CAUSES OF INDUSTRIAL DISPUTE: A CASE OF THE GARMENT FACTORIES AT THE ATHI-RIVER EXPORT PROCESSING ZONES IN KENYA

Stephen N. M. Nzuve, Lucy M. Kiilu
University of Nairobi, Kenya
E-mail: snmnzuve@uonbi.ac.ke

Abstract

An industrial dispute may be defined as a conflict or difference of opinion between management and workers on the terms of employment (Kornhauser, Dubin and Ross, 1954). In today’s business world, competition is the order of the day. Production, quality, profits and corporate social responsibility are critical areas where companies can improve competitive edge. To attain competitive edge, companies must first ensure cooperation and harmonious relationship between all stakeholders. The general aim of the study was to investigate the causes of industrial disputes in the garment factories in the Export Processing Zone (EPZ) Athi-River, Kenya. The study employed a descriptive research design to determine what caused the disputes and what the possible solutions were. The study population consisted of the shop stewards and human resource managers working at the four garment factories that were in operation at the time of the study. The research instrument used was a questionnaire administered to the respondents.

It was established that working conditions, pay rates, terms of employment and employee relations were the main causes of the disputes. Weak trade union movement, inefficient and inadequate social security, lack of employment benefits, opportunities for training, promotion, trained personnel at the health service, short contract and low pay are the main problems encountered by those working at the EPZ. The study recommended that employee’s welfare and working conditions are important factors to be considered by any employer. Both supervisors and workers should work on their relationship and change attitude towards each other. The terms of employment should be looked into as many employees are unhappy with the terms of employment especially the short contracts and majority feel they are not recognized or awarded for their contribution to the organization.

On the other hand, employees need to understand clearly the company policies, rules, regulations and procedures in place. This can be initiated by management providing employee with manuals or handbooks. There should also be clear channels of communication in the organization to enhance smooth operation, understanding and enhance healthy industrial relationships.

Key words: industrial relations, industrial disputes, export processing zone, employee welfare and employee relations.

Introduction

Background of the Study

The domain of work and organization constitutes an arena in which diverging aims and interests provide an inexhaustible source of dispute at all levels (Nauta, 1998). The terms of working relationships must be defined and settled through collective bargaining with each party (Aswathappa, 2005). Disputes may emerge between different organisations or within the organisation, or among individuals, employees and employers, organisations and their social and
political environments. When an industrial dispute arises, the parties involved will normally try to pressurize each other to agree to their terms (Kluwer and Nauta, 2008).

In the industrial field, good industrial relations are necessary to ensure industrial peace. Verma (2005) states that it is in the interests of all parties that good relations are maintained as when disputes arise or remain unresolved, there are repercussions for all. To the employer, an industrial dispute results in the stoppage of work, production, an increase in the average cost of production as fixed costs are still incurred, fall in sales, turnover and profits in the short term. The employer may also be liable to compensate customers with whom there is a contract for regular supply. In the long term, the organization suffers loss of prestige, credit and alienation of the labor force. In extreme cases, there may be a resultant loss due to destruction of property, personal injury, physical intimidation or inconvenience while an employee suffers a loss of income and psychological consequences of being idle and where the dispute is not resolved amicably, loss of work. Prolonged stoppage of work will also have an adverse effect on national productivity and income.

The affairs of industrial disputes are regulated by the Industrial Act, 1947 that provides for various courts of inquiry, industrial tribunal and boards of reconciliation (Industrial Relations, 2012). There are two types of industrial disputes: - Interest disputes and Rights or grievance disputes. Interest disputes relate to determination of new wage level and other conditions of employment while rights dispute relate to interpretation and application of existing standards and usually involve a worker or group of workers. Under the category of right disputes, claim is made that the workmen have not been treated in accordance with the rules, individual contracts of employment, laws and regulations and as per collective agreements. Such grievances may be regarding retrenchment, dismissal, payment of wages, working time, overtime, demotion, promotion, transfer, seniority, job classification, work rules and fulfillment of obligation relating to safety and health laid down in an agreement.

However sound the underlying relationship between a management team and the workforce may be, there is always a scope for mistakes and misunderstanding on both sides. It is prudent, therefore, to devise an agreed upon procedure to be followed by the parties if a dispute arises (Cole, 2002). It is also necessary to develop supportive climate around social and psychological needs of all employees and management.

The Export Processing Zones (EPZs) are a special kind of industries that specialize in the production of goods mainly for export to the European and USA markets. Kenya inaugurated her EPZ program in 1990 as part of the Export Development Programme being undertaken by the government to transform the economy from import substitution to a path of export led growth. EPZs are designed to further integrate Kenya into the global supply chain and attract export oriented investments in the zones thus achieving its economic objectives of job creation, diversification, expansion of exports, increase productive investments, technology transfer and creation of backward linkages between the zones and the domestic economy. The zones are set up within designated areas in Nairobi, Thika, Mombasa and Athi-River.

The zones provide superior industrial and business infrastructure which includes ready factory buildings for rent or sale, serviced land for construction of building, office premises to let, water, electricity, sewerage, supply service, access roads to the factories, landscaping, garbage collection and disposal, street lighting, illuminated perimeter fence, 24 hour security and customs offices within the premises. Athi-River EPZ is Kenya’s leading industrial park designed to offer new export oriented projects an ideal location for establishment. It was the first publicly developed zone, offering the best of world class infrastructure, generous tax incentives, a supportive environment and a business friendly operating system all within a spacious and well maintained park (Export Processing Zones, 2012).

The EPZ are managed and promoted by the Export Processing Zone Authority (EPZA). At the EPZ, attractive incentives schemes are offered to ensure lower cost operations, faster set up and higher profitability through the establishment of an effective service at the EPZ authority to facilitate all stages of the investment process. The program has contributed significantly
to achieving these objectives with over 40 zones in place, close to 40,000 workers employed and a contribution of 10.7% of national exports. These enterprises have been set up to engage mainly in the production of garments and other textiles in order to meet an export quota allocated by the US under a third World Markets Assistance Programme. Over 70% of EPZ output is exported to the USA under the African Growth and Opportunities Act (AGOA). Projects particularly desirable at the EPZ are garment manufacturing, food processing, fresh produce, jewellery and gem stones, pharmaceutical products, herbal medicines, cosmetics, personal care products, packaging materials, plastics, glass, aluminium and cans, textile yarn, electronics and building materials.

Statement of the Problem

Despite the critical contribution of the EPZ zones to the national economy and the large success realised towards the attainment of the original intended aims of the zones, the industry, especially the garment factories in Athi-River are prone to industrial stand offs with employees frequently calling for strike action and striking.

Mkok (2011) did a study in this area but with a focus on the efforts made by the government through the Ministry of Labour to resolve these disputes to sustain employment thus eradicating poverty among employees and protect investors who have invested heavily in the zones. Another study by Omollo (2006) focused on investigating the relationship between employee indiscipline and limited education.

There is thus no known study investigating causes of the rampant industrial conflicts despite the critical importance of such a study as establishing the cause would go a long way in providing long lasting solutions to the industrial dispute and conflict at the garment factories at the AthiRiver EPZ.

Aim of the Study

The aim of the study was to establish the causes of industrial disputes in the garment factories at the EPZ in Athi-River.

Contributions of the Study

The findings of this study would be of value and interest to various stakeholders.

1) The employees and management at the garment factories at the EPZ in Athi-River will benefit as it will reveal causes of the disputes and propose solutions.
2) The EPZ will also benefit as better relations will lead to greater productivity and increased brand value.
3) The study will provide information that will be useful to Governments and in particular the ministry of labour in the region in designing and implementing policies of industrial disputes resolution.
4) Other researchers and students of human resource management, industrial disputes and EPZs will find this study a useful guide in carrying out more research in this area.
Methodology of Research

Research Design

The researcher employed the descriptive research design which attempts to determine, describe and classify as it uses description, classification, measurement and comparison to describe a situation. A cross sectional survey was adopted with the population of the study being all cadres of workers from different departments in the four garment factories.

Sample Size

The sample population was the shop stewards and the human resource managers of the four garment factories as these were assumed to have expert knowledge on industrial disputes at the factories. There were eight shop stewards who also acted as employee representatives in each factory and one human resource manager per factory thus making a sample of 36 respondents.

Table 1. Sample Population and Response Rate.

<table>
<thead>
<tr>
<th>Designation</th>
<th>No. Per Factory</th>
<th>Total in the four factories</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  Factory Manager</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>2  Shop steward/employee representative</td>
<td>8</td>
<td>32</td>
</tr>
</tbody>
</table>

Data Analysis

Characteristics of the Sample

Out of 36 questionnaires distributed as per table 1, 29 were returned signifying a response rate of 80% with a distribution of 57% of female gender and 43% female. The analysis of the respondents also showed that 23% of the employees were between 19 and 25 years, 50% between 26 and 29 years, 23% between 30 and 39 and only 4% above 40 years old. Of the respondents, 42% were married, 57% single and 1% either divorced or widowed.

Education Level

The study sought to determine the respondents’ level of education. 1% were university graduates, 18% had college papers with 81% having just secondary level education or below with a distribution across the four factories as in Table 2. This data was provided by the human resource managers of the whole population.
Table 2. Respondents’ level of education.

<table>
<thead>
<tr>
<th>Education level</th>
<th>Factory 1</th>
<th>Factory 2</th>
<th>Factory 3</th>
<th>Factory 4</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>University degree</td>
<td>15</td>
<td>15</td>
<td>13</td>
<td>9</td>
<td>52</td>
</tr>
<tr>
<td>College</td>
<td>375</td>
<td>250</td>
<td>230</td>
<td>187</td>
<td>1042</td>
</tr>
<tr>
<td>Secondary and below</td>
<td>975</td>
<td>1335</td>
<td>1257</td>
<td>1004</td>
<td>4571</td>
</tr>
</tbody>
</table>

Terms of Employment

Three types of terms of employment were identified from the analysis as casuals, permanent and contract. 67% of the respondents were casuals, 19% on short contract of one year and less with only 14% on permanent terms of employment.

Figure 1: Terms of employment.

Salary Scales

Human resource managers from the four factories were asked to indicate level of earnings for the various categories of employees. 55% of the employees within the factories were earning less than 10,000 Kenya shillings, 33% between 10,000 to 19,999 Kenya Shillings, 10% between 20,000 and 40,000 Kenya Shillings with only 1% earning higher than 40,000 Kenya Shillings.
### Table 3. Salary scales.

<table>
<thead>
<tr>
<th>Salary in Kenya Shillings</th>
<th>Factory 1</th>
<th>Factory 2</th>
<th>Factory 3</th>
<th>Factory 4</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Count</td>
<td>%</td>
<td>Count</td>
<td>%</td>
<td>Count</td>
</tr>
<tr>
<td>Below 10,000 Very Low</td>
<td>754</td>
<td>55</td>
<td>891</td>
<td>56</td>
<td>879</td>
</tr>
<tr>
<td>10,000-19,999 Low</td>
<td>490</td>
<td>36</td>
<td>534</td>
<td>33</td>
<td>468</td>
</tr>
<tr>
<td>20,000-39,999 Medium</td>
<td>103</td>
<td>8</td>
<td>157</td>
<td>10</td>
<td>138</td>
</tr>
<tr>
<td>40,000 and above High</td>
<td>18</td>
<td>1</td>
<td>18</td>
<td>1</td>
<td>15</td>
</tr>
</tbody>
</table>

### Results of Research

#### Satisfaction with Working Conditions

The respondents were asked to indicate their levels of satisfaction with the working conditions at the garment factories. None (0%) were completely satisfied, 13% were satisfied, 63% were dissatisfied while 25% were completely dissatisfied. Of the respondents, 64% were satisfied with the efforts management were making to improve the working conditions while 14% commended progress made.

### Table 4. Levels of satisfaction with working conditions.

<table>
<thead>
<tr>
<th>Satisfaction with working conditions</th>
<th>Factory 1</th>
<th>Factory 2</th>
<th>Factory 3</th>
<th>Factory 4</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Count</td>
<td>%</td>
<td>Count</td>
<td>%</td>
<td>Count</td>
</tr>
<tr>
<td>Completely satisfied</td>
<td>0</td>
<td>-</td>
<td>0</td>
<td>-</td>
<td>0</td>
</tr>
<tr>
<td>Satisfied</td>
<td>2</td>
<td>25</td>
<td>2</td>
<td>25</td>
<td>13</td>
</tr>
<tr>
<td>Dissatisfied</td>
<td>7</td>
<td>87.5</td>
<td>5</td>
<td>62.5</td>
<td>6</td>
</tr>
<tr>
<td>Completely Dissatisfied</td>
<td>1</td>
<td>12.5</td>
<td>1</td>
<td>12.5</td>
<td>1</td>
</tr>
</tbody>
</table>

Satisfaction with Management Efforts to Improve Working Conditions

While a large percentage of the respondents were dissatisfied with working conditions, 44% were satisfied with management efforts to improve working conditions, 37% were dissatisfied while 19% were indifferent.
**Figure 2: Satisfaction with management efforts to improve working conditions.**

- **Indifferent**: 19%
- **Satisfied**: 44%
- **Not satisfied**: 37%

*Relationship with Management*

The respondents were asked to evaluate relationship with management. 2% described the relationship as very friendly, 19% indicated friendly, 31% not bad, 47% rated the relationship as bad and 1% as very bad.

*Figure 3: Relationship with management.*
Effectiveness of the Grievance Handling Procedure

19% of the respondents rated the effectiveness of the grievance handling procedure as satisfactory, 31% as poor, 50% as very poor while none rated the procedure as very effective. However, all the respondents were aware of the procedure.

The respondents were asked to indicate whether the grievance handling procedure in place was effective and provided a platform for the resolution of industrial disputes at the garment factories. It was a concern that none of the respondents (0%) indicated that the procedure was very effective. 19% indicated thought it was satisfactory while a 81% felt it was either very poor or poor.

Table 5. Effectiveness of the grievance handling procedure.

<table>
<thead>
<tr>
<th>Effectiveness</th>
<th>Factory 1</th>
<th>Factory 2</th>
<th>Factory 3</th>
<th>Factory 4</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Count</td>
<td>&amp;%</td>
<td>Count</td>
<td>&amp;%</td>
<td>Count</td>
</tr>
<tr>
<td>Very effective</td>
<td>0</td>
<td>-</td>
<td>0</td>
<td>-</td>
<td>0</td>
</tr>
<tr>
<td>Satisfactory</td>
<td>1</td>
<td>12.5</td>
<td>2</td>
<td>25</td>
<td>1</td>
</tr>
<tr>
<td>Poor</td>
<td>4</td>
<td>50</td>
<td>3</td>
<td>37.5</td>
<td>3</td>
</tr>
<tr>
<td>Very poor</td>
<td>3</td>
<td>37.5</td>
<td>4</td>
<td>37.5</td>
<td>4</td>
</tr>
<tr>
<td>Dissatisfied</td>
<td>8</td>
<td>100</td>
<td>8</td>
<td>100</td>
<td>8</td>
</tr>
</tbody>
</table>

The researcher recommends that this procedure be reviewed urgently to ensure that the majority of the respondents believe it to be effective as this is key to industrial dispute resolution.

Causes of Industrial Disputes

From the data analysis, the causes of employee grievances are poor leadership styles and interpersonal relations, low salary or wages, poor working conditions, rigid company rules and regulations, low recognition for work done, terms of employment, intimidation of workers and their representatives, long working hours and job insecurity. All the causes have a very close range of the mean and standard deviation and thus contribute almost equally to industrial disputes.
Table 6. Causes of industrial disputes.

<table>
<thead>
<tr>
<th>Cause</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor leadership styles and interpersonal relations</td>
<td>3.7</td>
<td>0.48</td>
</tr>
<tr>
<td>Low salary/wages</td>
<td>3.7</td>
<td>0.48</td>
</tr>
<tr>
<td>Poor working conditions</td>
<td>3.6</td>
<td>0.52</td>
</tr>
<tr>
<td>Rigid company rules and regulations</td>
<td>3.5</td>
<td>0.85</td>
</tr>
<tr>
<td>Low recognition for work done</td>
<td>3.5</td>
<td>0.85</td>
</tr>
<tr>
<td>Terms of employment</td>
<td>3.4</td>
<td>0.84</td>
</tr>
<tr>
<td>Intimidation of workers and their representatives</td>
<td>3.4</td>
<td>0.84</td>
</tr>
<tr>
<td>Long working hours</td>
<td>3.3</td>
<td>0.82</td>
</tr>
<tr>
<td>Job insecurity</td>
<td>3.2</td>
<td>0.63</td>
</tr>
</tbody>
</table>

Proposed Solutions

The respondents were asked to identify possible solutions to the industrial disputes in the garment factories of Athi-River, EPZ, Kenya.

Table 7. Possible solutions to the industrial disputes.

<table>
<thead>
<tr>
<th>Possible solution</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual salary reviews</td>
<td>3.6</td>
<td>0.52</td>
</tr>
<tr>
<td>Bonus and rewards based on performance and discipline</td>
<td>3.5</td>
<td>0.71</td>
</tr>
<tr>
<td>Team work enhanced</td>
<td>3.4</td>
<td>0.70</td>
</tr>
<tr>
<td>Clear communication, especially on matters affecting employees</td>
<td>3.4</td>
<td>0.70</td>
</tr>
<tr>
<td>More workers should be on permanent terms of employment</td>
<td>3.3</td>
<td>0.82</td>
</tr>
<tr>
<td>Recognition of trade unions</td>
<td>3.2</td>
<td>0.79</td>
</tr>
<tr>
<td>Health and safety of employees within the factories should comply with government rules and regulations</td>
<td>3.1</td>
<td>0.74</td>
</tr>
<tr>
<td>Contracts should be at least for three years.</td>
<td>2.9</td>
<td>0.84</td>
</tr>
<tr>
<td>Overtime should be well compensated.</td>
<td>2.4</td>
<td>0.54</td>
</tr>
</tbody>
</table>

Discussion

The study reveals that with the world economy sinking deeper into recession, millions of workers at the Garment factories in the Athi - River are on temporary terms without benefits or job security at minimum wage per day. Unions are also weak with predominantly strained employee relations. This situation leads to industrial disputes in these factories and some of the proposed solutions by the respondents include instituting annual salary reviews, bonus and rewards based on performance and discipline, enhancing team work and clear communication especially on matters affecting employees, having more workers on permanent terms of employment. Others are recognition and strengthening of trade unions, improving health and safety of employees within the factories to comply with government rules and regulations while contracts should be at least for three years with terminal benefits and overtime should be well compensated.

These findings agree with those of (Mkok 2011), a study that had focused on the efforts being made by the government through the Ministry of Labour to resolve the disputes with the
aim of sustaining employment and eradicate poverty. Omollo (2006) investigated the relationship between industrial disputes and employee indiscipline and lack of education and came up with the same findings as this study citing working conditions, terms of employment, pay rate, weak grievance handling mechanisms and employee relations as being major factors causing industrial disputes and unrest.

**Conclusion**

The new Kenyan constitution 2010 extends equal rights and freedoms to all. The Labour Relations Act, 2007; the Employment Act, 2007; Work Injuries Benefits Act, 2007 and the Occupational Safety and Health Bill, 2007 are the primary pieces of legislation governing employment matters in Kenya. The Acts codify the common law rules of the work place including basic conditions and benefits of employment. The findings of the study however indicate that despite this comprehensive legal framework, there is a high level of temporary jobs in the EPZ garment factories. Due to the rising unemployment rates in Kenya, workers are forced to persevere poor industrial relations, poor working conditions, high job insecurity, long working hours, discrimination and low wages. It was further established that during compliance audit visits by the brand customers, employees are provided with working facilities and protective gear and cautioned on what to say to the audit officials so as to pass the compliance audit.

However, the study also showed significant progress made by management to resolve industrial disputes with employees being provided with better working facilities, medical services, health and safety equipment and affordable food canteens within the EPZ premises. Employees are also being allowed to join trade unions freely and one of the factories has a day care facility run by employees of the company to look after small babies while their mothers work.

The study had a limited sample of human resource managers and employee representatives. It would be useful if the scope was expanded to include all cadre of employees.

**Recommendations**

The study identified a number of causes of industrial disputes and possible solutions to the challenges experienced:

1) The EPZs should offer greater flexibility to its employees ensuring, job satisfaction, growth on the Job through promotion, training and job rotations thus improving morale and loyalty.

2) Disputes arising should be addressed as quickly as possible to avoid simmering tensions and loss of trust.

3) Employees should feel that there are mechanisms in place for their protection including a safe working environment, fair treatment, proper incentives and rewards, recognition, participation in decision making and appreciation.

4) Causes of industrial disputes such as poor leadership styles and interpersonal relations, low salary or wages, poor working conditions, rigid company rules and regulations, low recognition for work done, terms of employment, intimidation of workers and their representatives, long working hours and job insecurity need to be addressed in the long term. Proposed solutions are Annual salary reviews, bonus and rewards based on performance and discipline, team work enhanced, clear communication, especially on matters affecting employees, more workers should be on permanent terms of employment, recognition of trade unions, health and safety of employees within the factories should comply with government rules and regulations, contracts should be at least for three years and overtime should be well compensated.

5) Guidelines for dispute resolution and work place ethics including company rules and regulations should be disseminated and made available to all employees.
Managers and supervisors must be developed to be good mentors and team leaders.
Communication channels within the EPZs must be enhanced.

References

Brown, J. L. Muir, J. D. (1976). The functions of the Kenyan Industrial Court, Faculty of Business Administration and Commerce. University of Alberta, Edmonton.


Advised by Judita Stankutė, SMC “Scientia Educologica”, Lithuania

Received: *February 22, 2013*  
Accepted: *March 22, 2013*