

The Effect of Privatization on Human Resource Development – A Case Study

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ABSTRACT

Based on the response of 250 Employees who had experience in the same organization before and after its privatization, the study found that privatization did not make any difference on issues such as salaries, performance based benefit, skill requirement, welfare and autonomy in the job. However, Trade union situation became weak and feeling of job insecurity existed with their increased workload. On the private side, privatization brought discipline among the work force. The employees visualized opportunities for advancement and they felt that good work done by them was recognized.

Introduction

Public sector did have an important role as an “Engine of Growth” during the early phase of development when capital was scarce and enterprise was shy, but over a period of time, it lost much of its rationale because it tried to proliferate in too many areas regardless of costs and returns (Datt & Sundharam, 1995, pp.207). Privatization of public sector undertakings has emerged as an important tool of fiscal policy in India. Increasing budgetary deficits, rapid growth of government consumption expenditure and continuous loss incurring process force the government towards privatization (Jagdish Prakash & Shukla, 1994, pp.460-464). The 2000-2001 Economic survey called for total privatization of public sector.

The term ‘privatization’ connotes a wide range of ideas. In a narrow sense, privatization implies the induction of private ownership in publicly owned enterprises, but in a broader sense it connotes besides private ownership (or even without change of ownership), the induction of private management and control in the enterprises (Datt & Sundaram, 1995, pp.196). Privatization became an important to fiscal policy in developing countries especially in India. Government of India and some of the state government have stated privatization of public sectors units keeping in view in the economic goals. Their criticisms that privatization is taking place at a substantial social and economic cost to the nation. Critics often claim that the government is handing over state owned enterprise to private sector owners at throw away prices in the name of privatization because it results in large-scale retrenchment and displacement of labour the workers in the organization feel that privatization leads to job insecurity and reduction in various benefits

The study

In this background, an attempt is made to examine the views of employees of privatized company on the impact of privatization on the human resource management practices. The study was conducted in a privatized company. The organization selected for this study was a state public sector that was privatized in 1996. The new management identified brand image, technology absorption, technical skills and loyalty of the workers as the strengths of the unit and lack of financial and commercial controls, laxity in administrative and managerial controls and weak marketing setup as weakness. It took actions to discontinue certain undesirable work practices, reviewed operations, strengthened the market setup and started paying salaries on seventh day of every month.

The management prepared a manpower inventory with regularization of daily wage workers redeployment of manpower there were 3276 employees in the company after privatization. Out of them 250 employees were taken as sample to find out the impact of privatization on human resource management practices. Care was taken to include proportionately workers, supervisors and executives. A schedule was prepared and administered among the sampled employees and the data were collected about their perception on human resource management practices.

Results and analysis

The average age of the sampled employees was 45 years and their average years with 19 years of experience in the present organization. Interesting the, 60.10 percent of the despondence prepared privatization. According to them privatization is necessary to increase production, to produce customer oriented products at competitive prices, to diversify the company business, to reduce political interference and to maintain a healthy environment in the organization. However they also mentioned some specific problems faced by them because of privatization. They include transfer of employees to far away cities, forcible voluntary retirement, wage freeze and minimization of funds for welfare activities. They further felt that there was a status gulf now between the employees and the higher ups.

Some items relating to human resource management issue were included in the schedule to find out the employee opinions on the impact of privatization. The results are as follows:

1. Autonomy

It is a common belief that privatization reduces autonomy to plan and perform the task assigned. The autonomy required to perform the jobs might not be provided after privatization. The data revealed that more than half of the respondents felt that there was no impact of privatization on the autonomy they enjoyed with public ownership. About twelve percent felt that they were given more autonomy in planning and performing their jobs after privatization. The remaining 39.50 per cent perceived that the privatization reduced autonomy in their jobs.

2. Job Security

The top most concern of employees working in a privatized company is job security. The major reason for opposing privatization is fear of losing jobs. This is confirmed in the study because 55.40 per cent were neutral. This means that there is no impact of privatization on job security. The remaining 4.60 per cent perceived that their jobs were more secure now. The reason behind this was that they believed that as long as they perform well as expected by the management and their effective performance in the present job makes their job secure.

3. Change in the job

A common belief among the rank and file is that, when compared to public sector, private sector employment is challenging. Regarding the issue about every alternative respondent 53.50 per cent of the study was neutral. They perceived that there is no change in terms of challenge in their jobs. However, 41.40 per cent of change in terms of challenge that privatization resulted in providing the jobs that are challenging the remainder 5.10 per cent was negative on them.

4. Recognition

Recognition for the good work done is a motivating factor for the employees. This helps employee to fulfill their esteem needs. The study found that there was a recognition for the good work done for a simple majority 56.60 per cent of employees. In the case of 23.20 per cent, there was no impact of privatization on this item where as another 20.20 per cent were negative.

5. Workload

Workload is viewed as a major concern for employees. It is believed that privatization increases the workload. The study confirmed this as a great majority (81.80 Percent) of the employee respondents felt that their workload was increased after privatization. The reason behind this is that the casual employment system was abolished and the workload of casuals was entrusted to regular employees. The executive were also given specific targets with tight deadlines.

6. Skill requirements

So far as skill requirements are considered about two thirds of the employee respondents expressed that there was no impact of privatization on the skills required to perform their jobs. However 28.20 percent of them felt that the additional skills are needed to meet the job demands that are their added to perform after privatization.

Sl.No.	Items	Positive	Neutral	Negative
1	Autonomy in the job	12.20	47.90	39.50
2	Job security	04.60	40.00	55.40
3	Challenge in the job	41.40	53.50	05.10
4	Recognition for the good work done	56.60	23.20	20.20
5	Work load	81.80	15.80	02.40
6	Skill requirement	28.20	70.20	01.60
7	Generation of employment	49.90	25.50	24.40
8	Opportunities for Advancement	59.60	32.30	08.10
9	Need for skill up gradation	32.10	69.00	00.90
10	Salaries	05.60	88.00	06.40
11	Performance based benefits	09.50	85.40	05.10
12	Welfare	01.70	58.40	39.90
13	Grievances handling	20.00	20.00	60.00
14	Discipline Management	82.10	17.10	01.00
15	Trade union situation	04.80	15.60	79.60
16	Union management relation	48.00	04.50	47.50
17	Overall Industrial Relations Climate	20.10	54.50	25.40

7. Generation of employment

The general belief among employees is that privatization adversely affects future employment opportunities. Surprisingly, nearly half of their respondents 49.90 percent asserted that privatization creates job opportunities for people. The remaining 25.50 percent were neutral in this regard.

8. Opportunities for advancement

Coming to the impact of privatization an opportunities for advancement, a majority 59.60 percent of the employee respondents, especially executives viewed that privatization increase opportunities for advancement. Nearly one fourth of them felt no impact of privatization on this item where as their, 32.30 percent were negative.

9. Salaries on performance based benefits

As far as salaries are concerned, employees viewed that privatization had no impact on this item. The reason might be the fact that wage freeze was accepted in the process of privatization. However, half of the executive respondents were expecting increase in their monetary benefits. With regard to performance based benefits, the respondents expressed the similar opinion.

10. Welfare

On this item, a simple majority 58.40 per cent of the respondents viewed there was no impact of privatization. 39.90 per cent felt that the welfare facilities were rather low. This might be because of privatization agreement, which included withdrawal of some of the welfare facilities provided to the employees when the company was in public sector.

11. Industrial Relations

Privatization influences industrial relations prevailing in the organizations. This study found that the number of grievances of the employees after privatization was low and the handling of the grievances, according to a majority 54.50 per cent of the respondents was very effective. With respect to incidents of misconducts committed by the employees in the work place in the situation remained the same even after privatization. But the management of discipline became very effective. As perceived by a single largest group 48 per cent of employees, union management relations were improved after privatization. However about half of the respondents viewed the overall industrial relations climate remained the same even after privatization.

Conclusion

Based on the analysis presented in the preceding paragraphs, it can be concluded that the respondents of the study perceived that privatization did not make any difference on issues like salaries performance based benefits, skill requirements, welfare and autonomy in the job. However they felt trade union situation was weak, a feeling of job insecurity existed among them and they felt privatization increased their work load. Interestingly, the sampled respondents asserted that privatization brought discipline among the work force. They also visualized opportunities for advancement and they started feeling that good work done by them was recognized. Finally it can be stated that whatever might be problems, employees perceive or face during the process of privatization, those who were retained in the organizations after the privatization adjusted with the changing environment and made an attempt to integrate their goals with the organizational goals.

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