consideration.

Following that, after the company has deciding to retrench, the company must decide which employees will stay and which will go. To ensure that there is no discrimination occurs, the decision should be made using objective criteria by the company. Criteria will incorporate the aptitudes blend that the representative claim to take the organisation forward together with workers' length of administration, disciplinary records and participation records. At the point when representatives realize that the criteria utilized are objective and the procedure has been genuinely connected, they are bound to acknowledge the result.

Next, financial consequences will be faced by the workers who lose their positions because of conservation since they never again get a pay. This can be a noteworthy issue to the worker particularly if the representative is the family's primary provider. This circumstance can lead the representative to drain her funds and taking out advances to cover her bills. They could even lose their home on the off chance that they neglect to keep up the rental or home loan installments. Losing employment can likewise mean losing related advantages, for example, medical coverage. While medical advantages can be reached out under the Consolidated Omnibus Budget Reconciliation Act, COBRA, this is a costly choice that will, in the end, run out. The absence of medical advantages can prompt missed registration and inability to get medicines, causing a delay in the person's wellbeing.
The impact retrenchment to the worker is basically can be devastating to an individual especially if it is not voluntary. It has been established that retrenchment leaves a lot of job insecurity to the remaining staff bringing their morale down, as they do not know about their fate in future (Alice, 2015). Mental well-being also can be affected by the employees. Employees hope to be compensated for buckling down. They will confront the absence of certainty and lead to the question of future businesses. This is on the grounds that even the absolute most persevering workers have their employments wiped out since the organisation needs to do that to lessen their work cost. The hardworking employees are expected to be rewarded instead of being retrenched. Retrenched employees can find themselves in a downward spiral that contributes to depression and mental health issues. To help the retrenched employees cope with their situation, they even turn to substance abuse or drugs while others may take their frustration out on loved ones through domestic violence.

In fact, Portal (2017) indicated that the key feelings an individual who has as of late been retrenched is probably going to encounter 5 stages of feeling when they been saved which is has been uncovered by Van den Barselaar, the Managing Director of workforce arrangements supplier, Manpower South Africa. It is:

1) Stage 1: Shock

The employer who has been retrenched may first feel shock because they did not expect that they will be retrenched. Even the hardworking person will be very shock. The employee might even feel disbelief and expect their employer to change their mind or admit they have made a mistake.

2) Stage 2: Anger

After shock comes anger and it can manifest in different ways. This could be anger towards their company for letting them go or anger at colleagues they feel should have gone instead. “It’s important not to let these feelings consume you as they may stop you addressing any issues that led to your dismissal,” says Van den Barselaar.
3) Stage 3: Depression

It's additionally normal for people who are jobless for any period of time to encounter pessimistic mindsets and conceivably gloom once the most noticeably awful of any displeasure has died down. It's normal to feel pity, lament, dread, vulnerability, as it demonstrates that as a person. Dejection can make individuals face low confidence and an absence of vitality. It's essential for saved people to dependably have inspiration. Furthermore, misery is a genuine condition which they should look for restorative help in the event that they feel it is getting to be overpowering.

4) Stage 4: Guilt

Numerous individuals experience coerce in the wake of being made conserved. In this way, it is essential to not accuse yourself as blame can make remove between an individual and the general population they need the most.

5) Stage 5: Acceptance & Relief

At times, people may feel help that the vulnerability about being saved is finished. When they achieve this stage, it can very free. They begin and can acknowledge whatever happens to themselves. Be that as it may, it is crucial for people to perceive each stage, and go through it, with the learning that they will inevitably feel constructive once more.

However, for some employees, the loss of a job due to retrenchment can be a positive step that allows them to reinvent themselves. The employee can no longer remain in a position that was not challenging or satisfying. It does not mean the position does not challenging, it means that the employer has done face all of the challenges until it become no more challenging. We can call it as job security. Retrenchment can be the push the employee needs to get out of the rut of job security and look for a more rewarding role.
3.0 CONCLUSION

In a nutshell, retrenchment today has turned into a commonly recognised name in numerous associations as organisations endeavor to limit costs and expand benefits. What is more than over the recent decades, representative conservation has turned into a vital piece of hierarchical life. Worldwide focused weights combined with consistently changing interest conditions have made firms basically look at their cost structures, incorporating those related with human resources. Even Bruce Tulgan, founder and CEO of Rainmaker Thinking stated that what individuals need to recollect is that conservation might be back on the front pages, yet the conservation never backed off. Retrenchment has been a steady and ordinary element of the new working world, and it will keep on being (Guthrie, 2016).

The suggestion toward the employee who has been retrenched is develop a plan on how they are going to manage their finances and gain employment again since most employee that has been retrenched may face financial problem. The employer has to start their job search straightaway. Besides, the worker also can use this situation as an opportunity to further their skills. Lastly, do networking which is expand the circle of contacts which this action may give a lot of benefit to themselves. By networking, it might be someone in the contact help the person get the job.

The company should communicate more regularly to the employees so that they can get to know what is happening and the changes proposed to take place. Future plans should also be revealed to employees since what happens affects them. The company should train employees on change management so that all of them can try to cope with change, as change is inevitable. The organisation should also spell out clearly what they require and expect of employees.
REFERENCES


“One can be instructed in society, one is inspired only in solitude”

Johann Wolfgang von Goethe