

**THE IMPACT OF EMPLOYMENT CONTRACT TO THE
EMPLOYEE PERFORMANCE
CASE STUDY: MIC (T) LTD (TIGO COMPANY) IN
MOROGORO REGION**

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**A Research Report Submitted for a Partial Fulfilment for the Award of Degree
of Masters of Business Administration of Mzumbe University.**

2014

CERTIFICATION

We the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a research report entitled “**The impact of employment contract to the employee performance; A case of MIC (T) LTD (Tigo Company) in Morogoro**” in partial fulfilment for the master’s degree in Business administration-Corporate Management from Mzumbe University.

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Accepted by the Board of School of Business

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ACKNOWLEDGEMENT

A number of individuals and institutions have played great role in the preparation of this work. I kindly take this opportunity to express my sincere appreciation to all of them.

First and foremost, I thank the almighty God for his protection and empowerment to me during the whole period of my studies at Mzumbe University. His grace has been great that I remain speechless, may all the glory be unto Him.

To my major supervisor, Mr Nicholaus Tutuba, I thank him all heartedly for her tireless guidance for the whole period of this study and making sure I produce a work of substance, “May God bless Her.”

I really appreciate Tigo Company Ltd for offering me an opportunity to conduct my field study. Only few companies can be willing to host academic candidates and assist them to fulfil their academic goals.

DEDICATION

This research paper would be lovingly to dedicate to Almighty God who is a source and creator of everything in this world. Also I would like to dedicate this research to my lovely parents Miss Lillian M. Olotu and late father Mr. Harrison. Finally, I dedicate this work to my lovely children Paverlin and Wentworth Herris Harrison.

LIST OF ABBREVIATIONS AND ACRONOMY

ELRA	Employment and Labour Relation Act (2004)
FTC	Fixed Term of Contract
ITC	Indefinite Term O Contract
MIC	Millicom International Cellular
MS	Market Supervisor
PD	Poa Developer
RAC	Regional Accountant Coordinator
RDM	Regional Distribution Manager
RDS	Regional Data Supervisor
RS	Registration Supervisor
RSM	Regional Sales Manager
SPSS	Statistical Package for Social Science
TDR	Trade Development Representative
TM	Territory Manager
OECD	The Organization for Economic Co-operation and Development
URT	United Republic of Tanzania.
NMW	National Minimum Wages

ABSTRACT

The purpose of this study was to assess employment contract to the employee performance, a case study of MIC (T) Ltd (Tigo Company) in Morogoro region.

A researcher observed there were challenges concerning employment contracts and try associates it with employee performance. Some of the main specific objectives include evaluating the role of remuneration, working hours, fringe benefit, social security, health services and bonus in contributing to the performance of the employees. Indicators of employees' performance will include employees' morale, productivity, efficiency labour turnover and level of commitment. The study finally involved sample size of 26 respondents but due to unwillingness of some respondents to participate in the study then 20 respondents were reached.

The results showed that 80 percent of the respondents had no clear employment contracts. 60 percent confirmed the contracts have not stated open terms and conditions for the job termination. Also at least 80 percent of the employees confirmed that their contracts have not defined clearly working positions and essential duties. Addition to that, at least 70 percent of the employees argued that performance indicators have not been incorporated in their contracts.85 percent of the respondents disapproved claim of compensation to be involved in the contracts. Furthermore, at least 75 percent of the employees are not satisfied with their contracts.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Employee is a person in the service of another under any contract of hire, express or implied, oral or written, where the employer has the power or right to control and direct the employee in the material details of how the work is to be performed.

Employees are hired to provide services to a company on a regular basis in exchange for compensation and who does not provide these services as part of an independent. (Muhl 2002).

In Tanzania economy, the employees in public and private sectors are the most important players in facilitating micro and macro-economic development of the country. This is because of their participation as the producers, consumers of goods and services as the most taxpayers in the country. Furthermore, most of the income earned by employees is taxed by the government, this is according to the Income Tax Act of 2004 section 7(1, 2 a-g) of URT.

However, regardless of their participation in economic development of organizations and country in general, still they are highly injured from the Poor and unrealistic employment contracts offered by the employers in Tanzania. Most of the contracts are not reflecting the living cost, health services, transport cost and social security of the employees. This is according to MIC employment contracts of 2012 to the market supervisors. (Contract for Market Supervisor 2012)

In addition, this seems to affect young graduates when they enter in the labour market. Most of the job candidates tend to have high expectations but they finally end up being disappointed. For example, the current employment contract of Administrative Controller of MIC (T) LTD did not provide a room for employees to experience social benefits like health insurance, social security, expenses to cover

transport cost, no salary increment for about four years. (Administrative Controller Agreement 2010)

In clause A (ii) and that of clause C of the administrative controller contract denies to have any employer employee relationship with MIC and also excluded the employees to be eligible on the MIC benefit which are provided to other employee, but the same contract require administrative to perform to the best of his/her ability, and in the best interest of MIC (T) LTD.

Moreover, Employees perceives that, the presence of labor laws and other regulations which enacted to prevent the suppression of workers' are mostly unhelpful rights due to the fact that public and privates organizations continues to breach contracts and to ignore some of the term within the legal agreements especial those related to salaries, working conditions, medical care and other contentious issues. For example, In June 2013 the police were forced to intervene in a riot at Karibu Textile mills factory, in which workers were engaging in industrial action because of alleged poor remuneration. Again, in August 2003, about 600 casual workers with Dar es Salaam-based Shelly's Pharmaceuticals Limited went on strike, to press for better pay and working conditions (The Express Thursday, 11 August 2005).

1.2 Statement of the Problem.

One among the greatest problem of Tanzania employees is employment contracts offered by employers in both sectors (private and public) although the content of employment policy and some sections provided in ELRA 2004 of Tanzania seems to provide the conducive environment, security and motivations to the employee.

These years around 2000's we have experienced a lot of complaining and strikes which threatened peace and security of the county because the employees were fight for their right like those of salaries increments, medical care, working hours and good working condition within the organizations. For example, Teachers strike of July 30, 2012 demanding higher salaries as rising cost of living also the last few

years we experienced a countrywide doctor's strikes in Tanzania that originated at the Muhimbili National Hospital in the years of 2005/06 this was a result of underpayment and poor working conditions. It resulted in the deaths of several citizens, who did not directly contribute to the causes of the strike. (Sikika 2012)

1.3 Main objective of the study

The overall objective of the study was to find out the impact of employment contract to the employee performance in the organization.

1.3.1 Specific objectives

- i) To identify the types of employment contracts offered in the organization.
- ii) To examine the employees perception toward their employment contract.
- iii) To determine the performance challenges faced by employees in the organization
- iv) To suggest the standard contracts of employment in the organizations.

1.4 Research question

- i) What are the types of employment contracts offered in the organization?
- ii) What is the employee perception towards their employment contract?
- iii) What is the performance challenge faced by the employees in the organization?
- iv) What should be done to have the standard contract of employment in the organization?

1.5 Scope of the study

The research report covers only one organization, the MIC (T) LTD (TIGO COMPANY) in telecommunication industry. The study will be conducted in Morogoro region. Tigo Territory's office was a main source of researcher's data were Tigo head quarter is purposively excluded in the sample given because they are using decentralized system in operation and management where all the country has been divided under zonal directorate.

Head quarters office remains for senior official, general administration and management of company as whole.

Therefore for being case study, the result of this proposed study is general reflection of Tigo company only and not be necessary a representative of all organizations in Tanzania.

1.6 Significance of the study

The study intended to reveal the way employment contracts affect the employee performance in the organization. The study is expected to be valuable to a number of people as follows;-

- i) This study intended to show relationship between employment contract and employee performance where management of the organization will be able to evaluate its effect to the general performance of the organization
- ii) It will help researches to identify viable areas for further research. Also it will be used as an additional reference to researches on employment contracts and to the body of knowledge the study will offer practical recommendations to the management of organization in the issue pertaining employment contracts and the way has negative and positive implication in the general performance of the organization.
- iii) Apart from that, the study is undertaken to enable the researcher to fulfill the requirement for the Degree of Master of Business Administration of Mzumbe University.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Literature review is documentation of a comprehensive review of the published and unpublished work from secondary sources of data in the specific interest to the researcher (Sakaran, 2003).

It is the important process in a research ,it involve many activities which include identifying, reading, evaluating, describing, summarizing, discussing, citing and synthesizing various documents with information related to the problem under investigation with an intention of incorporating them in the study. (Adam 2008).

A research will present both theoretical and empirical literature review concerning the study.

2.1 Theoretical Literature Review

In theoretical review, it deals with textbooks, online database and newspapers. This sub-section will present employment contract in details including definition, types, standards and features.

2.1.1 Employment Contract

An employment contract is a written legal document that lays out binding terms and conditions of employment between an employee and an employer. It describes the basis of the employment relationship. It can be in writing or it can be agreed orally. It is of great importance in the event of any dispute, because the contract of employment explains the way in which the employer and employee have agreed to work together. The contract of employment is a legal document, and employers should therefore take care in determining the content. (Daniel 2008)

The terms of the contract of employment can be classified as: express terms or implied terms. Express terms are terms that have been discussed and agreed between the employer and employee. They might not be in writing.

It must be emphasized that, express terms cannot diminish statutory rights. We examine statutory rights in more detail later in this chapter, but in essence, they are rights expressed in law (in statute). So, for example, the National Minimum Wage (NMW) is determined by statute. Potentially, the employer can offer a wage of a lower level than the NMW and the employee can accept this. However, if the employee then challenges this wage in the court, the employer cannot argue that it is fair because it was agreed between the two parties – because it has diminished the employee’s statutory rights. Implied terms are those that have not been specifically agreed between the employer and employee but are derived from the following sources: collective agreements, statute, custom, the courts, work rules. (Daniels 2008).

2.1.2 Types of Employment Contract

In Tanzania, the Law of Contract governs all types of contracts for example; the Employment and Labour Relations Act, 2004 together with the Law of Contract Act govern employment contracts under which you can be employed and these are: ELRA of 2004 (S.14(1)(a)(b)(c))

- (a) A contract for an unspecified period: this type of contract the duration of employment is unspecified, meaning not provided for. Some call it a permanent contract.
- (b) Contract for specified period: This is a type of contract in which the duration is specified. Under this contract if the specified duration has expired then the contract automatically comes to an end. A contract for a specified period could be of duration of one month, three months, one year, two years etc.
- (c) Contract for a specific task: This is a kind of contract in which a person is employed to perform a specific task. Once the task is completed then that contract comes to an end. For example, it could be that a person is employed to offload crates of soda from a truck and once that task has been completed then the contract ends.

2.1.3 Essential elements of employment contract

A contract is often made by two parties who have come to an understanding of their needs. A contract can be made for a sale of good/s or service/s that will be provided by either party entering into the agreement, in return for a fee or payment. The legality of a contract is based on four elements: an offer, acceptance, consideration and reliefs to both parties. An employment contract is a contract for service where one party (the employee) renders his or her services to a company or an organization for an agreed remuneration. An employment contract shall therefore also contain;

Offer, this is an offer to the individual employee of work to be provided by the employer. It may be conditional on, for example, the receipt of acceptable references; medical and/or Criminal Records Bureau checks; and work permits being provided. An employer can withdraw an offer before the prospective employee has accepted it. There can however be difficulties of timing. When does the job applicant know of the withdrawal? Has he or she given notice to terminate existing employment? (Gulamali 2011)

Agreement, it is an agreement between an employer and an employee that the employee will be ready, willing and able to undertake work offered. If this offer was conditional, then the contract is binding once the conditions have been fulfilled. If the offer has been accepted (but the prospective employee has not yet started work) and the employer withdraws the offer, then there can be a breach of contract. Usually, this can be dealt with by a payment in lieu of notice. If the prospective employee changes his or her mind about the job, it is unlikely that an employer would sue for breach of contract because it would be difficult for the employer to quantify the loss.

Consideration, this legal term describes something of value with which the contract is 'sealed'. Usually, it is the pay given by the employer for the employee to be 'ready, willing and able' to undertake the work required.

Parties to the contract, the term employer is generally clear although there can be occasional difficulties defining who the employer is in large conglomerate organizations where there may be associated companies. Also, as far as certain agency workers are concerned, defining their employer can pose some problems. The term employee is even more problematic as we have discussed above.

Legally enforceable, the agreement is legally enforceable in the courts and at tribunals and is intended by the parties to be so. Consequently, claims in the tribunals and courts can be made concerning allegations of breach of contract.

Freely arrived at, the agreement is freely arrived at; no one compels an employee to agree to enter a contract of employment on particular terms. Only exceptionally is an employee able to influence the terms. Such contracts may be verbal or in writing or part verbal or part in writing. (Gulamali 2011)

Duration, A contract of employment can be for any period of time, Therefore, it may be for a fixed term; or may be open-ended (sometimes said to be 'permanent'). The latter is the most common. Effectively, the contract exists until such time as one of the parties brings it to an end – either by the employee's resignation or dismissal by the employer.

2.1.4 Agreement clauses on employment contract.

Is designed to ensure that contract contains all rights and obligations of the Parties and it prevents a Party from relying on anything outside of that contract to establish that it has a right or that another Party is obliged to do anything, it make sure that all the terms of the agreement are contained in the document, and that there are no other documents that contain rights or obligations that are not contained in the document. It contains the followings information;

- (a) An employment contract should contain the parties' names that are then referred to as the employee and employer.

- (b) The date of birth or age of the employee should be specified - this helps an employer to determine the time span an employee can work for an organization, after which the retirement clause kicks in.
- (c) The employment contract should state the commencement date and end date of employment in order to determine his or her terminal benefits or retirement benefits at the time of their departure, but more importantly to provide clarity on the duration of the agreement.
- (d) Place of work is a crucial element in a contract. There are circumstances where a person is recruited for a company which is based within the same territorial jurisdiction but has various outlets within the same city or region. The place of work actually determines where an employee is placed at work, which in turn determines the status on his or her employment.
- (e) The job description and job title should be specified to ensure an employee is aware of what is expected of him or her.
- (f) Some of the other basic elements in an employment contract are: probationary period clause, remuneration clause, hours of work clause and public holidays and leaves available (annual leave, sick leave, paternity leave and maternity leave). These elements must be entailed in a contract, but depend upon the employer's flexibility. For example, probation period can always be extended by the employer after consulting with the employee, remuneration (salary plus benefits) is always a matter of discussion, public holidays and leaves are entitlements for all employees who work, but there are circumstances where an employer may ask an employee to work on public holidays (special assignments), for say an agreed amount (overtime), and leaves can always be differed by both parties, after consent, when required.
- (g) Last but not least, termination clause (could outline misconducts that give rise to termination), notice clause, severance pay and applicability of the Act clauses are elements without which a contract is incomplete. It is important to note that some of these clauses would not be applicable where an employee

has committed a serious misconduct whilst in employment (e.g. severance pay).

- (h) To conclude, the contract must be signed by both parties and should be dated. Two authentic copies should be made, one for each party. (Gulamali 2011)

2.1.5 Importance of employment contract

The contract of employment is the starting point for so many issues: workplace grievances; disciplinary action and dismissal; and complaints to employment tribunals. However, although it is so fundamentally important, it is still a flawed instrument.

First, it regulates an asymmetrical employment relationship which is characterized by a power imbalance under which an employee can be vulnerable to employer action.

Secondly, many aspects of the contract can reinforce employer power. It provides a means of direction and control of the employee and, consequently, has been described as ‘a command under the guise of an agreement’ (Kahn-Freund 1983: 18).

Thirdly, when it is formulated and agreed, a legal action is adopted that the contract is ‘freely arrived at’. Technically, this is so. No employee is forced to enter a contract of employment. However, in reality, few job applicants or employees have influence over the terms of their contract. Force of economic circumstances means that most people ‘take it or leave it’.

Fourthly, there are still echoes of the old ‘master and servant’ relationship in the way that the contract of employment is perceived. This submissive relationship which governed employment law during the nineteenth century has gradually been replaced by the, theoretically, more egalitarian contractual relationship. However, occasionally, judges in their rulings reject this old-fashioned perspective based on status.

Finally, the contract of employment has limitations as far as the adoption of universal minimum standards is concerned. Statute law is often seen as necessary to ensure universal fair treatment. For example, the former Equal Pay Act 1970 (s 1) (now the Equality Act 2010, s 66) deemed that ‘an equality clause’ be included in contracts of employment if one is not provided for ‘directly or by reference to a collective agreement or otherwise’. This means that no term of a contract of employment can be discriminatory on grounds of sex. It will be void if it is. Academic lawyers have commented the need for anti-discrimination law on. ‘The common law with its emphasis on freedom of contract sees nothing inherently wrong with discrimination. As long as no pre-existing contract or property right is infringed’ (Deakin and Morris 1998: 543). Therefore, through statute law, Parliament is eroding ‘contractual autonomy’.

2.1.6 Trade Union and Employment issue in Tanzania

In Tanzania Trade unions started to exist prior independent where between the years of 1927 to 1937 about two union were established, Motor Driver union 1927 and that of Asian workers Asiatic labour union 1937. these early organizations were not involved in industrial conflict their primary activity being the organizing of mutual help among its members. Retrieved November 14, 2014

<http://www.tucta.or.tz/index.php/about-tucta/history-of-trade-unions-in-tanzania>

Nowadays trade union organizations created to improve conditions in the workplace. Whether the issue is wages, sick time, or medical benefits, trade unions negotiate with employers on behalf of union members. When employees and employers are unable to reach an agreement, trade union leadership works with employers to negotiate a compromise. Regardless of the outcome, all members of the trade union must follow the agreed upon solution. These employee organizations consisting of employed, wage-earning individuals who by joining a trade union expect to improve or maintain their working existence in the company they work for. (Jackson & Schuler, 2000)

2.1.7 Reason behind the formation of Trade Union

The formation of trade unions was a reaction against the low pay, long working hours, child labour and generally appalling working conditions. Therefore, trade unionism has always been about fighting against poverty and to promote social justice in the global economy. This means that, trade unions become an even more effective tool for workers to escape poverty, exploitation and the violation of their basic human dignity. It also means organising collective bargaining and other forms of negotiations and creative social dialogue and engagement. Furthermore, it means organizing effective trade union participation in the design and implementation of public policy based on the priorities of our members and ILO Conventions. Finally, it means engaging in the struggle for democratic governance, decent employment and quality public services, with full access for the unemployed, underemployed, and working poor. (Milenkovic 2005)

According to ILO estimates, 1.39 billion workers worldwide – almost half of the world's total workforce, and nearly 60 per cent of the workers in the developing countries - do not earn enough to lift themselves and their families above the US \$2 a day poverty line. Millions of workers have no direct representation, no social protection and engage in survival activities. Inequality between and within countries is increasing. Indeed, the vast majority of people are not sharing in the benefits of globalization and shaping it. (Milenkovic 2005).

Workers perspectives, Trade unionism means for to liberate themselves from poverty and social exclusion. Workers use trade unions as their representative voice to demand their rights and improve their living and working conditions. The immediate objectives and activities of trade unions vary, but may include; -

Provision of benefits to members: Early trade unions, like Friendly Societies, often provided a range of benefits to insure members against unemployment, ill health, old age and funeral expenses. In many developed countries, these functions have been assumed by the state; however, the provision of professional training, legal advice

and representation for members is still an important benefit of trade union membership.

Collective bargaining: Where trade unions are able to operate openly and are recognized by employers, they may negotiate with employers over wages and working conditions.

Industrial action: Trade unions may enforce strikes or resistance to lockouts in furtherance of particular goals.

Political activity: Trade unions may promote legislation favourable to the interests of their members or workers as a whole. To this end, they may pursue campaigns, undertake lobbying, or financially support individual candidates or parties (such as the Labour Party in Britain) for public office.

2.1.8 Challenge of Trade Union in Employment Issues

In Tanzania, the trade unions are faced with a number of problems in the area of employment that include:-

- a) Lack of coherent national policy on employment. The same is caused by
- b) Lack of genuine political will and commitment on the part of the government.
- c) Obsolete labour laws and inadequate regulations in place, which do not conform to international labour standards and therefore cannot, meet the present employment challenges.
- d) Lack of credible legal systems, weak enforcement of laws and ineffective Labour inspections. (Keita 2010)

2.1.9 Employees performance Challenges.

Employee are selected and recruited into an organization because their particular skills and expert can assist the organisation in achieving high standard of performance or output after investing their energy, time and technical skills in exchange with competitive wages, promotional opportunity, job training offered by organization or employers (Rousseau and Tijoriwa 1998)

Recently, many organizations are relying more heavily on the use such employees as temporary workers for cutting down cost and their long life commitment. But more employee are beginning to realize that meeting the adequate performance standard does not guarantee job security with their employers (Wilhelm 1994)

2.1.10 Employees Perceptions toward the employment Contracts

Perception is defined as an act of being aware of “one’s environment through physical sensation, which denotes an individual’s ability to understand, From the social perspective, It refers to constructing an understanding of the social world from the data we get through our senses” (Michener, De Lamater and Myers, 2004: 106). Thus, perception “refers to the process by which we form impressions of other people’s traits and personalities.

Rao and Narayan (1998) listed the following elements for the above definitions of perception.

- a) Our attention, feelings and the way we act are influenced by our environment,
- b) Perception helps you to gather data from your surroundings, process the data and make sense out of it,
- c) In perception it is sometimes difficult to separate the information from the action,
- d) It is basically a process of gaining mental understanding, and
- e) Perception guides the perceiver in harnessing, processing and channelling relevant information towards fulfilling the perceiver’s requirements.

The employees who feels unhappy with their work are derived by the factors which called dissatisfies or hygiene factors. Herzberg found following dissatisfies:- company policy, supervision, working conditions, interpersonal relationships and employment contracts which has no room for salary improvement, status, security. What makes them different from motivators is the fact that they are not related to the content of the work but to the context of the job (Herzberg, 1974). For the better result of performance, organizations must provide their employees with opportunities

to strengthen their skills and further their career development while resolving all problems relates to work environment regarding different expectations of justice and equality, which can lead to discrimination in wages, rewards, and compensation (Valentine, 2001).

2.2 Empirical Literature Review

Many studies have been done concerning employment contract. On the study done by (Wandera 2011) the purpose of this study was to examine the effects arising from use of short-term contractual employees by employers or organizations. The study used Kenya Forest Service, which had considerable large numbers of employees on short-term contracts, as a case. The main objective of this study was to determine the effects of hiring staff on short-term employment to an organization. The study found out that short term employment results to unscheduled turnover in an organization, low staff morale and low productivity. Short-term employment affected productivity of staff in the organization since a lot of time and effort was used in training new employees, as their turnover was high. The researchers also noted that the very nature of temporary employment increases feelings of divided allegiance on the part of temporary workers. This reduces their level of commitment and hence their productivity. To cope with the challenges of short term employment, the study found that Kenya Forest Service was implementing the following measures: gradually absorbing the temporary employees to permanent employment whenever suitable openings arose, provided on job trainings to short-term employees to equip them with skills so that they could be more productive and frequently reviewed the compensation and benefits terms for staff under short term contracts.

Further recommendations were for adaptation of short-term employment contracts in times of economic difficulties; organizations implement proper human asset management practices by integrating temporary workers into the firms and that Companies offer induction and investment in skills by training in order to increase productivity and enhance employee's commitment to work.

Kamga (2011) he examined the employees' productivity in relation to their contract status carried out another study. He uses (a) survey data collected among manufacturing sector firms, having more than 15 employees, in Cameroon between April and May 2006 and (b) information issued by the National Institute of Statistics. Information collected concerned 45 firms spanning the period 2003 to 2005. This study uses the stochastic production frontier, distinguishing employees holding fixed-term contract (FTC) from employees that do not have fixed-term contracts (indefinite-term contract (ITC)).

Results are estimated in 2 stages. First, we evaluate the determinants of the utilization of FTC workers and second, we estimate the level of efficiency and productivity of two types of workers. Empirical results indicate that employees holding FTC are twice more productive than those holding ITC. Likewise, parameters indicating returns to scale are 1.3.

This parameter, though not significant, is greater than one indicating constant returns to scale in the firm production function.

Also the studies done by (Wang et al, 2009) who evaluated the effects on the performance of, and employment relations in, China's private enterprises. The study finds a positive and statistically significant union effect on labor productivity, but not on profitability. It further finds that unions lead to better employee benefits and increased contract signing in employment. These findings suggest that, in the era of transition from a centrally planned to a market economy, unions in China's private enterprises do promote workers' interests as unions do in other economies. They do that without abandoning their traditional role of harmonizing employment relations, as required by the Party. (Carlin et al, 2009) who evaluated the way firms optimally choose their employment contracts when they compete for labour.

The finding reveals that, the firm's optimal decisions with regard to the employment contracts they offer, the expected payoff and riskiness of the projects they undertake, the way they organize multiple agents into teams to maximize production, and the way in which they compete with other firms in the labour market.

While a temporary, job may be a first step towards a more permanent and stable job, this is not always the case. Certain workers are trapped in situations where they move between temporary work and unemployment; with little chances of getting a permanent job (see also OECD, 2002a, Chapter 3). Moreover, workers on temporary jobs have limited opportunities to upgrade their human capital and build a career all these studies meant to reveal the nature of employer employee relationship with respect to the agreement entered between the parties.

2.2.1 The Synthesis

From the review of literatures, it was found that there is research gap existing because most of the studies overlooked the issues pertaining employment contract and the way it influence the performance of employee on whether to perform good or bad.

Karabchak (2010) conducted a study, which examines incidence and earnings of non-standard workers in Russia. In addition, the focus was on two main types of non-standard arrangements: non-permanent and part-time employment. First he identify determinants of incidence of these types of non-standard employment and find out that such personal characteristics as education level, age and marital status have strong impact on it. Secondly, he explores wage differentials between permanent, non-permanent, full-time, and part-time employees and demonstrate that the observed wage gap went down substantially when we apply advanced econometric techniques and control for various other factors. The analysis was done with the help of large-scale representative data set Household Survey of Welfare, conducted by Ross tat and World Bank in 2003. concluded by saying ‘‘The wage gap between standard and non-standard workers often stems from their differences in educational

level, occupations personal characteristics and even work place characteristics. And the labour market tends to compensate the disadvantages associated with such jobs (for example uncertainty) by higher hourly wage rate”

Also the study conducted by wandera (2001) was to examine the effects arising from the use of short term contractual employees by employers or organizations where the study found out that, short term employment has low productivity, low staff morale results to: unscheduled turnover in an organization also it was found that Short-term employment affect productivity of staff in the organization since a lot of time and effort was used in training new employees as their turnover was high but all these study did not reveal the extent to which the employment contract has direct impact to the performance of employee and general impact to the prosperity of the company.

2.3 Conceptual Frame Work

According to Reichel and Ramey (1987), a conceptual framework is a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation.

It is a research tool intended to assist a Researcher in developing an understanding of the situation under investigation.

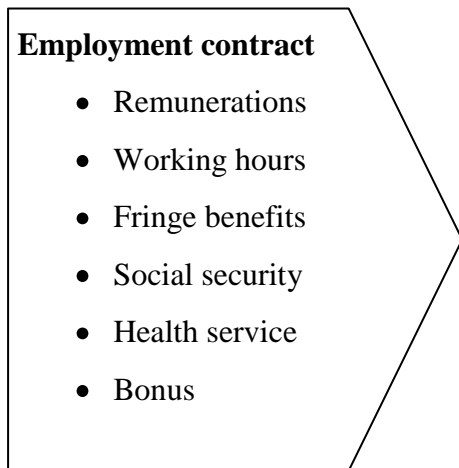
The proposed study will utilize conceptual framework illustrated below in order to meet the objective of the research. Employment contract like those of an unspecified period of time, contract for specified period of time and contract for a specific task (independent variables) have positive and negative impact on the employee performance in terms of employees’ morale, productivity, efficiency, turnover and levels of employee commitment.

Conceptual Framework

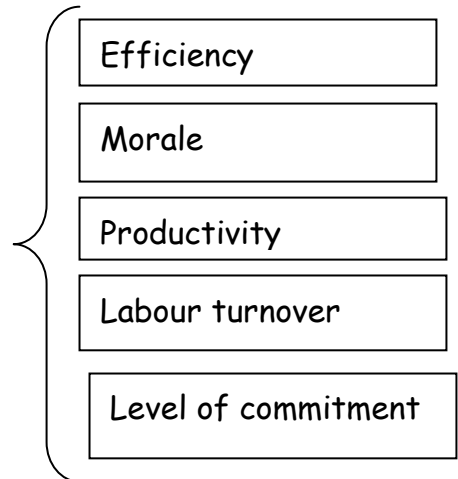
This conceptual framework generated from Wandera (2011) idea and general observation of different study that related with employment performance and those of employment contracts.

Figure 2.1 Conceptual Framework

Independent variables



Dependent Variable



CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Methodology

3.1 Research Design

The nature of the problem under study necessitated application of descriptive research. The main purpose of using this research designs builds on portraying employees' insights and perceptions, with regard to the impact of employment contract to the employees' performance. The variables categorized in the employment contract included remuneration, working hours, fringe benefits, social security, health services, bonus meanwhile categorical variables included in the performance included efficiency, morale, productivity, labour turnover and employees commitment.

In this study, the qualitative approach is adopted as the primary research method. The adoption of qualitative approach is grounded in the fact that employment contract research seeks to understand employees' insights and attitudes on a contract issue or process. Thus, the qualitative approach was utilised as the main method to get the proper details on the impact of the employment contracts on the performance. According to Yin (2003) several types of case studies can be differentiated; explanatory and descriptive case studies.

Tigo Company ltd was selected as the case study aiming to deal intensively and collect detailed information. Various issues were considered during case study selection including industrial sector, size of workforce employed, diverse practise environment and willingness of the company to participate in the research project. According to the suggestion by prominent authors in the field (e.g. Yin 2003; Eisenhardt 1989; George and McKeown 1985) suggested that willingness of the individual(s) to participate in the research project is a key factor in selecting a case study. Tigo Company ltd was willing to participate in the study and it was selected through non-probability technique.

3.1.1 Sampling Techniques

A researcher used purposive (judgmental) sampling techniques; this technique gave the researcher an option of choosing only those elements that he believed would deliver the required data. In this method, the researcher deliberately included respondents who would provide information suitable for this study. The major criterion for including these respondents was experience on this particular research problem. Addition to that the method is relatively less expensive and quick as stated by Adam et al (2008)

3.1.2 Sample Size

A sample of sixteen (16) representative were selected from a population of fifteen (24) people, it included Territory Manager (TM), Regional Sales Manager (RSM), Technical Engineers, Regional Distribution Manager (RDM), Market Supervisors (MS), POA Developers (PD) , Customer Care staffs, Trade Development Representatives (TDR). Regional Accountant Coordinator (RAC), Regional Data Supervisor (RDM), Registration Supervisor (RS), Market supervisor (MS) and Data Entry Portfolios.

Table 3.1 Table showing Occupation of the respondents, its population and sample size

Occupation	Population	Sample Size
Territory Manager	1	1
Regional Sales Manager	1	1
Regional Distribution manager	1	1
Regional Accountant Coordinator	1	1
Registration Supervisor	1	1
Regional Data Supervisor	1	1
Market Supervisor	5	3
POA Developer	2	2
Trade Development Representative	3	2
Customer Care	5	1
Stock Point Controller	1	1
Senior Area Engineer	1	1
Field Operation Engineer	1	0
Team Leaders	12	6
Data Entry	<u>8</u>	<u>4</u>
Total	44	26

3.2 Data Collection Methods / Sources of Data, Types of Data

The study involved two types of data, primary and secondary data. Primary data were collected through face to face interviews using structured questionnaires and observation while secondary data were obtained from various documentary sources including libraries. Bugress (1984) maintains that no single technique is necessarily superior to any other while a combination of two or three methods would make data highly reliable in terms of consistency of results once similar questions were used. Through questionnaires, the respondents were provided with a chance to provide adequate response in a short time. The researcher used close ended questions.

3.3 Data Processing and Analysis

The collected data were processed and analysed to obtain answers which would fit the study. The whole process and analysis techniques are presented in the following sub-sections.

3.3.1 Data Processing

The collected data were processed in order to come up with an objective interpretation, (Kothari 2002) provides that data processing implies editing, coding, classification and tabulation of collected data in the form that will enable the researcher to make an analysis. Data editing was careful done after collection and open ended questions were summarized to capture the required responses.

3.3.2 Data Analysis

Data were analysed by using statistical analysis package called statistical package for social science (SPSS). Descriptive statistics methods specifically frequency was used for analysis because the study involved categorical variables. The findings are presented in the form of charts, mainly bar charts. The part of SPSS procedures included Analysis > Descriptive statistics > Frequency.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Overview

This study sought to examine the impact employment contract to the employee performance in the organization, more specifically to identify the types of employment contracts offered in the organization, perception of the employees toward their employment contract, performance challenges faced by the employees and to provide suggestion on the standard contract of the employment. Some categorical variables used Likert scale with the following range and inferences.

Table 4.1 Scale and inferences of the variables

Scale	Inferences
0.5-1.44	Strongly disagree
1.45-2.44	Disagree
2.45-3.44	Agree
3.45-4.44	Strongly agree

4.2 Sample Size and Characteristics of the Sample

Research respondents consisted of 20 employees who were categorised according to their roles, responsibilities and positions. The 20 respondents were drawn from 46 population which consisted of Managers, administrators, supervisors, team leaders and other customer care employees. Furthermore, in terms of Gender, it consisted with 16 males and 4 females.

4.3 Results

4.3.1 Employment contracts offered in the organization

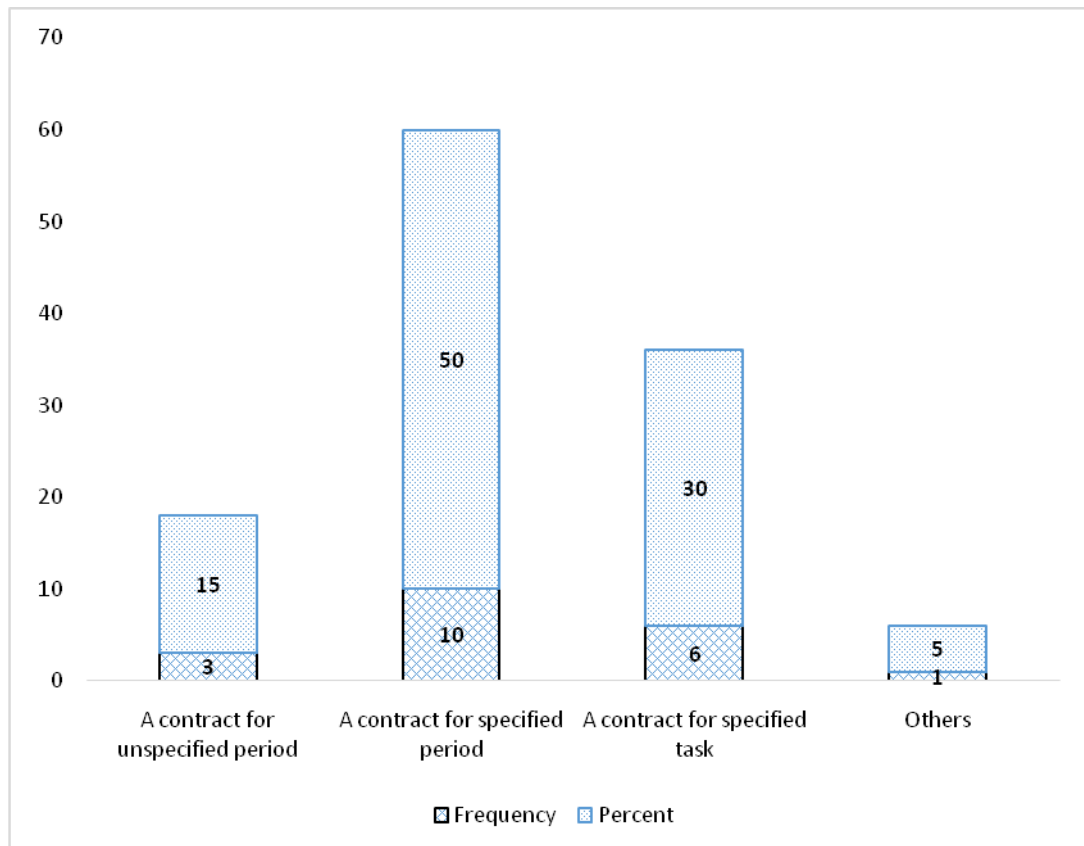


Figure 4.1 Bar chart indicating types of contracts

Source: Field

The results from the above bar chart indicate that 50% of the respondents had a contract for a specified period, 30% of them had a contract for specified task, 15% confirmed to have a contract for specified period meanwhile 5% of the employees mentioned other types of contracts. The results imply that majority of the respondents are employed with the contracts which have specified period and fewer with unspecified period.

4.4 Perception of the Employees toward employment contracts

A researcher intended to assess perception of the employees with regards to their contracts offered in the organization. Perception was evaluated focusing in different areas of the contracts including employees' positions, duties, performance indicators, benefits package, terms and conditions for job terminations. Each aspect in relation to the employees' response is presented in the next sub-sections.

4.4.1 Employment Contracts, working positions and duties

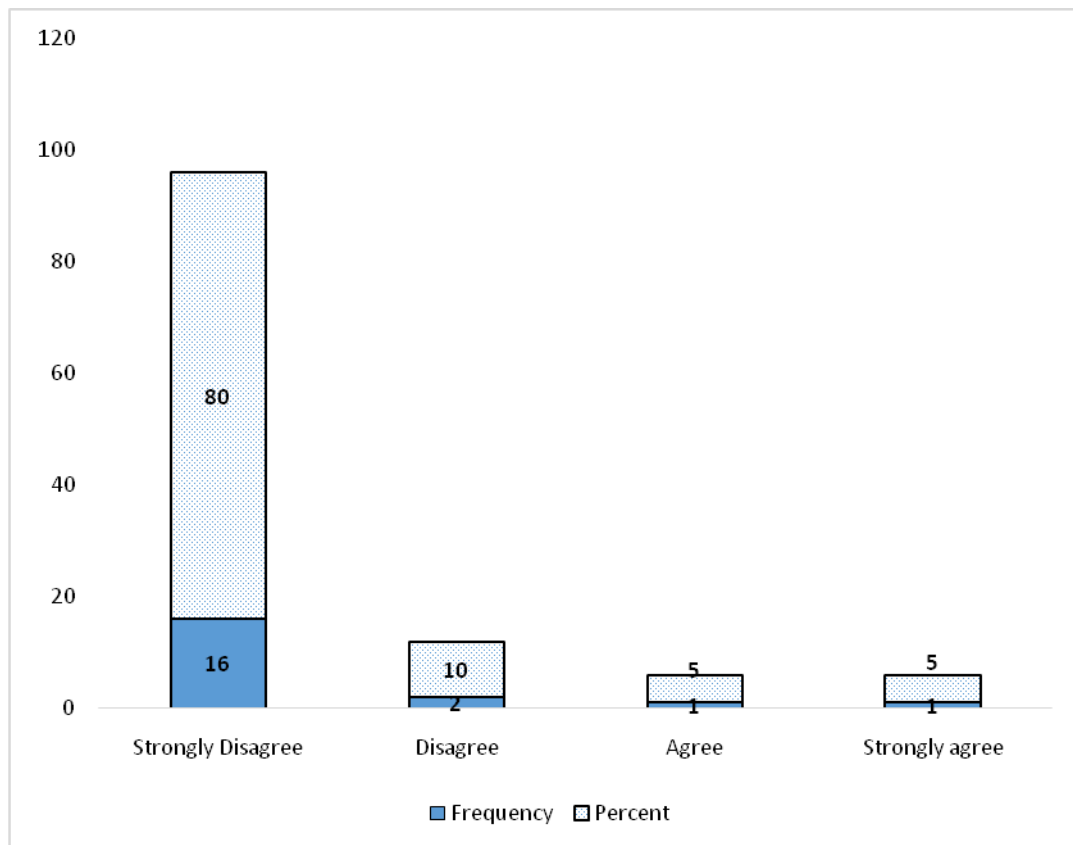


Figure 4.2 Bar chart showing agreement on whether employment contracts of the respondents have clearly defined working positions and duties

Source: Field

Whether employment contracts which are of good standard must clearly define working positions, roles and responsibilities was strongly disagreed by 80 percent of the respondents (16) and 10 percent (2) disagreed meanwhile 5 percent (1) agreed while the other 5 percent (1) strongly disagree. The overall average of agreement was 3.65 with low standard deviation of 0.813 which imply that most of the respondents' contracts have clearly defined working positions and duties.

4.4.2 Terms and Conditions for the Job termination

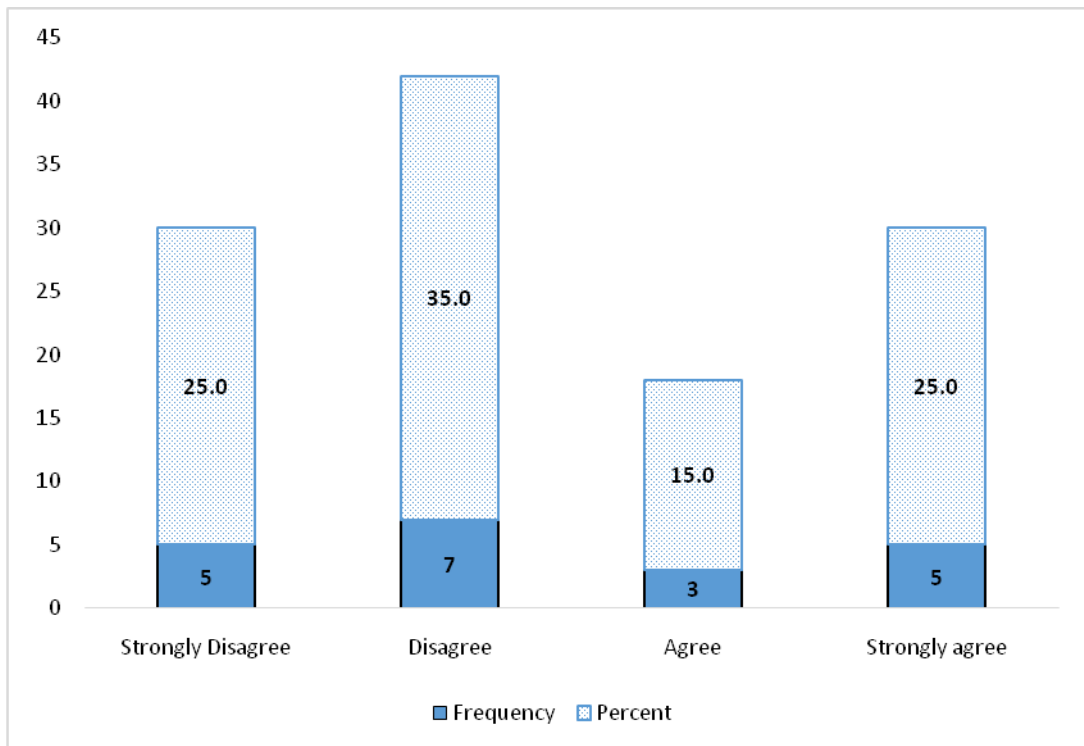


Figure 4.3 Bar chart showing whether terms and conditions for the Job are indicated in the respondents' contracts

Source: Field

The results on whether terms and conditions for the job are indicated in the respondents' contracts was disagreed by 35.0 percent (7) and 25.0 percent (5) strongly disagreed while 25.0 percent (5) of the respondents while 15.0 percent (3)

agreed with the claim. The mean score for categories was computed, the overall average for agreement scored the mean value of 2.40 with standard deviation of 1.142 which implies that the majority of the respondents rejected the variable.

4.4.3 Employment Contracts and Performance Indicators

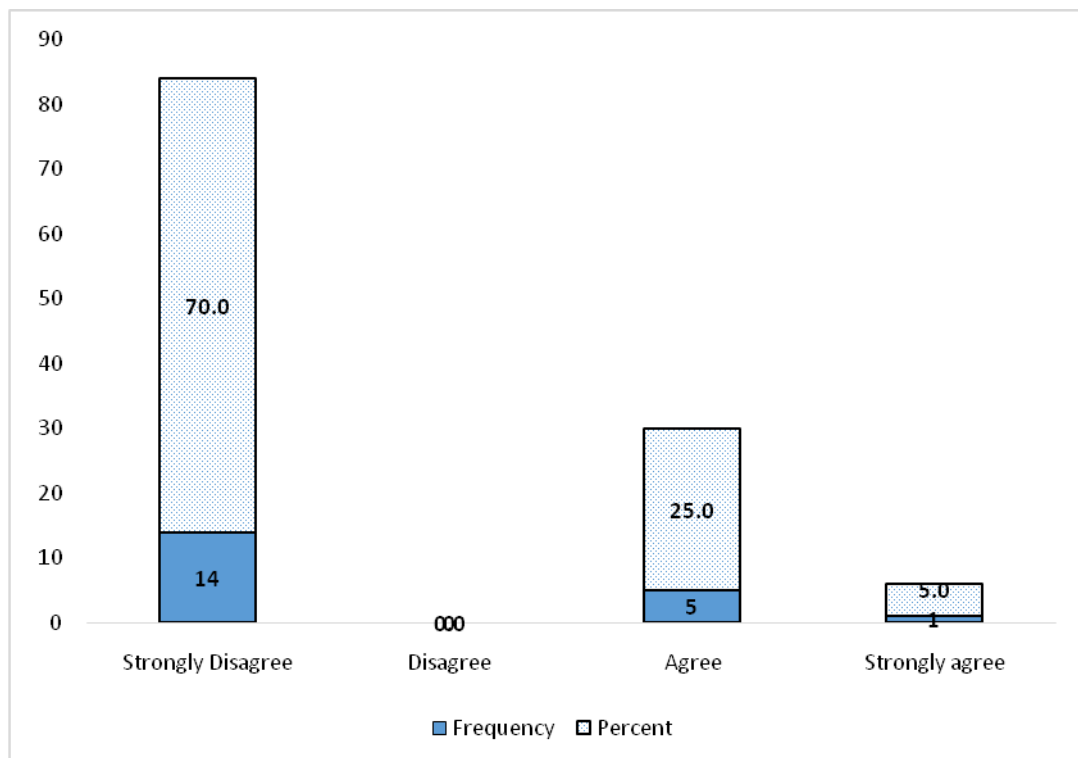


Figure 4.4 Bar chart showing whether employment contracts have indicated performance indicators

Source: Field

The bar chart above indicates 70.0 percent (14) of the respondents strongly disagreed on the claim that employment contracts have indicated performance indicators, 25.0 percent (5) agreed with the assertion and 5.0 percent (1) strongly agreed with it. The average score for the given categories was 1.65 with standard deviation of 1.040 which implies the respondents disagreed that employment contracts have indicated performance indicators.

4.4.4 Compensations

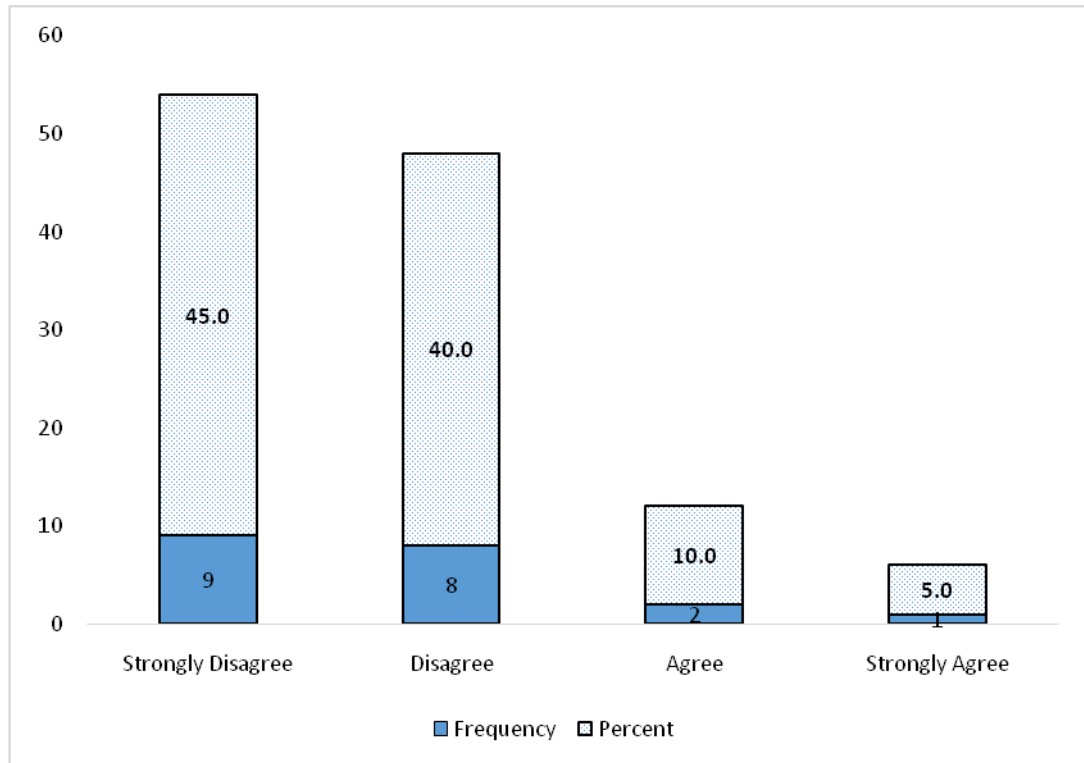


Figure 4.5 The bar chart indicating whether the contracts have highlighted compensations

Source: Field

45.0 percent (9) of the respondents strongly disagreed with the statement that their employment contracts have highlighted compensations, 40.0 percent (8) disagreed with the assertion meanwhile 10.0 percent (2) agreed with the statement and 5.0 percent (1) strongly agreed about it. The overall average for agreement was 1.60 with a very low standard deviation of 0.681 which imply that most of the employees have disagreed with the claim meaning that contracts their contracts have not stated compensations.

4.4.5 Benefit package

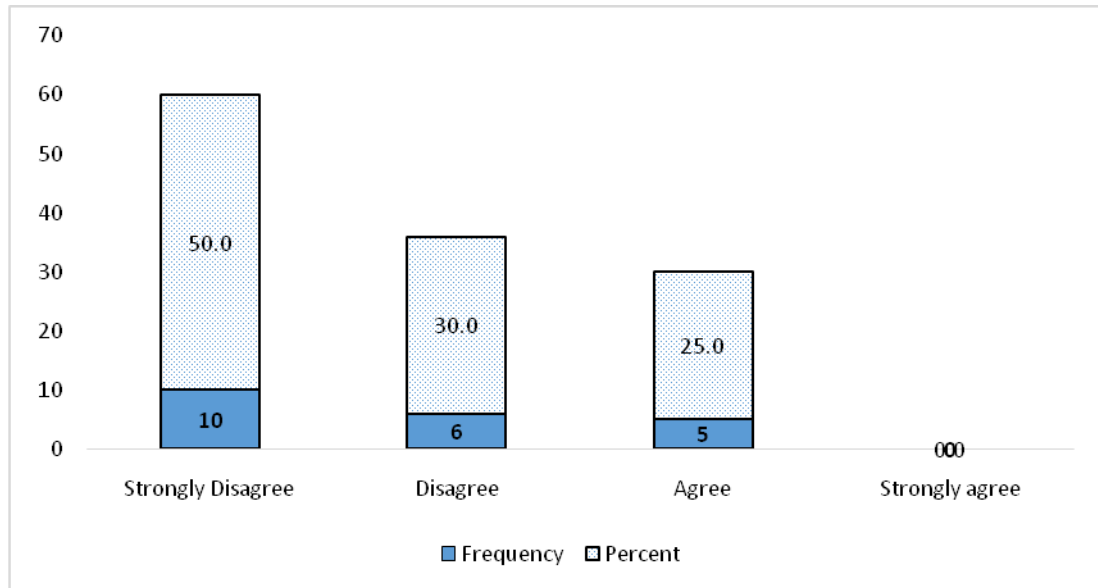


Figure 4.6 The bar chart showing whether employees' contracts declare benefit package

Source: Field

50.0 percent (10) of the respondents strongly disagreed on whether the contracts have openly indicated benefit package, 30.0 percent (6) disagreed with the claim meanwhile 20.0 percent (4) agreed with the variable. The average agreement for the benefit package was 1.70 with its standard deviation of 0.801 which imply that most of the respondents disagreed meaning they have rejected the proposed statement.

4.4.6 Overall satisfaction of the employees toward their contracts

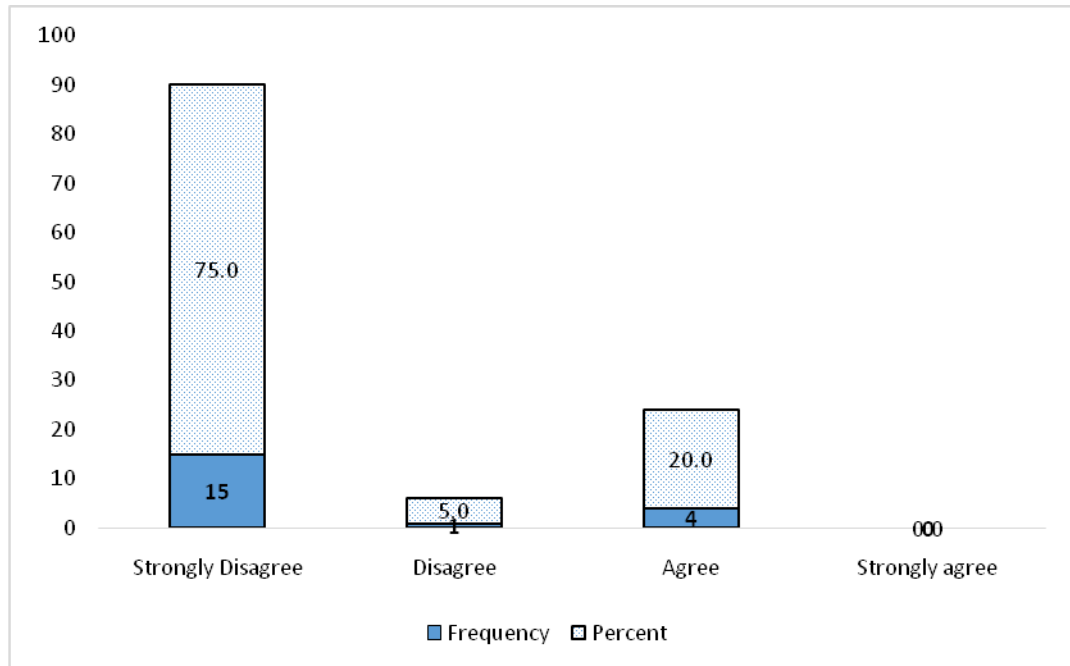


Figure 4.7 The bar chart showing overall satisfaction of the employees in their contracts

Source: Field

75.0 (15) percent of the respondents confirmed to strongly disagree with personal satisfaction in their contracts, 5.0 disagreed with it while 20.0 percent (4) with the variable. The overall agreement with the overall satisfaction was 1.80 with standard deviation of 0.834, these results imply that most of the employees are not satisfied with their contracts.

4.5 Challenges faced by the Employees in the organization

In order to capture a broad range of responses, a researcher decided to provide open ended questions concerning the major challenges they face in the organization, the issues which were raised include unrealistic targets (PI), delay in payment of salaries, compensation is often not paid, health insurances is limited, the contracts are unclear

meaning they do not clearly defined specific task, benefits packages are not indicated, also compensation is not open stated.

4.6 General implication of the results

As observed from the field results most of the elements of the employments contracts including remunerations, social security, and bonus fringe benefit are either ignored or neglected, this may lead to poor performance in terms of morale, productivity, labour turnover and level of commitment among workers. There is a theoretical relationship between the standard of employment contracts and employees performance. Since responses of the respondents indicated that their employment contracts were unsatisfactory as shown in sub-section 4.4.6 then a researcher assumed that the situation had significant impact to their performance. However, a researcher could not employ non-parametric methods to assess how far the relationship between the two variables because of the sample size which was relatively small to employ the method, otherwise assumptions of the method could be violated and hence, the results would be distorted.

CHAPTER FIVE

CONCLUSSION AND RECOMMENDATION

5.1 Conclusion

The overall results show that employment contracts are not in favour to most of the employees who were surveyed, 20 sampled respondents who represented 42 employees. The contracts do not define employees' positions and duties clearly, terms and conditions for the job termination which is also stated in the labour laws also is neglected to the majority of the respondents, performance indicators are set by the organizations but still there are complaints that they are not realistic at least at individual level in relation to their working conditions which do not provide motivation to achieve the desired targets, compensation and other benefit packages like social security including health insurance is very limited in terms of its coverage.

The respondents declared that there are many challenges with regards to their employees' contracts as evidence in the above section (4.5). A researcher conclude the negligence of the employment contracts must have affected the employees negatively including the entire organization.

5.2 Suggestions

Organizations must not underestimate the value of having better employment contracts which clearly defined working positions and essential duties. Incentives like recognitions, bonus and compensation must be awarded to the employees who deserve but without demoralizing other employees.

Furthermore, Retirement plan should be legalized as the obligation of the organization to ensure the outgoing employees who have served the organization till they get retired must be trained on how to cope up with new and unknown life to them. This was suggested by some of the respondents and a researcher captured it as a very critical factor to be addressed to the rest of the organization.

Salary increment must cope with the economic conditions of the employees, though it may also depend with the performance and progress of the organization. Salary scale must not stay fixed over long period of time because employees feel like their contribution is not recognized, also for them failing to meet their basic needs affect them psychologically.

Access to loans, the organization must alternatively support their employees to get affordable loans to supplement the small growing rate of salary scales. This will maximize the quality of their livelihood and social welfare and resulting into the level of commitment at work.

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APPENDICES

APPENDICES: 1 Likert Scale, inferences and Definition

Scale	Inferences	Implication
0.5-1.44	Strongly disagree	Negative
1.45-2.44	Disagree	response/rejection/disapproval/unsupported
2.45-3.44	Agree	Positive
3.45-4.44	Strongly agree	Response/Approval/supporting/confirmation

APPENDICES 2: Questionnaire

SECTION A: Profile of the Respondents

1. Gender (Please circle an answer)

- a) Male
- b) Female

2. Age:.....

3. Working Experience in months (or years).....

SECTION B: Employment contracts Offered in the Company

4 (a) Do you have any clear contract for the company you are working for? 1. Yes 2. No

4 (b) If yes, What type of contract do you have among the following categories

- a) A contract for an unspecified period
- b) Contract for specified period
- c) Contract for a specific task
- d) Others (Specify).....

	Strongly agree	Some what agree	Strongly disagree	I don't know
5. My employment contract clearly defines my position and its essential duties	[]	[]	[]	[]
6. My employment contract clearly indicates terms and conditions for the job termination.	[]	[]	[]	[]

7. My employment contract indicates performance indicators.	[]	[]	[]	[]
8. Compensation has clearly been stated in my employment contract.	[]	[]	[]	[]
10. Benefit package is openly indicated in my contract	[]	[]	[]	[]

SECTION C: General Perception toward Employment contract

	Strongly agree	Some what agree	Strongly disagree	I don't know
11. My employment contract is satisfactory	[]	[]	[]	[]

SECTION D: Challenges Faced by the employees in the organization

12. Are there any challenges which are associated by the employment contracts?
(Please mark)

1. Yes
2. No

13. What are the major challenges which are associated by your employment contracts? (Maximum four)

- a)
- b)
- c)
- d)

SECTION E: Opinions toward standards of the employment contracts

14. What are the elements which can make your contracts to be kind of good standard?

- a)
- b)
- c)
- d)