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## **Influence of Order of Reinstatement, Order of Compensation on Human Resource Management Practices in Selected State Corporations in Kenya**

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### **Abstract**

**Purpose:** The main purpose of this study was to examine the effect of order of reinstatement and order of compensation on the HRM practices in state corporations in Kenya.

**Methodology:** This study employed an explanatory research design. The study population comprised of 200 court decisions in the Industrial Court relating to cases falling under the purview of Human Resource Management and these cases covered the period from 2013 to 2015. The rationale for this period is because the Constitution was promulgated in 2010. The new Constitution has provisions relating to fundamental rights and labour laws that govern and affect Human Resource Management. The cases filed in the Industrial Court after the new Constitution came into force were not determined immediately, hence the need for the study to deal with decisions made from 2013 to 2015. This study used simple random sampling design to sample the state corporations whereby the human resource manager was selected to represent a state corporation. The sample size was 84 respondents. The study used a questionnaire to obtain primary data. The research collected data by use of questionnaires. The questionnaire was self administered. A pilot study was conducted in order to establish the validity and reliability of data collection instruments. Data collected from the questionnaires was prepared and converted from responses to quantitative format for ease in analysis using statistical package for social sciences (SPSS). The statistics generated was descriptive statistics and inferential statistics. The specific descriptive statistics included percentages and frequencies while the specific inferential statistics included a regression. A multiple linear regression model was used to test the significance of the influence of the independent variables on the dependent variable. The results were presented in form of tables and charts.

**Results:** The study findings showed that order of reinstatement and order of compensation affects the human resource practices in State Corporation in Kenya.

**Unique contribution to practice and policy:** Based on the findings of the study, the study recommended that Human resource managers in state corporations ought to take the initiative to access the information about laws that govern human resource practices in Kenya.

**Key words:** *Order of reinstatement, Order of compensation, Human resource management practices*

## 1.0 INTRODUCTION

### 1.1 Background and Research Gap

Human resource management is a strategic and coherent approach to the management of an organization's most valued asset; the people working there, who individually and collectively contribute to the achievement of its goals (Armstrong, 1999). Human resource management is a distinctive approach to employment management which seeks to obtain competitive advantage through the strategic deployment of highly skilled workforce using an array of cultural, structured and personnel techniques. Human resource management can also be regarded as a set of interrelated policies with an ideological and philosophical underpinning (Storey, 2009).

Human resource management practices are namely human resource planning, recruitment and selection, performance management, rewards and compensation management, training and development, career planning and employee participation amongst several other practices that vary from one organization to another (Chang & Huang, 2005). Human resource planning practices aim at securing and improving an organization's human resources to meet present and future needs (Cole, 2012). The principal purpose of recruitment activities is to attract sufficient and suitable potential employees to apply for vacancies in the organization while the principal purpose of selection activities by comparison, is to identify the most suitable applicants and persuade them to accept a position in the organization. Performance management is equally a crucial human resource management practice whereby organizations can monitor the development of desired employee attitudes and behaviors through the use of the appraisal mechanisms. Employee compensation and rewards practices affect motivation of employees whereby firms use performance-based compensation to provide rewards to employees for achieving specific goals and objectives (Cole, 2012).

Compensation and benefits are the most critical factors in attracting and retaining high quality employees. The employees' commitment and motivation are directly tied to this aspect of the employment relationship. Great employers provide generous monetary and non-monetary compensation and benefits to their workforce. Money is considered as the reward which is given to employees against work, to support their family, and payment for the work which is done. Organization should take into account financial rewards like salary because it has strong influence on employee motivation and retention (Barton, 2012).

According to Article 162 (2) of the Constitution of Kenya (2010) read together with Section 12 of the Industrial Court Act, No. 20 of 2011, the Industrial Court may award compensation or make an order for reinstatement. The award becomes part of every contract of employment between the employers and employees to whom the award relates to under the Trade Dispute Act (Cap. 234), section 33(4). The award and decision of the Industrial Court are final (Trade Dispute Act (Cap. 234), section 17).

The global turmoil has witnessed the growing importance of Human Resources Management (HRM) in both business and public life. The turbulent business climate brought in the wake of liberalization, globalization, changing technologies, growth in knowledge and advances in information technology is offering managers a complex and challenging situation (Davis, 2005). The HRM has emerged and evolved as one of the most important areas of organizational science and practice. It has not been developed in isolation, but rather in the context of industrial change and economic development. The uniqueness of the Human Resources (HR) approach requires a totally different type of attention from managers. The HR has characteristics that provide the greatest challenge as well as opportunity. A

company's HR is fragile with delicate relationships, along with unpredictable contributions, and permanency is uncertain (Guest, 2001).

### **1.2 Statement of the Problem**

The goal of HRM is to maximize employee's contributions in order to achieve optimal productivity and effectiveness, while simultaneously attaining individual and societal objectives (Dessler, 2009). As change constantly occurs in the practice of HRM, human resource managers ought to examine the directions of the HR policies in relation to the recruitment and retention of employees (Dessler, 2009). However, the HR manager is not in full control of the direction the HR policies takes since these policies are also influenced by external factors such as legislation (Ozutku & Ozturkler, 2009). In Kenya, the labour laws curb the freedom of HR functions to align staffing needs with business of public sector agency strategic needs. The labour law confines the HR manager to the role of enforcing laws rather than create business solutions. The HR manager appears to be a compliance officer who ensures that the organization complies with legislation and the achievement of organization goals becomes secondary. This study sought to examine the effect of order of reinstatement and order of compensation on the HRM practices in state corporations in Kenya.

### **1.3 Objective of the Study**

The general objective of this study was to examine the effect of order of reinstatement and order of compensation on the HRM practices in state corporations in Kenya.

## **2.0 METHODOLOGY OF THE STUDY**

This study employed an explanatory research design. The study population comprised of 200 court decisions in the Industrial Court relating to cases falling under the purview of Human Resource Management and these cases covered the period from 2013 to 2015. The rationale for this period is because the Constitution was promulgated in 2010. The new Constitution has provisions relating to fundamental rights and labour laws that govern and affect Human Resource Management. The cases filed in the Industrial Court after the new Constitution came into force were not determined immediately, hence the need for the study to deal with decisions made from 2013 to 2015. This study used simple random sampling design to sample the state corporations whereby the human resource manager was selected to represent a state corporation. The sample size was 84 respondents. The study used a questionnaire to obtain primary data. The research collected data by use of questionnaires. The questionnaire was self administered. A pilot study was conducted in order to establish the validity and reliability of data collection instruments. Data collected from the questionnaires was prepared and converted from responses to quantitative format for ease in analysis using statistical package for social sciences (SPSS). The statistics generated was descriptive statistics and inferential statistics. The specific descriptive statistics included percentages and frequencies while the specific inferential statistics included a regression. A multiple linear regression model was used to test the significance of the influence of the independent variables on the dependent variable. The results were presented in form of tables and charts.

## **3.0 RESULTS OF THE STUDY**

Data analyzed was summarized in line with the research objective and appropriate frequency tables inserted for presentation.

### 3.1 Response rate

In this study, 84 questionnaires were administered. A total of 63 questionnaires were duly completed and returned. This represents a response rate of 75%.The Table 1 shows the response rate.

**Table 1: Response Rate**

Issued questionnaires	Returned Questionnaires	Response Rate
84	63	75%

### 3.2 Reliability

The cronbach alpha was calculated by subjecting the questionnaire to nine employees in a bid to measure the reliability of the questionnaire. The two variables were reliable since their cronbach alpha was above 0.7 which was used as a cut-off of reliability for the study.

**Table 2: Reliability**

Variable	No of Items	Respondents	$\alpha$ =Alpha	Comment
Order of reinstatement	7	9	0.753	Reliable
Order of compensation	7	9	0.797	Reliable
Human resource practices	6	9	0.977	Reliable

### 3.3 Demographics

The respondents were required to provide information about their gender, age, level of education and number of years in current position. Result showed that most of respondents (71.43%) were male while 28.57% of the respondents were female. Results also revealed that 47.62% of the respondents were aged between 41-50 years. Another 47.62% of the respondents were above 50 years while only 4.76% of the respondents were aged between 31-40 years. Further, the study established that most of the respondents (95.24%) of the respondents had attained education up to the master's degree level while only 4.76% of the respondents had attained education up to bachelor's degree level. Results also showed that most of the respondents (74.6%) had served as human resource managers for more than 6 years, 15.87% of the respondents had worked as human resource managers for 4- 6 years while 9.52% of the respondents had worked as human resource managers for 1- 3 years.

### 3.4 Descriptive Statistics

#### 3.4.1 Order of Reinstatement

The study sought to establish the effect of order of reinstatement on the HRM practices in state corporations in Kenya. The respondents were asked to indicate the effect of order of reinstatement on the HRM practices in state corporations in their corporation. Results in table 3 reveal that 88.9% of the respondents agreed that order of reinstatement affects human resource planning in their corporation. Results in table3 also show that 93.6% of the respondents agreed that order of reinstatement affects recruitment and selection of employees in their corporation while all the respondents agreed that order of reinstatement affects performance management in their corporation. Further, results in table 3show that 84.1% of the respondents agreed that order of reinstatement affects rewards and compensation management in their corporation while 65.1% of the respondents agreed that order of reinstatement affects training and development in their corporation. Results in table 3 also revealed that 53.9% of the respondents agreed that order of reinstatement affects career

planning in our corporation while 65.1% of the respondents were neutral on whether the order of reinstatement affects employee participation in their corporation.

**Table 3: Order of Reinstatement**

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std Dev
Order of reinstatement affects human resource planning in our corporation.	0.0%	0.0%	11.1%	34.9%	54.0%	4.4	0.7
Order of reinstatement affects recruitment and selection of employees in our corporation.	0.0%	6.3%	0.0%	34.9%	58.7%	4.5	0.8
Order of reinstatement affects performance management in our corporation.	0.0%	0.0%	0.0%	39.7%	60.3%	4.6	0.5
Order of reinstatement affects rewards and compensation management in our corporation.	0.0%	0.0%	15.9%	52.4%	31.7%	4.2	0.7
Order of reinstatement affects training and development in our corporation.	0.0%	0.0%	34.9%	49.2%	15.9%	3.8	0.7
Order of reinstatement affects career planning in our corporation.	0.0%	0.0%	46.0%	44.4%	9.5%	3.6	0.7
Order of reinstatement affects employee participation in our corporation.	0.0%	0.0%	65.1%	25.4%	9.5%	3.4	0.7
<b>Average</b>						4.1	0.7

On a five point scale, the average mean of the responses was 4.1 which means that majority of the respondents were agreeing to the statements in the questionnaire; however the answers were varied as shown by a standard deviation of 0.7. These results agree with those of Lavelle (2010) who asserted that in many parts of Europe, Sweden and Germany enabling legislation clearly provides a social benefit: for one thing, it gives parents important degrees of freedom to strike work-life balances of their choosing at crucial stages in family life. But this social benefit also comes with a countervailing social cost. It effectively disenfranchises the workers who fill in for employees on extended leave and inadvertently creates a category of contingent/pro tem worker.

### 3.4.2 Order of Compensation

The study sought to assess the effect of order of compensation on the HRM practices in state corporations in Kenya. The respondents were asked to indicate the effect of order of compensation on the HRM practices in state corporations in their corporation. Results in table 4 reveal that 69.8% of the respondents agreed that order of compensation affects human resource planning in their corporation.

**Table 4: Order of Compensation**

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std Dev
Order of compensation affects human resource planning in our corporation.	4.8%	9.5%	15.9%	34.9%	34.9%	3.9	1.1
Order of compensation affects recruitment and selection of employees in our corporation.	0.0%	4.8%	19.0%	57.1%	19.0%	3.9	0.8
Order of compensation affects performance management in our corporation.	4.8%	4.8%	20.6%	49.2%	20.6%	3.8	1
Order of compensation affects rewards and compensation management in our corporation.	0.0%	11.1%	28.6%	39.7%	20.6%	3.7	0.9
Order of compensation affects training and development in our corporation.	4.8%	4.8%	49.2%	25.4%	15.9%	3.4	1
Order of compensation affects career planning in our corporation.	0.0%	9.5%	39.7%	46.0%	4.8%	3.5	0.7
Order of compensation affects employee participation in our corporation.	4.8%	14.3%	44.4%	25.4%	11.1%	3.2	1
<b>Average</b>						<b>3.6</b>	<b>0.9</b>

Results in table 4 also show that 76.1% of the respondents agreed that order of compensation affects recruitment and selection of employees in their corporation while 69.8% of the respondents agreed that order of compensation affects performance management in their corporation. Further, results in table 4 reveal that 60.3% of the respondents agreed that order of compensation affects rewards and compensation management in their corporation while 49.2% of the respondents were neutral on whether the order of compensation affects training and development in their corporation. Results in table 4 also show that 50.8% of the respondents agreed that order of compensation affects career planning in their corporation

while 44.4% of the respondents were neutral on whether the order of compensation affects employee participation in their corporation.

On a five point scale, the average mean of the responses was 3.6 which means that majority of the respondents were agreeing to the statements in the questionnaire; however the answers were varied as shown by a standard deviation of 0.9. These findings agree with the Kenya Constitution (2010). The Constitution advocates for fairness in compensation. The Judicature Act S.3 puts the Constitution at the apex of the sources of laws and under Article 41, labor relations are recognized to involve fundamental rights that must be protected. The legal regime for giving effect to Article 41 of Kenya's Constitution is found in the Employment Act (2007), Labor Institutions Act (2007), Labor Relations Act (2007) Work Injury Benefits Act (2007) and The Occupational Health& Safety Act (2007).

### 3.4.3 Human Resource Practices

The study sought to find out whether judicial decisions affect human resource practices in state corporations.

**Table 5: Effect of Judicial Decisions on HRM Practices**

Response	Frequency	Percent
No	37	58.7
Yes	26	41.3
<b>Total</b>	<b>63</b>	<b>100</b>

Results in table 5 reveal that 58.7% of the respondents indicated that judicial decisions do not affect human resource practices in state corporations while 41.3% of the respondents agreed that judicial decisions affect human resource practices in state corporations.

The respondents who agreed that judicial decisions affect human resource practices in state corporations were asked to indicate the extent to which the industrial court decisions affect HRM practices in their state corporation.

**Table 6: Extent of Effect of Judicial Decisions on HRM Practices**

Statement	No extent	Little Extent	Neutral	Some Extent	Great Extent
Human resource planning practice.	54.0%	0.0%	4.8%	25.4%	15.9%
Recruitment and selection of employees practice.	54.0%	0.0%	11.1%	25.4%	9.5%
Performance management practice.	54.0%	0.0%	9.5%	36.5%	0.0%
Rewards and compensation management practice.	54.0%	4.8%	6.3%	28.6%	6.3%
Training and development practice.	54.0%	17.5%	23.8%	0.0%	4.8%
Career planning and employee participation practice.	54.0%	0.0%	20.6%	20.6%	4.8%
<b>Average</b>					

Results in table 6 reveal that most of the respondents (54%) indicated that judicial decisions did not have any effect on human resource planning practice while 25.4% of the respondents indicated that judicial decisions affected human resource planning practice to some extent while 15.9% of the respondents indicated that judicial decisions affected human resource



planning practice to a great extent. Results in table 6 also showed that most of the respondents (54%) indicated that judicial decisions did not have any effect on recruitment and selection of employees practice while 25.4% of the respondents indicated that judicial decisions affected recruitment and selection of employees practice to some extent while 9.5% of the respondents indicated that judicial decisions affected recruitment and selection of employees practice to a great extent.

Results in table 6 also showed that most of the respondents (54%) indicated that judicial decisions did not have any effect on performance management practice while 36.5% of the respondents indicated that judicial decisions affected performance management practice to some extent. Further, results in table 6 reveal that most of the respondents (54%) indicated that judicial decisions did not have any effect on rewards and compensation management practice while 28.6% of the respondents indicated that judicial decisions affected rewards and compensation management practice to some extent while 6.3% of the respondents indicated that judicial decisions affected rewards and compensation management practice to a great extent.

Results also revealed that most of the respondents (54%) indicated that judicial decisions did not have any effect on training and development practice while 17.5% of the respondents indicated that judicial decisions affected rewards and compensation management practice to a little extent while 4.8% of the respondents indicated that judicial decisions affected rewards and compensation management practice to a great extent. Finally, results in table 6 show that most of the respondents (54%) indicated that judicial decisions did not have any effect on career planning and employee participation practice while 20.6% of the respondents indicated that judicial decisions affected career planning and employee participation practice to some extent while 4.8% of the respondents indicated that judicial decisions affected career planning and employee participation practice to a great extent.

These results agree with those of Purcell (2010) who purported that HRM practices are not influenced by judicial decisions. This was due to the fact that HRM does not focus, as does industrial relations, on collective bargaining, which is a central institution in industrial relations. Purcell (2010) asserted that HRM practices such as promotion are based on performance and outcomes.

### 3.5 Inferential Statistics

Inferential analysis was conducted to generate model of fitness, and analysis of the variance and regression coefficients.

#### 3.5.1 Regression Analysis

The results presented in table 7 present the fitness of model used of the regression model in explaining the study phenomena.

**Table 7: Model Fitness**

Indicator	Coefficient
R	0.654
R Square	0.427
Adjusted R Square	0.408

Order of reinstatement and order of compensation were found to be satisfactory variables in explaining human resource practices in state corporations. This is supported by coefficient of determination also known as the R square of 42.7%. This means that order of reinstatement and order of compensation, explain 42.7% of the variations in the dependent variable which

is human resource practices in state corporations. This results further means that the model applied to link the relationship of the variables was satisfactory.

Table 8 provides the results on the analysis of the variance (ANOVA).

**Table 8: Analysis of Variance**

Indicator	Sum of Squares	df	Mean Square	F	Sig.
Regression	18.525	2	9.262	22.38	0.000
Residual	24.832	60	0.414		
Total	43.357	62			

The results indicate that the overall model was statistically significant. Further, the results imply that order of reinstatement and order of compensation are good predictors of human resource practices in state corporations. This was supported by an F statistic of 66.091 and the reported p value (0.000) which was less than the conventional probability of 0.05 significance level.

Regression of coefficients results are as presented in table 9.

**Table 9: Regression of Coefficients**

Variable	B	Std. Error	t	Sig.
(Constant)	1.068	0.366	2.922	0.005
Order of Reinstatement	0.351	0.09	3.913	0.000
Order of Compensation	0.38	0.086	4.437	0.000

Results show that there is a positive and significant relationship between order of reinstatement and order of compensation and human resource practices in state corporations as supported by beta coefficients of 0.351 and 0.380 respectively. These results show that an increase in the unit change of order of reinstatement would result to better human resource practices in state corporations by 0.351 units. These results also show that an increase in the unit change of order of compensation would result to better human resource practices in state corporations by 0.380 units. These findings are supported by the Kenyan legal set up. There are indeed, Judicial decisions regarding HRM which are based on the provisions of the laws.

The multiple linear regression model is as shown below.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + e$$

Where:

Y = Human Resource Practices in State Corporations

$\beta_1, \beta_2$  and  $\beta_3, \beta_4$  = Beta coefficients

$\beta_0$  = Constant Term

$X_1$  = Order of Reinstatement

$X_2$  = Order of Compensation

$\varepsilon$  = Error term

$$\text{Human Resource Practices in State Corporations} = 1.068 + 0.351 \text{ Order of Reinstatement} + 0.380 \text{ Order of Compensation}$$

## 4.0 DISCUSSION CONCLUSIONS ANDRECOMMENDATIONS

### 4.1 Conclusions

The study concluded the order of reinstatement affects the human resource practices in State Corporation in Kenya. To be specific the order of reinstatement affected the human resource planning, recruitment and selection of employees, performance management, rewards and compensation management, training and development and career planning of the state corporations. The study also concluded that the order of compensation affected the human resource practices in State Corporation in Kenya. The order of compensation affected the human resource planning, recruitment and selection of employees, performance management, rewards and compensation management and career planning of the state corporations.

### 4.2 Recommendations

Based on the findings of the study, the study recommended that Human resource managers in state corporations ought to take the initiative to access the information about laws that govern human resource practices in Kenya. The study also recommended that human resource managers in Kenya should adhere to the laws governing human resource management practices. Further, the study recommended that the members of the public should take the initiative to understand the laws that govern human resource practices. This would assist to eliminate unfairness and injustices that oftenly occur in employment.

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