

Assessing the Impacts of Privatization on Water Services in Kenya in the Context of Human Resource Capital: Lessons from Global Perspective.

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Abstract

This study assesses the impact of water sector privatization on human resources capital in Kenya, drawing from global experiences to understand challenges and evidence-based practices. While privatization aims to promote efficiency and attract investment, the literature alludes, it has potential implications on the employment conditions, workforce motivation, and service delivery. Lessons from global case studies provide insights into balancing economic goals with workforce well-being, as a basis of informing policy adjustments that address both efficiency and equity in Kenya's water sector.

Key words: Human resource, water services, privatization, capacity building

Introduction

Water is a fundamental human right, recognized as essential for sustaining life, health, and dignity (United National Assembly, 2010). This notwithstanding, the provision and management of water services have faced numerous challenges globally, particularly in developing countries like Kenya. In recent decades, many countries have embraced privatization as a strategy to improve water services, with varying degree of success (Bayliss, 2014). Privatization in the context of water services is defined as the transfer of ownership or management of water services from public entities to private companies, it is always touted for its potential to enhance efficiency, increase investment, and expand access (Clarke, et al, 2009). However, the impact of privatization of water services is complex, especially in the context of human capital, where issues of equity, access, and quality of services come to the fore.

In the post-independence Kenya, the water sector has undergone significant reforms. These sector reorganizations, have been specifically structured on decentralization and privatization models (World Bank, 2019). Broadly, some of the factors that have necessitated these changes were driven by need to streamline and improve water service delivery, enhance financial sustainability and attract private sector investment. While privatization has brought some improvements in the sector, it has also raised concerns regarding affordability, equity and the conditions of employment for workers in the water sector (K'Akumu, 2006). There is need therefore to examine how privatization impacts water services delivery in Kenya by drawing lessons from global experiences to identify best practices and areas of concern.

By examining global perspectives, the paper aims to provide a nuanced understanding of the impact of privatization on water services, with specific consideration on human capital implications. These findings will help inform policy decisions in Kenya and similar contexts.

Background of Water Privatization in Kenya in the context of Human Resource Capital

Privatization of water services in Kenya has been part of a broader trend towards liberalizing the country's public water utilities, aiming to improve service delivery. This approach has been informed by global economic restructuring policies, often driven by international finance institutions like World Bank and International Monetary Fund, which have prompted privatization as a means to enhance efficiency, attract investment, and reduce public expenditure (Budds & McGranahan, 2003). In Kenya the water sector reforms initiated in the early 2000s, guided by the Water Act 2002, commenced the process of decentralizing water services to regional water companies and incorporating private sector management in service delivery (Mumma, 2005). While these reforms aimed to improve access and efficiency, their implications to human resources capital in the water sector have been significant.

Human resource capital, encompassing the knowledge, skills, and competencies of the workforce, plays a critical role in the delivery of water services. According to Tidd & Bessant (2018), Human resource capital is defined as a collection of intellectual resources owned by employees, contributing to innovation and adding value to the organization. The shift towards privatization in Kenya led to restructuring of employment practices, impacting job security, working conditions, and the overall morale of workers in the sector (Kariuki & Schwartz, 2005). This transition witnessed retrenchment of employees, reduced labor costs, and the introduction of more flexible employment terms, which undermined the long – term development of human capital. Moreover, the shift has placed pressure on existing human resources, who are expected to adapt to new corporate management styles, performance – based metrics, and often, a higher workload due to reduced staffing levels (Bayliss & Mackinley, 2007).

Privatization can also affect the quality and motivation of the workforce in the water sector. Research indicates that private sector management practices, focused on cost- cutting and profit maximization, may lead to under-investment in training and capacity- building for employee (Bayliss, 2014). In Kenya, this has manifested in inadequate professional development opportunities, limited career advancement, and a lack of incentive for innovation among water sector employees (K' Akumu,2006). Consequently, these factors could reduce the overall effectiveness of water services delivery, as a demotivated or inadequately trained workforce is less likely to meet the demands of service users or contribute to the sector's long –term sustainability.

Furthermore, the impact of privatization on human resource capital must be viewed through the lens of equity and inclusivity. In Kenya, the water sector's workforce is diverse, and privatization has the potential to exacerbate inequalities, particularly in terms of gender and socioeconomic status. Studies suggest that privatization has sometimes resulted in fewer opportunities for marginalized groups, such as women and

low –income workers, who may face additional barriers to employment in a privatized environment that emphasizes competitive hiring practices and merit-based advancement (Clarke, et al., 2009).

In summary, while the privatization of the water sector in Kenya was intended to improve service delivery, its effects on human resource capital are complex and require careful consideration. Need to balance economic objectives with social outcomes, to ensure that the workforce is adequately supported and incentivized to deliver high-quality services. This study will analyze these dynamics in Kenya's water sectors. Drawing on lessons from global context to propose strategies that align privatization efforts with sustainable human resource development.

Problem Statement

While privatization of water sector promises increased efficiency and investment, its implications on human resources capital and equitable access to water remain uncertain. The effects of privatization on the labour market, regulatory oversight, and service quality have led to varied results globally, suggesting potential risks and benefits that warrant critical analysis for Kenya.

Objective of the Study

To analyze the impact of privatization on water service delivery in Kenya, particularly focusing on human resource implications, by leveraging lessons from global practices to recommend strategies that align privatization efforts with sustainable human capital development

Research Objective

1. To evaluate the effectiveness of human resource management practices in ensuring service quality in post- privatization of water services in Kenya .
2. To identify global best practices in water sector privatization that could inform policy and human resource strategies in Kenya

Literature Review

The literature on the privatization of water services is extensive, encompassing diverse perspectives on its impact on service delivery, efficiency, equity, and human resources management. This review examines the key themes in the existing body of research, focusing on the global experiences of water sector privatization, its implications on human resource capital, and lessons relevant to the Kenya context.

Global Experiences of Water Sector Privatization

Privatization of water services has been implemented in various forms across the globe, including full divestiture, management contracts, and public –private partnerships (PPPs) (Bayliss, 2014). In many cases, privatization is promoted as a means to address inefficiencies in public sector service delivery, reduce government expenditure, and attract private investment for infrastructure development (Clarke, et al, 2009). Privatization of water services in England and Wales in the late 1980s, often cited as a model case, led to significant improvements in water quality and infrastructure investments (Bakker, 2010). However, this approach also resulted in increased water tariffs, raising concerns about affordability and social equity.

In contrast, the privatization experiences in countries like Bolivia and Argentina illustrate the complexities and challenges associated with such reforms. In Bolivia, the privatization of water services in Cochabamba led to public protests and a reversal of privatization after the so-called “Water War” (Shultz, 2008). Similarly, in Argentina,

while initial privatization efforts led to increased service coverage, they were accompanied by layoffs, wage reductions, and deteriorating working conditions for employees in the sector (Azpiazu, et al, 2009). These experiences underscore the need for a balanced approach that takes into account not only economic efficiency but also social equity and the protection of human resources.

Human Resource Implication of Water Sector Privatization

Human resource capital is a critical factor in the success or failure of privatization efforts. Studies suggest that privatization often leads to workforce restructuring, which can include downsizing. Changes in employment terms, and a shift toward more flexible labour contracts (Spronk, 2010). These changes can have significant impact on employee morale, job security, and overall organizational performance (Gould-Williams, 2007). For instance, in Latin America, the privatization of water services has frequently resulted in layoffs, reduced wages, and diminished job security, leading to a decline in employee motivation and service quality (Clarke et al., 2009, Spronk, 2010). Moreover, privatization often necessitates new skills and competencies, particularly in areas such as financial management, customer service, and technology use (Parker & Kirkpatrick, 2012). Inadequate investment in training and development can result in skills gaps and reduced capacity to manage and maintain water infrastructure effectively. This is evident in cases such as South Africa, where inadequate training and poor human resource practices contribute to challenges in the delivery of water services under privatized management (Mc Donald & Ruiters, 2012).

Lessons for Kenya: Human Resource Challenges in the Water Sector

In Kenya, the privatization of water services began in earnest in the early 2000s, following the enactment of the Water Act 2002, which aimed to enhance efficiency and service

delivery through the commercialization of water service providers (KÁkumu, 2006). While there have been some gains in terms of financial sustainability and expanded service coverage, the impact on human resources have been mixed. Studies show that the transition to private management has led to significant workforce restructuring, with many employees experiencing job insecurity, reduced benefits, and changes in employment conditions (Omosa, 2013). Additionally, there is evidence of inadequate training and capacity –building efforts to equip employees with the skills needed to adapt to new technologies and management practices (Mugisha & Berg, 2008).

The Kenya experience mirrors global findings that suggest privatization can result in negative outcomes for employees if human resource management practices are not carefully designed and implemented. For instance, lack of investment in employee training and development can undermine service quality and customer satisfaction, as seen in other countries (Gould- Williams, 2007). Moreover, the absence of social safety nets and mechanisms to protect employee right can exacerbate inequalities and create social tensions, similar to the experience in Bolivia and Argentina (Azpiazu, et al., 2009, Shultz,2008)

Findings and Discussion

Based on the analysis of secondary data and the desktop literature review conducted, the findings are organized around four key thematic areas. First is the impact of privatization on employment conditions, second is the skills development and capacity building, third is the relationship between human resources management practices and service delivery outcomes, and fourth are lessons from global experiences that can inform human resource management in Kenya’s privatized water sector.

1. Impact of Privatization on Employment Conditions

The literature review reveals that privatization in the water sector often leads to significant changes in employment conditions, including job losses, reduced job security, wage cuts, and changes in employment terms. Studies from various contexts, such as Argentina and South Africa, indicate that while privatization can enhance operational efficiency and financial performance, it frequently comes at the cost of reduced employment opportunities and deteriorating working conditions (Azpiazu, et al. 2009; McDonald & Ruiters, 2012).

In Kenya, similar trends are observed. According to Omosa (2013), the transition to privatized water services has led to workforce downsizing, with many employees experiencing job insecurity and reduced benefits. The shift towards more flexible labour contracts and performance based employment terms has created a precarious work environment, affecting employee morale and productivity (Mugisha & Berg, 2008). The findings suggest that while privatization may contribute to cost savings and efficiency gains, these benefits may be offset by negative outcome for the workforce, including reduced job satisfaction and potential labour unrest.

Discussion: Implications for Human Resources Management

The findings indicate that for privatization to be successful and sustainable, human resources management must be a central consideration. In many cases, the failure to adequately address employment conditions has led to negative consequences, such as reduced employee motivation, lower service quality, and social unrest (Bayliss, 2014). To mitigate these risks, water service providers in Kenya could adopt more inclusive human resource practices that prioritize fair treatment, job security, and employee engagement. Furthermore, adopting labour policies that balance efficiency with social equity can help maintain a motivated and productive workforce.

2. Skills Development and Capacity Building

Literature alludes that privatization often necessitates new skills and competencies, particularly in areas like financial management, customer services, and the use of modern technologies (Parker & Kirkpatrick, 2012). However, some studies highlight a lack of adequate investment in training and capacity building initiatives by privatized water service providers. In South Africa, for example, inadequate training and poor human resources practices are cited as significant barriers to effective service delivery (McDonald & Ruiters, 2012).

In Kenya context, there is evidence of similar gaps in skills development. Although some water service providers have introduced training programs, these initiatives are often insufficient and do not comprehensively address the skills required for effective service delivery in a privatized environment (Mugisha & Berg. 2008). The lack of investment in employee training and capacity building has been linked to service delivery challenges, including inefficiencies in operations and customer dissatisfaction.

Discussion: The Need for Comprehensive Capacity Building

The findings suggest that effective capacity building is critical for the success of privatized water services in Kenya. Investment in skills development not only enhances employee performance but also improves service delivery outcomes. A comprehensive capacity building strategy that includes regular training, professional development opportunities, and support for career progression can help bridge skills gaps and ensure that employees are well equipped to meet the demand of a privatized water sector. Additionally, partnerships with international organizations and training institutions could provide access to best practices and specialized knowledge.

3. Relationship Between Human Resource Management Practices and Service Delivery Outcome

According to the literature, there exists a clear link between human resource management practices and service delivery outcomes in the water sector. Studies indicate that effective human resource practices, such as employee engagement, performance management, and fair compensation, are associated with higher levels of employee motivation, job satisfaction, and service quality (Gould- Williams, 2007). Conversely, poor human resource practices including inadequate compensation, lack of job security, and insufficient training, can lead to negative service delivery outcomes.

In Kenya, the privatization of water services has presented both opportunities and challenges in human resource management. While some privatized entities have adopted performance based management practices that have led to improvement in operational efficiency, there are concerns about the negative impacts of these practices on employee well-being and service quality (Omosa, 2013). The findings suggest that there is need for a balanced approach to human resource management that promotes both efficiency and employee welfare.

Discussion: Balancing Efficiency and Employee Welfare

The findings underscore the importance of a balanced approach to human resource management in the privatized water sector. To achieve sustainable service delivery outcomes, water service providers should adopt human resource management practices that not only enhance operational efficiency but also protect employee rights and welfare. This could involve implementing fair compensation policies, fostering a supportive work environment, and ensuring adequate employee participation in decision making process on matters relating to their welfare and working conditions. Additionally, regular

feedback mechanisms and performance appraisals can help align employee goals with organizational objective, thereby improving service delivery outcomes.

4. Lessons from Global Experiences

The global experiences of water sector privatization provide valuable lessons for Kenya. For instance, in France a hybrid model combining public and private sector management has been successful in balancing efficiency with social equity, ensuring fair working conditions while improving service delivery (Pigeon, et.al, 2012). Similarly, in Manila, the Philippines, extensive training and capacity building initiatives were key to the success of privatization efforts (Wu & Malaluan, 2008). These cases highlight the importance of integrating human resource management and ensures the protection of workers' rights and welfare.

Discussion: Applying Global Lessons to Kenya

Applying these global lessons to Kenya requires a nuanced understanding of the local context and the specific challenges faced by the water sector. A hybrid model, like used in France, could provide a pathway for Kenya to achieve both efficiency and equity in water services delivery. Furthermore, prioritizing capacity- building initiatives as in Manila, could help address skills gaps and improve service delivery outcomes. Policymakers and stakeholders in Kenya should consider these best practices and adapt them to the local context to ensure the success of privatization efforts.

Recommendations

1. Invest in Capacity Building: Implement comprehensive training and professional development programs to bridge skills gaps and enhance service quality, following example from Manila's successful privatization efforts.

2. Inclusive Human Resource Policies: Develop fair compensation and job security measures to motivate the workforce and maintain high service standards.
3. Stakeholders Engagement: Encourage employee participation in decision –making on issues related to their welfare with focus to promote a supportive work environment and align workforce goals with organizational objectives.
4. Best Practices Adoption: Integrate relevant global best practices to adapt to local contexts, focusing on sustainable and equitable privatization strategies.

Conclusion

The findings of this study suggests that while privatization of water services can offer potential benefits such as improved efficiency and service delivery, it also poses some challenges related to human resource management. In the Kenyan context, there is a need for a balanced approach that integrates human resource considerations into water sector reforms to ensure sustainable and equitable service delivery. By learning from global experiences and adopting best practices in human resources management, Kenya can navigate the complexities of privatization and achieve its desired outcomes.

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