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**FACULTY OF SOCIAL SCIENCES**

**HUMAN RESOURCE MANAGEMENT DEPARTMENT**

**THE EFFECTS OF OUTSOURCING ON LABOUR PRODUCTIVITY: A CASE STUDY OF  
SINO-ZIMBABWE CEMENT COMPANY**

**BY**

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## **ABSTRACT**

*The study investigated the effects of outsourcing on labour productivity at Sino Zimbabwe Cement Company. A sample of 6 participants from SZCC management and 3 managers from outsourced labour companies was selected using judgmental sampling technique. Quota sampling technique was used to select 23 non managerial participants from SZCC employees and 15 participants from outsourced labour. Outsourcing was done to reduce costs and to access technical skills. It reduced level of commitment for SZCC employees leading to low labour productivity. Outsourced labour showed higher level of labour productivity because their level of commitment was high because they wanted to secure their jobs. The study showed that the level of output for outsourced labour was high which led to higher labour productivity. Outsourcing led to reduction costs due to efficient utilisation of labour which translated to higher labour productivity. Innovation was only evident in outsourced catering services. Other outsourced labour and SZCC workers did not depict any innovative ideas which reduced their level of labour productivity. In terms of labour flexibility outsourcing gave SZCC the opportunity to hire labour when most needed which ensured efficient utilisation of labour leading to higher labour productivity. The study also found that turnover for outsourced labour was low which implied that its labour productivity was high. As for SZCC turnover was high which implied that its labour productivity was low. The research found that SZCC was not providing its workers with training opportunities which led to reduction in level of commitment leading to low level labour productivity. The study recommended that for outsourcing to enhance labour productivity it must ensure job security, remuneration for subcontracted workers must be competitive to promote high labour productivity and training and development must be undertaken to both client and subcontracted workers to enhance labour productivity.*

## **DEDICATIONS**

This work is dedicated to my son Ashley Kudakwashe. I hope this will be your motivator that will encourage you to become a great person.

My lovely parents Mr and Mrs Moyo, a special thank you for your moral support. Without your support I would not have made it this far. This work is also dedicated to my sister Sharon, you have been of great assistance and made a lot of sacrifices during my studies and your prayers made me sail through.

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## **DEFINITION OF TERMS**

**Outsourcing** - Contracting out a job, function or service in an organisation to a third party labour provider (Rahim and Bakar 2015)

**Labour Productivity** - The total volume of output produced per unit of labour during a given time reference period (Freeman 2008).

## **ABBREVIATIONS**

<b>ILO</b>	-	International Labour Organisation
<b>OECD</b>	-	Organisation for Economic Cooperation and Development
<b>SZCC</b>	-	Sino-Zimbabwe Cement Company
<b>CBMC</b>	-	China Building Material Industrial Corporation for foreign Eco- Technical Cooperation.
<b>IDCZ</b>	-	Industrial Development Corporation of Zimbabwe Limited
<b>HR</b>	-	Human Resource
<b>CTT</b>	-	Chinese Technical Team

## **INTRODUCTION**

The unstable economic environment that has been prevailing in Zimbabwe for the past decade has pressured many organisations to restructure their operational activities so as to enhance productivity. Chikuse, Katsvanga, Jimu and Mujuru (2012) stated that the economic environment prevailing in Zimbabwe has been characterised by high interest rates and rising production costs. These economic challenges compelled some organisations to close down their operations whilst others opted to outsource ailing functions or services to survive.

One area that has been subjected to outsourcing by companies seeking to survive is labour. According to Price Waterhouse Cooper (2008) organisations outsource labour in order to enhance labour productivity. This is because outsourcing is presumed to be one effective survival strategy that stimulates labour productivity as it ensures access to important talent and capabilities.

In Zimbabwe studies carried out by Zhou and Ren (2010), Chikuse, Katsvanga, Jimu and Mujuru (2012), Ruziwa (2016) showed wide evidence of outsourcing in the manufacturing sector, retail and service industry. The studies however did not draw a clear relationship between outsourcing and labour productivity. It is however essential to note that no studies were conducted in the cement industry to determine the effects of outsourcing on labour productivity. This is regardless of the fact that the practice of outsourcing is wide spread in the sector. The need to outsource labour was brought about by the bad economic environment in the country which forced the cement producing companies to come up with survival strategies. The sector has been experiencing high labour costs which forced some of the players like Sino-Zimbabwe Cement Company (SZCC) to find ways of reducing them to remain afloat. To reduce productive costs SZCC in 2014 decided to outsource labour in areas such as security, canteen, and limestone hauling. These activities have long been regarded as the major cost drivers and as a result there was an urgent need to find ways to bring the productive costs to optimal levels. The effects of outsourcing at SZCC have however not been investigated. This study therefore focused on the effects of outsourcing on labour productivity at SZCC.

## **BACKGROUND OF THE STUDY**

### **Definition of Outsourcing**

The concept of outsourcing labour implies the use of workers not employed by the organisation to perform a business function in a client organisation. Rahim and Bakar (2015) postulate that the word outsourcing means contracting out a job, function or service in an organisation to a third party labour provider. It is subcontracting a third party to provide labour that will undertake specific tasks or provide services premised on set terms and conditions. It defines the use of labour inputs not directly employed by an organisation.

### **FORMS OF OUTSOURCING**

There are various methods that are used for outsourcing labour which range from labour broking, off shoring and skills outsourcing

#### **Labour Broking**

One of the methods that organisations have adopted in outsourcing is labour broking. According to Deloitte (2016) labour broking is temporary employment service whereby companies employ casual workforce through labour brokers. With labour broking employees are made available to companies by agents who enter into employment contract with the workers, they administer their payroll and assume the responsibility to deduct statutory obligations. The contract of employment entered with the brokering agent and the workers continues as long as the client requires the services of the employee. The labour broker pays the employees' salary and there is no employment contract between the client and the worker.

#### **Function/Service Outsourcing**

The other method of outsourcing is sub-contracting of service or function whereby an organisation procures a service from an agent who is not controlled by the managers of the client organisation. The subcontractation is done for a fee and may include services or functions such as pay roll administration, accounting services, recruitment and selection and logistics. Banerjee and Williams (2009) defined service/function outsourcing as buying of a service from an outside party on a continuous basis for a transaction fee.

### **Skills Outsourcing**

The other prevalent form of outsourcing is skills outsourcing whereby client organisations subcontract special skills from outside. Banerjee and Williams (2009) forwarded that skills outsourcing is concerned with procuring specialized skills and competences not available in an organisation. The skills are procured from an organisation that possesses them through labour subcontracting. The subcontracting organisation agrees to pay a certain fee for a specified time for the subcontracted labour.

### **International Outsourcing**

Many organisations have also resorted to international outsourcing whereby they subcontract some of their economic activities to institutions abroad. The outsourcing company acquires business materials and services from a location outside the home country of operation. Alexandrova (2012) pointed out international outsourcing is the importation of inputs such as labour and materials at the plant level. It indicates the value of inputs such as labour, services and materials procured by an organisation from foreign markets.

## **REASONS FOR OUTSOURCING LABOUR**

### **Transfers Employment Risks**

One of the reasons that has been advanced by employers in Zimbabwe who outsource labour is the need to transfer employment risks. This is because with outsourcing the client company does not pay for penalties on unfair dismissals of workers, spends less time on recruitment and selection, performance management and discipline. This view is supported by Ruziwa (2016) who argued that outsourcing minimises employment risks as the subcontracting organisation is not obliged to pay the workers minimum wages and other employment benefits such as leave and bonuses. It also minimises client organisation's exposure to risks associated with trade union participation as workers obtained on brokerage terms do not participate in trade union activities. This reduces occurrences of collective job actions which may disrupt production.

### **Reduces Operational Costs**

Many companies in Zimbabwe have resorted to outsourcing as a viable means to reduce employment costs. This is because the Zimbabwean business environment has been associated with sky rocketing labour costs eroding the profits of employers. This forced the employers to resort to outsourcing as an alternative means of reducing the labour cost burden. According to

Zhou and Ren (2010) many companies in Zimbabwe outsource labour because they want enjoy labour and operational costs reductions. Outsourcing leads to cost reduction as it affords an organisation with the opportunity to have workers at a cheaper cost from the subcontracting organisation. The client organisation does not pay recruitment and selection costs, trade union fees and medical costs for the workers. Ruziwa (2016) argued that in Zimbabwe outsourcing gives employers the opportunity to exercise greater labour flexibility as they can vary the amount of labour in line with seasonal changes. This assists employers in reducing their wage bill.

### **Ensures Access to Skilled Labour**

Outsourcing provides employers with the opportunity to have access to skilled labour. According to Yan (2005) employers outsource labour abroad because they want to reap the benefits of high skilled labour enjoyed by countries with advanced technologies and competences. Companies in developing countries subcontract some of their high tech activities to companies abroad that need the skills and competences. In Zimbabwe the need to outsource labour has mostly emanated from skills shortage experienced by organisations. Outsourcing avails special skills to employers not available in their organisation for the purpose of gaining competitive advantage. Banerjee and Williams (2009) noted that outsourcing labour brings critical expertise which is not available internally in an organisation but will be essential for enhancing differential capabilities. Other than outsourcing of critical expertise employers may also outsource low skilled labour and remain with core skills so as to even out its wage bill structure. This view was advanced by Grossman and Helpman (2005) who postulated that employers outsource low skilled labour in order to concentrate their core labour.

### **LABOUR PRODUCTIVITY**

According to Price Waterhouse Cooper (2008) the term productivity can be conceptualised in two broad terms, that is, organisational and labour productivity. Freeman (2008) regarded labour productivity as an indicator of the amount of work done by a particular worker within a set time frame. Labour productivity measures the extent to which an organisation employs its labour. It is a measure of efficiency. It measures the extent of efficiency with which labour is utilized to produce goods and services in terms of time, skills and effort.

## **EFFECTS OF OUTSOURCING ON LABOUR PRODUCTIVITY**

### **Positive Effects of Outsourcing on Labour Productivity**

A study carried out by Bryson (2014) on UK manufacturing plants during the period 1980-1992 showed that outsourcing was positively related to labour productivity and total factor productivity growth. This was because outsourcing reduces costs and makes an organisation focus on its core competences.

### **Focuses Employers on Productivity**

Outsourcing is used by contemporary organisations to enhance labour productivity as it provides employers with the chance to concentrate on their core competences critical for survival. According to Beardwell (2004), Drahokoupil (2015) and George and Chattopadhyay (2015) outsourcing provides organisations with the opportunity to focus on their core workforce as it relegates non-core activities to subcontractors. The relegation of non-core activities gives organisations the chance to give their core workers standard contracts which align their interests with those of the organisation leading to higher labour productivity. Also outsourcing affords an organisation with the chance to make maximum use of its core competences but at the same time capitalising on cheap labour provided by the labour market. The relegation of non-core activities reduces the workload of skilled labour which makes them concentrate on specialised areas leading to higher labour productivity.

Bryson (2014) in a study in USA firms made reference to outsourcing of non-permanent workers and forwarded that outsourcing acts as a spur that forces permanent workers to improve their labour productivity. The presence of non-permanent outsourced labour acts as a threat to permanent skilled workers who feel threatened as they feel the outsourced labour may take their jobs. This compels the permanent employees to put more effort on their specialised areas leading to higher labour productivity.

### **Promotes Labour Flexibility**

The effects of outsourcing on labour productivity can be explained by the neo liberal theory which questions the basis of traditional models of employment premised on security and permanence which cause employees to relax and be complacent leading to low labour productivity (Arnold and Bongiovi, 2011). The flexibility labour model proposed by the neo liberal theorists advocated for contingent employment relationships such as outsourcing which

gives the employer the opportunity to optimise on labour productivity. Outsourcing provides employers with both numerical and skills flexibility which are associated with high labour productivity. It ensures uninterrupted production as it avails skills and competences with desired levels of labour productivity throughout the year to the employers.

Empirical evidence gathered by Montresor, Antonioli, Mazzanti and Pini (2013) in Denmark showed that outsourcing gives organisations the opportunity to escape learning traps as they can tap expert labour associated with high labour productivity provided by labour brokers or agents. Employers do not need to waste time to conduct training as outsourcing provides employers with the opportunity to tap already trained labour from brokers with high labour productivity.

### **Reduction of Labour Production Costs**

The effects of outsourcing on labour productivity can be inferred from the propositions that were advanced by Karl Marx in the labour theory of value which noticed the exploitation of workers by those who own the means of production (Kitchener 2001). For Marx the value of any commodity is derived from the labour utilised to create it. This relationship is however obscured by the capitalists who are bent on exploiting the workers for their self ends. To drive maximum labour productivity and profit from workers owners of the means of production seek ways to reduce labour costs, with outsourcing as one of them.

The relationship between outsourcing, cost reduction and labour productivity was observed by Littler and Benson (2002) in a research in Germany which revealed that organisations can save up to 60% of business costs through outsourcing as it enhances labour productivity. This is because outsourcing makes workers of the outsourcing organisation redundant which leads to a default increase in labour productivity because output remains the same while labour costs drop. Outsourcing avails labour inputs at lower costs as lower fees are negotiated and affords an organisation the opportunity to reallocate specific firm skills to more productive areas. It inhibits opportunism and self-serving behaviour on the part of workers leading to higher labour productivity.

Kwaramba (2015) in a study on Non-Governmental Organisations in Zimbabwe argues that outsourcing labour in the NGOs saves substantial costs as it is a cheaper means of conducting business. Kwaramba showed that outsourcing labour in Zimbabwe was triggered by the

economic structural adjustment which led organisations to find cheaper ways of conducting business while maintaining high labour productivity.

### **Enhances Employee Commitment**

Drahokoupil (2015) and Rahim and Bakar (2015) in a study in European Union companies found that workers of outsourcing companies experience high job enrichment associated with high labour productivity. This is because as some of the jobs get outsourced survivor workers may be given more senior jobs with more responsibilities which lead to higher labour productivity. Also workers who remain after outsourcing feel honoured and as such are obliged to work hard to meet production targets. The workers thrive to find innovative ways to enhance their labour productivity.

Outsourced labour also gets committed to their job because they hold the hope that one day they may be employed by the outsourcing company as permanent workers. Cicek and Ozer (2011) in a study in Turkey found that outsourcing motivates outsourced labour to work hard because they intend to be one day employed on a permanent basis by the organisation that outsourced labour. Such hopes and aspirations enhance the labour productivity of the outsourced labour.

### **Negative Effects of Outsourcing on Labour Productivity**

Outsourcing has been found to be associated with many negative effects on labour productivity.

#### **Loss of Employee Commitment**

The adoption of outsourcing as a strategy to cut costs has been observed to have negative implications on employee commitment and labour productivity. Drahokoupil (2015) and Bryson (2014) forwarded that outsourced labour suffers from loss of employee commitment because of disparities of conditions of service between subcontracted workers and permanent workers of the client organisation. Workers of the client organization enjoy more benefits such as job security, lucrative remuneration and bonuses which may not be enjoyed by outsourced labour. This causes the subcontracted workers to have lower labour productivity.

Kwaramba (2015) in a study in Zimbabwe noted that outsourcing strain employment relations. This is because differences in wages and other conditions of work create division between subcontracted workers and workers of the client organization. The disparities cause

subcontracted workers to harbour feelings of resentment and hatred which are associated with low labour productivity. Instead of uniting the workforce outsourcing may create rivalry which stifles labour productivity due to low teamwork.

Subcontracted workers also lack job security which causes them to have lower job satisfaction and labour productivity. Lack of job insecurity causes the subcontracted workers to have lower emotional attachment to the client organisation leading to low labour productivity. Bryson (2014) noted that subcontracted workers are vulnerable to dismissal which leads them to have a low sense of belonging which leads to decreased labour productivity. On the part of the workers of the client organisation, the dissatisfaction and job insecurity experienced by the temporary agency workers might have a spill over effect. This is because outsourcing labour makes client organisation workers feel insecure for they will not be sure whether their jobs will one day not be outsourced. This may cause them to withdraw their labour leading to a decrease in labour productivity.

### **Generate New Costs**

Drahokoupil (2015) forwards that outsourcing labour causes an organisation to incur more costs brought about by additional monitoring and coordination. Outsourcing is associated with start-up costs such as contractual costs, induction costs of the outsourced and other implicit costs which outweigh the presumed gains in labour productivity. Besides start-up costs outsourcing may also generate collective and individual resistance by workers which generates hidden costs in the short run leading to sub optimal allocation and utilisation of human resource capabilities.

Pfeffer (1998) argues that outsourcing does not reduce costs but it is only managerial illusion which tend to wrongly believe that the cost of labour and labour costs are same thing. This myopic view is premised on managerial under estimation of real labour productivity, which on the cost side is the ultimate source of profit. The managers' myopic mind compel them to just look at pay which is simply the compensation/price paid for available working hours. This does not take into cognisance the real effects of outsourcing and the negative inefficiencies it generates in the utilisation of labour. Any labour productivity gains generated by outsourcing labour are outweighed by the cost of utilising the outsourced labour.

### **Incapacitate Employees' Innovative Capabilities**

Outsourcing has been observed to have a constraining effect on employees' innovative competences and capabilities leading to low labour productivity. According to the ILO (2015), organisations resort to outsourcing because they want to make use of low paid workers. However the ILO noted that using low paid workers inhibits innovation leading to low labour productivity. This is because outsourced labour lack job commitment due to low remuneration and job insecurity which inhibits their level of innovation. This was observed in India where labour broking was negatively related to research and development yet these are the pillars essential for enhancement of labour productivity. Outsourced labour lacks sense of belonging and as such do not bring any innovative ideas that enhance labour productivity.

### **Employee Representation**

The use of outsourced labour has been seen to blur employment relationships as outsourced labour lacks trade union representation. Holdcroft (2012) and Drahokoupil (2015) made reference to labour brokers and argue that employees who find themselves in this trap experience poor working conditions as they do not participate in trade union functions and have no chance to bargain on their terms of employment. This is because outsourcing labour undermines collective agreements and job protections as subcontracted labour is exposed to deteriorating employment terms and conditions which negatively affect their level of labour output. They find it difficult to hold anyone responsible for their terms of employment and this leads to disgruntlement resulting in low labour productivity.

### **Hamper Employee Training**

According to the ILO (2015) the utilisation of outsourced labour hamper organisational training and development as it shifts the responsibility to individual employees. The more an organisation utilises outsourced labour the more it reduces its training budget. This leads to gradual erosion of organisation-specific skills leading to low labour productivity as the organisation gets staffed by less qualified workers. Chikuse, Katsvanga, Jimu and Mujuru (2011) argue that in Zimbabwe outsourcing has contributed little to building firm specific skills important for enhancing labour productivity. This is because labour brokers do not train workers but instead leave it to the workers to do it. This leads to loss of corporate memory which weakens an employees' innovative capacity and level of labour output.

### **Increases Employee Turnover**

Outsourcing labour has also been seen to cause high labour turnover and absenteeism on the part of subcontracted employees as they lack job security and sense of belonging. Chikuse, Katsvanga, Jimu and Mujuru (2011) in a study in Zimbabwean Forestry found that subcontracted labour was associated with high labour turnover and absenteeism caused by job insecurity. This compromises quality of work and level of labour productivity as behaviour of workers will not be consistent with the needs of the organisation. According to Cicek and Ozer (2011) organizations give workers a sense of identification and feelings of job security but these are disrupted by outsourcing arrangements which engage workers on temporary basis. The lack of job security demotivates workers which compels them to reduce their job effort.

### **CHALLENGES ENCOUNTERED WITH OUTSOURCING ON LABOUR PRODUCTIVITY**

There are various challenges that organisations encounter in trying to ensure that outsourcing enhances labour productivity. The ACAS (2012) postulates that outsourcing labour weakens employment relations due to loss of direct personal relationships. It negates the traditional forms of shop floor level negotiation where HR departments play a crucial role. This demotivates the workers leading to poor labour productivity.

The ACAS (2012) also observed that outsourcing brings about diversification of employment contracts. It splits workers between different employers yet they will be working for one organisation. It creates blurred boundaries which may lead to tensions and industrial disharmony which disrupts production processes. The tensions reduce teamwork leading to low labour productivity as workers do not cooperate.

Dendler (2006) made reference to the USA and argued that outsourcing affects an organisation's ability to maintain a pole position as innovators in a particular product or service. This is because outsourced labour can be adept at producing products for a company which may cause the client company to retrench its competent labour. The skills lost due to subcontracting will find it difficult to get employment and may end up filling semi-skilled positions but will not be motivated.

In Zimbabwe enhancing labour productivity through outsourcing has faced many challenges. For the period 2008-2013 many client companies that outsourced labour experienced high turnover of subcontractors. This caused many of the client companies to outsource different companies which reduced their capacity to do superior work. Chikuse, Katsvanga, Jimu and Mujuru (2012) forwarded that in Zimbabwe outsourced labour had a turnover of 79% during the year 2010 which showed that most of the outsourced labour was not staying longer which disrupted smooth flow of labour productivity. The high contractor turnover results in poor quality work as the client organisation need to always conduct induction training to orient new contractors.

The other challenge associated with outsourcing labour in Zimbabwe is that of low pay rate. Most of the client organisations engage outsourced labour because they want to reduce costs. The low pay rate received by outsourced labour reduces their level of motivation which leads to low output. According to Carrere (2008) most subcontracted labour receive low pay rate and as such fail to realise profits leading to low remuneration for the workers. The low pay rate subdues employee level of commitment to job which results in low labour productivity.

The other challenge faced by outsourced labour in Zimbabwe is lack of competences and skills. This is because most labour agents do not commit themselves to conducting training for their labour. As a result outsourced labour is associated with poor quality products and services. Chikuse, Katsvanga, Jimu and Mujuru (2012) argue that most subcontracted labour is semi illiterate and do not have the prerequisite skills and competence to produce goods and service in standard time. This therefore implies that outsourced labour is associated with low labour productivity.

Carrere (2008) in a study on Rain Forest in Zimbabwean noted that outsourced labour was exposed to bad health and safety conditions. The bad safety and health conditions cause stress among the subcontracted which may result in labour withdrawal or low output. This is because the poor safety standards create the risk of accidents which may lead to death or injury of workers leading to low labour output.

## **STRATEGIES TO ENHANCE THE EFFECTIVENESS OF OUTSOURCING ON LABOUR PRODUCTIVITY**

Organisations have devised many strategies to enhance the effectiveness of outsourcing to enhance labour productivity. To counter resistance to outsourcing by workers of the client organisation there is the need to involve them through their union structures so that they see the need for outsourcing labour. According Drahokoupil (2015) explaining to employees on the reason for outsourcing creates cooperative behaviour from the workers which is necessary for enhancing labour productivity.

To address the challenge of outsourcing of incompetent labour, Dendler (2006) argues that the client organisations need to minimise the amount of jobs or functions outsourced. The organisation must outsource only those functions or jobs that need to be outsourced. There is the need for outsourcing organisation to take full responsibility for all aspects of work. This will assist in addressing the challenge on engaging illiterate and incompetent labour that may be provided by labour agents.

Kavaleff (2010) argues that successful outsourcing can be achieved through proactive subcontracting strategy. This will assist in addressing the problem of turnover of subcontracted labour. Before outsourcing labour organisations need to assess the cost and human resource implications of the strategy. Managers need to assess the strengths, weaknesses, opportunities and threats that will be inherent in subcontracted company. This helps in subcontracting of suitable companies that serve the best needs of the client organisation thereby minimising turnover leading to higher labour productivity. Besides taking a proactive strategy organisations also need to assess the risks that will be associated with outsourcing labour and put in place viable measures. There is the need to identify risks associated with outsourcing, evaluate the risks and mitigate the risks to enhance labour productivity.

The importance of training and development has also been seen to be one of the major solutions to challenges faced when outsourcing. Kuada and Hinson (2015) advocates for training of workers of subcontracted organisation so as to promote a cooperative behaviour essential for high labour productivity. Workers of subcontracted companies need to be inducted so that they cooperate well with workers of the client organisation. The HR department also needs to conduct workshops on the benefits of outsourcing to workers of the client organisation so that

they understand the need for outsourcing labour. This enhances teamwork and reduces stress leading to higher labour productivity.

## **BACKGROUND OF SINO-ZIMBABWE CEMENT COMPANY**

Sino Zimbabwe Cement Company (SZCC) was borne out of a joint business venture between a Chinese Foreign Direct Investment Partner, China Building Material Industrial Corporation for foreign Eco-Technical Cooperation (CBMC) and the Industrial Development Corporation of Zimbabwe Limited (IDCZ). CBMC contributed 65% of the original funding in the form of modern technology and expertise. The IDC contributed 35% in the form of land, civil works as well as highly educated, skilled manpower coupled with management's intimate knowledge of local conditions. SZCC was registered in Zimbabwe and incorporated in 1994 as a manufacturer of cement and started its operations in 2001.

The cement plant started operating in 2001 with a production capacity of 180 000 tonnes of milled cement per annum. The plant was upgraded in 2013 and now has a production capacity of 250 000 tonnes of cement per annum

## **STATEMENT OF THE PROBLEM**

SZCC is one of the major cement producing companies in the country. However from the year 2013 the amount of revenue realised by the company fell by almost 14.7%. One of the factors that was attributed to the decline in revenue was labour costs that were taking more than 45.3% of the revenue that the company was realising. As a result the company failed to invest in new technology and plant expansion (SZCC Business Review Report of 2014). This situation forced the company to come up with strategies to contain the sky rocketing costs and in 2014 the company resorted to outsourcing labour in areas such as security, canteen, and limestone hauling. The outsourcing of labour in these areas however did not result in increased revenue inflows as some of the subcontracted labour lacked commitment to the company. Sino Zimbabwe Cement Company's labour turnover increased by 6.3% as its workers felt increasingly insecure from outsourced labour leading to some disruptions in production (Human Resources Report of 2015). It is against this background that the researcher intends to investigate the effects of outsourcing on the labour productivity of workers at SZCC.

## **OBJECTIVES**

1. To identify the forms of outsourcing at SZCC
2. To establish the reasons why SZCC outsource labour
3. To analyse the positive and negative effects of outsourcing on labour productivity at SZCC
4. To determine the challenges encountered by SZCC with outsourced labour on productivity
5. To identify the strategies that are used by SZCC to mitigate the challenges

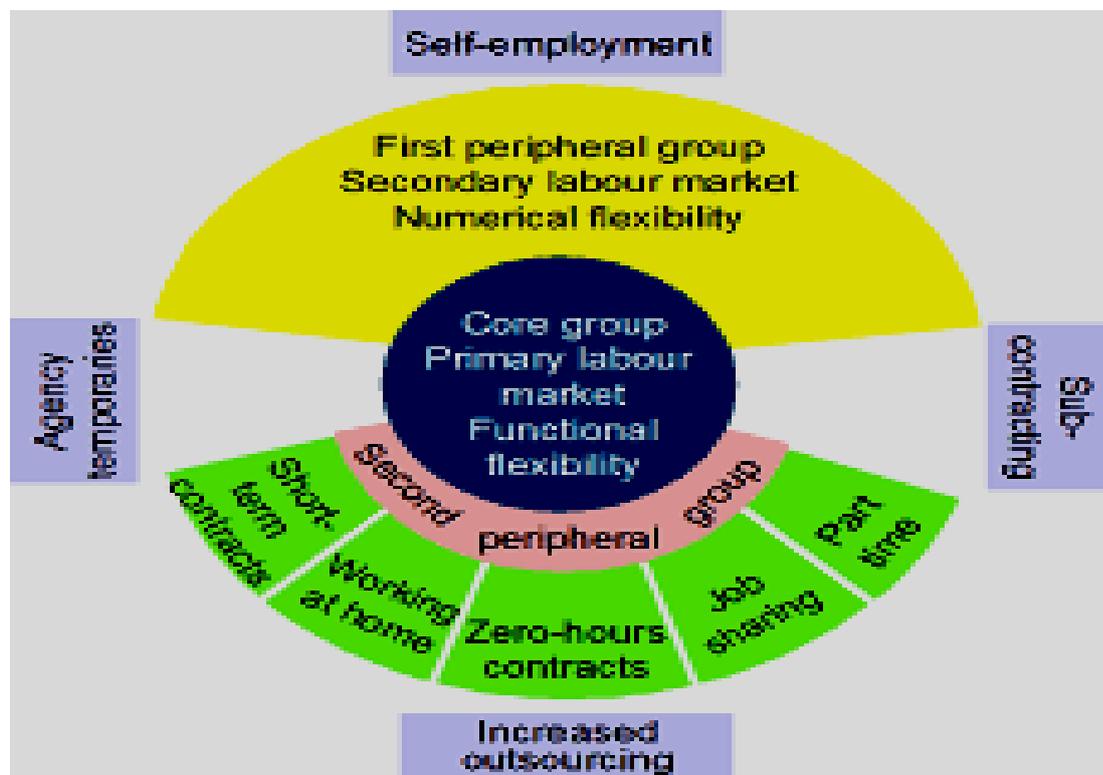
## **JUSTIFICATION OF THE STUDY**

The study seeks to investigate the effects of outsourcing on labour productivity at SZCC. While it can be acknowledged that many studies have been carried out on effects of outsourcing in Zimbabwe (Zhou and Ren 2010, Chikuse, Katsvanga, Jimu and Mujuru 2012, Ruziwa 2016), no study focused on its effects on labour productivity at SZCC. Given the peculiarity of the environment prevailing in the cement industry in Zimbabwe which is dominated by many multinational players and the ever expanding building construction market lack of studies in these areas present an important gap that this study intends to fill. It is also important to note that many of the studies that were carried out on effects of labour productivity were quantitative in nature which leaves an important gap that needs to be filled given the inherent weaknesses of this kind of paradigm.

The completion of the study may be of valuable practical and theoretical imperative to many stakeholders. The researcher on completion of the study may have gained valuable competences and skills in carrying out an academic research. To Midlands State University, the findings of the study would provide an important foundation from which further studies would be carried out. As for SZCC the results of the study may assist in enhancing its outsourcing strategies. To the government of Zimbabwe the findings of the study would assist it in formulating its policies with regards to outsourcing.

## THEORETICAL FRAMEWORK

The study was guided by Atkinson's flexible model of the firm



The flexible firm model has been developed to overcome the effects of rigid structures brought about by rules of employment which were advanced by the proponents of scientific management. The bureaucratic structures designed by the advocates of scientific organisational structures were implemented to ensure control over workers through rules and procedures with the knowledge of jobs placed under management. Flexibility at workplace was desirable as it would minimise costs in terms of worker benefits associated with rules. To minimise costs imposed by employment rules and procedures. Atkinson's (1984) flexible firm model divided the workers of a firm into core and the periphery workforce. The core workforce is composed of highly skilled employees capable of participating in decision making and is directly employed by the firm. Core workers are provided with high salaries and job security that reflect their importance to the firm. The peripheral employees have low wages and low job security and exert fewer costs to the organisation.

Atkinson (1984) identified three forms of flexibility which are functional flexibility, numerical flexibility and financial flexibility. Functional flexibility affords the firm the opportunity to move employees around jobs and tasks to enhance productivity and is done to core workers. It

is associated with high training costs to enable worker versatility. It collapses pay scales to allow workers to be moved around tasks and jobs. Numerical flexibility affects mostly peripheral workers as it affords the firm the opportunity to match work demand with the number of workers. This affords the firm the opportunity to cut costs and maintain acceptable levels of productivity. Numerical flexibility can be achieved through outsourcing of labour, agency work, part time work and job sharing. Financial flexibility affords the firm the opportunity to control labour costs in terms of contract prices and hourly rates in line with market demand and supply. Financial flexibility facilitates the implementation of core and numerical flexibility.

The Atkinson model informs the study in that outsourcing must assist SZCC in overcoming the barriers exerted by bureaucratic structures. It must provide the means to exercise flexibility in the utilisation of labour in terms of financial, numerical and functional so as to enhance labour. The model outsourcing must also assist the company in determining whether to subcontract semi-skilled or core competences depending on costs and level of labour productivity needed to be achieved.

## **RESEARCH METHODOLOGY**

Research methodology defines the systematic and scientific steps that researchers observe when carrying out an academic study. Kothari (2004) conceptualised research methodology as a method adopted by the researcher to systematically solve a research problem. Research methodology informs the researcher on which appropriate methods to or techniques to use in solving a research problem.

### **Research Approach**

The research approach defines the philosophical foundations upon which the study will be premised. This study adopted the qualitative research approach. Kothari (2004) took qualitative research approach to be a research philosophy that collects and analyses data on participants' beliefs, behaviours and dispositions. The use of qualitative research afforded the researcher with the opportunity to solicit and analyse the participants' feelings on how outsourcing has affected labour productivity at SZCC.

## **Research Design**

The research design points to the steps that the researcher would take to collect and analyse data. According to Wyk (2003) a research design is the overall plan the study uses to conceptualize the research question. The study adopted the case study research design. According to Kothari (2004) a case study research design is an in depth study of a phenomenon in a particular context. The researcher used the case study research because it afforded the researcher with the opportunity to collect and analyse qualitative data. This gave the researcher the opportunity to trace and analyse the effects of outsourcing labour at SZCC.

## **Sample Frame and Sample Size**

The sample frame defines the list of units of interest to the researcher from which the sample will be selected. Kothari (2004) defined a sample frame as a device from which the sample will be drawn. The sample frame of this study consisted of 10 members of management of Sino Zimbabwe Cement Company, 3 members of management of outsourced labour, 120 workers of SZCC and 83 members of the outsourced labour. It is from the sample frame that the sample was selected. Mbokane (2009) defined a sample as a fraction of the sample frame from which data will be collected. The study used a sample of 6 participants from SZCC management, 3 participants from managers of outsourced labour, 23 participants from SZCC employees and 15 participants from outsourced labour. The total sample was 47 participants.

## **Sampling Technique**

These are the methods that the researcher used to select the participants. According to Mbokane (2009) sampling technique defines the steps used by the researcher to choose part of the population from which data will be collected. The study used judgmental sampling technique to select participants from the members of management of SZCC and managers of outsourced labour. With judgmental sampling technique the researcher used her own knowledge and understanding of the respondents and chose those participants who were able to give the needed data. Tongco (2006) regarded judgmental sampling method as a technique in which the participants are chosen basing on the researcher's experience and knowledge of the participants.

To select the participants from SZCC and those from outsourced labour the researcher employed the quota sampling technique. Quota sampling technique is a non-probability sampling method which works when the participants can be put into specific groups based on

defined behaviours or attitudes. According to Kothari (2004) the size of each quota must be proportionate to the size of the quota in the sample frame. After putting the respondents into quotas the researcher then employed judgmental sampling technique in selecting participants from each quota. In this study the quotas consisted SZCC workers and outsourced workers. The researcher decided to use quota sampling technique because it is less expensive and could be used with small sample frames.

## **SOURCES OF DATA**

### **Primary Data**

Primary data is the original data that the researcher collected for the first time using questionnaires and semi structured interviews to analyse the effects of outsourcing labour on labour productivity. Babie and Mouton (2008) argues that primary data is data collected for the first time by the researcher. Primary data is reliable and most suitable to answer the research question on the effects of outsourcing on labour productivity at SZCC.

### **Secondary Data**

Secondary data is data that was used by the researcher but was collected for some other purposes by other researchers other than to answer the research question at hand. Kothari (2004) conceptualised secondary data as data that is not first hand as it was collected by other researchers to answer different research problems. Secondary data was collected from SZCC records, business reviews and periodicals. The researcher used secondary data because it provided an important insight into what other scholars said about the effects of outsourcing on labour productivity.

## **RESEARCH INSTRUMENTS**

The research instruments are the tools the researcher used to collect data. The study used questionnaires and semi-structured interviews to collect data.

### **Questionnaires**

A questionnaire is a list of questions administered to the participants to collect data on a particular research problem (Kothari 2004). The study used semi structured questionnaires consisting of open and closed questions to collect data from the workers of SZCC and workers from outsourced labour. Semi structured questionnaires are easy to answer and less expensive

to administer (Kothari 2004). They ensure confidentiality of participants. The researcher used a telephone follow up to clarify on grey areas. The participants were given seven days to complete the questionnaires and thereafter the questionnaires were collected.

### **Semi Structured Interviews**

The researcher used in depth interviews to collect data from the members of management of SZCC and managers of the outsourced labour. The researcher personally conducted the interviews. The use of the interview afforded the researcher the opportunity for further probing. According to Cohen (2006) interviews allowed the researcher with the opportunity to make follow up questions and gives the participants the opportunity to say out their views. The interviews took place at the time convenient to the participants.

### **LIMITATIONS**

Time was a major constraining factor to carry out the research, however the researcher utilised weekends and also took some off days so as to ensure the research is carried out. Carrying out the research had some financial constraints such as travelling cost, printing and making telephone calls. The researcher then sought permission from management to be allowed to use printing facilities at the workplace in order to minimise costs.

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### **ETHICAL CONSIDERATIONS**

In carrying out the study, the researcher was guided by ethical considerations.

- In collecting data from the participants, the researcher sought the consent of participants and did not coerce anyone.
- Before carrying out the study the researcher sought authority from the members of management of SZCC.
- The researcher also assured the respondents of their confidentiality and all the collected information will be used for academic purposes only.

### **DELIMITATION**

The research was confined to SZCC and only investigated the effects of outsourcing on labour productivity. The study was guided by the Atkinson flexible model of the firm. It only covered the period 2014-2017 because this is the period when the organisation began to outsource

labour services. The targeted population was that of managers and workers from SZCC and outsourced labour.

## **METHODS OF DATA PRESENTATION AND ANALYSIS**

The study presented data using narratives, summaries and direct quotes. Response rate and demographic information was presented using tables. According to Joice (2008) narratives present information and knowledge as testified by the participants. For analyzing qualitative data the researcher used thematic analysis with the objectives used as the themes. Subthemes were developed as the analysis happened. Clarke and Braun (2006) argue that thematic analysis identifies, analyses and reports on data patterns. Thematic analysis was employed because of its flexibility and the ability to yield great detail of data. The conduct of thematic analysis started by observing patterns of meaning in the data set which forms themes. Once the themes were observed and coded the end point was the reporting of the meaning and content of the themes in the data. The analysis of the coded themes involved moving forward and backwards between the data set to establish sense and meaning.

## **DATA PRESENTATION**

### **Response Rate**

**Table 4.1 Response Rate**

<b>Participants</b>	<b>Selected Sample</b>	<b>Actual Response</b>	<b>Percentage</b>
SZCC Managers	6	4	67%
Outsourced Managers	3	2	67%
Outsourced labour	15	6	40%
SZCC Workers	23	12	52%
<b>Total</b>	47	24	51%

**Source: Questionnaires and Interview Guides 2018**

The researcher wanted to interview six managers from SZCC but four (67%) were interviewed. The other two could not be interviewed because they were on leave. As for managerial participants from outsourced labour the researcher managed to interview two (67%) instead of three. One of the managerial participants from outsourced labour could not be interviewed

because of lack of time. As for non managerial participants SZCC had a response rate of 12 (52%). The other eleven questionnaires were not returned. The response rate of outsourced labour was 6 (40%) with nine questionnaires not returned. The overall response rate was twenty four (51%).

## DEMOGRAPHICS

**Table Demographic Characteristics of the Participants**

Position	Gender		Period of Service			Age					Education			
	M	F	0-5	6-10	10+	20-29	30-39	40-49	50-59	60-69	Secondary	Certificate	Diploma	Degree
<b>SZCC Managers</b>	3	1	1	2	1	0	2	1	1	0	0	0	1	3
<b>Outsourced Managers</b>	2	0	0	1	1	0	1	1	0	0	0	0	1	1
<b>SZCC Workers</b>	8	4	5	4	3	1	4	6	1	0	7	2	2	1
<b>Outsourced Workers</b>	4	2	4	1	1	3	1	2	0	0	3	2	1	0
<b>Total</b>	17	7	10	8	6	4	8	10	2	0	10	4	5	5

**Source: Questionnaires and Interview Guides 2018**

In terms of gender SZCC participants had three male managers and 1 female manager while outsourced labour had two male managers and no female manager. As for non-managerial participants SZCC had eight male workers and four female workers and outsourced labour were four males and two females.

In terms of managerial participants period of service SZCC had one between 0-5 years, two between 6-10 years and one with more than ten years work experience. Outsourced managerial participants had one manager between 6-10 years and one above ten years. As for non-managerial participants SZCC had five who were in the category of 0-5 years, four 6-10 years

and three had served for more than ten years. For outsourced non managerial participants four were between 0-5 years, one was between 6-10 years and one was above ten years.

In terms of age two SZCC managers were in the age category of 30-39 years, one was between 40-49 years while the other one was between 50-59 years. As for outsourced managers one was in the age category of 30-39 years and the other one was in the age category of 40-49 years. SZCC non managerial participants had one in the age category 20-29 years, four 30-39 years, six 40-49 years and one 50-59 years. Outsourced non managerial labour had three in the age category of 20-29 years, one 30-39 years and two 40-49 years.

In terms of educational qualifications, one SZCC manager had a diploma while the other three had degrees. All the two outsourced managers had diplomas. At SZCC seven workers held secondary education, two had certificates, two had diplomas and one had a degree. For outsourced labour three had secondary education, two had certificates and one had a diploma.

## **DEFINITION OF LABOUR OUTSOURCING**

Three managerial participants from SZCC and two managers from outsourced labour identified labour outsourcing as the process of acquiring human capital from external organisations to meet the human resource requirements of an organisation. One SZCC male managerial participant with a degree, between the age categories of 40-49 years with a period of service between 6-10 years defined labour outsourcing as *“hiring of a third party to perform duties that could otherwise have been performed by the hiring organisation”*. The participant went further to explain that *“this is done for an agreed fee which the subcontracting company has to pay”*.

## **FORMS OF OUTSOURCING**

Two managerial participants from SZCC indicated that the company outsourced labour from the domestic labour market. The participants indicated that they hired catering services from Servcor Catering Company. Four non managerial participants from outsourced labour indicated that they were recruited from local market by labour agents. One male managerial participant from outsourced labour with a diploma, in the age category of 30-39 years and with work experience between 6-10 years said *“I recruit my chefs from the domestic market. There are many people who have trained as chefs who are in the labour market”*.

There was one female managerial participant from SZCC and one male participant from outsourced labour who indicated that the SZCC also subcontracted labour from abroad. One SZCC female managerial participant with a degree, in the age category of 40-49 years with a period of service between 6-10 years said “*SZCC has also subcontracted labour from abroad to address skills shortage. There is a subcontracted Chinese Technical Team*”. Probed further the participant said “*the company recruits labour from China because the technology that is used by the company is Chinese which called for Chinese experts. The Chinese Technical Team is subcontracted from Beijing Botezhuayuan in China*”. There were two male non managerial participants from outsourced labour who indicated that they were subcontracted from abroad.

Three SZCC managerial participants, two outsourced labour managers and six non managerial participants from outsourced labour mentioned that cement loading, production assurance, warehousing, security, limestone haulage and catering services were being performed by outsourced labour. One SZCC male managerial participant in the age category of 50-59 years with a degree and had served for more than ten years said ‘*the company outsourced labour to perform some of its non core activities*’. Probed further the participant stated “*the company has subcontracted some of its non core activities to leave its staff to concentrate on its core business. Only Chinese technical team is the one that has been subcontracted to deal with core activities of the company*”.

## **REASONS FOR LABOUR OUTSOURCING**

### **Reduction of Costs**

Two SZCC managerial participants, one manager from outsourced labour and three non-managerial participants from SZCC mentioned that SZCC outsourced labour because it wanted to reduce costs. One female managerial participant with a degree aged between 40-49 years with a work experience of between 6-10 years said “*the company wanted to reduce costs so that the shareholder would have confidence on return of their investment*”. Asked to explain further the participant stated “*outsourcing labour is cheaper because the client company do not pay statutory deductions on behalf of the employees such as NSSA, ZIMDEF, NEC, pension benefits and medical aid*”. Nine non managerial participants from SZCC, four non managerial participants from outsourced labour mentioned that SZCC outsourced labour to reduce costs for SZCC because some of the activities that were subcontracted were seasonal. One male

managerial participant from SZCC labour with a diploma aged between 30-39 years with 6-10 years work experience further stated that *“activities such as landscaping are not regularly performed and as a result SZCC decided to save costs by doing away with permanent labour and subcontract it. The company subcontracted Hygienic Services to do the landscaping. This saved money for the company as redundant labour was dismissed”*. Probed further the participant said *before subcontracting Hygienic Services, SZCC was paying \$19 720.17 per month but after subcontracting it is now paying \$4 349.51 per month*. One managerial participant from SZCC and three non managerial from outsourced labour stated that SZCC outsourced labour because outsourced labour is cheaper to use. One non managerial participant from outsourced labour with a diploma stated said *“outsourced labour is cheaper”*. Probed further the participant said *“outsourced labour is cheaper because it is paid less. They are paid according to output and not fixed pay and also the company does not incur costs associated with unfair dismissals”*. One non managerial participant from SZCC with a diploma aged between 40-49 years and had work experience of more than ten years mentioned that, when SZCC subcontracted security services they negotiated for fees below market rates. The participant said *“SZCC disbanded its security company and negotiated with a subcontracted company for fees that were below those offered by the security industry which resulted in substantial savings in money. Before the subcontracting Guardians Security Company, SZCC paid \$16 716 .00 but after subcontracting the company is now paying \$10 231.00”*.

### **Access Skilled Labour**

Four managerial participants from SZCC and two managers from outsourced labour stated that SZCC outsourced labour because it wanted to have access to skilled and experienced labour which was in short supply such as engineers and control room operators. One male managerial participant from outsourced labour with a diploma aged between 30-39 years with 6-10 years work experience said *“the company wanted to have access to expert labour familiar with Chinese machinery”* On further probing the participant explained that *“technology that is being used by SZCC in cement manufacturing is Chinese hence there was the need to outsource labour from china because they are the ones who are familiar with the technology. There was lack of skilled labour that could operate and service the Chinese machinery”*.

Two non managerial participants disagreed that the company outsourced labour because it wanted to have access to unique skills because there were other sections that were outsourced from domestic companies and had nothing to do with skilled labour. One SZCC non managerial

participant with a degree aged between 40-49 years with more than ten years work experience said *“some of the sections that were outsourced have nothing to do with skilled labour”*. Asked to explain further the participant mentioned that *“some of the sections such as land surfacing, sweeping and loading of cement do not require any skills. The company just wanted to cut costs by reducing the wage bill”*.

### **Concentrate on Core Business**

Data was collected to determine whether SZCC outsourced labour because it wanted to concentrate on its core activities. Three managerial participants from SZCC, two managers from outsourced labour, twelve non managerial participants from SZCC and six from outsourced labour all agreed that the company outsourced labour because it wanted to concentrate on its core business activities. One SZCC female managerial participant with a degree and in the age category of 40-49 years mentioned that *“SZCC wanted to focus on cement manufacturing only and so outsourced all non core activities such as security, catering and landscaping”*.

### **Labour Productivity**

From the total response rate two managerial participants from SZCC and one manager from outsourced labour conceptualised labour productivity as maximisation of labour output against set time. One male managerial participant with a degree in the age category of 40-49 years with a period of service between 6-10 years said *“labour productivity is a measure of amount of output produced by an employee over a given period of time normally a month. Asked to explain further the participant said “at SZCC labour productivity is measured per month and expressed in tones per employee. One male managerial participant from outsourced company said “labour productivity is calculated by dividing output by the time an employee spend producing the output. It is measured in units per hour”*. One female managerial participant with a degree in the age category of 40-49 years identified labour productivity as the ratio of total output, that is, goods and services in dollars the number of manpower used to produce the output.

## **EFFECTS OF OUTSOURCING ON LABOUR PRODUCTIVITY**

Data was collected on the effects of labour outsourcing on employee performance at SZCC.

### **Outsourcing and employee Commitment**

One SZCC male managerial participant, one manager from outsourced labour, eleven SZCC non managerial participants and one non managerial participant of the outsourced labour mentioned that outsourcing of labour reduced employee level of commitment which reduced their labour productivity. Two non managerial participants from SZCC stated that outsourcing of labour exposed them to job insecurity and this reduced their commitment to work which affected their level of labour productivity. One female non managerial participant with a diploma and was in the age category of 40-49 years with period of service between 6-10 years said *“outsourcing has lowered my motivation due to the fact that my job security is compromised”*. Probed further the participant said *“no job security at all, my job can be outsourced one day because you never know who is next”*. One SZCC female non managerial participant with a certificate in the age category of 30-39 years between 0-5 years period of service stated *“I am not motivated at all, employees are treated like machines, being dehumanised and are always threatened with dismissals. There is no career growth at all”*. One male SZCC non managerial participant with a certificate said *“my friend was dismissed from work after falling sick for two weeks and I really feel for him, this demotivates me, I am working with unfamiliar people which destroys team work, I cannot be seen to be committed to an organisation that does not care about its workers’ job security”*. The managerial participant from outsourced labour who disagreed that outsourcing enhance level of employee commitment and labour productivity stated that subcontracted workers were being treated differently from SZCC which demotivated them. The participant said *“our terms and conditions of employment are different. We earn less than SZCC workers. Probed further the participant retorted “our terms of employment are unfavourable, we are being given lower salaries and yet there is too much workload. This demotivates us”*.

However most of the participants from the outsourced companies revealed that they were committed to their work which has increased their level of commitment. One managerial participant from outsourced labour and six non managerial participants from outsourced companies mentioned that their level of commitment was going up leading to higher labour productivity. One male managerial participant from outsourced labour with a diploma aged between 40-49 years with period of service between 6-10 years said *“SZCC provides us with*

*a favourable business environment and workers are committed to their work because they know their company is in business. Asked to explain further the participant said “workers are committed to work, if our company loses business they know they will go home”* One non managerial participant from outsourced company with a certificate said *“SZCC is very punctual with our payments and they are providing us with reputable and friendly environment that forces us to work hard”*. One male managerial participant from outsourced labour forwarded that he was motivated to work because he is being subcontracted to market his company. The participant said *“visibility and presence of my company in the business market is enhanced. Its scope of market reference increases”*. There were two managerial participants from SZCC who agreed that outsourcing enhanced employee performance because it was a purely business decision that sought to enhance labour productivity. One of the SZCC female managerial participants with a degree aged between 40-49 years said *“the decision was purely business related, most companies in the sector are doing it and workers have understood it. If they do not work hard they know they get dismissed. The company is concerned about means to enhance labour productivity.* There was only one male participant from SZCC who was not sure. The participant did not state any reason.

### **Level of Work Output for Outsourced Labour**

Data was collected from SZCC managerial participants and from managers and workers of outsourced labour. Three SZCC managerial participant, two outsourced labour managers and six non managerial participants from outsourced labour stated and agreed that outsourced workers were associated with higher work output. One SZCC male managerial participant with a diploma aged between 30-39 years with period of service between 0-5 years said *“outsourced labour’s work output is higher, ever since the company outsourced cement loading there has been sustainable increase in the number of bags being loaded daily at a lower cost. Before the subcontracting the company used to load 480 tonnes per day but after subcontracting the company is loading 600 tonnes per day”*. One male managerial participant of the outsourced labour with a diploma and work experience between 6-10 years in the catering services said *“subcontracted labour tries by all means to meet set targets. Probed further the participant said “SZCC sets high targets for the subcontractors which we always meet because if we do not meet the targets our contract will be terminated. Our workers know this so they work hard to meet the targets”*. One male non managerial participant from outsourced labour with a certificate in the age category of 40-49 years with more than 10 years work experience said *“targets are always exceeded because there are incentives such as bonuses that are given for*

*exceeding targets. Asked to specify the targets the participant said “if we load more than 25 000 tonnes of cement per month we are given an incentive for that”.*

### **Reduction of Labour Production Costs**

Data was collected from SZCC managers to determine if outsourcing lowered labour production costs. Two SZCC managerial participants stated that outsourcing of labour lowered labour costs. One female managerial participant in the age category of 30-39 years between 0-5 years work experience said *“labour production costs have drastically gone down with subcontracting. For loading of cement outsourcing has yielded positive results. Asked to clarify the participant further stated “the company is paying for work done as opposed to paying flat salary to workers who do not meet targets. Outsourcing has improved efficiencies in the utilisation of labour by 80% from 35% and has reduced labour costs by 40%”.* One managerial participant with more than 10 years work experience in the age category of 50-59 years mentioned that outsourcing labour lowered costs and enhances labour productivity. The participant said *“for production assurance the company has benefited through efficient energy and plant usage. The overall effect was to reduce production costs by 40% and improve competitive edge of the organisation and has ensured continued availability of product on the market”.*

### **Outsourcing and Level of Employee Innovation and Creativity**

Five SZCC non managerial participants mentioned that outsourcing led their level of innovation to go high. One female non managerial participant with secondary education aged between 40-49 years with period of service between 6-10 years said *“outsourcing has forced me to find new ways to accomplish my job so that I remain employed. I always do my best on my work. If I do not become innovative I will be dismissed. This has enhanced my work output”.* The participants could not however state what innovations they had done.

Three SZCC non managerial workers who said their level of innovation was average because of outsourcing. Two SZCC non managerial participants said that labour outsourcing had caused their level of innovation to go down. One male non managerial participant with a diploma forwarded *“my level of innovation has remained average. There is not much to stimulate hardworking as there is threat to my job security”.*

Two non managerial participants from SZCC stated that outsourcing lowered their level of innovativeness which compromised on labour productivity. The participants were of the view that outsourcing had not improved their employment conditions but instead threatened their job security which reduced their labour productivity. One of the participants said *“the environment does not encourage innovation and creativity as the tasks we have remained with are monotonous and discouraging*. Asked to clarify the participant said *“the tasks we remained with such as recording keeping do not call for any innovation but are instead routine and monotonous. My job is also at stake because it can be outsourced anytime. There is no need to be innovative”*.

Three non managerial participants from outsourced labour indicated that their level of innovativeness was enhanced. One male non managerial participant with a diploma between 6-10 years work experience in the age category of 40-49 years said *“I am the head of catering so I am forced to come up with new ideas and recipes of cooking so that I please my clients”*. There was however one non managerial participant from outsourced labour in the supplies department who mentioned that level of innovation had gone down. The participant said *“we are just told what to do and we do that. There is no room for innovation or bringing new ideas. We simply follow instructions because everything is automated”*.

### **Outsourcing and Labour Flexibility**

In terms of work flexibility two SZCC managerial participants stated that outsourcing provided the company with the opportunity to vary the amount of labour depending on availability of work to be done. One male managerial participant with a degree in the age category of 50-59 years with more than 10 years period of service said *“outsourcing provided SZCC with the opportunity to engage labour when there are tasks to be done only. Activities like landscaping are not carried out on daily basis so that company outsourced to save money”*. There was one managerial participant who disagreed that outsourcing gave workers the opportunity to seek other employment opportunities. The participant said *“the Zimbabwean environment has not created opportunities, the country is facing high level of unemployment which prevents workers to be engaged in more than one job”*.

Three non managerial participants from outsourced labour indicated that they were constantly looking for other job opportunities. One male non managerial participant with a certificate aged between 30-39 years with period of service between 0-5 years said *“because of the terms of*

*employment of my contract I am forced to look for employment elsewhere*” Probed further the participant said *“I am not permanent and my contract can be terminated at any time so I have to look for other job opportunities”*. Two non managerial participants from the subcontracted security department stated that they were looking for other job opportunities with other companies but cannot seek employment at SZCC because their contracts stipulates that they cannot be employed by SZCC.

### **Outsourcing and Employee Level of Absence and Turnover**

Four managerial participants from SZCC, eleven SZCC non managerial participants, two managers from outsourced labour and six non managerial workers stated that their level of absence and job turnover has been low. One SZCC male managerial participant said *“outsourcing has not affected labour turnover at all, workers continue to report for duty as usual”*. Probed further the participant said *“there is low turnover and absence from work and work performance of the employees have not been affected. There has been no impact on my work output because few workers absent themselves.* One SZCC female non managerial participant in the age category of 40-49 years with a certificate said *“I do not absent myself from work because I am a contract worker. Absenting myself from work will result in dismissal”*. One male non managerial participant from outsourced labour in the age category of 40-49 years with period of service between 6-10 years said *“there is low labour turnover and absence from work”*. Asked to state the effects of the low rate of absence and turnover on employee performance the participant said *“the low turnover means that labour productivity remains high”*.

### **Outsourcing and Employee Training and Development**

Data was collected to determine if outsourcing had an effect on employee training and development. As for non managerial participants from outsourced labour four confirmed that they were subjected to training to enhance their skills and competences. One female non managerial participant from the outsourced labour in the age category of 50-59 years with more than 10 years work experience said *“in the catering service management conducts seminars to appraise workers on new methods to prepare menus. In the catering industry we are obliged to keep increasing our skills so as to give the best service to the client”*. All the non managerial participants from SZCC confirmed that since the time the company resorted to outsourcing no training was undertaken by management to enhance their skills and competences so that they increase their labour productivity. One non managerial participant with a degree aged 40-49

years said *“management has not been committed to our training, it has relegated it to individual initiative. Workers who are doing it are undertaking the training at their own time and expenses”*. Two participants from the outsourced company did not agree that they received training. One non managerial participant working in the Warehouse with a certificate aged between 40-49 years said *“no training was ever conducted, there is no time to go to school for advancement. Management has shown reluctance in investing in training on subcontracted labour”*.

## **CHALLENGES IN ENHANCING LABOUR PRODUCTIVITY**

Three managerial participants from SZCC, two from outsourced labour and seven non managerial participants from SZCC listed little control of the outsourced labour by the client company. One SZCC male managerial participant with a degree with more than ten years period of service said *“once outsourced SZCC has little control over outsourced workers’ labour productivity except to the extent of the agreement.”* Asked to explain further the participant said *“SZCC cannot oblige the labour agent to increase the labour productivity because there is a set agreement of the number of bags of cement that must be loaded everyday and this affects the company when the market demand changes”*.

Two managerial participants from SZCC and six non managerial participants from outsourced labour mentioned the challenge of payment of flat rate fees. One female managerial participant from SZCC with a degree in the age category of 40-49 years with period of service between 6-10 years said *“there has been challenges of paying flat rates where there are plant stoppages for example power outages. This has a significant impact in times of prolonged stoppages. SZCC is forced to pay the fees regardless of no work done”*.

Two managerial participants from outsourced and six non managerial participants of outsourced labour mentioned delayed payments of fees by SZCC which cause a delay in the payment of salaries. One male managerial participant of the outsourced labour said *“at times SZCC delays in payment of agreed fees to subcontractors which results in late payment of our salaries, sometimes we are paid around the 10<sup>th</sup> of the following month yet the pay date is the last day of the month. This demotivates us from working hard.* One managerial participant said *“the salaries are low as compared to those working for SZCC. The salaries are low, work is*

*too strenuous yet we are not given lunch yet we are doing hard work involving loading of trucks which cause fatigue, SZCC employees are given lunch and super”.*

Five non managerial participants of outsourced labour and two managerial participants stated shortage of manpower and equipment as some of the challenges affecting effective utilisation of labour. One male managerial participant in the age category of 40-49 years with a diploma and period of service between 6-10 years said *“subcontracted companies do not hire adequate labour which places a lot of workload on few workers”*. *“We have to attain set targets with very limited manpower”*. One managerial participant from outsourced labour stated that they were made to work without adequate equipment catering equipment. The managerial participant stated that *“some of the equipment we use is provided by the contractor so sometimes it is not provided in time which affects service delivery”*.

One managerial participant from outsourced labour mentioned that SZCC was failing to comply with set standards which compromised on labour productivity. The participant said *“SZCC failed to comply with recommendation of security audits reports. This demotivates workers as security continues to be compromised”*.

## **STRATEGIES TO MITIGATE THE CHALLENGES**

Data was collected on the strategies adopted to mitigate the challenges. Three managerial participants from SZCC and two managers from outsourced labour indicated that SZCC was trying its level best to pay the subcontracted companies so that the subcontracted workers are paid on time. One outsourced managerial participant said *‘salaries are being reviewed so that they match the market rates or slightly below the market rates and we make sure our employees are paid on time to motivate employees and avoid downing of tools. We have started giving meals and Mahewu to our employees to energise them since loading of cement is strenuous’*.

## **DATA ANALYSIS**

Data was analysed using thematic analysis.

### **Analysis of Response Rate**

The overall response rate was twenty four (51%). This made it feasible for the study to be conducted. This is supported by Chiromo (2009) who postulated that with a response rate of at least 30% it is feasible to carry out a qualitative research.

### **Demographics Characteristics**

The demographic characteristics showed that in terms of gender SZCC had only one females in managerial positions while outsourced labour had none. The same scenario was observed in non-managerial positions where only four out twelve workers were females at SZCC. The same prevailed for outsourced labour where out six non managerial labour only two were females. This variation could be explained by an observation that was made by a study that was carried out by Murphy (2016) in UK on brokerage equity firms which found that women's representation in managerial position was dropping from 16 percent in 1995 to 14 percent in 2005. This variation was observed to have been based on nature of managerial duties. In managerial positions where there was heavy manual workload men outnumbered females.

In terms of age and period of service the study found that most of the managers and workers of both SZCC and subcontracted labour were in their middle ages and had served for a period of service between 6-10 years. As for educational level most of the managers were fairly educated with degrees and diplomas. The workers of subcontracted workers had attained low education level. This may be because of their tasks which were menial. The low educational qualifications could impact on their level of labour productivity especially if they were employed in technical jobs. The relationship between education, work experience and employee output was observed by Kotur and Anbazhagan (2014) who stated that factors such as education and work experience influence the performance levels of the workers in a firm. The scholars noted that the two variables have direct effect on the performance of the workers to varying degrees. Workers in the medium range on educational qualification perform better compared to those in the extremes and the same holds good in the case of work experience as well. This implies that for SZCC which has a workforce that is in the middle ages, the expectation is that it is associated with high labour productivity.

### **Definition of Labour Outsourcing**

The study revealed that all the managers from both SZCC and those from subcontracted companies could define labour outsourcing. Outsourcing was perceived as the process of acquiring human capital from external organisations to meet the human resource requirements of an organisation. For SZCC labour outsourcing implies engaging labour brokers and other external agents to supply labour to perform activities such as cement loading, catering services and to provide technical advice. The definition of outsourcing provided by the participants showed that the term implies both service and human resource outsourcing. This line of thinking is in line with the definition by Rahim and Bakar (2015) who regarded outsourcing as contracting out a job, function or service of an institution to a third party labour provider for an agreed fee which the client company has to pay.

### **Forms of Outsourcing**

The research showed that SZCC outsourced labour to perform non-core activities. The non-core activities that were outsourced included catering services, security, warehousing, limestone haulage, production assurance and loading of cement. The company outsourced these non-core activities because it wanted to leave its staff to concentrate on its core business. The subcontracted companies obtained their workers such as cooks, cement loaders and guards from local market. This implies that SZCC subcontracted local companies to perform those activities that were not core to its business. This observation compares well with the thinking of Banerjee and Williams (2009) who conceptualised outsourcing as buying of a service from an outside party on a continuous basis for a transaction fee. At SZCC this was done to ensure that the organisation concentrates on activities which it could do well.

Besides subcontracting of local companies to perform non-core activities the study noted that SZCC also subcontracted labour from abroad to cater for technical skills that were in short supply in the country. The company subcontracted labour a Chinese Technical Team from a company called Beijing Botezhuayan in China which was responsible for maintaining and servicing of the cement plant. This was because the technology that was used in the cement plant was Chinese which called for the Chinese experts. This implies that SZCC subcontracted labour from abroad, labour that is well versed with its machinery which workers in Zimbabwe lacked technical knowhow of it. The cement plant that was used by the company was Chinese model which called for Chinese experts. The subcontracting of specialised skills was noted by Banerjee and Williams (2009) who forwarded that institutions outsource specialized skills and

competences which cannot be easily obtained from the labour market. The skills are either procured from an international organisation or agents that possess them.

## **REASONS FOR LABOUR OUTSOURCING**

### **Reduction of Costs**

The study found that one of the reasons that led SZCC to outsource labour was the need to reduce costs. The company wanted to reduce costs so that the shareholders could have confidence on return on their investment. Outsourced labour saved the company from paying statutory deductions such as NSSA, Zimdef, NEC, pension benefits and medical aid. This implies that the wage bill of SZCC was reduced which causes it to realise more profit. This observation is in tandem with the assertions that were made by Ruziwa (2016) who argued that outsourcing transfers employment costs from the client organisation to subcontracted organisation or labour. The study also noted that some of the activities that were subcontracted such as landscaping were seasonal which were not regularly performed. The subcontracting of such seasonal activities saved money for SZCC as permanent redundant workers were dismissed. This was supported by Ruziwa (2016) who argued that in Zimbabwe outsourcing gives employers the opportunity to exercise greater labour flexibility as they can vary the amount of labour in line with seasonal changes. This assists employers in reducing their wage bill.

The research also realised that SZCC negotiated for fees that were below as subcontracted workers were paid less. SZCC disbanded its security company and subcontracted Guardians security which was paid \$10 231.00. This amount is below what the company used to pay which was \$16 716.00. This saved money for company which led to the reduction in its wage bill. Before subcontracting Guardians Security Company, SZCC was incurring huge costs in security services. This is in line with the observations that were made by Littler and Benson (2002) in a research in Germany which revealed that organisations can save up to 60% of business costs through outsourcing. This is because outsourcing makes workers of the outsourcing organisation redundant which leads to a drop in labour costs.

### **Access Skilled Labour**

The research revealed that managers at SZCC outsourced skills and competences that were in short supply in the Zimbabwean domestic labour market. The managers wanted to have access

to expert labour that was familiar with Chinese machinery. The company subcontracted a Chinese Technical Team from Beijing Botezhuayuan in China which was accustomed to the cement plant that was being used by SZCC. The implications of this are that companies outsource labour from abroad whenever the domestic market could not satisfy their labour needs. This is supported by Yan (2005) who postulates that employers outsource labour abroad because they want to reap the benefits of high skilled labour enjoyed by countries with advanced technologies and competences. In Zimbabwe the need to outsource labour has mostly emanated from skills shortage experienced by organisations. This thinking was however contradicted by the views of all the SZCC non managerial participants who believed that the company did not outsource labour from China because of labour shortage. The non-managerial participants believed that the skills that were being hired from China were equally available in the domestic labour market in Zimbabwe. This could imply that the overriding need for outsourcing labour was the need to reduce the wage bill a position that is largely supported by Ruziwa (2016) who argued that the Zimbabwean labour market has adequate skills to support its domestic industries.

### **Concentrate on Core Business**

The research also revealed that SZCC outsourced labour because it wanted to concentrate on its core activities. The company wanted to focus on cement manufacturing only which forced it to subcontract non-core activities such catering services, security and landscaping other than outsourcing critical expertise, employers may also outsource low skilled labour and remain with core skills so as to even out its wage bill structure. The subcontracting of non-core activities ensures that an organisation reduces costs but at the same time giving the subcontracting company the opportunity to specialise more in its core activities. This view was advanced by Grossman and Helpman (2005) who postulated that employers outsource non-core activities in order to concentrate on their core functions.

### **DEFINITION OF LABOUR PRODUCTIVITY**

The study noted that the managers of both subcontracted labour and those of SZCC understood the meaning of labour productivity. The managers conceptualised labour productivity at SZCC as maximisation of labour output against set time. It was used to measure the amount of output produced by an employee over a given period of time normally a month and was expressed in tones per employee. The managers calculated labour productivity by dividing output by the

time an employee spends producing the output. It was measured in units per hour. As for the security services labour productivity was measured by the rate at which the subcontracted company was reducing asset loss due to theft and other fraud divided by the number of workers. This implies that labour productivity measures the amount of work output that an employee produces over a defined time or period. The meaning of labour productivity employed at SZCC is in tandem with that proffered by Freeman (2008) who regarded labour productivity as an indicator of the amount work done by a particular worker within a set time frame. It measures the extent to which an organisation employs its labour. It measures the extent of efficiency with which labour is utilized to produce goods and services in terms of time, skills and effort.

## **EFFECTS OF OUTSOURCING ON EMPLOYEE LABOUR PRODUCTIVITY**

### **Outsourcing and employee Commitment**

The study showed that for SZCC workers, outsourcing of labour reduced their level of commitment which negatively impacted on their labour productivity. Outsourcing lowered the motivation of SZCC workers because it compromised their job security. The workers felt that their jobs could be outsourced any time one day. Workers were being threatened with dismissal and there were no opportunities for career growth. The study also noted that outsourcing destroyed teamwork as SZCC employees were working with unfamiliar people. The destruction of team work, job insecurity and lack of career growth reduced the level of workers' commitment which lowered their level of labour productivity. The negative effects of outsourcing on the level of commitment of the client organisation was highlighted by Bryson (2014) who stated that outsourcing labour makes client organisation workers feel insecure because they will not be sure whether their jobs will one day not be outsourced. This may cause them to withdraw their labour leading to low labour productivity.

There were few workers from the outsourced organisations who stated that they were not committed to SZCC. The research noted that the workers lacked commitment because outsourcing exposed them to job insecurity and low remuneration. The different treatment of workers from SZCC reduced their motivation which negatively impacted on their labour productivity. The terms and conditions of employment for subcontracted labour were different from those of SZCC who were given higher salaries. Outsourced labour was also exposed to heavy workload which placed a strain on their effort. The implications of this statement are that when workers are treated differently they feel isolated and not wanted which cause them

to reduce their work rate. This position is supported by Drahokoupil (2015) and Bryson (2014) who forwarded that outsourced labour suffers from loss of employee commitment because of disparities of conditions work between subcontracted workers and permanent workers of the client organisation. Workers of the client organization enjoy more benefits such as job security, lucrative remuneration and bonuses which may not be enjoyed by outsourced labour. This causes the subcontracted workers to have lower labour productivity.

The study noted that some of the outsourced labour had higher level of commitment to work which translated into higher labour productivity. For these workers SZCC provided their companies with business which keeps them employed and motivated them to work hard. The employees worked hard to safeguard the contracts of their businesses because they knew if their company loses business they would be dismissed. This implies that job security was one of the overriding factors that affected labour productivity of outsourced labour. The workers from outsourced companies worked hard to enhance their labour productivity because they wanted their companies to remain in business which provided them with job security. Cicek and Ozer (2011) in a study in Turkey found that outsourcing motivates outsourced labour to work hard because they want to remain employed. Such hopes and aspirations enhance their labour productivity.

### **Level of Work Output for Outsourced Labour**

The research found that outsourced workers were associated with higher work output. The study noted that outsourced labour's work output was higher as evidenced by the sustainable increase in the number of bags loaded daily which increased from 480 tonnes to 600 tonnes at a lower cost. SZCC set high targets for the subcontracted workers and the targets were always met because the subcontracted workers were afraid of being dismissed. The subcontracted workers were also found to have higher output because they were awarded with incentives for surpassing targets. The workers were awarded incentives such as bonuses for surpassing set targets. The high work output associated with outsourced labour was observed by Kavaleff (2010) who postulates that outsourced labour exerts more effort because the workers want to protect their jobs.

### **Reduction of Labour Production Costs**

The study observed that outsourcing of labour lowered labour costs. Activities such as loading of cement, catering services and landscaping outsourcing yielded positive results because

SZCC no longer paid flat salary to redundant workers. This is because outsourced labour was paid for tasks or service offered only. Because of outsourcing, SZCC realised an improvement in the utilisation of labour and managed to reduce labour costs by 40%. For production assurance the research noted that outsourcing benefited SZCC through efficient energy and plant usage. This implies that outsourcing brought benefits to SZCC which enhanced labour productivity. The outsourcing of both domestic and international labour assisted the company to realise efficiency in the utilisation of labour. This observation confirms the results of a study that was carried out by Kwaramba (2015) in Non-Governmental Organisations in Zimbabwe which revealed that outsourcing was a cheaper means of conducting business. The study by Kwaramba showed that outsourcing labour in Zimbabwe was triggered by the need to find cheaper ways of conducting business while maintaining high labour productivity.

### **Outsourcing and Level of Employee Innovation and Creativity**

In terms of innovation and creativity the study revealed that outsourcing obliged workers of both SZCC and subcontracted labour to seek new ways to accomplish their jobs so that they remain employed. This enhanced work output leading to higher labour productivity. Workers in the catering service were forced to come up with new ideas and recipes of cooking to please their clients so that they remain employed. The introduction of new recipes motivated SZCC not to terminate subcontracted labour. It is also imperative to note the introduction of new recipes by Servcor entails that its labour productivity was high. This also implies that innovation was more evident in catering services than any other subcontracted companies. This is supported by Bryson (2014) in a study in USA firms which made reference to outsourcing of workers and forwarded that outsourcing acts as a spur that forces workers to improve their performance. Outsourced labour, work hard for their companies to remain in business so that they remain employed.

There were however other workers who stated that their level of innovation went down. For SZCC workers the level of innovation went down because there was nothing to stimulate them to work hard as their jobs were under threat from outsourced labour. For subcontracted workers in the warehouse section, innovation was impossible as employees were just told what to do. There was no room for innovation or bringing of new ideas but workers were simply supposed to follow instructions because everything was automated. This situation was observed by the ILO (2015) which stated that organisations resort to outsourcing because they want to make use of low paid workers. However the ILO noted that using low paid workers inhibits

innovation leading to low labour productivity. This is because outsourced labour lack job commitment due to low remuneration and job insecurity which inhibits their level of innovation.

### **Outsourcing and Labour Flexibility**

In terms of work flexibility the study produced mixed results. On one hand the study found that outsourcing provided SZCC with the opportunity to vary the amount of labour depending on availability of work to be done. Outsourcing provided SZCC with the opportunity to engage labour when there were tasks to be done only. Activities like landscaping were not carried out on daily basis so that company outsourced labour when it was necessary. This saved money and ensured efficient utilisation of labour. One of the resultant effects of efficient utilisation of labour is an increase of labour productivity as resources and time are not wasted. Labour is only engaged when necessary. This conforms to the flexibility labour model proposed by the neo liberal theorists who advocated for contingent employment relationships such as outsourcing which gives the employer the opportunity to optimise on use of labour (Arnold and Bongiovi 2011). Outsourcing provides employers with both numerical and skills flexibility which are associated with high labour productivity. It ensures uninterrupted production as it avails skills and competences with desired levels of labour productivity throughout the year to the employers.

### **Outsourcing and Employee Level of Absence and Turnover**

The level of absence and labour turnover for both SZCC workers and outsourced labour varied. For outsourced labour turnover was low because the workers were afraid of being dismissed as there were no jobs in the labour market. Workers continued to report for duty as usual which promoted higher level of labour productivity. SZCC workers absconded work as evidenced by the increase in labour turnover of 6.3%. The workers were leaving the company because they were not motivated by the job insecurity that was caused by outsourced labour. This implies that the fear by outsourced labour to lose their jobs forced them to have a low turnover while SZCC job insecurity forced them to have a higher labour turnover. This contradicts the findings that were made by Chikuse, Katsvanga, Jimu and Mujuru (2011) in a study in Zimbabwean Forestry which found that subcontracted labour was associated with high labour turnover and absenteeism caused by job insecurity which leads to low level labour productivity. Chikuse et al (211) noted workers of the client company were associated with low turnover because of job security.

### **Outsourcing and Employee Training and Development**

The research showed that since the time SZCC resorted to outsourcing no training was undertaken by management to enhance the skills and competences of workers so that they increase their labour productivity. Management relegated training to individual workers' initiative who were doing it at their own time and expenses. This negatively affected the performance of workers resulting in low labour productivity. This finding is in line with the assertions that were advanced by the ILO (2015) which postulated that the utilisation of outsourced labour hamper organisational training and development as it shifts the responsibility to individual employees. The more an organisation utilises outsourced labour the more it reduces its training budget. This leads to gradual erosion of organisation-specific skills leading to low labour productivity as the organisation gets staffed by less qualified workers.

For outsourced labour the study noted that the workers were provided with training to enhance their skills and competences. Employees working for the subcontracted company in catering department attended seminars to appraise them on new methods to prepare menus. This finding contracted assertions that were advanced by Chikuse, Katsvanga, Jimu and Mujuru (2011) in a study in Zimbabwe which showed that outsourcing has contributed little to building firm specific skills important for enhancing labour productivity. This is because labour brokers do not train workers but instead leave it to the workers to do it. This leads to loss of corporate memory which weakens an employees' innovative capacity and level of labour output. The assertions by Chikuse, Katsvanga, Jimu and Mujuru (2011) were however confirmed by subcontracted workers who were hired to load cement. Workers in cement loading and landscaping were not subjected to any form of training because the management of such labour was reluctant to invest in training on subcontracted labour but was only concerned about labour output.

### **CHALLENGES IN ENHANCING LABOUR PRODUCTIVITY**

Lack of control was one of the challenges that was encountered in the use of outsourced labour at SZCC. The Company had little control over outsourced workers' labour productivity except to the extent of the agreement. It could not oblige the labour agent to increase the labour productivity or to perform other duties. This observation is supported by the ACAS (2012) which postulates that outsourcing labour weakens employment relations due to loss of direct

personal relationships. It negates the traditional forms of shop floor level negotiation where HR departments play a crucial role. This demotivates the workers leading to poor labour productivity.

The study also noted the payment of flat fees even if there were plant stoppages. This had significant cost impact especially in times of prolonged stoppages. SZCC was forced to pay the fees regardless of no work done. The other challenge was that of delay in the payment of the subcontract fees which caused a delay in the payment of salaries to outsourced labour. This demotivated the workers leading to low labour productivity. This was observed by Drahoukoupil (2015) who argues that outsourcing labour causes an organisation to incur more costs brought about by contractual costs and other implicit costs which outweigh the presumed gains in labour productivity. Such hidden costs in the short run may lead to sub optimal allocation and utilisation of human resource capabilities.

The salary which was offered to the subcontracted labour was low as compared to that offered to SZCC workers. This was regardless of the fact that the work performed by outsourced labour such as cement loading and landscaping was too strenuous which caused fatigue. Bryson (2014) forwarded that outsourced labour suffers from loss of employee commitment because of low conditions of work which caused them to perform below standard. Workers of the client organization enjoy more benefits such as job security, lucrative remuneration and bonuses which may not be enjoyed by outsourced labour. This causes the subcontracted workers to have lower labour productivity.

The other challenge observed was that of shortage of workforce. Subcontracted companies hired few workers because they wanted to make more profits. This placed a lot of workload on the few hired workers which compromised on level of labour productivity because of fatigue. Besides of shortage of manpower the study also noted shortage of equipment as the other challenge that was being encountered in the use of outsourced labour. In some instances SZCC failed to provide some of the equipment that was needed by subcontracted labour leading to low motivation and labour productivity. Carrere (2008) in a study on Rain Forest in Zimbabwean noted that outsourced labour was exposed to bad health and safety conditions. The heavy workload placed on them caused stress among the subcontracted which results in labour withdrawal or low output. This is because the poor safety standards create the risk of accidents which may lead to death or injury of workers leading to low labour output.

The study also observed that SZCC was failing to comply with audits reports which demotivated outsourced labour. SZCC could not comply with security reports and health and safety reports a condition which compromised the labour productivity of outsourced labour. This position was also noted by Carrere (2008) who forwarded that outsourced labour was exposed to bad health and safety conditions which compromised their labour productivity.

## **STRATEGIES TO MITIGATE THE CHALLENGES**

In terms of strategies to mitigate the challenges the research found that SZCC paid subcontracted labour in time to motivate them to work hard and enhance their labour productivity. Kavaleff (2010) pointed out that the success of outsourcing hinges on striking a balance between cost reduction and promotion of labour productivity. Companies using subcontracted labour need to ensure that the working conditions of their workers are favourable. They need to pay the agreed fees in time so that subcontracted labour receive its pay in time.

## **CONCLUSION**

The study concluded that outsourcing was subcontracting of labour by the client company to do activities that are supposed to be done by its employees. The decision to outsource labour must be based on the nature of required skills and the cost structure of the client organisation. For outsourcing to be effective it must lead to a reduction in the wage bill. The reduction in the wage bill is achieved through negotiation of low fees, suspension of payment of statutory obligations by the Client Company and seasonal variation of labor. On the definition of labour productivity the study concluded that is the amount of work output realised by a workers over set time frame. In terms of the effects of outsourcing on labour productivity the research concluded that outsourcing may lower the job commitment of the workers of the client company which leads to low labour productivity. However for outsourced workers labour productivity may be enhanced because of fear of loss of employment. Other workers from outsourced labour may experience low labour productivity due to low commitment that emanate from job insecurity. The production costs also go down because outsourcing is associated with efficient utilisation which leads to high labour productivity thereby lowering the costs. In terms of innovation the study concluded that it was only evident in other departments such as catering. Other departments could not innovate because of their work

arrangements. The study also concluded that turnover of outsourced labour and that of SZCC differs which brings different effects on labour productivity. The threat to job security exposed to client organisation's labour force the workers to seek other employment which leads to higher turnover associated with low labour productivity.

## **RECOMMENDATIONS**

The study recommended that

- For outsourcing to enhance labour productivity it must ensure job security for both client and subcontracted labour.
- Client organisation need to carefully select activities or functions that need to be outsourced to avoid lowering of labour productivity.
- Remuneration package for subcontracted workers must be competitive to promote high labour productivity
- Training and development must be undertaken to both client and subcontracted workers to enhance labour productivity
- Teamwork must be promoted between subcontracted workers and workers of the client organization to enhance labour productivity.

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**APPENDIX A – APPROVAL LETTER**

**APPENDIX B – QUESTIONNAIRE**

**QUESTIONNAIRE FOR SZCC NON MANAGERIAL PARTICIPANTS**

My name is Virginia Shorai Moyo from Midlands State University. I am carrying out a research in partial fulfilment of a Bsc Honours Degree in Human Resource Management on the topic: **THE EFFECTS OF OUTSOURCING ON LABOUR PRODUCTIVITY: A CASE STUDY OF SINO-ZIMBABWE CEMENT COMPANY.** The information gathered will be private and confidential and will strictly be used for academic purposes only. Your cooperation will be greatly appreciated.

Put a tick or fill in the provided space

Department: ..... Gender.....  
Level of Education: ..... Position: .....  
Period of Service: ..... Age: .....

1. What do you think are the reasons that led Sino Zimbabwe Cement Company to outsource labour?

.....  
.....  
.....

2. Sino Zimbabwe Cement Company outsourced labour because it wanted to have access to skilled workers in the labour market

Yes                                      No                                      Not Sure

May you please give reasons for your answer?

.....  
.....  
.....

3. Do you think that Sino Zimbabwe Cement Company outsourced labour because it wanted to reduce labour costs

Yes                                      No                                      Not Sure

May you please give reasons for your answer?



.....  
.....  
.....







**APPENDIX D – INTERVIEW GUIDE**

**INTERVIEW GUIDE FOR MANAGERIAL PARTICIPANTS**

Department.....	Gender.....
Level of Education.....	Position.....
Period of Service.....	Age
Outsourced Managerial Participant	SZCC Manager

1. What is your understanding of the term labour outsourcing?
2. What methods are used to outsource labour at Sino Zimbabwe Cement Company?
3. What services or functions are being outsourced by Sino Zimbabwe Cement Company?
4. Does Sino Zimbabwe Cement Company have outsourced labour from countries abroad?
5. What are the reasons that led Sino Zimbabwe Cement Company to outsource labour?
6. What is labour productivity?
7. What have been the effects of outsourcing on labour productivity at Sino Zimbabwe Cement Company?
8. What challenges are being encountered by Sino Zimbabwe Cement Company in trying to enhance labour productivity as a result of outsourcing?
9. What can be done to mitigate the challenges?