

**HUMAN RESOURCE CHALLENGES ARISING
FROM
USE OF TEMPORARY EMPLOYEES – A CASE STUDY
OF KENYA POWER & LIGHTING COMPANY LTD**

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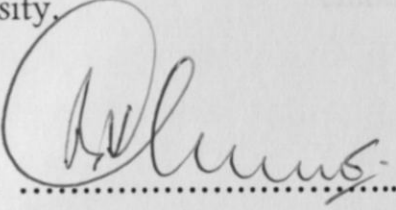
BEN CHUMO

**A Management Research Project Presented in partial fulfillment
of the requirements for the award of a Degree of Masters of
Business Administration (MBA)
University of Nairobi**

DECLARATION

I declare that this Human Resource Management Research project is my original work that has not been submitted for a degree in any other University.

Signed



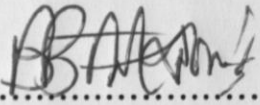
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17/11/07

The Human Resource Management Research project has been submitted for examination with my approval as the University Supervisor.

Signed



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DEDICATION

To my dear late mother who loved me, inspired me to read and gave me emotional support.

and

My dear wife Catherine and children Victor and Faith, for putting up with me as I wrote this project during family time in the house.

ACKNOWLEDGEMENT

I am grateful to my God for the gift of life and perfect health with which I have been able to go through this programme.

I thank Kenya Power & Lighting Company for providing financial resources towards the MBA programme.

I thank the University of Nairobi lectures for providing the teaching that went into this programme. May God bless you abundantly.

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ABSTRACT

The number of Companies using temporary workers is on the increase as global competition heats up and the urge to cut down on cost of doing business and remain competitive reaches fever pitch.

The purpose of this study is to examine a range of concerns, Human Resources management challenges and issues relating to rising use of temporary workers by employers. The main challenges this study will investigate will include but not limited to the following: -

- The human resources challenges associated with ongoing and extensive use of temporary workers.
- The rationale for companies to use temporary workers rather than permanent workers.
- Factors determining types of temporary work arrangements
- The rationale for temporary workers entering into temporary employment
- The relationship between temporary worker recruitment agents (bureaus) and user companies
- The relationship between labour laws and organizations labour use patterns of temporary workers

HUMAN RESOURCES CHALLENGES

Companies which use temporary workers differ widely in their approaches to human resources management in terms of recruiting, training, orientation, socialization and integration of temporary workers. This study highlights several factors associated with management of temporary workers that may lead to low productivity among them and even

early/premature departure from the user Companies. These factors include: -

- High turnover
- Inadequate socialization
- Perceptions of organizational injustice
- Exclusion from decision-making activities that affect their work lives in user organizations.
- Expectations for a permanent job in the user Company
- Relatively low age and tenure compared to permanent employees.
- Relatively low tolerance for perceived inequity compared to permanent employees.
- Relatively low levels of commitment toward the Company compared to permanent employees.
- Limited motivation compared to permanent employees.

The above factors together result in limited motivation on the part of temporary workers, leading to reduced productivity and a predisposition to early departure from user company.

DESIGN, METHODOLOGY AND APPROACH

This study discusses the implications of the above factors and move with an emphasis on the development of comprehensive human resource management systems that address the factors identified among temporary worker user organizations.

CHAPTER 1

INTRODUCTION

1.1 Background

Temporary employment industry accounted for approximately 10% of total job growth in the 1990's, a figure twice that seen during 1980's Wessel, (2001) and projections indicate at least a 60% increase over 1996 figures by the year 2008 Melchionno, (1999).

In Japan alone the number of temporary workers rose to 26.1% from March 2002 Financial Times Information Ltd., (2002). More importantly, the role of temporary workers is dramatically different from past decades as well. Once limited to replacing relatively unskilled, sick or clerical staff on leave, today's temporary workers increasingly fill positions in a variety of executive, managerial, professional and technical areas requiring extensive skills.

Even so, companies' still use temporary workers for a variety of reasons such as seasonal or cyclical workforce adjustments cost saving efforts and specific skill needs. For these companies, the cost of increased socialization, training and development of temporary employees would likely far outweigh the benefits.

During the financial year June 2006/07 Kenya Power & Lighting Company was faced with a lot of safety, health and environmental issues involving temporary workers. Nearly 90% of all workplace accidents involved or were caused by temporary workers. This alarming statistics led to Kenya Power & Lighting Company hiring a full fletched Safety Manager

dedicated to Safety, Health and Environmental (SHE). During the same period Kenya power & Lighting Company trained 1,200 temporary workers on Safety.

It is not uncommon for companies in Kenya that use temporary workers extensively to have positions for them that can last for five years or longer, or to hire workers into temporary positions with an increased potential for longer term employment.

Kenya Power & Lighting Company uses the temporary employment condition as a pseudo – probationary period to preview workers from whom they screen out those who fail to meet performance criteria or do not otherwise “fit” the Company or extend offers of longer term employment to desired individuals.

This approach has given Kenya Power & Lighting Company a significant benefit in developing a stronger, more meaningful employer – employee relationship with its temporary workers.

As a matter of fact and in recognition of temporary workers desire to be engaged on permanent terms, Kenya Power & Lighting Company offers temporary employees 140 permanent positions in the Company annually. The temporary employees act as a pool for sourcing those whom the company wishes to offer permanent employment to replace attrition among permanent employees.

Similarly, individuals’ motivation to enter the temporary labour market varies widely and includes the inability to secure more desirable or

permanent jobs, or a desire or need for retraining or for greater choice in when and where to work.

Nevertheless a large number of them do so with the tacit hope of obtaining an offer of permanent employment Foote and Folta (2002).

In some cases the aspiration for permanent employment stems from a perception on the part of lenders for example, Mortgage houses and banks that because temporary employees' income source is less stable, temporary workers represent a high financial risk and the temporary workers want to avoid being seen as high risk investments.

Employees not seeking permanent employment offers are likely to be less concerned about the quality of employer – employee relationship than are those who seek more stability and commitment in work relationships.

The Human Resource Management practices in place may make little difference if any for them. However for workers who seek more stable long-term employment these practices may significantly impact their decision to stay in the Company.

The motivation for seeking permanent employment is not as important as the quality of the employer – employee relationship temporary employees' experience.

While longer assignments provide stability for temporary workers who value it, they create additional challenges to employers that want to maximize the utility of their temporary workers.

As earlier indicated in this study temporary workers raise very fundamental challenges to progressive human resource management practitioners in several areas such as extensive employee training, employee participation and empowerment, job design, team-based production, performance based compensation etc, Foote and Folta (2002). Recent research indicates that progressive human resource management practices and systems are not linked to management of workers hired on temporary basis; on the contrary their focus is on permanent employment.

1.1.1 Turnover among Temporary Workers

Human resource management practitioners in progressive organizations are engaged in reducing employee negative job perceptions which enhance their propensity to change jobs.

In order to reduce turnover and increase retention companies must either increase employees' positive perceptions of their current jobs or decrease their positive perceptions of alternative jobs, Coff (1997)

Reduction in turnover among employees is normally achieved in a variety of ways including increasing pay and improving job satisfaction. However, reduction of cost, eg. In medicare and retirement plans as a rationale for the increased use of temporary workers precludes companies from using monetary means to enhance perceptions for the current jobs.

Minimization of employee turnover constitutes an important objective in sustaining competitive advantage through people Pfeffer, (1995). Although human assets alone do not necessarily create competitive advantage to a company, they constitute a special form of strategic asset Shoe marker (1993). Human assets are unique in their capacity for

voluntary turnover. Temporary workers acquire knowledge in the Company and whenever they leave, they leave with company specific knowledge and skills that are much-needed by the organization.

Companies that use temporary workers are faced more frequently and with greater severity by staff turnover than those who engage permanent employees. Companies that are not able to cope with frequent turnover of temporary staff may not be able to achieve and sustain their competitive advantage as turnover constitutes interruption of their operations and performance.

The use of temporary workers by companies includes by definition, an element of scheduled turnover. That is, by their nature temporary workers have a planned end of term. However, firms that make extensive use of temporary workers experience higher than necessary levels of unscheduled turnover because of human resources management dilemmas peculiar to temporary workers.

Unscheduled turnover is defined as the departure of temporary workers prior to the scheduled end date of their temporary assignments. This same phenomenon viewed from the temporary workers perspective, is referred to as early withdrawal, Coff (1997)

To the extent that unscheduled turnover occurs among temporary workers, previously expected cost trade-offs between scheduled turnover and wage/benefits avoidance no longer apply previously anticipated from use of temporary workers.

1.1.2 Inadequate Integration

Companies that use temporary workers face challenges in their attempt to maximize potential among the workers. KPLC for example invest little, if any, time or effort in the integration of temporary workers from precisely because the assignments are temporary by definition. A lot of times KPLC excludes temporary workers from staff meetings and other activities that might result in deeper level of integration. This failure to integrate temporary workers into the Company may act as intensity the problem of unscheduled turnover among them, thus make them a very unstable workforce.

Such actions as practiced by companies may also result in temporary workers' failure to acquire adequate understanding of others' expectations and their own role-relevant boundaries, thereby depriving the company of their maximized performance. Indeed the essential nature of temporary workers among companies with small projects requiring short term temporary workers to be deployed may require that the Human resource Managers actively seek ways to integrate their temporary workers into the organization more fully while at the same time clearly emphasizing their importance to the business.

1.1.3 Inadequate Socialization

Careful consideration of human resource management issues related to temporary workers such as integration are critical in reducing unscheduled turnover among temporary workers.

Van Maanned and Schein (1979) described socialization of new employers in organizations as the learning of a cultural perspective that enables

workers to interpret their experiences appropriately in a given segment of work.

Jones (1986) described institutionalized socialization as consisting of the following six elements.

- Grouping newcomers and exposing them to common experiences
- Segregating newcomers initially from established organization members
- A fixed sequence of steps designed to facilitate role assumption
- Imposition of timeline for completion of role assumption
- Assignment of role models to conduct the socialization process and
- Affirmation of newcomers' identity and personal characteristics.

Institutionalized socialization has been positively correlated with job satisfaction, organizational commitment and organizational identification Ashforth and Saks, (1996)

Ashforth and Sacks advised that institutionalized socialization may represent an even more salient approach to younger, less experienced newcomers due to their stronger need for information, identity, social support and legitimacy.

In Kenya Power & Lighting Company, as at June 2007 the company had three thousand (3000) temporary workers, 56% of whom consist of relatively young workers, i.e. below the age of 35 years. Furthermore the number of young people joining Kenya Power & Lighting Company as temporary workers is increasing as the number of permanent job opportunities reduces significantly.

Thus implementation of institutionalized socialization in organizations that use temporary workers extensively should take a critical look at the significance of institutionalized socialization given the likelihood that most of the temporary workers are going to be relatively young and inexperienced. Newcomers, including temporary workers, must acquire the company's culture perspective along with adequate understanding of other's expectations and their own role-relevant boundaries in order to function appropriately in their environments.

Failure to fully convey this information may result in misperception dysfunction, particularly among temporary workers, because companies too often view socialization of temporary workers as low in priority or even significant. Ironically the resulting misperception and dysfunction among these workers may limit their ability to contribute thus depriving the company of their maximized performance and leading to problems of early departure from the company.

1.1.4 Perception of Injustice

One of the most potent determinants of social decision making procedure is the extent to which those affected by the decision are allowed to participate in the decision making process through "the exercise of process control of voice" (Lind and Tyler 1998).

Employees are more likely to perceive procedures that affect them as fair when given an opportunity to express their opinions and desires as part of the process.

Like other companies in Kenya KPLC frequently excludes temporary workers not only from participating in decision-making that affects their immediate work conditions but also from such simple yet perhaps very meaningful actions as introducing them to fellow employees other than those with whom they have direct working relationship like supervisors or team leaders.

To make matters worse temporary workers are given responsibility without commensurate authority leaving them feeling underutilized, uninformed, uninterested and uncommitted – attitudes that suggest strongly negative justice perceptions and a greater likelihood of departure from the company prematurely.

1.1.5 Reduced Expectations for Permanent Employment

The psychological contract refers to beliefs about the terms of an exchange agreement between individuals and their companies and revolves around expectations suggested by the agreement, either explicitly or implicitly. While some temporary workers prefer the transitory environment offered by temporary work, many enter temporary labour market specifically intent on securing a permanent position. i.e. with an expectation that the temporary assignment may lead to a permanent position at some point.

Kenya Power & Lighting has put in a place a transition programme for 800 long serving temporary workers at the rate of 140 annually for five years. So far as at the end of July this year (2007) 420 temporary workers have been absorbed into permanent workforce.

The above example demonstrates why such aspirations are not at all unrealistic. These expectations may persist regardless of the explicit

agreement, especially on those cases where a temporary worker has knowledge of other temporary workers who have previously obtained permanent employment with the organization.

If the organization fails to offer permanent employment within an acceptable time frame they (temporary workers) may perceive it as a breach of the psychological contract, diminishing expectations and leading to reduced motivation to continue serving as temporary workers in the organization.

The essential nature of temporary work is that the workers are younger and possess lower tenure on average than do permanent employees Steinberg (2001).

The combined effects of reduced expectancy and relatively low tenure and age suggest that temporary workers who are seeking permanent employment may be particularly vulnerable to early departure from employer organizations.

1.1.6 Low Tolerance for Perceived Inequity

Adam's (1963) equity theory proposed in general terms that when individuals perceive a difference between their own input/outcome ratio and that of referent other, a negative state of distress results that motivates those individuals to take action to restore equity to the situation. Because organizations primarily control outcomes adjustments nearly always occur on the input side of the ratio.

Additionally employees who cannot achieve an acceptable “adjustment” of the input:outcome ratio whether in reality or by altering their perception of the ratio, typically resolve to leave the organization Cascio (1991).

Equity theory would predict that temporary workers who perform comparable tasks equally as well as their referent workers (in this case permanent workers) but receive lower pay than the co workers, may respond by seeking to increase outputs or by reducing input efforts in order to restore equity. The potential for such a scenario is high because temporary workers are typically paid less than permanent employees, even for equivalent work (Parker 1994).

If neither inputs nor outcomes can be adjusted in actuality they may attempt to cognitively distort their own input: output ratios or those of the referent others.

However, for temporary workers, both direct alterations of the input outcome ratio and cognitive distortion of the input:outcome ratio may represent alternatives requiring a certain degree of effort, (i.e. motivation) above that required for withdrawal. Consequently, temporary workers already predisposed to leave the organization based on other factors described earlier may respond according to that predisposition rather than expanding the effort required to achieve input:output ratio adjustments. Therefore, they may withdraw more readily and at a higher rate than would their permanent employee counterparts.

1.1.7 Low Levels of Commitment

The concept of commitment includes the attachment associated with compliance as controlled by rewards and punishments, willingness to

affiliate and ability to identify with organization and congruence with organizational goals and values Foote and Folta (2002). However developing this type of commitment may represent a particularly difficult challenge with regard to temporary workers. (Feldman 1990) noted that the very nature of temporary employment increases feelings of divided allegiance on the part of temporary workers.

According to Parker (1994) underemployment, meaning both under employment in terms of hours employed and underemployments in terms of sub optional skill utilization makes temporary workers less involved rather than more involved.

Segal (1996) found that temporary workers worked an average of 33.5 hours per week while their permanent counterparts worked an average of 39.5 hours per week. Thus, involvement for temporary workers is limited on a temporal basis alone. Simply because they have six fewer hours per week to exercise that involvement.

Even more problematically, users of temporary workers view them as buffers against market downturns effectively classifying temporary workers as expendable.

Because of this view, employers also allocate fewer resources to training and socializing temporary workers than to permanent employees Weins – Tuers and Hill, (2002).

This “restricted investment” of the part of employer reinforces feelings of second – class citizenship among temporary employees and has the compounded effect of limiting both involvement in and identification with

the organization. As a result, temporary workers may exhibit lower levels of commitment toward the company than do permanent employees in whom the firm's investment is not similarly restricted.

This study outlines several factors as direct and indirect antecedents to challenges associated with use of temporary workers. In the following chapter implications for organizations that use temporary workers are discussed with a focus on the development of comprehensive human resource management system that address the Human Resource Management challenges identified.

1.2 STATEMENT OF THE PROBLEM

Current trends among organizations indicate an increasingly important role of Human Resource Management in the development of corporate strategy. A closely related contemporary theme involves the importance of aligning Human Resource Management strategies with overall organizational strategies, as evidenced throughout the broader domain of strategic management literature.

Given this context, it follows that organization's Human Resource Management strategies should support their overall corporate strategies. Yet it appears that a significant number of companies in Kenya and elsewhere in the world fail to recognize the critical nature of their Human Resource Management strategy regarding temporary workers. Organization's whose strategies include extensive use of temporary workers should develop Human Resource Management Systems that are consistent with those strategies. Without filling the gap that exists between the treatment of temporary workers and permanent workers, organizations will not be able to maximize the potential of temporary workers.

There is justification therefore to study the Human Resource Management challenges in organizations that use temporary workers with the objective of improving Human Resource Management policies relating to temporary workers.

1.3 HUMAN RESOURCE MANAGEMENT POLICIES

Human Resource Management policies implemented in piecemeal fashion across departments or divisions and with varying degrees of emphasis, while adding to the accomplishment of segmented goals may fall far short generating the depth of commitment necessary for the achievement of organizational goals Hunt and Morgan, (1994). Instead, organizations should develop Human Resource Management policies that complement each other and collectively promote organizational goals.

Keeping in mind the context of longer-term assignments for temporary workers, organizations' Human Resource Management policies, must first address the potential for predisposition toward early departure among temporary workers, that may be complicated by a strong potential for low commitment towards the employer organization. Human Resource Management policies designed to collectively and comprehensively address challenges and issues affecting temporary workers align the organization to provide stimulating assignments for its entire work force rather than just its permanent employees. In turn, such policies may foster involvement, commitment to the employer, and the perception among temporary workers that the current assignment represents their best alternative.

1.3.1 Socialization

Organizations must clearly define temporary workers' roles and expectations as part of the initial assignment, orientation and socialization process. Providing extensive information during orientation and socialization may facilitate acquisition of the employer's cultural perspective for new temporary workers, in turn reducing the anxiety and uncertainty attendant to new surroundings and new responsibilities.

Sharing of information is a necessary precondition to broader worker participation and empowerment which have been shown to increase both satisfaction and productivity (Pfeffer (1995)). Additionally, rather than assign repetitive, unchallenging tasks, employers should maximize cross-training opportunities among temporary and permanent employees and assign tasks that stretch temporary workers' abilities.

1.3.2 Justice and Equity Perceptions

Human Resource Management policies in general, and compensation plans in particular, must take into account the anomalous response tendencies of temporary workers with regard to perceived inequities discussed earlier in this study.

Employers will need to learn to anticipate to a greater degree those conditions under which temporary workers may likely perceive inequity, or find it inappropriate to do so, Human Resource Management Policies should incorporate proactive policies aimed at helping temporary workers accurately to understand situational details in order to eliminate inequities arising simply from flawed perceptions.

1.3.3 Expectations for Permanent Employment

Employers should clearly articulate their policies and practices with regard to the transitioning of temporary workers to permanent employment so that temporary workers can make informed decisions about whether to accept an assignment in the first place, rather than having to wait until they are already on site with the employer before that critical information becomes available. This practice would benefit employers and temporary workers by improving the match between the motivations of both parties, thereby reducing the disillusionment of temporary workers assigned to employers that have no interest in or opportunity for transitioning them to permanent employment, and reducing the costs associated with turnover for employers as well.

1.3.4 Decision Making

Employers should maximize opportunities for temporary workers to participate in decisions relevant to the immediate work conditions of their own assignments in order to promote a sense of ownership and identification with organizational goals Schuler and Jackson, (1982).

Although labour laws may impose some limits, to the extent that companies keep their temporary workers informed and embrace them as team members along with permanent employees, those temporary workers may be able to offer more effective and provocative insights into organizational situations.

1.3.5 Commitment

The employers' Human Resource Management Policies should incorporate procedures to obtain detailed information about temporary workers knowledge, skills and abilities from their job applications, apply the

information during initial assignment, and review and update the information as part of the periodic appraisal process. Such a comprehensive approach would enable employers of temporary employees to develop more challenging assignments on an ongoing basis for their temporary workers which may significantly enhance overall performance. Not only do such practices foster commitment and contribution, they may provide an additional and crucial benefit in increasing the value of employers' temporary Human Resources assets by increasing their versatility and utility.

1.3.6 Temporary Employees' Relationship with Employers

This study endeavours to contribute to the development of Human Resource Managers' understanding of the relationship that exists between employers and their temporary workers by examining and reviewing problems and issues unique in scope and magnitude with regard to temporary workers. In addition, it suggests the need for employers to expand their investment in temporary works in order to realize maximized performance from all aspects of the company.

However, the growing practice in Kenya and elsewhere of placing temporary workers in what essentially constitute long-term positions creates a host of labour law issues surrounding the employer – temporary employee relationship that must be resolved before Human Resource Managers by employer organizations can handle and manage Human Resource issues relating to temporary workers with clarity. These issues include critical concerns such as benefits eligibility, wage laws, taxation issues, application of and responsibility for mandated benefits, rights to work and the right to organize.

Of course, increased socialization and training of temporary workers and more effective determination and utilization of their skills may reduce the cost savings organizations seek by using temporary workers to begin with making it less likely that firms not interested in providing an opportunity for temporary workers to obtain permanent employment will benefit from adoption of their practices. However, implementing these practices also increases the productivity and versatility of temporary workers, and may prevent other costs to the firm in terms of experience and productivity associated with bringing in new temporary workers or diverting other human resources to complete unfinished work.

1.4 OBJECTIVES OF THE STUDY

The major objectives of the study are to investigate the following human resource management issues relating to temporary workers:

1. Why employers opt for temporary workers instead of permanent ones.
2. Types of temporary work arrangements
3. Why temporary workers choose to enter into temporary employment.
4. Relationship between temporary workers and their employers compared to the relationship between employers and their permanent workers.
5. Employment regulations and extended use of temporary workers.
6. Human Resource Management challenges associated with employers' extensive use of temporary workers.

1.5 IMPORTANCE OF THE STUDY

Findings of this study are expected to:-

1. Help Human Resource Managers in the formulation of policies and strategies that would effectively manage the growing use of temporary workers by employers for the mutual benefit of temporary workers and employers.
2. Help researchers interested in further research on this subject to use this study as a basis for future research.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

Temporary employment grew very rapidly among employers the world over in 1990's Stovvie, (2002). One of the driving forces for this rapid increase in temporary working has been the demand for user organizations and the level of unemployment in many countries. The most frequently cited reason for organization demand for temporary workers has been the labour flexibility it provides Carre and Tilly (1998).

Employment agencies assisted organizations to source for temporary workers and became purveyors of flexibility and Human Resource Management "brokers", frequently undertaking human resource managers' roles that were previously conducted in-house such as recruitment and selection, payroll, appraisal and training.

Temporary work is a term that covers several different forms of employment arrangement including fixed term employment and on call employment (workers called in to an organization as and when required) Campbell and Burgess (2001).

The forms and types of temporary employment vary across countries and industries according to employment regulations, labour laws and labour use needs and strategies Burges and Connell (2002).

One feature of temporary employment that is evident from this study is that, on average temporary workers remain detached from an ongoing relationship with the organization where they work. This detachment can

extend to factors associated with lack of any access to training, career development, employment benefits and organizational identification, Bendapudi (2003). It is also conceivable that this detachment can be ongoing, with “long-term” temporary arrangements evident within some organizations – referred to as “permatemps” by Cole (1999).

Recent cases illustrate that “permatemps” are, however, fighting for their rights (Cole 1999) with the Microsoft Lawsuit just one example of a company being forced to improve work benefits for their temporary staff. The Microsoft Corporation was ordered to pay USD 97 million to settle a long outstanding lawsuit by thousands of temporary workers who claimed that they were denied benefits at the software giant whereby long-term workers were lured through temporary worker agencies so it could allegedly avoid paying pensions, health care and stock options The Nations Newspaper (2000)

The rationale for utilizing temporary as opposed to permanent employees is one of the key issues explored in this study. Evidence suggests that the reasons are varied and involve both short-term and adhoc strategies through to long-term and carefully planned strategies Druker (2001).

Similarly, the consequences of temporary employment can be considered from a number of perspectives – that of workers, the employing organization and the labour market. This study assesses temporary workers engaged through temporary work agencies. The process involves three parties where the agency intermediates between the worker and the user organization. This intermediary arrangement generates ambiguity regarding the employment relationship and consequently, it is not overly clear who bears the responsibility of an employer and where the

commitment and loyalty of the temporary worker lies. This is one of the Human Resource Management issues that affect employers across countries in terms of defining the employment relationship, and determining employment rights and responsibilities Burges and Connell (2004).

Positive outcomes arising from temporary employment are that:-

- It can improve job matching within the labour market reduce job search time and expenses among job seekers and offer a transition to permanent employment. Nonetheless, there are potential dangers associated with expanding the relative size of temporary workforce, such as exclusion from standard employment benefits and from an organization's internal labour market (including training and career paths), job and wage insecurity and segregation into a cycle of contingency employment arrangements Burgess and Connell (2004). While these aspects of temporary employment are important, the focus of this study is on the Human Resource Management implications for the organizations contracting temporary labour in the longer term.

2.2 HUMAN RESOURCE ISSUES RELATING TO TEMPORARY WORKERS

1. Rationale for employees using temporary workers rather than permanent workers.
2. What are the advantages and disadvantages?
3. Are decisions concerning use of temporary workers strategic and long term, or short term and reactive.

4. Factors determining type of temporary worker arrangements. In particular, why use agency employment as opposed to short term direct employment arrangements such as fixed term contract employment.
5. Rationale for temporary workers entering into temporary employment arrangements.
6. Is temporary work a preference or is it related to an absence of opportunities related to permanent employment or is it seen as having the potential to move into permanent employment.
7. Relationship between employment laws and the organizations labour use patterns of temporary workers. In particular, are temporary workers a means of avoiding regulations/labour laws/commitments concerning permanent workers, avoiding trade unions, disciplining permanent workers or is the use of temporary workers complementary and supportive to an established internal labour market of permanent workers?
8. What are the HR challenges associated with ongoing and extensive use of temporary workers?
9. Can temporary workers be committed and where product quality and organizational reputation is important, can they be sustained through a temporary work force?

Drucker (2002) challenges the notion that temporary employees can develop commitment to the organization they are engaged in. The

productivity of people, he argues, depends not only on how and where workers are placed but also on who managers and motivates them.

10. Relationship between temporary workers and permanent workforce:

- Are they divided or integrated?
- What pressures and tensions are present within an organization where there is an extensive temporary workforce working alongside a permanent work force?

11. Are more sectors and organizations more prone to the use of temporary workers? What product or labour market factors generate this need for temporary workers?

In relation to the above it is clear that the nature of temporary work and the temporary workforce itself has changed and continues to change overtime. First, changes are occurring in the breadth of activities performed by temporary workers.

Temporary workers used to be contracted to undertake low-skilled clerical positions but are now just as likely to be found in professional and technical occupations Hipple and Stewart, (1996).

Second, the utilization of temporary workers was once considered to be a stop-gap while permanent employees were ill or on holiday. Now, there is evidence that organizations are using temporary workers as part of their competitive strategy to improve bottom lines and avoid unfair dismissal claims if employees have to be laid off Connel and Burgess, (2002).

2.3 IMPLICATIONS FOR USING TEMPORARY WORKERS

2.3.1 Reduction of Recruitment Cost

Key advantage in using temporary workers is the reduction of recruitment costs. (Allan,2002, Gunderson, 2001). This is especially noticeable with agency workers actively recruited by employment agencies rather than by their eventual employers (Fordle, 2001). This practice is common among contractors whose nature of work is determined by the volume of work or duration of contract. Such workers are laid off after the contract is completed.

Recruitment of seasonal workers is similar to casual workers, whereby on one Kenyan example, tourism industry service providers tended to embrace the seasonality of their work and, as such lure seasonal workers from known pool of staff.

Fixed-term contract employees may also be employed in this way, with the same employees repeatedly employed by the same organization, especially if that organization is large and bureaucratic Daris-Brake and Uzzi, (1993).

2.3.2 Short Term Absences

Recruiting individuals to cover short-term absences may also be achieved through the utilization of temporary workers. The occasional usage of temporary workers to cover short-term absences of permanent staff may not present a particularly high cost to an organization, however, in terms of necessity it may be essential to cover the workload of key members of staff who are absent on a temporary basis (Atkinson 1996). This short term cover may be achieved through permanent workers; increasing the

amount of hours they work through over time or through learning the skills (Druker 2000). However, if this is not possible the use of temporary workers may be ideal (Cully 1999)

2.3.3 Alleviation of Costs Of Managing Workers

Long term and short term recruitment costs may be kept at a minimum by using temporary workers Gunderson, (2001). Nevertheless, these estimates tend to negate the managerial time spent in recruitment even if this was merely picking up a phone to a preferred supplier of temporary employees Ward (2001). Human Resource managers must ensure that appropriate staff are selected on the basis of skill and organization fit (Feldman 1984).

Another advantage of using temporary workers for organizations was that much of the day-to-day management of temporary workers such as payroll and administration fell upon the suppliers of temporary workers (Forde, 2001). Nevertheless, an implication for human resource managers was that the induction of temporary workers need to be carried out by the direct employer Druker (2004). Druker and Stanworthe (2004) suggested that employers of agency workers wanted to conduct the minimum amount of induction as possible and that employers perceived a “good temporary” as someone who could be “fitted in “ quickly. However, in the United States of America (USA) Feldman(1995) found that in a sample of 186 temporary workers, it was often reported that no instruction about the job or duties were given. This could represent a real problem, as the productivity of temporary workers may be inhibited if organizations spend little time socializing them through induction processes Foote and Folta, (2002). It may also make them more of a health and safety risk, particularly if they are exposed to construction and maintenance of

electricity live lines where sometimes lines are operated. These risks could be guarded against by implementing intensive induction procedures.

2.3.4 Performance Evaluation and Monitoring

Performance evaluation and monitoring was also considered as a Human Resource Management implication for the use of temporary workers Kol & Yer (2000). In (1998) Smith suggested that these steps should be taken to effectively evaluate performance. Initially, clear performance indicators should be established so that temporary workers know precisely what was expected of them within their job role. These performance indicators may be similar to those used for permanent workers or they may be more lenient given that the temporary worker will have less organization knowledge Smith (1988). Once the performance indicators were established, appropriate appraisal techniques should be decided upon giving the temporary worker clear feedback on his/her performance. This feedback would then lend itself to appropriate corrective or developmental action that could improve the performance of the temporary worker (Smith 1988).

The proper monitoring of temporary workers was therefore an essential activity for Human Resource Managers to conduct and should not be the sole responsibility of the line manager Fieldman (1995). This, in conjunction with the induction of temporary workers could represent a burden to human resource managers. Nevertheless the advantage for human resource managers in not having payroll, sickness or holiday administration for temporary workers should not be discounted in saving organizations the fixed costs associated with supervision (Gunderson 2001). In essence, temporary workers alleviated some of the managerial function Word (2001). However, using temporary workers does not

totally eradicate the managerial function because best practice as shown by this study recommend the use of induction and performance management.

2.3.5 Ease of Dismissal

Another Human Resource Management implication for using temporary workers was the ease of their dismissal Allan (2002). In the USA, Gunderson (2001) suggested that due to lack of costs associated with laying off temporary workers, they were increasingly becoming an attractive option. This was especially noted within organizations that operated in a fluctuating market of workload Allan (2002). Indeed, in many organizations, a strategic use of temporary workers was to adjust the workforce to match demand (Atkinson 1996). This gave organizations an advantage in terms of numerical flexibility employing just in time workers to cope with increased or decreased demand without resorting to making permanent employees redundant (Allan 2002).

Although the ability to bring people to work at short notice and let them go again gives organization tighter control on their payroll costs, this may be to the long term disadvantage of the organization Medcof and Needham (1998).

Temporary workers maybe less productive due to their time spent in learning new tasks Allan (2002) increased pressure may be placed upon Human Resource managers to induct and train the new temporary workers Allan (2002).

Further pressure may also arise as managers try to control the numbers of staff in accordance with workload Henrick (1997). In addition, permanent employees (particularly those in the Union Cadre) may not like

the extensive use of temporary workers, especially if they feel their employer would like to substitute them with more precarious working arrangements, (Pearce 1993; Porter 1995). This situation was found in the USA by Pearce (1993) who stated that the employment of temporary workers or contractors resulted in negative attitudes towards the organization by permanent workers. This negative attitudes have also been extended to U.S. based nurses employed with casual and agency nurses (Porter 1995) and with the U.K. permanent call centre workers with temporary workers lured by agencies (Biggs 2003).

2.3.6 Reduction of Employee Costs

Reducing employee costs within any organization is an essential aspect by strategic human resource management especially in a competitive global market (Allan, 2002). The strategic use of temporary worker may, therefore, involve the reduction of wage costs achieved by employing workers who are paid substantially less, either in direct wages or benefits than permanent employees (Allan 2002, Houseman 2001.)

2.4 CASE STUDIES BY HALL AND BRYSON IN UK AND AUSTRALIA (1998)

The above case studies examine use of temporary workers in the UK and Australia as a new phenomenon requiring new Human Resource Management approach. The studies draw their data from both national employment estimates and surveys in the temporary worker industry in Australia and Structured case studies in the UK to examine the use of temporary workers in the two countries. Findings of the study indicate that employers use temporary workers because of pressure on labour costs driven by short term considerations.

The studies highlighted relatively high levels of dissatisfaction among temporary workers in relation to the content of work undertaken and the limited scope for using their initiative. Perhaps unsurprisingly, they also found significant differences in the commitment levels of temporary workers compared to permanent workers. Overall, the study paints a picture of temporary workers in Britain which is precarious, comprises low quality work and is associated with poor outcomes. The study also suggests that the use of temporary workers has a negative impact on organizational outcomes and performance associated with outcomes that conflict with generally accepted human resource management goals and practices.

In relation to employment survey in Australia, the study finds that temporary workers are less satisfied than permanent workers across the range of criteria. In conclusion, the studies suggest that the use of temporary workers is not compatible with Human Resource management strategies that promote high commitment and performance work systems. Key findings from these studies show that although temporary workers may well provide flexibility for employers, temporary workers do not report high levels of satisfaction with their flexibility and ability to manage work and non-work commitments. Moreover, they report high levels of job instability.

There is also little evidence that temporary workers are succeeding in more efficiently matching their skills to job requirements. In fact this study contends that temporary workers are actually less likely than permanent employees to report good utilization of their skills. As such the study concludes that temporary workers present a significant challenge to the

Human Resource function given the aims of promoting high involvement and high performance work practices (Ramsay 2000).

According to Stanworth and Druker (2000) temporary workers were used as a buffer against uncertainty in a cyclical industry, to reduce costs in the face of ongoing budget controls and where there were ongoing skilled staff shortages. This leads the authors to conclude that the use of temporary worker represents a challenge to the integrity of the internal labor market and to internalized and autonomous Human Resource functions.

2.5 THE EFFECT OF REGULATION OF TEMPORARY EMPLOYMENT IN THE UK

According to Biggs (2002) the introduction of legislation on use of temporary workers in the UK led to a decline in the use of temporary workers by 11%. A rise was also realized in the number of temporary workers being offered permanent employment, post introduction of legislation period. The study by Biggs (2002) concludes that, post-legislation user temporary workers is a less attractive option for employers. Accordingly if strict legislation is introduced and enforced, employers are likely to transfer flexibility adjustments to permanent workers within internal labour markets.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

The study is aimed at determining how temporary employees feel about the employer companies and their jobs. Particular attention is given to how temporary employees feel about Kenya Power & Lighting Company compared to permanent employees.

3.2 DATA COLLECTION

The study used primary data obtained using a structured questionnaire which was sent to two thousand (2000) temporary employees. The self completion questionnaire was sent out to the sample temporary staff and requested to complete and return the following day when reporting on duty.

A total of 1,530 questionnaires were received representing over 70% response rate. Kenya Power and Lighting retains and average of three thousand (3000) temporary employees and 6,400 permanent employees.

3.3 SAMPLE POPULATION

The response rate was a sufficient sample representative enough to determine the feelings of majority of temporary employees about KPLC as an employer.

3.4 STRUCTURED QUESTIONNAIRE

Questions in the questionnaire were pre-coded on a 5-point scale in which the most positive response implied a score of '5' while a negative response implied a score of '1'.

Temporary employees were requested to mark their ratings with an X
mean scores were calculated from the respondents ratings.

Kenya Power & Lighting Company temporary employees survey questionnaire

1. How would you describe your relationship with permanent employees of KPLC?

Very Poor

1	2	3	3	4	5
---	---	---	---	---	---

 Very Good

2. How would you describe communication between permanent and temporary employees of KPLC.

Very Poor

1	2	3	3	4	5
---	---	---	---	---	---

 Very Good

3. How do temporary staffs get to know there is anything new in the company?

Very poor

1	2	3	3	4	5
---	---	---	---	---	---

 Very Good

4. How does the flow of communication between permanent and temporary employees work? Please tick (✓) one box you consider correct.

☐ Only from top permanent to bottom temporary.

☐ More often from top permanent to bottom temporary

☐ Both ways

- ☐ More often from bottom temporary to top permanent
- ☐ Only from bottom temporary to top permanent.

5. How clear to temporary employees are:

(a) Claim of authority at KPLC

(b) Corporate objectives?

(c) Company policies and procedure?

6. How satisfied are you with the benefits which you get from KPLC?

(a) Accident insurance cover?

(b) Medical Over?

(c) House Allowance

(d) Traveling allowance

(e) Loans

(f) Transfer Allowance

(g) Provision of Tea/Coffee/Milk?

(h) Salary and other Allowances?

7. How proud do you feel working for KPLC as a temporary worker?

Very Poor

1	2	3	3	4	5
---	---	---	---	---	---

 Very Good

8. How well does KPLC treat you as compared to permanent employees?

Very Poor

1	2	3	3	4	5
---	---	---	---	---	---

 Very Good

9. Do you enjoy your job?

Very Poor

1	2	3	3	4	5
---	---	---	---	---	---

 Very Good

10. How well equipped do you feel to perform your job?

- (a) In terms of knowledge and skills?
- (b) In terms of new technology?
- (c) In terms of resources?

11. What level of job security do you enjoy as a temporary employee?

Very Poor

1	2	3	3	4	5
---	---	---	---	---	---

 Very Good

12. How do you describe your working environment?

(a) Not conducive

1	2	3	3	4	5
---	---	---	---	---	---

 Very conducive

(b) Not Motivating

1	2	3	3	4	5
---	---	---	---	---	---

 Very Motivating

(c) Un professional

1	2	3	3	4	5
---	---	---	---	---	---

 Very professional

(d) Hostile

1	2	3	3	4	5
---	---	---	---	---	---

 Friendly

(e) Not stressful

1	2	3	3	4	5
---	---	---	---	---	---

 Very stressful

13. How well does your supervisor recognize your efforts?

Very Poor

1	2	3	3	4	5
---	---	---	---	---	---

 Very Good

14. How motivated are you by management to achieve higher level of performance?

Very Poor

1	2	3	3	4	5
---	---	---	---	---	---

 Very Good

15. Do you feel you can grow and progress at KPLC?

Very Poor

1	2	3	3	4	5
---	---	---	---	---	---

 Very Good

16. If given an opportunity how likely are you to change another job?

Very Poor

1	2	3	3	4	5
---	---	---	---	---	---

 Very Good

17. Have you in the past 12 months attended any training sponsored by KPLC?

Very Poor

1	2	3	3	4	5
---	---	---	---	---	---

 Very Good

18. Do you think training opportunities offered by KPLC discriminate against temporary employees?

Very Poor

1	2	3	3	4	5
---	---	---	---	---	---

 Very Good

19. How safe do you feel as you work for KPLC?

Very Poor

1	2	3	3	4	5
---	---	---	---	---	---

 Very Good

20. How likely are you to recommend a friend to join KPLC as a temporary employee if an opportunity arises?

Very Poor

1	2	3	3	4	5
---	---	---	---	---	---

 Very Good

CHAPTER 4

RESEARCH FINDINGS

4.1 FINDINGS

It is evident from the findings of this study that no one perspective, Company policy or strategy is likely to fit all situations in relation to temporary work and human resource management. Many differences exist in skill levels among temporary workers, their demographic characteristics and reasons for accepting to work on temporary terms. Likewise, there are also differences among user companies with regard to their reasons for employing temporary workers.

This study has used Kenya Power and Lighting Company Limited (KPLC) as a case study. KPLC is the only Company in Kenya charged with responsibility of transmitting and distributing electrical energy throughout Kenya.

With the onset of globalization in the late 1980's and early 1990's the Company has undergone major changes geared towards making it competitive in the event of loosing its current monopoly in the energy sector in Kenya.

Among its major changes is the reduction of staff from 11,000 in 1995 to 8,500 in 2001 and 6,400 in 2006. During the same period, KPLC customers increased from 350,000 in 1995 to 950,000 in 2006. The increase in number of customers and reduction of permanent staff led to introduction of temporary workers in the workforce.

The study will review Kenya Power & Lighting Company's use of temporary workers and Human Resource Management challenges the company faces with regard to temporary workers.

3.1 UTILIZATION OF TEMPORARY WORKERS

According to the above reviews, temporary workers are used for a variety of reasons. One traditional role of filling labour shortages, through to support in relation to the introduction of new products or services, and the fact that in some cases there is no long-term commitment required. Human Resource functions or line managers but are controlled by head office because of corporate budget constraints.

3.2 MOTIVATIONS FOR ENTERING INTO TEMPORARY WORK

Temporary employees are not high skilled workers that have control or their placements (Hall 2000). While highly skilled workers do operate as temporary workers initially are mostly low skilled in low paying occupations and suffer from job and income instability. Organizations have in the recent times introduced long term temporary workers (Drucker 2002). Majority of temporary workers report that regulatory demands on employers could move them into permanent employment arrangements (Biggs 2003).

3.3 TEMPORARY WORKER USE PATTERNS

According to Biggs (2003), use of temporary workers has offered employers in the UK flexibility and options to choose between using permanent or temporary workers. This has brought potential for greater pressure on permanent workers and created uneasy relationship between temporary and permanent workers. Permanent workers consider temporary workers as a threat to their jobs as more and more employers consider temporary workers as the option to take a liberalized market.

CHAPTER 5

SUMMARY, DISCUSSIONS AND CONCLUSIONS

5.1 UTILIZATION OF TEMPORARY WORKERS

According to the above reviews, temporary workers are used for a variety of reasons from traditional role of filling labour shortages, through to strategic motives relating to the accommodation of product market uncertainty use strategies and the fact that in some cases control is not being exercised within Human Resource functions or line managers but are imposed by head offices because of cooperate budget constraints.

5.2 MOTIVATIONS FOR ENTERING INTO TEMPORARY WORK

Many temporary employees are not high skilled knowledge workers that exercise control or their placements (Hall 2000). While highly-skilled knowledge workers do operate as temporary workers majority are relatively low skilled in low paying occupations and suffer from job and income insecurity. Organizations have in the recent times introduced long – term temporary workers (Druker 2002). Majority of temporary workers hope that regulatory demands on employers could move them into permanent employment arrangements (Biggs 2003).

5.3 TEMPORARY WORKER USE PATTERNS

According to Biggs (2003) use of temporary workers has offered employers in the UK flexibility and options to choose between using permanent or temporary workers. This has brought potential for greater pressure on permanent workers and created uneasy relationship between temporary and permanent workers. Permanent workers consider temporary workers as a threat to their jobs as more and more employers consider temporary workers as the option to take a liberalized market.

5.4 HUMAN RESOURCE CHALLENGES AND CONTRADICTIONS ON USE OF TEMPORARY WORKERS

Human Resource management challenges arising from use of temporary workers remain considerable. By their very nature, temporary workers are marginalized from internal labour market and, as such, their commitment and identity with the user organization remain uncertain. Both Hall and Forde (2001) raise questions concerning the effectiveness of using temporary workers in the context of high performance work systems. Hall (2001) also makes the point that as much as Human Resource Managers might like to regard the management of temporary workers as not being their problem they are likely to be asked to manage the potential organizational damage that could flow from the presence and insecure uncommitted and distrustful temporary workers. (Savoni 2004).

5.5 FACTORS INFLUENCE THE UTILIZATION OF TEMPORARY WORKERS.

Temporary workers are important for many organizations that cannot recruit skilled labour, that are facing product market instability, are engaged in an organizational restructuring or have to meet imposed external pressure on employee wage bill such as state corporations that may be relying on the state for budgetary support to finance their wage bills.

The public sector, as expected, traditionally a large user of temporary workers, were facing increasing budget uncertainties, privatization and confirmed contracting-out of services – all factors that encouraged the use of temporary workers Conley (2002).

Conley also found some evidence to support the presence of a relationship between competition in the product market and the use of temporary workers. Specifically organizations that described the market for their main product and service as international (rather than national, regional, or local) were specifically more likely to be users of temporary workers.

5.6 RECOMMENDATIONS FOR FURTHER RESEARCH

This study has raised issues relating to rising use of temporary employees and challenges facing Human Resource management with respect to them. The consciousness of Human Resources practitioners and academics has been raised regarding the use of temporary workers.

Agencies providing temporary workers to industry are increasing by the day and becoming internationalized (Peck and Sasoni 2004). Agencies offer an array of services that can in the extreme, supplant traditional internal Human Resource functions. This trend raise several research issues such as the following: -

1. What regulatory challenges and solutions would be required to govern labour use of different fragmented employment arrangements from casuals, contract and temporary workers? Why do temporary workers predominate in some sectors of the economy while permanent employee arrangements are preferred in other sectors?
2. What role and how effective are labour laws and regulations in limiting temporary employment taking in consideration issues such as safety health and environment.

3. What opportunities exist for temporary workers to access employment rights and benefits
4. Whether temporary workers will eventually substitute permanent workers and open up employment to greater use of forms of externalized and contingent labour use such as outsourcing and the use of contractors such as labour and transport
5. For Human Resource managers there are sources of conflict, tensions and contradictions associated with the use of temporary workers. Some forms of control are enhanced e.g. labour, costs and discipline while other objectives are compromised, such as commitment. How these contradictions are going to be resolved in future remain ongoing research issues.
6. Strategic uses of temporary employees are many and varied as highlighted by (Stenworth and Druker 2000). Labour use strategies can range from short-term and adhoc through to the long-term and strategic. Indeed, different strategies are often present within the same industry and in some cases within the same organization. What factors are associated with different labour use strategies and how do strategies develop? Specifically, where does a labour use strategy originate, is it part of a corporate plan, is it a response to financial situation or is a Human Resource Management plan?
7. Temporary worker agencies themselves offer extensive opportunities for further research. Under what conditions have the agencies grown and developed, and what determines the range of services they offer and their relationship with organizations they recruit temporary workers

for? Is growth in temporary workers agencies related to public sector restructuring (privatization, contracting out, hard budget rules) as opposed to fundamental changes in the private sector?

8. Is the rise in use of temporary workers a manifestation of the globalization of labour services and the emergence of portfolio and knowledge workers within a future of work scenario?

The evidence in this study point towards the dominance of unskilled and low paid, hardly in keeping with the scenario. Do knowledge workers wish to pursue temporary work that while offering potential advantages also as indicated in this study has many disadvantages?

In conclusion, this study argue that further research is necessary concerning how strategic decisions in using temporary workers are informed and how labour laws have influenced these policies.

Different organizations use temporary workers for different reasons. It may be interesting to examine the extent temporary workers are used in relation to strategic deployment versus operational necessity.

It is evident, however that no one perspective, public policy or organizational strategy is likely to fit all situations in relation to use of temporary workers and Human Resource management challenges.

Many differences exist in skill levels of temporary workers, their demographic characteristics and reasons for undertaking temporary work. Likewise, as pointed out by many of the authors referred in this

study, there are also differences within user organizations in relation to their reasons for employing temporary workers.

The rise in the temporary worker agencies has triggered interest and debate in the labour market. Nonetheless, to date there have been very few attempts to fill the research gap with reference to temporary workers and Human Resource management challenges.

This study has endeavored to begin to address the gap and is optimistic that further necessary research will follow as the temporary worker phenomenon continues to grow worldwide and threatens the original concept to employment relationship which was permanent and pensionable.

10. Further empirical research focused on the reactions of the temporary workers to real and perceived inequities would be particularly useful in determining the extent to which the anomalous responses actually occur among temporary workers. Additionally, empirical research is needed that provides information to HR practitioners regarding specific measures that firms may take to minimize unscheduled turn over resulting from inequity perceptions.
11. Studies examining differences in socialization, training and depth of integration across departments in large organizations that use temporary workers extensively would be particularly useful in revealing which Human Resource Management practices operate most effectively to reduce unscheduled turn over among temporary workers.

Moreover, the recommended empirical research would also be useful in providing additional support for the importance of Human Resource Management policies in aligning the organization as a whole to generate commitment to organizational goals among temporary workers, and in maximizing the potential benefits for which the organizations initiated its use of temporary workers.

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