

**JIMMA UNIVERSITY**  
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**DEPARTMENT OF MANAGEMENT**

**A PAPER SUBMITTED UP ON FULFILLMENT OF THE  
COURSE RESEARCH FOR MANAGEMENT**

**THE IMPACT OF PRIVATIZATION ON EMPLOYEES  
(PARTICULAR CASE IN B.G.I ETHIOPIA Pvt. Ltd. Co)**

**BY**  
**YIHA YIMAM**

*Jimma University  
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## ABSTRACT

A cross-sectional employees based study was conducted in B.G.I. Ethiopia Pvt. Ltd. Co. head office in Addis Abeba to investigate the effect of privatization on employees of the company.

This employee-based survey includes 30 among the total number of 295 employees currently working in the company. A close-ended questionnaire consisting of different questions as well as some open-ended questions was included in the questionnaire.

The study found that, 28(93%) respondents in the sample taken provided with salary increment after privatization and among those who have got salary increment 13 (46%) accepted negatively that it is not in consideration to years of service, work load, risk level and other factors and the rest 8(29%) very good and 7(25%) partially good. 12(40%) responded for small number of employees currently and 6(20%) for great shortage of employees. The overall attitude of employees for privatization policy shows 9(30%)-good, 12(40%)- partially good and 9(30%)-bad. It has concluded that the company may enhance employees satisfaction and motivation level in making decisions which will critically consider employees rights and benefits.

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## DEFINITION OF TERMS

- Skill Variety - Degree to which the job requires a variety of different activities in carrying out the work, which involves the use of a number of an individual's skills and talents.
- Task Identity - Degree to which the job requires Completion of a 'whole' and identifiable piece of work that is doing a job from beginning to end with a visible outcome.
- Task significance - A degree to which the job has a substantial impact on the lives or work of other people, whether in the immediate organization or in the external environment.
- Autonomy - the degree to which the job provides substantial freedom, independence, and discretion to the individual in scheduling the work and in determining the procedures to be used in carrying it out.
- Feed back - degree to which carrying out the activities required by the job results in the individual's obtaining direct and clear information about the effectiveness of his or her performance.
- Job enrichment- Tries to design a job in ways that help incumbents satisfy their needs for growth, recognition and responsibility.
- Collective bargaining- Is a process by which the representatives of the organization meet and attempt to work out a contract with the employee's representatives.
- Job-description- The principal product of a job analysis. It represents a written summery of the job as an identifiable organizational unit.
- Job-specification - A written explanation of the knowledge, skills, abilities, traits, and other characteristics necessary for effective performance of a given

## job

- Merit base promotion- A promotion based on the performance of employees.
- Seniority based promotion Promotion based on years of service relative to other
- Employment at will A system of employment at will or discretion of the company in which an employee could be fired for any reason whether it is good or not.
  
- Accountability Refers obligation of subordinates to carryout his responsibility and to exercise authority in terms of established policies.
- Motivation Is force acting on an individual to initiate and direct behavior.
- Responsibility The potential for acquiring new duties and responsibilities either through job expansion or delegation.
  
- Intrinsic factors Motivational factors which are primary cause of job satisfaction

# CHAPTER -1

## Introduction

### 1.1 Background of the study

The Ethiopian privatization agency (EPA) is moving ahead with the sell off nearly all state-owned enterprises. Through June 1999, the EPA has sold 175 firms, mostly small retail shops, for a total of about \$360 million with technical assistance from Germany; the EPA is preparing an additional 123 firms for sale in three “trenches”(3).

Privatization of state-owned enterprises has become an important phenomenon in both industrial and developing countries. Privatization's have been occurring at an increasing rate over the past decade, particularly in developing countries, whose share in global privatization revenue rose from 17 percent in 1990 to 22 percent in the year 1996(4).

Developing and industrial countries are not equally endowed with the factors likely to ensure the success of privatization program. Therefore the study has sought to determine whether privatization has truly some impact on employees. Specifically it paid much more attention on the firm's, which are transferred from state ownership to private ownership.

Among those firms recently privatized by Ethiopian privatization agency, St. George brewery factory is the one, which transferred to private owners in the year 1999. Previously, when it was on the hand of the government (starting from its establishment in 1922), the factory operated in production of a single brand of beer. But following its transfer to private owners by increasing its operation, the company increases its brand of beer into three.



Specifically the study examined the impact of privatization on employees-salary amount, Job convenience and security, working hours, workload, and other employee benefits as compared to the conditions, which were before privatization.

As the firm moves from public to private ownership, their primary objective is profit maximization. To achieve such objective the firm in one way or another should try to minimize production costs and propose different means to enhance profitability. Among those means of achieving less cost and high profit, decreasing the number of employees is the critical one . On the basis of the study made on newly privatized firms from 1980 to 1992, many of the firms reduced their number of employees, especially for those competitive profit oriented firms. Moreover, privatized firms have increase working hours in a day (2).

According to the above study, most state enterprises tend to be over staffed. So, newly privatized firms could be expected to cut employment following government divestiture and the reduction of subsidies in order to increase efficiency. As Nellis, and Shirley (1992) predicted, the evidence suggests that higher investment and efficiency lead to more out put and employment. But the increase in employees was significant for firms in non-competitive industries, for partial privatization's and for revenue privatization. Other wise, in the case of competitive profit\_Centered firms were more inclined to reduce employment. Currently, in the second phase of privatizing government owned firms, our government also starts the strategy of partial privatization to follow up the activity of firms progressively and finally to make it fully privatized.

Compensation of employees in the form of salary or fringe benefit in consideration to years of service, work load, level of responsibility imposed or other factors in the work area had taken as one of the criteria to assess the impact of privatization on employees. Compensation is the human resource management function that deals with every type of reward individuals receive in exchange for performing organizational tasks. It has two

forms; financial and non-financial. Financial compensation is either direct or indirect. Direct financial compensation consists of the pay and employee receives in the form of wages, salary, bonus or commission.

Compensation consists of the pay an employee receives in the form of wages, salary, bonus or commission. Indirect financial compensation, or benefits of financial rewards that are not included in direct financial compensation. So, the objective of compensation function is to create a system of reward that is equitable to the employer and employee alike. The desired outcome in an employee who is attracted to the work and motivated to do a good job for the employee. That is why many psychologists and sociologists explain that compensation is the main reason for motivation, start from Aristotle and scientific management theory in early 1900s(1)

Frederick Winslow Taylor (1856-1917) pioneered the concept of scientific management, that is the taking of a precise approach to the problem of work and work organization. His hypothesis was based on premise that the proper organization of work force and work methods which improve efficiency. Moreover, the theory of human relations school, studied over the period (1924-1936) design to draw conclusions between working groups, social factors, employee attitudes and values and the effect of these at the place of work. In this ground, employees are as the important asset of the organization in the way towards achieving organizational goal (5).

Organizations may develop their own means to handle grievances and disciplinary actions to be taken to correct misbehaviors. Such things have mostly profiled in the collective bargaining form. A grievance is a complaint whether valid or not about an organizational policy, Procedure of managerial practice that creates dissatisfaction or discomfort. The complaint may be made by individual or by union, (1). Currently both in government and private owned organizations, Complaints towards management systems are very much increasing in our country.

## **1.2 Statement of the problem**

In connection with privatization, there are many impacts on employees. As the main objective of privatized firms is profit maximization, any act of those newly privatized firms is to maximize revenue and minimize costs. In this ground private owners are always trying to reduce and trying to exert the task of more than one person on the shoulder of one individual. Moreover, due to their aim of profitability, the total working hours per day also increased in many of private owned firms and because of this employees are mostly busy and idleness is unthinkable. In general, privatized firms trying to operate by reduced number of employees are paying better salaries. This finally leads to a strain on employee – employer relationship in privatized firms' (2).

## **1.3. Objective of the study**

The main objective of the study is to examine the effect of privatization up on employees in regard to; their salary amount, working hours per day, work load , benefits, job security, and in creating convenient working environment, in providing the necessary materials and tools, employees current number and the proper balancing of work load versus payment system.

More over, it assessed the grievance and grievance handling procedures that the company uses, and finally the study recommended what should be done for the proper balancing of both employees and organizational interest.

#### 1.4. Significance of the study

The study have been used to assess the impact of privatization policy on employees salary, work load, benefit and on the overall working environment in employees of B.G.I Ethiopia and intørn it is expected to assist the strategic formulation to make appropriate employee focused decisions for administrators of the company.

On top of that, the overall finding will be of greater importance as base line data for future studies.

## CHAPTER -2

### METHODOLOGY

#### 2.1. Source and method of data collection

The study was made on the prospective employees who have been working in B.G.I Ethiopia private. Ltd. Co. after privatization and on those who have been worked in the organization before its transfer to private investors by reviewing the records collected by personnel office of the company as secondary data and primary data collected directly from employees. More over, in interviewing selected employees also used.

As mentioned above, the study area of this paper is B.G.I Ethiopia pvt. Ltd. Co head office, which is found in Addis Ababa. The study population includes all employees enrolled to the company after privatization and also before privatization. It includes 30 employees which is 10% of the total 295 employees in the company.

The problem was investigated through the use of sample study, which to includes employees from the respective departments and working areas starting from lower level up to the top. The reason why this particular method used is that, since it is simple to do and easy to get the data, it saves time and cost of the researcher. As the same time, since complexity of data is reduced, it increases accuracy of data collection and analysis.

#### 2.2. Data Analysis Technique

In the study, the data collected includes; current number of employees in comparison to its previous level, information related to fairness of the company's payment system pertaining to factors like work load, risk level, years of service etc, collective agreement of the company-its implementation and content, employees overall attitude to-

words privatization policy and some other information which helps to investigate privatization policy-whether it is convenient or not.

The data analysis has done through detail study and examination of the data and information collected in the two comparative cases, that is , before and after privatization. And finally the collected data and information was interpreted in such a way that how much it shows the effect of privatization policy as compared to government ownership. Since the data collected includes more of qualitative information, the analysis also more of qualitative in nature rather than quantitative expression using comprehensive statistical formulas.

The data collection methods used are selected among other different methods due to some reasons .For instance the hypothesis of the study consider privatization as some thing which has some impact on employees work security and guarantee. To get the necessary information on those points interviewing some selected employees is a must, otherwise using only secondary data which is obtained from administrators or conducting an interview with those top level executives might not provide the information needed.

Similarly data analysis method used also selected due to the nature of the data and information collected which is qualitative in nature rather than quantified statistically.

### **2.3. Sampling Technique**

In data collection, there are two ways of taking study population among the total group; census approach (taking all the members of the group) and sampling approach ( taking part of he total population group ) . For the purpose of this study, sampling technique is selected because of its simplicity in data collection and for time saving (10).

The sample is selected randomly among the total number of employees currently existing in the company and the details of employee conditions such as ; years of service, salary amount and other fringe benefits provided, and others in comparison to the previous one . Finally the aggregate information have been used for analysis purpose.

In addition to questionnaire, the other technique used was conduct an interview with selected employees of the company, both operational and management level. The type of interview selected was unstructured interview, which have no any pre-established format of questions to be asked, rather the questions were based on the answer of the respondent (9).

In the population studied in this work, since there is homogeneity among variables, the sample size taken constitute 10% of the total population, that is 30 employees among the total 295 employees.

The reliability and validity of the data collected is assured in such a way that, the sample is small in number and homogenous in nature of the data and it is collected from sample population from all working departments and different levels.

#### **2.4. Limitation of the study**

- ◆ The first and most limiting factor observed in the study was access to Secondary data as needed and a resistance imposed by some employees to Respond through questionnaire or interview.
- ◆ Misunderstanding of some respondents for the questionnaire prepared in English language leads to guessing in responding questions.
- ◆ Shortage of time also one limiting factor, for the smooth flow of the research work and for its completion exactly in the necessary time period. More over, there was some shortage of time in collecting, analyzing and interpreting date.
- ◆ Some times there was some confusions due to less exposure for research works before.

## CHAPTER-3

### RESULTS AND DISCUSSIONS

#### 3.1 Results of the study

There are a total of 295 employees currently working in the company. Out of these 100(30%) employees were taken as a sample to assess the impact of privatization on employees.

Among the respondents group, 27(90%) were joined the company before privatization and the rest 3(10%) of employees were hired after privatization of the company.

**Table: 1**

	No of respondents	Percentage of respondents
Before privatization	27	90%
After privatization.	3	10%
Total	30	100%

28(93%) employees have got salary increment after privatization of the company and the rest 2(7%) have got no any salary increment following the privatization of the company.

**Table: 2**

	No of respondents	Percentage of respondents
Salary increment	28	93%
No salary increment	2	7%
Total	30	100%



Among those who have got salary increment after privatization, 8(29%) employees accept the salary increment made in positive sense that, it was designed in consideration to employees work load, years of service, risk level and other factors, where as the rest 7(25%) partially good and 13(46%) not good.

**Table: 3**

	No of respondents	Percentage of respondents
Very good	8	29%
Partially good	7	25%
Not good	13	46%
Total	28	100%

There was some position change for 15(50%) of employees and no any for other 15(50%) after privatization of the company.

**Table: 4**

	No of respondents	Percentage of respondents
Position change	15	50%
No position change	15	50%
Total	30	100%

But when we see the result cross-sectionally, administrative level employees Obtained 1(73%) positional change and the rest 4(27%) respond for no position change after privatization, where as the reverse is happened in the case of operational level employees.

**Table: 4a** Administrative employees

	N <sup>o</sup> of respondents	Percentage of respondents
Position change	11	73%
No position change	4	27%
Total	15	100%

**Table: 4b** Operational level employees

	N <sup>o</sup> of respondents	Percentage of respondents
Position change	4	27%
No position change	11	73%
Total	15	100%

Regarding the number of employees currently working in the company as compared to the one which have been before privatization, only 2(7%) employees respond for “excess number” of total employee in the company currently. The rest number constitutes; 10(33%) “adequate number” , 12(40%) “Small number” and 6(20%) “ Great shortage” in number of employees currently working in the company.

**Table: 5**

	N <sup>o</sup> of respondents	Percentage of respondents
Excess number	2	7%
Adequate number	10	33%
Small number	12	40%
Great shortage	6	20%
Total	30	100%

Among the group, 2(7%) employees respond “very good” for the question asked to assess how much the management of the company are willing to understand and to solve personal, social and other work related problems of employees in the company, and the rest of them responded- 7(23%) Good, 13(43%) poor and 8(27%) very poor.

**Table: 6**

	N <sup>o</sup> of respondents	Percentage of respondents
Very good	2	7%
Good	7	23
Poor	13	43%
Very Poor	8	27
Total	30	100%

13(43%) employees responded ‘Yes’ for clear-cut line of responsibility and accountability of workers provided by the company. And the rest 17(57%) employees respond ‘No’.

**Table: 7**

	N <sup>o</sup> of respondents	Percentage of respondents
Yes	13	43%
No	17	57%
Total	30	100%

In assessing the collective agreement currently the company have in protecting employee rights and benefits as the same time in clarifying employee rights and duties as compared to the previous one, 6(20%) employees respond “very good”, 5(17%) “Fair”, 10 (33%) “Partially good” 9 (30%) of employees “poor”

**Table: 8**

	N <sup>o</sup> of respondents	Percentage of respondents
Very good	6	20%
Fair	5	17%
Partially good	10	33%
Poor	9	30%
Total	30	100%

The overall attitude of employees towards privatization shows that, 9(30%) responded 'it is good and necessary', 12(40%) 'partially good' and the remaining 9(30%) for 'bad and unnecessary' aspect of privatization policy in general.

**Table: 9**

	N <sup>o</sup> of respondents	Percentage of respondents
Good & necessary	9	30%
Partially good	12	40%
Bad & unnecessary	9	30%
Total	30	100%

## DISCUSSION

### 3.2 Major findings of the Research

Starting from its establishment in 1922, St. George brewer factory has been operating with employees of well organized in the work area and employees having good experience in brewery production technology . Till now the factory was passed through around eight decades which have golden in regard to its product quality and service giving to customers by using its experienced employees for many years.

Currently since the time of its transfer to private investors, the company hired some employees but most of them have been working in the factory are those who have already hired in the company before privatization. Among the total sample population taken, 90 percent were hired before privatization and the rest of employees were joined the organization after privatization.

Specially in those manufacturing organizations, the importance of participating more experienced employees in the operational areas is unquestionable. When ever employees become experienced in their work, it helps them to master what is going on in the real operation of work and finally it helps for product quality as well as cost reduction and waste minimization.

Similarly most of employees who have currently working in the company were hired before privatization. Among the sample population taken in the study, the average years of service has 16 years. This shows that the company has full of experienced employees in brewery production.

Many companies or business organizations have a tendency to increase their number of employees whenever the volume of their operation increase or the variety of

their product or service enhanced. But the company increased its brand of beer in to three from one following privatization. And as the same time the company reduced its previous employees by 160. It might be due to the overstaffed nature of most government owned firms and to make it balance, private owners may reduce employees to increase their profitability and efficiency, but such a situation may deteriorate the work assurance of employees.

According to the study of Narjess Boubakri and Jean Claude cosset, Canada in 1998, most state enterprises tend to be overstaffed. So, newly privatized firms could be expected to cut employment following government divestiture and the reduction of subsidies in order to increase efficiency.

More than 100 years ago in the United State, there was a system of employment, called employment 'at will' that is, at the will or discretion of the company. This concept in the US goes back to court case in New York. In that case the court ruled that an employee could be fired for any reason at all, regardless of whether the reason was a good one, bad one or there was no reason at all.

During the 1970's and the 1980's, however, the employment at will principles was challenged in many state courts. In these cases, the plaintiffs argued that a wrongful discharge had occurred. Such cases received much attention in the popular media. One widely publicized study, for example, found that employees in California won nearly 70 percent of the wrongful discharge cases(1).As newly privatized firm, B.G.I Ethiopia also sued by 160 discharged employees and the argument still have not get judgment from higher court.

As kilker, Nellis, and Shirley (1992) predicted, the evidence suggests that higher investment and efficiency lead to more out put and employment. But the increase in employees was significant for firms in non-competitive industries, for partial privatization's and for revenue privatization. Otherwise, in the case of competitive profit centered firms were more inclined to reduced employment.

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Currently survey of Human resource management practitioners, researchers and the human resource planning board all point to a number of strategic challenges facing the field. Global competition has become so intense that human resource management professionals are now being asked by their firms to optimize the skills, talents and creativity of every employee. In each case human resource management practitioners are being asked to utilize the human assets of the firm more effectively. Failure to do so will probably mean that the firm can not compete in the globally interconnected world (1). This may force companies for the effective utilization of human resource with minimal cost.

In the above ground, as private ownership, St. George brewery factory reduced the number of employees immediately after privatization. It shows 60 percent of the sample population respond negatively for the total number of employees currently in comparison to what it was before privatization and the rest 40 percent agree positively for the adequacy of current number of employees. This shows that more than half of the sample population perceived the current level of employees less than that of its previous number. Some says, there is a great shortage of employees in some departments and even in some areas there is a condition in which the number of employees previously assigned were reduced by more than half after privatization.

But the above case is responded differently among operational and administrative level employees. In this regard from operational level employees 80 percent respond negatively for shortage of employees where as the rest 20 percent agree positively for enough number of employees. When we see the sample from administrative employees only 40 percent of them accept the shortage of employees and the rest 60 percent respond for enough number of employees currently in the company. As we can see from the result of the analysis, most of operational and lower level employees have agreed on shortage of employees, but when we see the administrative employees the great percentage of people agree for adequate number of employees.

This deviation may be arises because of the attitudinal difference among different level employees or it might be due to the difference in work load and employee number assigned relative to workload among the administrative and operational level employees.

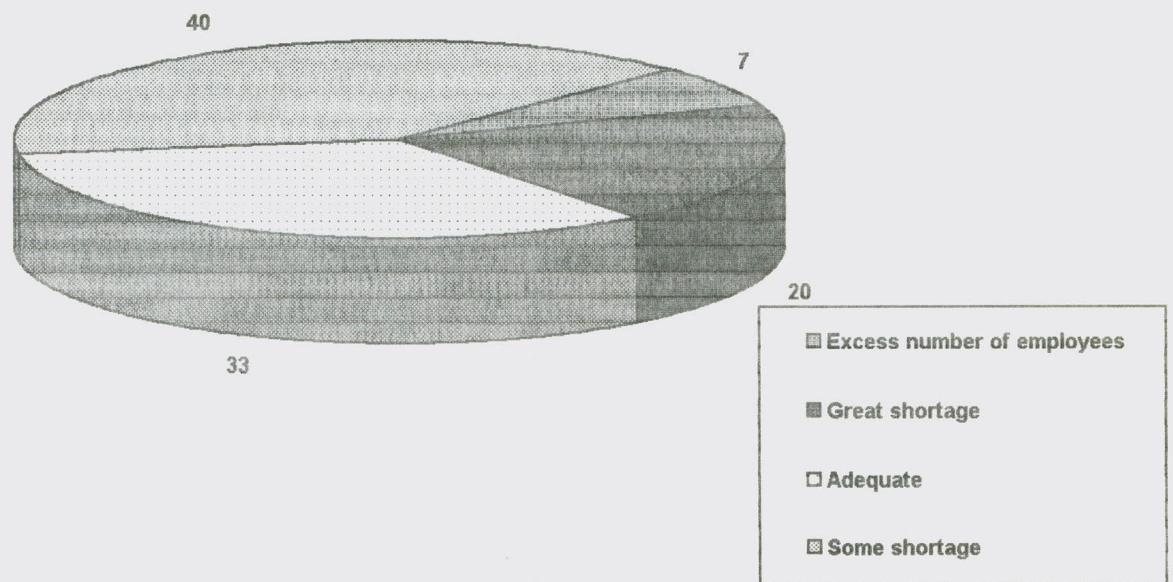


Fig.1 Shows employees current number

Generally, there is great shortage of employees, specifically in the areas in which the real operation of the organization can take place and in the mean time this problem might affect the production of the organization in such a way that, if employees have not satisfied in their work for any reasons, or if they feel boure due to work load, the resulting negligence and carelessness in the work area may lead to less productivity.



As motivation is important to increase the performance of employees, organizations should increasingly recognizing the importance of intrinsic rewards such as the nature of the work itself as a motivating factor.

The salary payment of the company was improved following its privatization. In this case 93 percent receives salary increment following the transfer of the company into private owners and only 7 percent disagree with salary increment in their part.

Companies may use different policies and rules to manage the various dimensions of working environment. Among those, companies may vary in their standards for salary increment in different conditions. More over, companies also expected to provide employees with criteria or standards for salary increment.

Hear 67 percent agree with salary increment after privatization to all employees irrespective of their level, that is, whether it is management position or lower level operational employees, and the rest 33 percent concluded that the salary increment base didn't clearly known. Although it was done to all employees, the amount increased varies strongly with out any clearly identified reason.

The result shows that many of the studied population agreed for salary increment to all employees. As the same time the company blamed for lack of adequate analysis and pre seated standard for salary increment.

The ratio of employees response for salary increment over no any increment has shown below in the help of graph.



Fig. 2 Salary increment Vs no increment

Scientific management theory of Frederic W. Taylor (1890-1930) arose in part from the need to increase productivity. The only way to expand productivity was to raise the efficiency of workers. To increase the efficiency of workers Taylor propose a system of “differential rate system” which designed to encourage workers to pay more productive workers at a higher rate than others. The pioneer of this theory suggests that the payment to workers their role in production, that is , based on work load risk level and other factors(5).

Fair labor standards act of 1938 was actually an amendment passed by congress in 1963, advocate for equal wages to men and women doing the same job. This amendment, known as the equal pay act of 1963, advocate for Equal wages to man and women doing the same job. This amendment, known as the equal pay act of 1963, attempts to eliminate

discrimination in pay. The law defines in such a way that, if a worker essentially performed the same work as the work performed by another employee working in the same facility but the payment was less than that of other employees(6).

The study also investigate the employees response regarding the salary increment of the company in such a way that whether it has been designed in consideration to years of service, associated risk level in the work area, work load and other variables or not. Nearly 47 percent respond 'yes' and the rest 53 percent population respond 'No'. As we can see from the result, there will be a need for additional investigation regarding this point because almost half-half respond it differently. For that matter the company might be used different salary increment base among employee groups, that is absence of uniformly applied and single standard for salary increment or there may be any other reason for that deviation among respondent groups.

Accurate promotion systems are notoriously difficult to develop because favoritism and politics often abound. Attempts to build objectivity into promotions, such as using seniority as an explicit factor, may lead to promotions, such as using seniority as an explicit factor, may lead to promotion of less qualified individuals. At the same time, candidates who are skilled in dealing with organizational policies may be more successful in their jobs than candidates who are ineffective at organizational politics (12). One manager described the ideal candidate for a promotion as same one who has the ability to successfully navigate the politics of our organization (7).

Companies can use different ways of promotion; seniority or merit (performance base). Currently, merit base of promotion employees based on their performance in the work area is most functional in many areas. Here managers are expected to control the fair distribution of promotional opportunity among all employees regardless of their position and level to motivate them for better performance.

Apart from salary increment, there was some positional change for some employees in the company following privatization and no any for others. Among the population group of the study, 50 percent of them were received position change after privatization, where as the rest half percent didn't get that change.

But when we see the response for this cross-sectionally, that is, Administrative and operational level, there has been more positional change for administrative level employees rather than that of operational employees. The study shows 73 percent to 27 percent positional change among administrators and operational employees respectively.

As we can see in the above, the result among the two level employees vary greatly. This variation might be due to the variation among employees expertise to work efficiently in different work areas or the operational employees at the time were considered as fit enough for the work of production and it seems enough to motivate them through payment.

Similarly when ever there is promotion or positional change and if this transfer increase the workload or risk of responsibility to an employee than the previous, it is necessary to compensate the workers with additional salary or other benefits to encourage for more task. Other wise employees may not be motivated if the payment have not proportional to the task level.

Among those who have got position change following privatization of the company 47 percent of them received salary increment in consideration to the task level imposed by changing their previous work position. The rest of them received no any salary increment to make balance the workload increased after promotion. This result shows that almost half of the sample population received salary increment following change of work in the form of promotion or change in position. This result may be arises due to the company's policy for salary increment or it may be for some other reason.

Until recently, the typical response to concern about health and safety was to compensate the victims of job-related accident with workers compensation and similar insurance payments. But now a days much emphasis is given to prevent accidents, health hazards and deaths at work (1).

As with other Human resource management functions, the success of a safety and health program requires the support and cooperation of operating and Human resource management managers. The success of the safety program rests primarily on how well employees and supervisors cooperate with safety rules and regulation. Even though the most crucial factor for work injury is nature of task, there are also other causes like employee attitude for safety.

Before 1970, there was a wide spread feeling across all sectors of American society that private organizations were not doing enough to ensure safe and healthy working conditions. Numerous preventive measures have been adopted by organizations in attempt to improve their safety. Protective clothing and devices are pointed as an important measures to be supplied for employees working in hazardous job situations. The few studies on the effectiveness of these preventive design measures indicate that they do reduce accidents. (7)

Most companies, specially those engaged in manufacturing activates provide their employees different working instruments such as gloves, protective, Googols, Gowns, etc. which helps them to accomplish their task properly and to avoid or at least to minimize risks associated to the work area. As manufacturing organizations, St. George brewery factory provided employees with different working tools as it shown in the collective agreement of the company.

For this purpose, the study which examines operational level employees in that whether the company provides these work protective, work tools, apparatus, wears and the like properly and equitably or not shows 80 percent of the sample population taken respond

negatively, that is, they agree in that the company provided no enough work protective and risk minimizing tools. The rest 20 percent respond positively. Some group ascertains that, even the supplies of those materials have done not properly and equally among different individuals and work groups who have been exposed to the same working conditions.

More over, in the case of every organization, whether it is profit oriented or services giving enterprises, employees are expected to be provided with the necessary Job-specification, Job-description, Accountability, and work responsibility. But 57 percent of the sample population agree with a problem in working employees knowable to their responsibility and account ability clearly. Even some times there is a case in which a single employee can be ordered, supervised or expected to report for more than one executives, that means, any one of the two or more top executives can control his/her activity. In addition to that, the administrators of the company confirmed that, after privatization there is no revised form of job-specifications and job-description. Moreover the organizational chart of the company has not officially designed. This evidence shows that, employees have expected to perform different tasks across their own department and work areas.

A concern of all managers in applying staff and functional authorities is violation of the principle of unity of command, one of Henry fayol's (1949) management principles. It requires that each person within the organization take orders from and report to only one person.(8)

In addition to that, if employees have not provided with the specific job-responsibility, which belongs to them, it reduces the specification in performing different tasks. As the same time it may not enable the company to enjoy the advantage of learning or experience curve, in addition to inconvenience created up on employees in performing various tasks.

### **3.3. Collective agreement of the company**

In organizations, there is a need for union. This union is an organization of workers whose purpose is to represent the employees in their dealings with management. Among its purpose, a union representatives also expected to bargain with management representatives at the time when collective agreement of the company designed. This is important to vote and argue on ideas, which have, necessary to safeguard the interest of employees. As the same time the management of the company also expected to follow up and stressed up on the applicability of the agreement (11).

But 67 percent of the sample population agreed up on the negative aspect of collective agreement after privatization regarding its applicability and content in protecting the interest of employees as compared to that of government divestiture.

Among the sub-samples, only 40 percent of administrative level employees agreed in such a way that, the connective agreement after privatization has not yet good as compared to the previous one. Whereas 93 percent of operational level employees agreed on the above case. This shows that the content of the agreement is not enough from the very beginning when it is designed to protect employees right. More over, the implementation or applicability of the agreement varies among the different level of employees or the management of the company may pay much more attention for managerial level employees than that of lower lever operational employees

Employees and their representatives have a say in critical work place issues like the safety of working conditions having, promotion and discipline. Most employees have hired employees, given them reasonable jobs, compensated them well, respected their dignity, and retired them after rewarding careers. However, some employers have not dealt with their employees fairly. They have used their power to exploit employees economically and psychologically. If employees band together to form a union and agree on some points with

with their employer, they can wield a counter balancing power to be sure that they are treated fairly. Otherwise the content of the collective agreement may not enjoy employees satisfactorily. (1)

As compared to public sectors, private sector employees passed many years with the right to unionize and conduct collective bargaining with their employer. The union experience in the public sector or government differs in several ways from that in the private sector. The law represent one major legal barrier for many years because they were exempt from coverage under the NLRA (National labor relations Act), which provided only private sector employees with the right to unionize. Legislation granting unionization and bargaining rights for state and local government employees began in the 1960s. In this ground, employees of privately owned enterprises have passed through many years with the right to unionize, bargain and ask, so that, employees of private sector enterprises have expected to secure better in the areas of bargaining asking to right and obtaining exactly what was pointed out in the agreement. But 80 percent of the population perceived the condition in the collective agreement not in a good way in the preview of its content and applicability to protect the right and benefit of employees as compared to the agreement before privatization. This result shows that the company paid less attention for the agreements reached after privatization and even those pre-seated agreements have not applied fully.



### 3.4 Management actions towards employee problems

What qualities must a leader have? As Kleman (1992)) reported, Jeffrey Christian, President and chief executive offices of a Cleveland -based executive search, looks for managers who are high impact players, change agents, drivers and winners--people who are extremely flexible, bright, tactical and strategic, who can handle a lot of information, make decisions quickly, motivate others, chase a moving target and shake things up. Previously, corporate recruiting emphasized credentials and experience, which are still important, but you can't teach good leadership or have to be excited about life.

Robert Green Leaf, former director of management research and founding director of the center for applied ethics, said: "The Leader exists to serve those whom he nominally leads, those who supposedly follow him, he/she takes their fulfillment as his/her principal aim" (Kiechell, 1992). The servant-Leader takes people and their work seriously, listens to and takes the lead from the troops, heals, is self-effacing and sees himself or her self as a steward (Kiechell, 1992).

Managers should always monitor the working environment in addition to the work itself. In most cases the immediate supervisors have make exposed to various conditions regarding employees such as employee characteristics, social, personal or other problems of employees which may affect the work in its track towards organizational goal. So, managers have expected to entertain questions and they have to understand and try to solve employee problems to increase the efficiency of employees. But 70 percent of the sample taken blamed the administrators of the company in their activity towards understanding & solving employee problems as well as entertaining employee questions.

The result shows that, the management of the company has some problem regarding employees cases outside the real work. The management has less regarded about employee personal , social and other problems which may have an adverse effect on

productivity as well as efficient and effective accomplishment of work. As the same time such conditions may create a strain an employee management relationship.

### 3.5 Employees attitude towards privatization

Privatization of state owned enterprises has become an important phenomenon in both industrial and developing countries. Privatization have been occurring at an increasing rate over the past decade, particularly in developing cauntries, whose share in global privatization revenues rose from 17 percent in 1990 to 22 percent in 1996 (The Economist 1997).

Developing and industrial countries are not equally endowed with the factors likely to ensure the success of privatization program, however. The privatization efforts of most developing cauntries are inhibited by embryonic financial markets, weak regulatory capacity, and a public sector the accounts for a large share of GDP. Many, particularly those with low per capita income, lack some of the main ingredients for a successful privatization, such as capital, entrepreneurs and competent managers and even a problem in handing employees for the successful accomplishment of the privatization policy.(2)

When we see the conditions in our case currently, there is a great problem in the management of different government owned and state enterprises. And we are ever looking complaints of employees towards the management system, this shows that still there is a great problem pertaining to employees right and in other different administrative situations. This may hinder the success of privatization in the short run.

In the study, the investigation conducted to observe employees personal attitude whether privatization has important or not shows that, 47 percent of the sample population agree with the partial importance of privatization program and rest 30 and 23 percent

agreed on the bad and good implementation of privatization policy respectively. Most said that, the very existence of the policy is good and vital for development but the problem lies on its implementation.

In general, the result of the study shows that there is some problem which have been observed as a result of privatization of the company pertaining to its importance in total as compared to government ownership and the result might be due to the lack of adequate management, due to the attitude of private investors or the tendency of profit maximization might lead to inappropriate implementation of privatization policy differently from the one which is specified in the agreement with the government.

Currently, Ethiopian privatization agency (EPA) has some how improved its system of transferring into private owners. Previously in its first phase of transferring, firms fully privatized at one time. But now a days the government retain some percentage and the rest has to be privatized. This system has important for the government to control progressively the action of private owners.

To succeed in any business what ever it is, organizations should pay much more attention to employees motivation, interest to work and their favorite towards the work and working environment in General. Because of that reason organizations expected to create convenient working environment to their employees for the achievement of organizational goals. At least employees should be convinced to accept the policy in which it has operated, that is, privatization policy.

When we see in our case for the part which require whether employees have well convinced and accept the privatization policy in regard to their right & for the total well-being of employees or not, almost all the respondent group shared the same idea in that, privatization will be good, if it is implemented properly, otherwise it has full of both positive and negative side. For instance we can take the salary adjustment of the company after privatization, it lacks detail analysis. Actually the payment has good as compared to

other government institutions but the problem lies when it is assessed cross-sectional and across departmental way. The analysis emphasized less on employees work load, service, years, responsibility posed up on and other things. This problem also reflected in other areas in the company.

The company also blamed in less applicability of policies pre-seated, imposition of more responsibility than mentioned in agreements. Administrators believed in controlling of work through influencing and warning than motivating in positive way and other suggestions were forwarded by employees.

This shows that, employees have not feel comfort after privatization of the company in some conditions. So the company should have to readjust and revised its weak side to encourage employees to work and increase their efficiency for the achievement of organizational goals.

The notion of satisfying employees needs as a way of designing jobs comes from Fredric Herzberg's two factor theory of work motivation. His basic idea is that employees will be motivated by jobs that enhance their feeling of self-worth.

Although there are many different approaches to job enrichment, the job characteristics model is one of the most widely publicized. It shows that for a job to lead to desired out comes it must possess certain "core job dimensions". These include skill variety, task identity, task significance autonomy, & feed back. This finally lead to employees motivation, satisfaction, and high quality work performance.

However, employee motivation and satisfaction paid less attention in the case of scientific management theory (FW. Taylor). This theory shows how certain perspectives focus more heavily on productivity than on satisfaction. The work of Tailor and the principle of scientific management initiated a great deal of interest in systematically studying the structure of jobs. The emphasis was clearly on structuring jobs so that they

were broken down in to simple repetitive tasks. Once learned, these tasks could be done quickly and efficiently. Many current methods of job design criticize the use of the repetitive task structure, that is scientific management theory of Taylor. Most of the recent management theories suggest no single management system, rather contingency or situational theory of management dominantly applied. Because our world has stand through global economy and even the turbulent and ever changing environment invited managers to operate based on situations.

In the above ground companies should follow contingency approach in the areas of administration and managers should have to focus more on employee satisfaction and motivation to work rather than simply product oriented. Because if employees have motivated and satisfied in their works, in increase their dedication to work and the ultimate goal of the company will also be achieved in this way. (1)

### **3.6 Grievance and Grievance Handling**

Regarding Grievance and Grievance handling mechanism of the company, group complaint of employees was never seen before in the factory. But individual complaints of employees have commonly experienced many times, specially complaints regarding salary increment.

If somebody asks salary increment any time, the complaint would never be accepted simply. Rather the complainer receives salary increment based on his/her task accomplishment or performance appraisal by the immediate supervisor at the end of the year.

The insurance policy of the company has not been changed from the previous one. The policy consists 8 hours and 24 hours insurance policy.

Bonus system of the company has some how different from the previous one. Previously, it had been paid to all employees additional one month salary as a bonus. But currently the bonus has to be paid based on performance of employees in the work area. If his/her work accomplishment report shows 'very good', the person will be paid with 2.25 times basic salary, if it is Good-4/3 of salary, for medium one 3/4 salary, for those who have low performance there is no any bonus to be paid. More over, currently the bonus can possibly for 3 months salary. In this regard the bonus system after privatization has by far better than the previous one. This system of bonus may be great importance in motivativating employees for better performance.

## CHAPTER 4

### SUMMARY AND CONCLUSIONS

As the research is conducted to examine the impact of privatization upon employees in the specified company, it summarizes current conditions of employees pertaining to their salary amount, working hours per day, work load, benefits, convenience of working environment, the necessary materials, risk minimizing tools and protective employees provided with the appropriateness of payment against work done.

According to the study made, 28 (93%) employees have got salary increment after privatization of the company. Among those who have got salary increment, 13 (46%) blame it as the one which have not designed in consideration to employees work load, years of service , risk level and other factors, the rest 7 (25%) respond “ partially good” and 8(29%) employees “very good” in considering such factors.

When it is cross-sectionally observed, position change of employees after privatization, 11 (73%) administrative employees have got position change after privatization and 4(27%) employees have no any change in position after privatization where as in operational level employees, the reverse is true. For the current number of employees as compared to the previous one, 6(20%) employees responded “Great shortage” and 12 (40%) “small number”, the rest 2(7%) and 10 (33%) employees responded “Excess number” and “Adequate number” respectively.

Among the respondents group, 8 (27%) and 13(43%) employees forwarded their complaint for the management of the company as “very poor” and “poor” respectively regarding its engagement in solving employees social, personal or other work related problems.

In the areas of collective agreement of the company currently in protecting employees rights and benefits as the same time in clarifying employee rights and duties as compared to the previous one, 9(20%) responded "very good" , 5(17%) "fair", 10 (33%) "partially good" and 9 (30%) employees "poor".

When we see in general, the overall attitude of employees towards privatization, 9(30%) employees accept as good and necessary, the rest 12(40%) and 9(30%) employees observed as the one, which is partially good and bad respectively.

Finally, the research shows that there is some impact on employees satisfaction after privatization policy and the problem might be largely due to the poor implementation of the policy. In the future, the company should be managed to conduct good research upon employees dissatisfaction, motivation and rights of employees which will help its future operational success.



## CHAPTER 5

### Recommendations

The company should improve its payment system in such way that, it should be re-designed in consideration to years of service , work load , risk and responsibility, educational level and other factors which have created difference among employees. Employees number should be corrected and it needs some adjustment to balance the distribution based on work load among departments. It is also better if attention would be paid for employees social, personal, or other work related problems, in the mean time it increases employees motivation for good efficiency in performing work. In addition to that, the company expected to clearly identify responsibility and accountability among employees . Finally, the company recommended to improve the implementation and applicability of the collective agreement as specified in advance.

In the future, there is a need for research work in companies which have transferred to private from public ownership pertaining to employees motivation, satisfaction and rights of employees together with its route cause for deviation in the two compcases.

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**JIMMA UNIVERSITY**  
**FACULTY OF BUSINESS**  
**DEPARTMENT OF MANAGEMENT**

**Form No. 1 - For administrative level employees**

This questionnaire is prepared to collect the necessary information for the purpose of graduating students research work.

1. When exactly you have been joined the organization?
  - a/ Before privatization
  - b/ After privatization
2. Is there any type of positional change related to promotion or demotion following privatization?
  - a. Yes
  - b. No
3. If yes, do you think that it is favorable in connections with the benefits you have been receiving by the organization \_\_\_\_\_
4. Is there any salary increment following privatization ?
  - a. Yes
  - b. No

If yes, in what base

  5. to all level if employees
  6. to management level employees only
  7. based on the years of service and work load to all employees
  8. clearly unknown in what base it was done
5. How do you see the turn over in the organization?
  - a. High turn over rate
  - b. Low turn over rate
  - c. No turn over at all
6. If there is any turn over, what do you think that the cause for that
  - d. Due to employee management disagreement
  - e. Due to mismatch of benefits and work to be done
  - f. Due to owners intention to maintain less number of employees
  - g. If other, specify \_\_\_\_\_
7. How do you see the total number of employees currently in comparison to what it was before privatization.
  - h. Excess number
  - i. Adequate
  - j. Some shortage
  - k. Great shortage

**በጅማ ዩኒቨርሲቲ**  
**በቢዝነስ ፋካልቲ**  
**የማኅጅመንት ትምህርት ክፍል**  
**ለትምህርት የምርምር ወረቀት ዝግጅት የሚሞላ የመጠይቅ ቅፅ**

Form No. 1 - For Operational level employees

በቅድሚያ ለሚያደርጉልን ትብብር ምስጋናችንን እያቀረብን ይህንን የመጠይቅ ፎርም በጥሩ ሁኔታ ለመሙላት እንዲተባበሩ እንጠይቃለን።

1. በድርጅቱ ውስጥ የተቀጠሩት ፋብሪካው ወደ ግል ሌላ ባለሀብቶች ከመዛወሩ በፊት ነው ወይንስ ከተዛወረ በኋላ \_\_\_\_\_
2. በድርጅቱ ውስጥ ለምን ያህል ጊዜ በሰራተኛነት አገልግለዋል \_\_\_\_\_
3. ፋብሪካው ወደ ግለሰቦች ሀብትነት ከተዛወረ በኋላ የተደረገ የደመወዝ ለውጥ አለ \_\_\_\_\_
4. ካለ ይህ የተደረገውን ለውጥ ምን ያህል የሰራተኛችን የሰራ ጫና የሰራ ሰዓት እንዲሁም የአገልግሎት ዘመን ብዛት ያገናዘበ ነው ብለው ያስባሉ።  
 ሀ/ በጣም ስ/ በመጠኑ ሐ/ ፍፁም አይደለም
5. ከፋብሪካው የባለሀብትነት ለውጥ በኋላ በግል ያገኙት የሰራ ድርጅት ዕድገት አለ \_\_\_\_\_
6. ካለ ይህ የደረጃ ዕድገት ምን ያህል ከሚያገኙት ክፍያ ጋር ተመጣጣኝ ነው።  
 ሀ/ በጣም ተመጣጣኝ ነው ስ/ በመጠኑ ተመጣጣኝ ነው ሐ/ ተመጣጣኝ አይደለም
7. አሁን ያለው ጠቅላላ የሰራተኞች ቁጥር ድር ከነበረው ጋር ሲወዳደር እንዴት ያዩታል  
 ሀ/ በጣም ከፍተኛ ቁጥር ነው ለ/ በቂ ቁጥር ነው ሐ/ አነስተኛ ቁጥር ነው መ/ በጣም አነስተኛ ነው
8. አነስተኛ ከሆነ በፋብሪካው የማምረት አቅም እንዲሁም በሰራተኞች የሥራ ጫና ላይ ችግር ይፈጥራል ብለው ያስባሉ  
 አይፈጥርም \_\_\_\_\_ ይፈጥራል \_\_\_\_\_
9. ድርጅቱ አስፈላጊውን የሰራ መገልገያና የአደጋ መከላከያ ቁሳቁሶች በትክክልና በበቂ ሁኔታ ለሰራተኞቹ ያቀርባል ብለው ያስባሉ  
 አዎ \_\_\_\_\_ አይደለም \_\_\_\_\_
10. የድርጅቱ አስተዳዳሪ የሰራተኞችን የግልና ማህበራዊ ችግሮች በማቃለል ዙሪያ ያለው ሁኔታ ምን ይመስላል  
 ሀ/ በጣም ጥሩ ነው ለ/ በቂ ነው ሐ/ ብዙም ጥሩ አይደለም መ/ መጥፎ ነው



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