

The Relationship Between Employee Engagement and Labour Productivity in State Corporations in Kenya

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Abstract

Engaged employees are enthusiastic and put in a lot of effort in their work, this positively contributes to labour productivity. Labour productivity is concerned with the amount (volume) of output that is obtained from each employee. The aim of this study was to establish the relationship between employee engagement and Labour productivity. The study adopted an explanatory research design where census method was used involving 205 State Corporations in Kenya. The data obtained was analyzed using descriptive and inferential statistical analyses. The study established that Employee engagement is positively and significantly related to Labour productivity and employee engagement significantly contributes to labour productivity. The study concludes that highly engaged employees are more productive and contribute positively the performance of an organization.

Key word: Employee engagement, labour productivity, employee performance, productivity, input, output

1.0 Introduction

1.1 Background of the Study

Productivity is the relationship between the quantity of output and the quantity of input used to generate that output. Productivity demonstrates the efficiency with which output is produced by a given set of inputs. Since productivity is generally measured by the ratio of output to input, an increase in the ratio indicates an increase in productivity and the opposite is true. According to Freeman in the OECD Manual (2008) labour productivity can best be measured by looking at the number of hours worked and the level of output, however this measure can be interfered with by the level of engagement of employees, this is because the level of output can be different for different employees despite working for the same number of hours. NHS National Workforce Projects, (2007) defines employee engagement as a measure of how people connect in their work and feel committed to their organization and its goals. Highly engaged workforce can increase innovation, productivity, and bottom-line performance and hence increase Labour productivity.

GDP per employed person and GDP per hour worked can provide a general picture of a country's Labour productivity. According to Omolo,(2010) The gap between Kenya's economy and those of the high performing Asian tigers has widened tremendously since the country's independence in 1963 with Kenya recording low GDP compared to the Asian tiger Countries. This is because developed countries and the Asian tigers, have over the years emphasized on increasing labour productivity so as to improve G.D.P person as well as raise the standards of living. Poor labour productivity has been cited as one of the reasons leading to the decline in the growth of the economy from an (World Bank Report as contained in a Republic of Kenya report, 2007).

1.1.1 Profile of State corporations in Kenya

State Corporations are government owned corporations which are either fully owned or partially owned by government. They are regarded as one of the factors that have a great potential to facilitate economic growth, they are envisioned as playing a crucial role in Promoting and /or accelerating economic growth and development that will drive the social and economic transformation of Kenya to, “*a globally competitive and prosperous country with a high quality of life by 2030*”; Presidential Taskforce on Parastatal Reforms (PTPRs - 2013).

The total wage bill of State Corporations takes about 4% of GDP while their internally generated funds contribute about 7% of GDP (Omolo, 2010). This show that State corporations contribute towards the economic growth of the country and there is need for effective and effective management of their human resources which contribute to the performance of state corporations. Employee engagement has been found by researchers to increase innovation, productivity, and bottom-line performance which facilitates increase Labour productivity.

1.2 Statement of the problem

Kenya aspires to achieve a high and sustained economic growth consistent with the Government's employment, wealth creation and poverty reduction Objectives. State Corporations are envisioned as playing a crucial role in

Promoting and /or accelerating economic growth and development that will drive the social and economic transformation of Kenya. However according to Omolo, (2010), state corporations have been characterized by low work performance and poor service delivery. According to Sessional paper no. 3 on National Productivity policy (2013), Kenya is faced with low labour productivity levels which have been attributed to poor work attitudes, poor work ethics and lack of commitment and involvement. Poor labour productivity has been cited as one of the reasons leading to the numerous complaints by citizens of poor service delivery among public service employees. According to Kamoche (2003) currently in Kenya the traditional personnel management approach is being used to manage an employee which lays a lot of emphasis on administrative procedures evident in public corporations. This requires a shift in the way of managing employees of the government or state corporations so as to ensure that they deliver results. Very little attention has been paid to employee engagement and how this can be used to drive up labour productivity in state corporations, however according to Sang (2014), employee engagement plays a significant moderating effect on labour productivity and contributes positively to employee performance. This research therefore seeks to establish the relationship between employee engagement and labour productivity in state corporations in Kenya.

1.3 Objectives of the Study

The main objective was to establish the relationship between employee engagement and labour productivity in State corporations in Kenya

1.4 Hypothesis

H_0 : Employee engagement is not significantly related to labour productivity

2.0 Literature Review

2.1 Labour productivity

According to OECD (2001), Labour remains the one of the most important input to many production processes, with labour input being measured by the total number of hours worked. According to Freeman (2008) the measure of input use reflects the time, effort and skills of the workforce. Labour productivity is concerned with the amount (volume) of output that is obtained from each employee. Labour Productivity = Total Output / Total Productive Hours (Spring Singapore, 2011). It can also be measured by looking at the added Value per Unit of Labour Cost (Labour productivity = value added for the products/ total wages).Labour productivity has been identified as a crucial indicator of workforce performance. According to a study by Spring Singapore (2011), Productivity is critical for the long-term competitiveness and profitability of organizations.

Since Labour Productivity = Total Output / Total Productive Hours and it can be measured by looking at the quantity or quality of goods or services per time spent or numbers employed or the value added to products, then labour productivity can be measured for an individual, a firm, a process or a country. Since GDP is generally used as a measure of total output, then it can be possible to measure a country's labour productivity in a given year or period by dividing the GDP in a given period by the total productive hours in that period. Analysts and policymakers compare a country's labour productivity from period to period as a measure of output efficiency.

According to Sessional paper no. 3 on National Productivity policy (2013), Kenya's labour and capital productivity indices were 0.84 and 0.46 respectively in 2009. This is in contrast with the benchmark of a productivity index of at least 5 for global competitiveness. On a microeconomic level, labour productivity is an important component of the profit function, since it contributes to better performance and productivity, whereas on a macroeconomic level labour productivity contributes to economic development.

Increases in productivity can be driven by technological advances (through innovation and increases in skills) or through improvements in efficiency. Employee engagement can help increase efficiency by creating greater output produced by a given number of employees or man hours used for production, improving quality or decreasing the amount of time take or the cost involved. However there have been reports of low labour productivity in Kenya leading to diminishing output and relatively high labour input costs. Labour productivity only partially reflects the productivity of labour in terms of the personal capacities of workers or the intensity of their effort.

According to Omolo (2010), despite the significant role of productivity in promoting enterprise competitiveness, economic growth and employment creation, the same has not been mainstreamed in all sectors of Kenya's economy. Some of the labour productivity indicators include; labour cost effectiveness, labour cost per

employee, value added per employee, capability/flexibility of work force, product yield per employee, waiting time per customer/client served, compliment to complaints ratio, investment in training per employee, employee to client ratio, Labour turnover and absenteeism to mention a few. Labour productivity therefore provides a measure of how much value an organization is creating with its labour force. Labour productivity in this research was measured by four items adopted from Navaratne (2010);by looking at compliments to complaints ratio, the waiting time per client, and the number of clients served or output produced per employee, Labour turnover and absenteeism to mention a few

2.2 *Employee Engagement*

Engagement is defined as the state of emotional and intellectual involvement that motivates employees to do their best work (Aon Hewitt Global Research on Engagement, 2012). Engaged employees are those who give full discretionary effort at work, and are highly vigorous and dedicated to their job, while disengaged employees are those who are disconnected from work and do not have the energy to work hard nor are they enthusiastic at work. Schaufeli et al (2002) describes engagement as a “positive, fulfilling, work-related state of mind characterized by vigor, dedication, and absorption”. It can be concluded therefore that employee engagement affects productivity, profitability, employee retention and customer services (Xanthopoulou et al. 2009).

The Aon Hewitt engagement model looks at 3 aspects of employee engagement which are Say, Stay, Strive. Engaged employees consistently speak positively about the organization to co-workers, potential employees, and customers, they have an intense desire to be part of the organization and they exert extra effort and engage in behaviors that contribute to business success

According to Bakker et.al (2001), there are at least four reasons why engaged employees perform better than non-engaged employees. First, engaged employees often experience positive emotions (e.g., happiness, joy and enthusiasm). Second, engaged employees experience better health. Third, engaged employees create their own job resources and personal resources. Fourth, engaged employees transfer their engagement to others.

According to Schaufeli and Bakker (2004) while burned-out workers feel exhausted, cynical and have reduced professional efficacy, their engaged counterparts feel vigorous, are enthusiastic and absorbed in their work and have increased professional efficacy and energy.

Work engagement is positively associated with job characteristics that might be labelled as resources, motivators or energizers, such as social support form co-workers and one's superior, performance feedback, coaching, job autonomy, task variety, and training facilities (Demerouti et al., 2001; Salanova et al., 2001, Schaufeli & Bakker,2003). A study by Bakker et al (2003) showed that job resources such as social support from one's colleagues and job autonomy are positively related to levels of engagement.

Other employee engagement drivers include; the work itself, quality of working life, total rewards, company practices, management/leadership, career opportunities and working relationship to mention a few.

3.0 **Research Methodology**

3.1 *Research Design*

Explanatory research design was used for this research. Explanatory research design is suitable for those studies that seek to determine relationships between variables. Explanatory case studies examine the data closely both at a surface and deep level in order to explain the phenomena in the data and they have been used successfully in researches where theories are used as a basis for understanding and explaining practices or procedures

3.2 *Sampling and Sampling procedure*

The study population comprised of the State Corporations in Kenya which are 202 in number (source: State Corporations Advisory Committee, 2014) while the target respondents were the 202 HR managers in the state corporations in Kenya. HR managers were regarded as a suitable unit of observation since they are the policy makers, and are the implementers of HRM practices and are therefore better placed to give an opinion on the relationship between Employee Engagement and labour productivity. Therefore a census approach was used.

3.3 *Research Instruments and Data Collection and Analysis*

Questionnaires that were composed of semi structured and open ended question which were used for data collection, and were structured on a five-point Likert scale. The questionnaires were sent with a cover letter outlining the objectives of the research, accompanied with directions for filling out the survey, some

questionnaires were completed in the presence of the researcher. A pilot study was conducted so as to check for possible errors that could arise from unclear instructions, by using Cronbach Alpha method, which was used to check on the reliability and validity of the instruments used by determining the internal consistency of the scale used. Chronbach alpha values of 0.7 and above is considered adequate (Sekaran ,2003), the average Chronbach Alpha value was 0.793. The quantitative data was analyzed using descriptive statistics and inferential statistics using Statistical Package for Social Sciences (SPSS). The hypothesis testing was done at 5% level of significance

4.0 Results and Discussion

A response rate of 83% was obtained. From the descriptive analysis majority of the respondents agreed that engaged employees have a desire to be part of the success of their organization, however a minority (32.3%) agreed that the employees in their organization were engaged or showed enthusiasm.

Correlation was used to analyze the degree of relationship between Employee Engagement and the variable of Labour Productivity. Pearson coefficient (r) and P- was used to determine if there is a significant relationship. The Pearson (r) correlation coefficient showed a strong positive and significant relationship between Employee Engagement and Labour Productivity because it had a Pearson correlation coefficient (r) of 0.727 and a p- value of 0.000. This means that as Employee Engagement increases Labour Productivity also increases in the same direction. This finding can be supported by a research done by West and Dawson (2012), among Health sector workers which confirmed that employee engagement leads to improved individual employee performance, reduced absenteeism and turnover as well as reduced patient mortality.

Regression analysis was used to find out if Employee Engagement predicts the given dependent variable (Labour productivity). Linear regression yielded a statistic called coefficient of determination (R^2), of 0.53, this means that employee engagement contributes 53% to Labour productivity. This implies that employee engagement plays a significant role in ensuring that there is Labour productivity. This is supported by research by Gallup (2008), which showed that engaged employees are emotionally attached to their organizations, are committed and therefore are more productive.

On the test of significance, the p- value was 0.000 and it shows a significant linear relationship between Labour productivity and Employee Engagement. The implication of this is that Employee Engagement plays a key role in ensuring labour productivity, the higher the employee engagement the higher the Labour productivity. This is because it leads to positive behavior in employees such as taking personal initiative, organizational citizenship behavior and employee effectiveness (Macey and Schneider 2008)

Since the p- value which is 0.000 is less than 0.05 ($0.000 < 0.05$) then H_0 was rejected because there was a significant relationship between Employee Engagement and Labour productivity.

5.0 Conclusions and Recommendations

5.1 Conclusion

Based on the above findings, this study concludes that Employee Engagement plays a key role in ensuring labour productivity and the higher the level of employee engagement the higher the Labour productivity. This is because Engaged employees are enthusiastic and absorbed in their work and have increased professional efficacy and energy (Schaufeli & Bakker,2003).

5.2 Recommendations

This study recommends that HR personnel in state corporations in kenya need to consider how to increase engagement levels among staff, by incorporating employee engagement practices and conducting regular engagement surveys. Some employee engagement drivers that can drive up employee engagement levels include; employee development opportunities, strong management – employee relations, employee recognition and empowerment as well as team work and collaboration to mention a few. There is need for more emphasis to be laid on how to increase Labour productivity per employee in the state corporations and employee engagement will play a very key role by focusing on engagement drivers and creating an employee engagement strategy. This will help to engrain a productive culture in Kenyan workforce

5.3 Suggestions for further research

This study recommend further research on the role of job design on employee engagement in state corporations so as determine if the current job design practices in the public service are a contributor to employee engagement and if Job design plays a moderating effect on Labour productivity.

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