

ABSTRACT

Of recent decades, employee's retrenchment has been used by managers of business entities as approach to improve their financial performance. This study investigated the effects of retrenchment on business financial performance. Investigating the relationship between retrenchment and financial performance, this study contributed to the existing literature using a case study of Tanzania Telecommunication Company Limited (TTCL). The descriptive quantitative research design of case study was used. Questionnaires and interviews were used as instruments in which Sample size of 345 respondents out of 2518 was obtained through simple random sampling technique .However, researcher also used purposive sampling technique when it was necessary. By use of correlation coefficient statistical tool, findings obtained from both primary and secondary sources concluded that labor retrenchment parse does not necessarily result into better financial performance for the business. The inverse relationship observed from the study between the two variables suggests that if not complemented with other measures, retrenchment may lead to more serious financial problems to the firm. By this fact, the study indicated that labour retrenchment has a negative effect on financial performance of the business. Besides, there are other factors which can affect the business financial performance. Such factors like government policies, general economic conditions, management, market technology, structure and both political and geographical weather need also to be considered. The researcher recommends the business managers not to always rush for labor retrenchment as a cure for business financial sickness. This is because retrenchment may result into increased employees resignation, work pressure, huge expenses, loss of work morale, and loss of skilled and experienced personnel. For retrenchment to be effective tool for improving financial performance of the business it must always be complemented with other business strategic measures otherwise standing in itself, retrenchment is not an effective tool for sound financial performance.