



POST GRADUATE UNIVERSITY EXAMINATIONS
SCHOOL OF MANAGEMENT AND LEADERSHIP
DEGREE OF MASTER OF BUSINESS ADMINISTRATION

HCO 504: EMPLOYEE RELATIONS

DATE: 1ST APRIL 2026

DURATION: 3 HOURS

MAXIMUM MARKS: 60

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **FOUR (4)** questions.
4. Question **ONE is compulsory.**
5. Answer any other **TWO** questions.
6. Question **ONE** carries **30 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided**

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

ECOTEXTILES KENYA LTD (ETKL)

EcoTextiles Kenya Ltd is a mid-sized textile manufacturer located in Athi River, Machakos County. Established in 2010, the company produces cotton and polyester blends for both the Kenyan market and the wider East African Community region. It employs about 600 workers alongside 50 management and technical staff in functions such as design, production, quality control and sales. Over the years EcoTextiles has positioned itself as a progressive, export-oriented firm that combines traditional textile manufacturing with innovation to remain competitive.

In 2023 the company launched an ambitious programme known as the Green Horizons Initiative to integrate environmentally friendly practices into its operations. The initiative involved installing solar panels to power weaving machines, introducing a closed-loop water recycling system for dyeing, digitising administrative paperwork to cut down on paper use, and reusing or refurbishing packaging materials instead of purchasing new ones. These measures were introduced both to reduce costs and to improve the company's reputation among environmentally conscious buyers.

The impact of these changes was immediate. Within a year EcoTextiles recorded a 20 per cent reduction in its energy and water bills and a noticeable improvement in its public image. International buyers began to cite the firm's sustainability credentials as a factor in awarding contracts, and domestic customers welcomed the reduced environmental footprint. The initiative also created a healthier work environment for employees through improved air quality and a reduction in the use of harsh chemicals in production processes.

However, as the company's operations evolved, its employment practices also shifted. EcoTextiles increasingly relied on a mix of permanent employees, short-term contract workers and outsourced delivery drivers. It also started engaging freelance designers and casual workers during peak seasons to handle the more flexible, digital-based tasks. This diversification of the workforce created legal and ethical challenges, particularly concerning workers who performed duties similar to full-time staff but lacked benefits such as NSSF contributions, annual leave and medical cover.

Labour inspectors raised concerns over these "ambiguous employment relationships", noting that some workers might effectively be employees but were classified as independent contractors. Several designers and machine operators petitioned for recognition and benefits, arguing that the company's classification practices undermined their job security and left them without the protections afforded under Kenyan labour law. This tension became a flashpoint for disputes between the company and its workforce.

The Kenya Textile Workers Union, which represents about 60 per cent of the company's workforce, took up many of these grievances. Through three rounds of collective bargaining, the union pressed for better health and safety standards under the Green Horizons Initiative, more transparent employment contracts and improved pay for contract staff. While the parties agreed to form a new safety committee and implement a five per cent wage increase, tensions remained high as job security and cost-cutting measures continued to dominate discussions.

Despite these challenges, EcoTextiles remains committed to its green strategy and to expanding its market share in the region. Management believes that the company's environmental initiatives will distinguish it from low-cost imports and open new export opportunities, but it recognises that industrial unrest and potential litigation over employee classification could threaten production continuity and profitability. The balancing act between environmental sustainability, fair employment practices and industrial stability now defines the company's strategic priorities.

Required:

- a)** Using the EcoTextiles Kenya Ltd case study, critically evaluate how the company's "Green Horizons Initiative" contributes to environmental sustainability and to its financial and operational health. **(10 Marks)**
- b)** Drawing from the case study, analyse how EcoTextiles Kenya Ltd's use of short-term contracts, freelancers and outsourced workers reflects the evolving nature of the employment relationship in Kenya. **(10 Marks)**
- c)** Using EcoTextiles Kenya Ltd's experience with the Kenya Textile Workers Union, discuss how industrial relations at the company aim to ensure continuity of production, minimise disputes and reduce wastage. **(10 Marks)**

QUESTION TWO

- a)** Describe the negotiation process as a communication tool for reaching mutual agreements and considered strategic in nature, requiring parties to have a good understanding of both legal and financial principles. **(10 Marks)**
- b)** Discuss the dynamic roles five main parties involved in employee relations their respective contributions for a balanced and productive industrial relations climate. **(5 Marks)**

QUESTION THREE

- a)** Explain the fundamental purpose of trade unions and five of their immediate roles in addressing the power imbalance between employers and employees. **(5 Marks)**
- b)** Discuss the primary role of collective bargaining designed to address the inherent power imbalance between employers and individual employees. **(10 Marks)**

QUESTION FOUR

- a) Evaluate the concept of participative management, assessing how its key features function as a motivational tool and contribute to organizational benefits.

(10 Marks)

- b) Analyze the two main types of collective agreements in ensuring both the rules of engagement and the terms of employment are clearly defined.

(5 Marks)