# EFFECT OF PRODUCTIVITY LEVEL AND FISCAL SUSTAINABILITY IN KENYA'S PUBLIC SECTOR WAGE BILL MANAGEMENT INSTITUTIONS

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## ABSTRACT

Fiscal sustainability involves the capability of a government in the long run to meet its financial responsibility consistently and is concerned with the availability of adequate revenues for services, capital levels and demands of the public. The study examined the relationship between productivity level and fiscal sustainability in Kenya's public sector wage bill management institutions. The study was guided by the theory of marginal productivity. The philosophical foundation adopted by the study was positivism and a cross sectional survey design owing to the fact that the data collected was quantitative and qualitative in nature. The study population was from Kenya's public sector wage bill management institutions. In determination of sample size, the Krejcie and Morgan table was used. Primary data was collected by use of structured questionnaires and the choice of drop and pick method was used because the technique is believed to minimise non-coverage error. Data analysis involved computation of percentages, means scores, and frequencies for descriptive statistics and correlation and regression for inferential statistics. From the findings of the research, it can be concluded that Kenya's public sector productivity level has a significant effect on fiscal sustainability. The study recommends that Kenya's public sector needs significant changes to improve its fiscal sustainability from moderate to excellent, to address their significant challenges in service delivery; furthermore, there is a need to develop policies that are aligned to productivity and fiscal sustainability.

***Key Words:*** *productivity level, fiscal sustainability, public sector, wage bill management, institutions, Kenya*

## INTRODUCTION

Song, Tares & Kohler (2012) argue that productive organisational energy is what contributes to the development of employee engagement. Findings by Welbourne (2010) have also contributed to this notion by highlighting that it is engagement level that comes as a successor of overall organisational energy, and hence it makes more sense to measure organisational energy instead of engagement in relation to employee performance. According to Mathis and John (2007), productivity is a measure of the quantity and quality of work done, considering the cost of the resources used. The more productive an organization, the better its competitive advantage, because the costs to produce its goods and services are lower. Better productivity does not necessarily mean more is produced; perhaps fewer people (or less money or time) was used to produce the same amount. McNamara (2009) further states that results are usually the final and specific outputs desired from the employee. Results are often expressed as products or services for an internal or external customer, but not always. They may be in terms of financial accomplishments, impact on a community and so whose results are expressed in terms of cost, quality, quantity or time.

Fiscal vulnerabilities have increased in a number of countries, notably in Ghana and Zambia and in both countries, spending has been growing at unsustainable level. In Zambia, civil servants' wages increased sharply in 2013 and in Ghana, twin deficits (fiscal and current account) in the context of weak foreign reserves made 2014 particularly challenging, and in countries that faced elections (for example, Malawi and Nigeria) policy uncertainty arose amidst intensified spending pressures. In countries with high debt level, such as Cape Verde, the Gambia, and Seychelles, there was relatively limited room for manoeuvre in the face of shocks (IMF Regional Economic Outlook, 2014). According to Odongo and Wang (2017), while having foreign debt may not necessarily be harmful to a country, the inability of most Sub Saharan African countries to meet the debt obligations coupled with failure to understand the structure of the facilities presents critical consequences to the fiscal sustainability of the nations. The level of gross national product of a country can be used as a measure of productivity level. Mutuku (2015) argues that in instances that the GDP is reported as high, the economic sustainability is expected to improve. Historically, the Government of Kenya (GoK) has had a mixed fortune in terms of fiscal performance. The country has had budget deficits since independence, which is mainly attributed to over expenditures due to dwindling resources brought about by poor macroeconomic performance, among other causes. This has contributed to the weak overall development performance, low productivity and high public debt associated with high interest rates. However, over time, the government has adopted several strategies aimed at reducing the budget deficits so as to attain surplus. The strategies include measures to widen the tax base and various austerity measures to cut down on recurrent expenditures (Republic of Kenya, 2013).

Measuring productivity involved determining the length of time that an average worker needed to generate a given level of production. One can also observe the amount of time that a group of employees spend on certain activities such as production, travel, or idle time spent waiting for materials or replacing broken equipment. The method can determine whether the employees are spending too much time away from production on other aspects of the job that can be controlled by the business. Employee productivity may be hard to measure, but it has a direct bearing on a company's profits. An employer fills staff with productivity in mind and can get a handle on a worker's capabilities during the initial job interview. However, there are several factors on the job that help maximize what an employee does on the job (Lake, 2000).

Tierney (2009) states that, perhaps none of the resources used for productivity in organizations are so closely scrutinized as the human resources. Many of the activities undertaken in a human resource system are designed to affect employee or organizational productivity. Pay, appraisal systems, training, selection, job design and compensation are human resource activities directly concerned with productivity. Voon (2011) continues to state that controlling labour costs and increasing productivity through the establishment of clearer linkages between pay and performance are considered to be key human resource management component of competitive advantage. In addition, increased concerns over productivity and meeting customer requirements have prompted renewed interest in methods designed to motivate employees to be more focused

on meeting (or exceeding) customer requirements and increasing productivity. There is need to mainstream productivity and performance in public sector remunerations and benefits determination (Salaries and Remuneration Commission (SRC), 2017). Productivity describes the ratio of output to input which may constitute capital, labour or an integration of both. Productivity could also be explained as the efficient utilization of resources such as capital, labour, information, and energy to produce goods and services (Syverson, 2011). The former definition was preferred for the study as it does not limit on the input since it differs across different public sectors in Kenya. Productivity is used as a basis for assessing the economic position of the public sector in Kenya. The research explained this variable through the marginal theory of productivity by evaluating the factors that undermine or promote economic productivity in Kenya.

## PROBLEM STATEMENT

This research sought to look into the issues of high debt and fiscal unsustainability in Kenya's public sector by analysing factors that may be contributing to the causes. The study proposed that primary causes are related to bad governance; lack of reliablelabour market structures and regulations; weak leadership policies; poor work ethics; and low productivity level. Further studies on fiscal sustainability, especially those done by Auerbach and Gorodnichenko (2017) concentrated on relating economic shock to fiscal sustainability rather than look at the labour market structures, work ethics, or leadership as determinants of fiscal sustainability. However, it was an aim of this study to establish the purposes for the generalunfavorable fiscal situation in the public sector as well as the contribution to the research gaps that have failed to highlight the net effect of productivity level, work ethics, leadership style and the fiscal sustainabilityin Kenya's public sector. According to GoK, (2013) Kenya's low multifactor productivity index of 0.84 as contrasted with emerging economies of South East Asia whose average is 5 whereas the labour productivity index for Kenya marginally increased from an index of 1 in 2001 to 2.38 in 2011. The relatively low indices arose from three major areas insufficient implementation of productivity management standards and practices, deficiency in management and productivity systems, as well as lack of advancement of a national integrated institutional framework for productivity and management. Other factors contributing to low indices are poor work ethics, inadequate working environment, and lack of productivity-enhancing tools. The low productivity led to low purchasing power, leading to a rise in domestic costs and a campaign for increased wages by the labour force (GoK, 2013). General productivity such as the aggregate demand and the inclusion of technology has a positive correlation with fiscal sustainability (Sheiner, 2018). The leadership style adopted in a country determines the effectiveness of the spending regulations and revenue collection. Such are negatively influenced by vices such as corruption and misappropriation of funds. Further, the labour market as an element of the public sector affects the fiscal sustainability through the determination of different prospects such as the level of employment and the ability to improve production level (Hogan, 2017). This study was important as it filled the gap not examined by many studies yet very critical as it determines

causes. Therefore, policymakers and leaders of the country would be able to understand the problem they face and device policies for a better economic situation in Kenya. The study sought to dictate the connection of productivity level and fiscal sustainabilityin Kenya's public sector wage bill management institutions.

## OBJECTIVE OF THE STUDY

The objective of this study was to examine the productivity level and fiscal sustainabilityin Kenya's public sector wage bill management institutions.

## THEORETICAL REVIEW

The marginal productivity theory explains that wages and expenditure are incurred only up to the point that compensates for marginal revenue. Schumpeter (2017) contends that the marginal revenue of a country is described by the resources a government dedicates towards the meeting of financial obligations after services are rendered. In this theory, the extent to which the resources are allocated is directly proportional to the marginal revenue obtained from such production (Ellerman, 2016). The relationship between marginal productivity theory and fiscal sustainability is explained by the capability of a country to meet its production costs (Schumpeter, 2017). As such, a country with a high index level of revenue collection reports higher marginal revenue from production. Such is realized through the improvements in the value of exports and a strategic minimization in the value of imports.

Kenya has reported relatively lower productivity compared to the level of expenditure focused on the gathering of such revenue. Such actions have prompted government strategies in creating ways that would provide fiscal sustainability. Additionally, the marginal productivity theory explains the different functions of a country's governance in promoting fiscal sustainability. For the case of Kenya, fiscal sustainability is predicted in the vision 2030 where it will be achieved through the actualization of full employment as well as improvements in working ethics (Mutuku, 2015). Among the applications of the theory include a comparison of the country's international debt to its production level. Over time, Kenya has borrowed for infrastructural and other economic initiatives. The borrowings have not been matched with increased production to balance the theory of marginal productivity thus creating a deficit. The projected future values for fiscal sustainability are made in line with the assumptions of the marginal productivity theory.

The discussion by Wagner's law of public expenditure about the growth of the public sector of a country is a functionof increased economic development (Afonso & Alves, 2017).In his argument, in the course of industrialization, the income of a country increases with enough margins potential for supportinga high wage bill.This law was first deliberated by Adolph Wagner (1835-1917). Therefore, the theory implies that with the modern industries, there would be an increase in political pressure for improved allowances that would improve social progress

in any industry. The concept has three focal bases necessary for an increment in the public sector expenditure. During industrialization, the public sector became more superior to the private sector. Therefore, activities such as protection and administrations increased. Secondly, the government will have to provide welfare and cultural services such as retirement insurance or old-age pension, public health, education, environmental protection programs, and other welfare functions. Thirdly, industrialization comes with a change in technology coupled with monopoly among large firms. The government will offset the effects of publicly sponsored services as they provide social and merit goods through effective planning. Accordingly, expenditure in the public sector is an endogenous factor applied to determine the growth of national income hence, consideration of sustainable fiscalpolicies. The national income is what should inform public expenditure under this concept (Afonso & Alves, 2017).

## EMPIRICAL REVIEW

Phipps, Prieto, & Ndinguri (2013) view employee productivity as an evaluation of the efficiency of an employee or group of employees. It's a quantity of an employee's output. The implication of this view to a manager is that; anything that gets in the way of workers' ability to produce quality products or services efficiently should concern employers because it will in the long run affect the overall organizational productivity.

According to Görg & Strobl, (2016) improving workers' skills through quality education would increase employee innovation and boost productivity in the public sector. As such having diverse employees in terms of skills and knowledge is a fundamental element to increasing productivity in an organization. This is possible because organizations can increase knowledge capital investments and innovation activities at the firm-level. Knowledge capital investment entails an organization having a pool of employees with diverse skills from diverse ages, education, gender, and race to heighten innovative activities. Therefore, a critical predictor of organizations' potential to growth and productivity is innovation level in the firms. Due to the advent of technology, workplace productivity has steadily increased over the last century world over.

Mutuku (2015) and (2017) discussed various challenges affecting the economic progress of Kenya, with a specific focus on devolution and the sustainability of the country. They noted that the country is affected by low execution level as compared to the investment rates. Since 2012, the government has increased its spending on infrastructure, especially in the transport and energy ministries, to improve the country's competitiveness and match the increased needs of the population. Unfortunately, these investments do not produce the anticipated dividends neither are they executed as per the initial plans in terms of quality, time, and resources spent. Ali, Fjeldstad, and Sjursen, (2014) confirmed the findings by suggesting that the Kenyan economy faces poor revenue collection and a high recurrent expenditure that undermines the key devolution objective of high-quality service delivery.

## RESEARCH METHODOLOGY

### Research Design

According to Muijs (2010), all approaches used to solve the research problem are defined by research design. It includes the incorporation of different elements systematically to successfully attain the goals of the research. This study design was a cross-sectional survey since the information to be obtained was supposed to be quantitative and qualitative. The cross-sectional nature of the analysis was chosen because of its ability to ensure the minimization of bias and maximization of evidence gathered reliability.

### Population

The target population refers to the total number of people who have the chance of being the respondents in a study (Alvi, 2016). In this case, the target population was from Kenya's public sector's wage bill management institutions.

### Sample and Sampling Technique

The researcher employed the Krejcie& Morgan table for determination of the sample size and the target population wasdrawn from Kenya's public sector wage bill management institutions from the technical and senior management staff of, PSC, National Treasury, National Assembly, JSC, KIPPRA, KNBS, NPC, MoPSY&G, MoL&SP from which out of a population of 234 the sample size was148 personnel.

### Research Instruments

Qualitative data was obtained by reviewing documents of the organization's reports. The choice of survey questionnaires was justified by the fact that they provided specific data relevant to the research questions (Smith, 2017). Questionnaires were preferred as they captured the different ways of how the respondents understood the topic and the current situation regarding fiscal sustainability. The need to acquire quantifiable data for this study was a significant consideration in determining the data collection technique.

### Data Collection Procedures

In this particular research, the method used in data collection wasprimary data. The respondents were drawn from senior management staff from the identified Kenya's public sector wage bill management institutions. Consent was looked for from the top of the foundations to collect data by availing letters from Management University of Africa (MUA), National Commission for Science, Technology, and Innovation (NACOSTI), and a copy of the proposal to indicate that the study being undertaken wasfor academic purposes. The data collected was information accumulated using polls as the respondents wereexpected to read and understand the questions before responding. A drop-and-pick method was used to administer the questionnaire.

## Data Analysis and Presentation

The survey questionnaires were compiled and prepared for review using statistical analysis tools, as well as the secondary data collected. SPSS v8.0 was used to conduct the various tests such as the Chi-square to decide the connection between the factors. The overview surveys were gotten from the open division just as the auxiliary information, sorted out and arranged for investigation utilizing SPSS to get, for example, the proportions of focal propensity; proportions of scattering for the most part standard deviation; proportions of asymmetry or skewness and kurtosis; proportions of relationship, linear regression analysis, multiple correlation coefficient,andKarl Pearson's coefficient of correlation. Linear regression analysis was done to establish goodness-of-fit, overall, and individual significance. The data analysis approach involved a regression approach between the endogenous and exogenous variables (Smith, 2017). The use of a regression output was a crucial aspect as it provided an ANOVA output as well as a determination of coefficients. A combination of the different outputs of regression analysis such as ANOVA output, determination of coefficients as well as the summary of entries expanded the scope of the analysis (Taylor, Bogdan, & DeVault, 2015). Research analysis incorporated graphical visualization that aided in the demonstration of the magnitude and direction of causality. The limitations in the analysis such as the challenges in sample selection were solved through the expanded scope of analysis.

## RESEARCH RESULTS

The research sought to examine the impact of productivity level in Kenya's public sector wage bill management institutions whilst the hypotheses formulated was tha tthere is no significant effect of productivity level in Kenya's public sector wage bill management institutions. To attain this first objective, the respondents were asked to give their opinions on the level of agreement or disagreement with the statements provided on a Likert scale of 1-5 where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, and 5 = strongly agree. Results on the connection between service delivery and productivity level indicated that the composite mean was 3.45 and a standard deviation of 0.91 and indication that respondents agreed that service delivery affects productivity level although to a moderate extent. The issue of service delivery policies and its alignment to productivity and fiscal sustainability resulted in a mean of 3.13 and a standard deviation of 0.28. This was lower than the composite mean of 3.45 and a standard deviation of 0.91 implied that service delivery policies werenot aligned to productivity and fiscal sustainability. On the statement quality service delivery leads to customer satisfaction, loyalty, and improves productivitywith a mean of 4.50 and a standard deviation of 1.15. This was higher than the composite mean of 3.45 and a standard deviation of 0.91, which implied that quality service delivery results in consumer satisfaction, loyalty, and improves productivity. Concerning employees were assessed in terms of productivity and efficiencywith a mean of 3.57and a standard deviation of1.27. This was higher than the composite mean of 3.45 and a standard deviation of 0.91, which implied that employees were assessed in terms of productivity and

efficiency. On the statement resource distribution, it was well-aligned, and this improved productivity level, with mean and a standard deviation of3.26 and 0.72, respectively. This was lower than the composite mean of 3.45 and a standard deviation of 0.91 which implied that resource distribution was not well-aligned thus does not improve productivity level. Besides, on the statement productivity indices were used to predict outcome and this with a mean of 2.82and a standard deviation of0.13 which was lower than the composite mean of 3.45 and a standard deviation of 0.91implied that productivity indices werenot used to predict outcome and this is closely monitored.

Results on the connection between salaries and productivity levels indicated that the composite mean was 3.1 and a standard deviation of 0.532 which is an indication that respondents concurred that salariesaffect productivity level although to a moderate extent. On salaries and fiscal sustainability under the first item, the issue of policies on salaries being aligned to fiscal sustainability resulted in a mean of 3.24 and a standard deviation of 0.94. This was higher than the composite mean of 3.100 and a standard deviation of 0.532 and implied that policies on salaries were aligned to fiscal sustainability.As far as job evaluation was done periodically so that jobs match productivity, with the corresponding mean of 3.71 and a standard deviation of 0.69 that was higher than the composite mean of 3.100 and a standard deviation of 0.532 implied that job evaluation was done periodically so that jobs match productivity. Concerning the explanation that brief and lasting specialists got comparable advantages and business conditions for equivalent work performed bringing about a mean and a standard deviation of 1.91and 0.10, separately.This was lower than the composite mean of 3.100 and a standard deviation of 0.532, which inferred that transitory and lasting specialists didn't get identical advantages and business conditions for equivalent work performed.

On the statement that salary and all deductions are paid promptly at end month with a mean of 3.89 and a standard deviation of 1.36. This was higher than the composite mean of 3.100 and a standard deviation of 0.532 and implied thatsalaries and all deductions were paid promptly at the end of the month. Concerning the explanation that the organization guarantees that genuine wages are expanded every year to constantly close the hole with living compensation equity, it was backed by a mean of2.83and a standard deviation of0.33. This was lower than the composite mean of 3.100 and a standard deviation of 0.532 implied that the company did not ensure that real wages were increased annually to continuously narrow the gap with living wage equity.On the statement that if the respondents had a problem they could speak directly to management, resulting in a mean andstandard deviation scores of 3.02 and 0.46, respectively. This was lower than the composite mean of 3.100 and a standard deviation of 0.532 implying that if the respondents had a problem they would not speak directly to management.

Results on the relationship between organizational structure and productivity level indicated that the composite mean was 3.806 and a standard deviation of 0.871 which is an indication that participant concurred that organizational structureaffects productivity level to a great extent. On

the statement that the organization invests in supporting staff initiatives and projects and the organizational structure is aligned with the strategy and productivity of the organization had a mean of 3.53 and a standard deviation was 0.11. This was lower than the composite mean of 3.806 and a standard deviation of 0.871, which implied that the organizational structure was not aligned to the strategy and productivity of the organization. About the statement that staffbenefits from work that is well done, the organizational structure is supported by the activities, and work factors and performance of members, the mean and standard deviation scores were 3.47 and 0.44, respectively. This was lower than the composite mean of 3.806 and a standard deviation of 0.871 and implied thatthe organizational structure wasnot supported by the activities, work factors, and performance of members.

For the statement that resources are evenly distributed according to the needs of departments, the mean was3.60and standard deviation of 0.21 and was lower than the composite mean of 3.806 and a standard deviation of 0.871, which implied thatresources werenot evenly distributed according to needs of the departments. As far as the statement that the organization is divided into sizeable units that are objective and associated with its functions to achieve objectivity, efficiency, and effectiveness, the mean was 4.74, whereas the standard deviation was 0.97. This was higher than the composite mean of 3.806 and a standard deviation of 0.871 and implied thatthe organization was divided into sizeable units that were objective and associated with its functions to achieve objectivity.

On the statement that there is an emphasis on empowerment and growth resulted in a mean of 3.95and a standard deviation of 0.75 which was higher than the composite mean of 3.806 and a standard deviation of 0.871, implying that there was an emphasis on empowerment and growth. Further, on the statement that there is proper delegation and accountability that enables management to achieve results through others, the mean and standard deviation scores were 3.69and 0.70, respectively. This was lower than the composite mean of 3.806 and a standard deviation of 0.871 and implied that there was no proper delegation and accountability that enables management to achieve results through others. Concerning the statement that the organization takes pride in its accomplishment at work gave a mean of 3.67 and a standard deviation of 0.62. This was lower than the composite mean of 3.806 and a standard deviation of 0.871 and implied that the organization did not take pride in their accomplishment at work.

Results on the relationship between performance level and productivity level indicated that the composite mean was 3.685 and a standard deviation of 0.461 is an indication that respondents agreed that performance levelaffects productivity level although to a moderate extent. On the statement that there is a proper performance management system that monitors performance level in line with the strategic objectives and productivity level of the organization and management complies with working hours, the mean was 3.90 and a standard deviation 0.74. This was higher than the composite mean of 3.385 and a standard deviation of 0.461 and implied that there was a proper performance management system that monitors performance level in line

with the strategic objectives and productivity level of the organization.As far as that performance level is one of the factors used in monitoring fiscal sustainability, and management does not force employees to work overtimethe mean and standard deviation was 2.95 and 0.24, respectively. This waslower than the composite mean of 3.385 and a standard deviation of 0.461 and implied thatmanagement forces employees to work overtime.

Concerning the statement that performance measurement targets are communicated to all staff and that the management does not deny employees leave entitlementswas backed by a mean of 4.21 and a standard deviation of 0.60. This was higher than the composite mean of 3.385 and a standard deviation of 0.461, whichimplied thatperformance measurement targets were communicated to all staff, and that management does not deny employees leave entitlements.On the statement that workers are taken through training to boost their performance,the resultant mean was 3.69 and the standard deviation was 0.86. This was higher than the composite mean of 3.385 and a standard deviation of 0.461 and implied that workers were taken through training to boost their performance.

Results on the relationship between the environment and productivity level indicated that the composite mean was 3.507 and a standard deviation of 0.388 and an indication that respondents agreed that the environmentaffects productivity level although to a moderate extent. On the statement that salaries are paid on time at the end of each month, the mean was 3.92 and a standard deviation of 1.56. This was higher than the composite mean of 3.507 and a standard deviation of 0.388 andimplied thatsalaries were paid on time at the end of each month. Concerning the statement that all deductions made on salaries are forwarded to the relevant institutions, the mean was 4.66 whereas the standard deviation was 0.58. This was higher than the composite mean of 3.507 and a standard deviation of 0.388 and implied thatall deductions made on salaries were forwarded to the relevant institutions.

Further, on the statement that there has been no increase in wages except for inflation purposes, the mean was 2.794 and the standard deviation was 0.233, thiswaslower than the composite mean of 3.507 and standard deviation of 0.388 and implied that there has been an increase in wages. Also, on the statement that the organization has been restructured and staff retrenched, the mean was 2.82 and the standard deviation was 0.36. This waslower than the composite mean of 3.507 and a standard deviation of 0.388 and implied that the organization has not been restructured and staff retrenched. Concerning the statement that there has been a reduction or freeze on staff allowances including the scrapping of some, the respective mean and standard deviation values were 3.63 and 1.82. This was higher than the composite mean of 3.507 and a standard deviation of 0.388 and implied thatthere has been a reduction or freeze on staff allowances including the scrapping of some.

Results of multiple linear regression analysis that was done to test the effect of productivity level on fiscal sustainability indicated that R2 was 0.218 implying that the explanatory power of

productivity level on fiscal sustainability was low at 21.8 percent and 78.2 percent of changes in fiscal sustainability are explained by other factors other than productivity level. With respective to statistical significance, however, the overall results were significant since p-value = 0.000 was less than the level of significance $\alpha = 0.05$, which implied that the null hypothesis was rejected and, therefore, productivity level had a significant effect on fiscal sustainability in Kenya' public sector wage bill management institutions. On individual significance, both the constant and productivity level were significant since the p-value = 0.000 was less than $\alpha$-value = 0.005. Using the statistical findings, the predictive regression model can be indicated as Y= 1.85 + 0.494X1. The beta value (0.494) implies that for a one-unit increase in productivity level, thefiscal sustainability onKenya's public sector wage bill management institutions will on average, increase by 0.494 units.

## DISCUSSION OF FINDINGS

The study's findings established that productivity levels played an important role in facilitating the achievement of fiscal sustainability within Kenya's public sector wage bill management institutions. In this regard, it was recommended, based on the study's findings and results that concerned stakeholders, including corporate leaders and line government agencies, had to work towards cultivating and promoting productivity within their respective organizations. This entailed creating a favourable environment to enable workers to deliver their best in terms of performance standards and output margins. High productivity organizations see to it that employees are provided with the right tools and equipment importantly so that they can perform their duties efficiently and on time (KNBS, 2018).

In the institutions studied within Kenya's public sector, the institutions were divided into sizeable units that were objective and associated with their respective functions to achieve objectivity, efficiency, and effectiveness. The approach significantly contributed to the average fiscal sustainability rating. In the institutions studied within Kenya's public sector, the institutions were divided into sizeable units that were objective and associated with their respective functions to achieve objectivity, efficiency, and effectiveness. The approach significantly contributed to the average fiscal sustainability rating.Conversely, the consequences and results established from the study confirmed the findings established in the literature review part of the paper, whereby an analysis of the results established by other scholars studying the topic established that productivity levels create a favourable environment that facilitates achievement of fiscal sustainability in the Kenyan public sector (Sims, 2013). However, to achieve this, there was a need to institute the right measures and practices at both at organizational levels as well as government levels to ensure that the right structures and guidelines were in place to create a more conducive working environment for workers, the right markets for companies and the right products and services for consumers.As a result, putting these factors in their right places would boost the performance standards of employees in their respective workstations, in addition to boosting the overall productivity of the firm. In the same

regard, this would also ensure the achievement of fiscal sustainability in Kenya's public sector wage bill management institutions.

However, given the current market dynamics and government interference in the Kenyan public sector, it was notable that significant changes were necessary to meet the above-mentioned objectives, whereby productivity levels promotedthe achievement of fiscal sustainability. The primary focus of these transformations should be policy transformations and adjustments to enable improvement in fiscal sustainability, as well as changes from moderate levels of fiscal sustainability to excellent levels of fiscal sustainability (Parrot, 2014). These policy transformations would be effective in creating the right structures and to overcome major challenges faced by stakeholders in the public sector, as well as empowering firms with the right strategies to take advantage of emerging opportunities within the Kenyan public sector. In this regard, there was a need for the Kenyan public sector to develop the right policies that were aligned to fiscal sustainability and productivity of the firm. The literature review findings indicated that line leaders in the public sector needed to identify and implement policies that promoted efficiency and productivity at firm levels.

Similarly, the study also established that government agencies played an important role in promoting productivity and fiscal sustainability in the Kenyan public sector by facilitating the legislation of the right business policies and regulations that improved the trading environment within the country (Velasquaez, 2002). For the legislators to come up with the most effective policies to promote productivity and fiscal sustainability in the public sector, they must undertake public participation to collect and analyse views of concerned stakeholders including corporate owners, employees, traders, and customers, among many others. Besides, feedback channels should be openedup to enable the sharing of critical information required in improving policy formulation and strategies necessary for productivity and fiscal sustainability promotion.

Service delivery has a critical impact on productivity levels as well as fiscal sustainability as it controls the quality of the operations undertaken by the workers (Carter, 2010). In Kenya's case, the inability to ensure that service delivery policies were aligned to productivity and fiscal sustainability greatly contributed to the average fiscal sustainability rating. Policies and strategies used needed to ensure that they were effectively aligned to all operations towards efficient service delivery that led to increased customer satisfaction and improved productivity (Cascio, 2013). Kenya's public sector needed to ensure that they developed new policies that achieved these beneficial aspects. Also, effective service delivery greatly improved resource allocation and utilization, increased productivity, and fiscal sustainability. The approach would greatly assist in reducing the ineffective resource sharing in regards to the workforce. Employees were noted to be a crucial element when one analyses fiscal sustainability and productivity of an organization. As such, it is crucial to ensure that employees were developed and guided towards a beneficial working environment, whilst ensuring that their wages were sufficient and crucial (Bryman & Bell, 2007).

The public sector institutions studied in Kenya and it was noted that short-term and permanent workers did not receive similar rewards and employment conditions for equal tasks done. The approach greatly limited the worker's motivation levels and acted as discouragement, and as a result, productivity levels decreased, leading to reduced fiscal sustainability. Wage increment is another significant factor that needed to be taken into account when analysing how productivity could be affected and how it affected fiscal sustainability (Bryman, 2016). In Kenya's, public sector institutions studied, real wages were not increased yearly to close the gap with living wage equity continuously. As such, workers were not able to efficiently meet their daily needs in an economy that had increasing inflation rates. The approach contributed to decreased morale, motivation, and confidence in the workers' duties that led to reduced productivity and fiscal sustainability. The study found that employees were assessed in terms of productivity and efficiency. This was in line with Goetsch and Davis (2014) who indicated that highly productive organizations focused more on the employees' productivity determinants; the sum of all employee productivity equalled organizational productivity. Saxena (2014) found that productivity and production cost has an inverse relation; obtaining quality products or services at minimum possible cost resulted in high productivity. The approach ensured that employees could efficiently understand their roles and duties within the organizational structure (Bi, 2017). In the study, it was noted thatemployers had been able to achieve this by ensuring that the organizational structure took pride in the accomplishment of the work of employees.

## CONCLUSION

The study concluded that service delivery policies are not aligned with productivity and fiscal sustainability. Standard service delivery leads to customer contentment, loyalty, and improves productivity. Employees are assessed in terms of productivity and efficiency. Resource distribution is not well-aligned thus does not improve productivity level. Productivity indices are not used to predict outcomes and this is closely monitored. Performance management systems are in place but not all key indicators are focused on monitoring performance levels in line with the strategic aims and productivity level of the organization. The organizations are divided into sizeable units that are supposed to assist in the achievement of empowerment and growth. Jobs are highly standardized and formalized. Decision making is highly centralized in the organization. Power and decision making is centralized. Although there are open and clear lines of communication, not all employees utilize them. Concluding that more needs to be done to improve on communication as it is apparent that it is a top-down approach due to the centralized nature of decision-making structures.  Problem-solving is centralized and therefore difficult to understand all the needs and diversity of employees.

## RECOMMENDATIONS

Kenya's public sector needs significant changes to improve its fiscal sustainability from moderate to excellent, to address their significant challenges in service delivery; furthermore, there is a need to develop policies that are aligned to productivity and fiscal sustainability. The managers involved in the public sector need to research to identify the specific needs that would ensure their service delivery are efficient.

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