

Post Privatization Job Satisfaction among Employees

Dr. Padmakumar Ram

Associate Professor, School of Management, New York Institute of Technology,
P.O. Box 840878, Amman 11184, Jordan

Abstract

This study was conducted to find out the impact of privatization on the job satisfaction of 51 full time employees of a post privatized public sector telecom company in a developing country. The primary data was collected using a job satisfaction questionnaire consisting of 25 questions that were scaled on a five-point Likert-type scale. The empirical validation of the employee satisfaction scale was performed by exploratory and confirmatory factor analysis. The study indicates that most of the respondents are satisfied with their jobs after the privatization, as compared to the situation when it was a public sector organization. One of the possible reasons for this is that in an environment of globalization, there is more pressure on the performance level of the public sector. While the present study focuses on personal characteristics, the findings are supported by previous studies, which suggest that the level of job satisfaction is determined by a combination of jobs, work, and personal characteristics. The impact of privatization on the other variables like tardiness, absenteeism, productivity and customer satisfaction, could be some of the new areas where future research could look at.

Key words: Privatization, Public Sector, Employee job satisfaction

1. Introduction

Privatization is generally defined as the deliberate sale by government of state owned enterprises or assets to private economic agents. A key issue in the current trend towards privatization is the introduction of competition (eg. public-public competition, public-private competition, competition between public-private ventures, public non-profit competition) to increase efficiency, reduce costs, improve quality and customer satisfaction. Privatization is not in-itself good or bad –the performance or effectiveness depends on its implementation .Ever since it was first introduced in the early 1980s in the UK, by the then Prime Minister Margaret Thatcher, privatization has now been accepted as a legitimate tool of state policy all over the world. In the post-colonial countries of Asia, Africa and Latin America, governments sought rapid growth through heavy investments in physical facilities. Thus there was tremendous growth in the use of State Owned Enterprises (SOEs), throughout much of the world especially after WWII which in turn led to privatization many years later. The perceived success of the British privatization program encouraged many other countries to pursue this path through public share offerings. The arguments for state ownership rests on the actual or perceived market failure, and nations have responded to this with state ownership. Privatization in turn is a response to the failings of state ownership. To the extent that privatization promotes competition, privatization may result in efficiency. Comparing the performance of state owned to privately owned firms is one way through which the impact of government ownership on

firm performance can be analyzed. A lot of research has been done on the effects of privatization as a policy. The main objective of this paper is to discuss how privatization programs have impacted employee job satisfaction in a public sector telecommunication company in a developing country.

2. Literature Review

2.1 Privatization

The term 'privatization' was first coined by the well known management guru Peter Drucker, before it was adopted by the then UK Prime Minister Margaret Thatcher. (Yergin and Stanislaw 1998,p.114).The goals of privatization as described in Price Waterhouse (1989a,b), are to (1) raise revenue for the state (2) promote economic efficiency (3) reduce government interference in the economy (4) promote wider share ownership (5) provide the opportunity to introduce competition, and(6) subject SOEs to market discipline.

Rondinelli and Iacano (1996) argue that state ownership in the developing world grew for slightly different reasons, mainly to promote growth. Ehrlich et al. (1994) find a significant link between ownership and firm specific rates of productivity growth. Their results suggest that private ownership leads to higher rates of productivity growth and declining costs in the long run, and these differences are not affected by the degree of market competition or regulation. Their estimates suggest that the short –run effects of changes from state to private ownership on productivity and costs are ambiguous, providing a possible explanation for some of the anomalous results in studies. They conclude that the change from complete state to private ownership in the long run would increase productivity growth by 1.6 to 2 percent a year, while costs would decline by 1.7 to 1.9 percent. This study has been criticized on the ground that it is based on one industry, with relatively old data. The authors also note that they make the implicit assumption that all firms are cost minimizing, but if state owned enterprises have other objectives, then it is difficult to interpret the meaning of differences in costs.

La Porta and Lopez-de-Silanes(1999) found about fifty percent reduction in employment of blue and white collar employees, but a higher payment is made to those workers who remain. According to them, most of the performance improvement is due to productivity gains resulting from better incentives, with at most one-third of the improvement caused by lower employment costs. Ravi Ramamurti(1997) examines the 1990 restructuring and privatization of Ferrocarrilla Argentinos, the Argentine national freight and passenger railways system. He found an astonishing 370 percent improvement in labor productivity and an equally striking (and not unrelated) 78.7 percent decline in employment –from 92,000 to 18,682 workers. Operating subsidies declined almost to zero, and consumers benefitted from expanded (and better quality) service and lower costs. Ramamurti concludes that these performance improvements could not have been achieved without privatization.

Six studies examine the telecommunication industry, which has been transformed by the twin forces of technological change and deregulation (including privatization) since 1984- the year when the AT&T monopoly was broken up in the USA, and the Thatcher government started

privatizing British Telecom. Five of these are empirical studies, while Ramamurti (1996) provides a summary of empirical studies examining four telecom privatizations in Latin America. He concludes that all were judged to be economic and political success stories. These studies generally indicate that deregulation and liberalization of telecom services are associated with significant growth in tele-density and operating efficiency, and significant improvements in the quality and reduced price of telecom services. Stephen Martin and David Parker (1997) find that, after adjusting for business cycle effects, less than half the British firms they study perform better after being privatized. The authors do however find evidence of a shake-out effect where several firms improve performance prior to being privatized, but not afterwards.

Noll (2000) in his analysis of the political economy of telecom companies in developing countries predicted the same results. The Juliet D'Souza and Megginson (2000) findings also support the idea that telecom privatization yields net benefits. All governments fear that privatization will cause former SOEs to lay off workers, resulting in a fall in employment levels, and the key question in virtually every case is whether after privatization the firm's sales will increase enough to offset the dramatically higher levels of per-worker productivity. Three studies document significant increases in employment (Galal et al.1994;Megginson, Nash, and van Randenborgh 1994; and Boubakri and Cosset 1998), two find insignificant changes (Macquieira and Zurita 1996;and D'Souza and Megginson 2000) while the remaining five document significant –sometimes massive –employment declines (Ramamurti 1997;LaPorta and Lopez-de-Silanes 1999; Laurin and Bozec 2000; D'Souza and Megginson 1999; and Boardman, Laurin, and Vining 2002).These conflicting results may be due to differences in methodology, sample size and make-up, or omitted factors. Perhaps it is more likely that the studies reflect real differences in post privatization employment changes between countries and between industries.

2.2 Employee Job Satisfaction

According to Locke, (1976) job satisfaction is a self-reported positive emotional state resulting from the appraisal of one's job or from job experiences. This attitude towards work is thus necessarily within the context of the work environment, which includes not only the job and organizational characteristics, but also the interaction of the two with worker characteristics (Rousseau, 1978). While some of the conceptualizations of job satisfaction were based on some specific facets of the job (Rice, McFarlin and Bennett, 1989) others have used conceptualizations based on total or overall satisfaction (Levin and Stokes, 1989), while still others have used conceptualizations based on the intrinsic-extrinsic distinctions (Naumann, 1993).

Taylor and Vest (1992) in their study of public sector managers found that those public sector employees that compared their salaries with private sector employees, had lower levels of job satisfaction, thus concluding that pay levels affect job satisfaction. Monetary compensation is one of the most important explanatory variables for job satisfaction (Kalleberg, 1977; Voydanoff, 1980). Those workers that perform tasks that have high skill variety, autonomy, feedback, and job significance experience greater levels of job satisfaction than their counterparts who perform tasks that are low on those attributes (Hackman and Lawler, 1971).

Voydanoff (1980) found self-expression in job setting to relate positively to job satisfaction. Job characteristics have also been found to consistently have an impact on the level of job satisfaction.

Another category of variables that many have found to have an impact on job satisfaction, is the work-environment characteristic. Employees' job satisfaction is related to supervisor characteristics (Harrick, Vanek, and Michlitsch, 1986), and Emmert and Taher (1992) found job-related feedback and the social environment to be important determinants of job satisfaction for public professionals. The other set of variables that have attracted the attention of researchers as possible predictors of job satisfaction are employees' personal characteristics. Variables such as age, educational level, and gender have been found by many studies to have some relationship to employees' level of job satisfaction. Lee and Wilbur (1985) suggest that job satisfaction increases with age. One explanation for such a finding is that older employees are better able to adjust their expectations to the returns work can provide (DeSantis and Durst, 1996). Researchers have found that there is a negative relationship between education and job satisfaction. Employees with higher levels of education tend to be less satisfied with their jobs. This is especially true of younger workers assigned to routine tasks (Carrell & Elbert, 1974; DeSantis and Durst, 1996).

While some of the findings suggest that there are no differences in the level of job satisfaction among men and women (Mannheim, 1983), others do suggest that the expectations of working women in terms of job satisfaction are different from those of men (Martin & Hanson, 1985). Findings on the impact of gender on job satisfaction are at present not consistent. However one can state with reasonable confidence that even when the relationships between specific predictor variables and job satisfaction vary depending on conceptualizations, the direction of the relationships tend to be somehow consistent (Naumann, 1993). Since most of the studies use different conceptualizations, the findings are not directly comparable.

3. Objectives of the Study:

The main objective of this study was to find out the impact on employees job satisfaction on full time employees, during the post privatization stage in a telecom company in a developing country, and in particular to find out whether there are any differences in this respect, before and after privatization. It was hypothesized that in a post privatization scenario, employees have higher job satisfaction.

4. Research Methodology

The quantitative data was collected to extract the dimensionality of employee satisfaction using a structured questionnaire. An Employee Job Satisfaction Questionnaire consisting of 25 statements was used to collect primary data. The questionnaire was designed to measure variables, which the literature review indicates have some relationship with job satisfaction. The questionnaire contained questions on work experience, age, qualifications, and also an attitudinal scale comprising of 25 items that were scaled on a five-point Likert-type scale anchored by 1 = "strongly disagree" and 5 = "strongly agree". Overall employee satisfaction was also assessed with a one-item statement.

The empirical validation of the employee satisfaction scale was performed by exploratory and confirmatory factor analysis. This method of construct validation has been widely established in the literature (Baumgartner and Homburg, 1996). To analyze the dimensionality of the scale, the MSA criterion at first level (Hair et al., 1998) was applied. The MSA of 0.937 indicates an excellent applicability of the item pool for exploratory factor analysis (EFA). Subsequently, successive repetition of the EFA and elimination of items based on low factor loadings, high cross loadings and insufficient item-to-total correlations resulted in a pool of 25 remaining satisfaction indicators. Next, the extracted dimensions were tested for their Job Security and validity one by one by means of confirmatory factor analyses (CFA) with LISREL 8.71. The local fit indices indicator Job Security, average variance extracted (AVE) and Cronbach's α were employed to evaluate each dimension (Baumgartner and Homburg, 1996). The corresponding measures suggest a good fit of the extracted five satisfaction dimensions of the attitudinal scale of the questionnaire that are defined as: Salary and equity in compensation, Benefits and variable component, Work Environment, Job Security, and Work Pressure.

The objective was to find out the attitude of employees towards job satisfaction, and in particular to find out whether there are any differences in this respect, before and after privatization. The questionnaires were given to 60 full time employees from different departments of a public sector telecommunications organization in a developing country. For this a systematic random sampling method was used, and out of 60 employees who were given this questionnaire, 51 responded (85 % response). The survey was conducted during the two months of August and September 2011. The respondents were all non –managerial employees, 78% of which were male, and 22 % were female. All the respondents belonged to the same province. 34 % of the respondents were within the age group of 20-30 years, and 57 % were between the ages 31-40 years. Most of the respondents (61%) had a total work experience of between 1-10 years in this organization. Hence it is assumed that they are well aware of the organizational culture and working environment in this organization. The data collected through this questionnaire was based on personal interviews conducted at their work places during their rest hours. Some of the personal data of the respondents, like age, experience, education, marital status, job category, etc. were tallied with their personal service records from the company.

In order to assess the representativeness of the sample, socio-demographic data of the respondents with those reported in studies done over the past, and reported from other external sources were collected and compared. Comparisons revealed close match between samples considered in several studies. Table 1 summarizes the basic demographic characteristics of the studied sample.

Table 1: Demographic characteristics of the sample

Demographic Variable	Total/ Percentage
Employees	60
Completed Questionnaires	51
Non-managerial Employees	100%
Percentage of male Respondents	78%
Percentage of female Respondents	22%
Age group of 20-30 Years	34%
Age group of 31-40 Years	57%
Work Experience of 1-10 Years	61%

5. Results and Discussion

The study shows that most of the respondent's job satisfaction with the specific aspects of their job varies. For example 27 % respondents strongly agree about their satisfaction with their work environment, whereas 21 % and 12% respondents strongly agree with their satisfaction with salary and benefits respectively. The percentage of respondents strongly dissatisfied with their salary and benefits are 10 % and 11 % respectively. The study indicates that most of the respondents are satisfied with their jobs after the privatization of this organization, as compared to the situation it was a public sector organization.

Privatization can potentially cause tremendous social upheaval, as privatizations are often accompanied by large layoffs. If the state mishandles privatization process, a whole nation's economy can plunge into despair. In this context it must be mentioned that not a single employee was laid off during the privatization process of this organization. This is indeed a very creditable achievement for the government of this country and the management of this organization. However in response to question number 21, this study revealed that a significant number of employees ie. 54 % feel that privatization has made their jobs insecure. This is perhaps because; at the time of privatization, there was no competition. But with the entry of, private sector players, the competition really started. 36 % strongly disagree with the statement that they would support the idea of privatization even if it involves cutting of jobs in those companies proposing to be privatized.

Results showed that 61 % strongly agreed and 27 % agreed with the statement that they were willing to take risks associated with higher salaried jobs in the company, whereas only 4 % strongly disagreed with this idea. This is a good indicator about the emerging entrepreneurial tendencies among the youth of this country. This is a tribute to the wise leadership and policies of this government which has been giving a tremendous boost to the growth of the private

sector in this country with various pro- reform policy initiatives. It should be noted that until recently they preferred the relatively secure jobs in the public sector. Most of the respondents agreed that their salary has increased after privatization, and so have their responsibilities. 76 % agree or strongly agree that hiring and firing of employees should be done only on the basis of merit. This shows that efficiency and performance are important. The management should note this point, and take appropriate steps to reward efficiency and punish inefficiency. In today's competitive world, complacency has no place if one has to survive and prosper. This is true not only for an individual, but also for a company and indeed for the country as well. The study also showed that an exceedingly high number of employees (96%) are willing to delegate authority, if opportunity arises. Apart from the time factor, it is also an indicator of the trust that these employees have in their colleagues and subordinates, and this augurs well for a team based organization. However the downside of privatization is that since overall responsibilities have increased, the job occupies most of the time and attention of the employee. Responses to another question shows, 61 % either agree or strongly agree that after privatization the work pressures does not provide enough time for them to socialize with their friends, whereas 47% either agree or strongly agree that because of their new job responsibilities, they do not find enough quality time to spend with their family. This is perhaps the price that one has to pay for being focused on the career. However the company can introduce some schemes for holidays or vacation, or arrange company-wide social gatherings. This is very important, otherwise it can result in employee burnout and other health related problems for the employee, and increased health costs to the company.

The present study shows that a total of 45 % of the respondents either agree or strongly agree that they are always looking for better job opportunities, whereas about 40 % either disagree or strongly disagree with this statement. It is possible that the younger employees who are generally more mobile may seek greener pastures, perhaps in other government agencies, but most likely in the private sector. This scenario suggests that eventually the public sector will have a shortage of young skilled employees. As expected, as the level of income rises, so does the level of job satisfaction. Conversely, those that have low levels of income are less satisfied with their jobs. 71 % respondents either agree or strongly agree that they feel very enthusiastic about their work as against only 10 % who either disagree or strongly disagree with this statement. In fact in response to another question, 65 % said that in an emergency, they are even willing to work on week-ends or on public holidays even if there is no extra payment for this. This is one of the best tests of employee loyalty. This organization can truly be proud of such employees and this is also a clear indication that it has the right people in its ranks to not only survive the coming days of intense competition but also propel its future growth. Such employees must be given further incentives to sustain their enthusiasm.

Efforts to improve the performance level of the public sector focus on both personal and contextual variables. Studies have shown that employees' attitudes towards work do affect their performance, and in turn the attitudes of employees are influenced by personal characteristics and job characteristics (DeSantis and Durst, 1996).The increasing pressure both from within and from without, to increase the productivity of the public sector in developing economies makes it imperative to investigate reasons why there is a significant difference in

the levels of productivity in the public and private sector. There is evidence from previous studies suggesting that private sector employees experience higher levels of job satisfaction (Solomon, 1986; Kohjasteh, 1993). Implicit in many of these studies is the idea that satisfied workers in most organizations contribute significantly to the effectiveness and success of the organizations. Logic thus suggests that low productivity may be a result of low levels of satisfaction (Naumann, 1993).

6. Conclusion

We can safely conclude that privatization does not automatically mean fall in employment levels in divested firms- though this is likely to happen unless sales can increase fast enough after divestiture to offset very large productivity gains. Manpower planning in the public sector should address those organizational issues that will attract young qualified employees to the public sector. As the private sector in developing countries becomes more significant in those economies, it will be harder for the public sector to keep a cadre of young qualified employees. The continuous exodus of public employees to the private sector is primarily related to the differences in the level of income. Many of these employees are willing to leave the security of government employment for the more risky but financially rewarding private sector employment. The impending shortage of personnel in the public sector that will occur does not auger well for the long-term economic development of the country. Manpower development in developing countries should emphasize both organizational and personal variables that will improve employee satisfaction. As suggested earlier, the economic instability of recent years is bound to affect the perception of job satisfaction by the employees.

It is recommended that the organization include payment of market related remuneration, continuous training and promotion. The study shows that better salary, working conditions and higher autonomy would increase the level of job satisfaction among the employees of this organization. Future research investigating predictors of job satisfaction among private sector employees from different industries will be desirable. Further, the link between employee satisfaction and customer satisfaction, could also be explored. A conceptualization that distinguishes between extrinsic and intrinsic satisfaction could be instructive in identifying other predictor variables for job satisfaction. Future research could also focus on the relation between job satisfaction and other variables like tardiness, absenteeism and productivity.

References:

1. Boardman, A .E., Laurin, C., and Vining, A. R. (2002) "Privatization in Canada: Operating, and Stock price performance with international comparisons," *Canadian Journal of Administrative Sciences*, 19, (2), 137-154
2. Boubakri, N., and Cosset J. C. (1998) "The financial and operating performance of newly privatized firms. Evidence from developing countries" *The Journal of Finance*, 53, (3), 1081- 1110
3. Carrell, M. and Elbert, N. (1974). Some personal and organizational determinants of job satisfaction of postal clerks. *Academy of Management Journal*, 16,(1) 53-66.
4. DeSantis, V., and Durst, S. (1996). Comparing Job Satisfaction among Public and Private –Sector Employees. *American Review of Public Administration*, 26, (3), 327-343
5. D’Souza, J and Megginson, M. L (1999) "The financial and operating performance of newly privatized firms in the 1990’s," *The Journal of Finance* 54,(4),1397-1438
6. D’Souza, J and Megginson, M. L (2000) "Sources of performance improvement in privatized firms. A clinical study of the global telecommunications industry," Working paper, University of Oklahoma.
7. Ehrlich, I., Georges Gallais –Hamonno, Liu Z, and Lutter, R (1994) 'Productivity, Growth and Firm ownership –An empirical investigation,' *Journal of Political Economy* 102,(5),1006-1038
8. Emmert, M.A., and Taher, W.A. (1992). Public sector professionals: The effect of public sector jobs on motivation, job satisfaction and work involvement. *American Review of Public Administration*. 22, (1), 37-48.
9. Galal, A., Jones, L., Tandon, P., and Vogelsang, I.(1994), "Welfare consequences of selling Public enterprises: An empirical analysis". Oxford: Oxford University Press
10. Hackman, J. and Lawler, E. (1971). Employee reaction to job characteristics. *Journal of Applied Psychology*, 55, 259 – 286.
11. Hair J. F., Anderson R. E., Tatham R. L., Black W. C. (1998) *Multivariate data analysis*; Upper Saddle River.
12. Harrick, E.J., Vanek, G.R., and Michlitsch, J.F. (1986) Alternative work schedules, productivity, leave usage, and employee attitudes: A field study. *Public Personnel Management*. 15, (2), 159- 169.
13. Kalleberg, A. (1977). Work values and job rewards: A theory of job satisfaction. *American Sociological Review*, 42,(1), 124-143.
14. Khojasteh, M. (1993). Motivating the Private and Public Sector Managers. *Public Personnel Management*. 22,(3), 391-401.
15. La Porta, R., Lopez-de-Silanes, F., Shleifer, A., and Vishny, R. (1999), "The quality of government," *The Journal of Law Economics and Organization* 15(1), 222-279
16. Laurin, Claude and Yves Bozec,(2000), *Privatization and productivity improvement: The case of Canadian National (CN)*, Working paper, Ecoles de HEC, Montreal.
17. Lee, R., and Wilbur, E. (1985). Age, education, job tenure, salary, job characteristics and Job satisfaction: A multivariate analysis. *Human Relations*, 38, (8), 781-791
18. Levin, I and Stokes, J. (1989). Dispositional approach to job satisfaction: Role of negative affectivity. *Journal of Applied Psychology*, 74(5), 752-758.

19. Locke, E. (1976). The nature and causes of job satisfaction. In M.C. Dunnette, (Ed), *Handbook of industrial and organizational psychology*, 1297-1349.
20. Macquieira, C; and Zurita, S. (1996) "Privatizaciones en Chile; eficiencia y políticas financieras" *Estudios de Administracion* 3(2), 1-36
21. Majumdar S. K (1998) "Assessing Comparative Efficiency of the State owned, mixed and Private sectors in Indian industry," *Public Choice* 96, 1-24
22. Mannheim, B. (1983) Male and female industrial workers: Job Satisfaction, work role centrality and work place preference. *Work and Occupations*, 10, 113-136.
23. Martin, J. & Hanson, S. (1985) Sex, family wage earning status and satisfaction with work. *Work and Occupations*, 12, (1), 91-109.
24. Martin, S and Parker, D. (1997). *The impact of privatisation: Ownership and corporate performance in the UK*. London: Routledge
25. Megginson, W., Nash R.C, and Van Randenborgh, M.(1994). "The financial and operating performance of newly privatized firms: An International Empirical Analysis". *The Journal of Finance* 49, 403-452
26. Naumann, E. (1993) Organizational Predictors of Expatriate Job Satisfaction. *Journal of International Business Studies*, 24,(1), 61-81
27. Noll, R. G. (2000) "Telecommunications reform in developing countries," in *Economic Policy Reform: The second stage*. Anne O Kreuger, (Ed) Chicago University Press
28. Price Waterhouse (1989a) *Privatization :Learning the lessons from the UK Experience*, London: Price Waterhouse
29. Price Waterhouse (1989b) *Privatization: The Facts*. London Price Waterhouse
30. Ramamurti, R., (1996) "The new frontier of privatization," in *Privatizing Monopolies: Lessons from the Telecommunications and Transport Sectors in Latin America*. Ravi Ramamurti, (Ed) Baltimore: John Hopkins University Press, 1-45
31. Ramamurti, R. (1997) "Testing the limits of Privatization: Argentine Railroads," *World Development*, 25(12),1973-1993
32. Rice, R.. W., McFarlin, D. B., and Bennett, D. E. (1989). Standards of comparison and job satisfaction. *Journal of Applied Psychology*, 74(4), 591-598.
33. Rondinelli, D. A., and Iacono M.(1996) '*Policies and institutions for managing privatization*, International Training Center, ILO, Turin, Italy
34. Rousseau, D. M., (1978). Characteristics of departments, positions, and individuals: Contexts for attitudes and behavior. *Administrative Science Quarterly*, 15 (23), 521-540.
35. Solomon, E. (1986) Private and Public Managers: An Empirical Investigation of Job Characteristics and Job Climate. *Journal of Applied Psychology* 71 (5) 247-259.
36. Taylor, G. S., and Vest, M.J. (1992). Pay comparisons and pay satisfaction among public sector employees. *Public Personnel Management*, 21, (4),445 – 454.
37. Voydanoff, P. (1980). Perceived job characteristics and job satisfaction among men and women. *Psychology of Women Quarterly*, 5,(2), 177-185.
38. Yergin, D and Stanislaw, J. (1998) *The commanding heights: the battle between the government and the market place that is remaking the modern world*. New York, NY. Simon and Schuster.