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Does Privatization Improve Job Satisfaction? The Case of Ghana

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Summary. — This paper analyzes the impacts of privatization in Ghana on the basis of a survey of 300 workers in privatized and state-owned enterprises. The findings indicate a significant positive relationship between privatization and job satisfaction. Whereas monthly wage is an important determinant of job satisfaction in state-owned enterprises, education and the availability of training opportunities are strong determinants in privatized enterprises. The study also shows that there exists a variety of instruments to implement a privatization program smoothly.

Key words — privatization, job satisfaction, employment model, state-owned enterprise, Ghana

1. INTRODUCTION

A macro-economic policy that has drawn much attention in the past decade is privatization, that is, governments divesting enterprises they previously owned. Privatization is aimed at loosening the ties that bind enterprises to the apparatus of government. Jones (1985), for instance, writes that privatization includes everything from mixed public–private hybrids to anything that makes public entities behave more like private ones, such as the introduction of incentive systems commonly applied in privately owned enterprises (POEs).

Since it has become a widespread phenomenon in developed and developing countries as well as countries in transition, assessment studies of impacts of privatization have been accumulating, especially at the macro-economic level. For overviews, see among others Galal, Jones, Pankaj, and Vogelsang (1996) and Kikeri and Nellis (2004). However, an important aspect that has been much neglected is how employees fare once enterprises have been privatized (Megginson & Netter, 2001).

Lack of insight into its impacts may seriously hamper privatization programs and economic reform in general. Kikeri (1998) argues that a major cause of the delay in the privatization of large-scale enterprises, especially in developing countries, is the uncertainty of the impacts on labor. Policymakers may decide to postpone privatization when they anticipate that it may cause major job losses or losses of income and benefits to affected employees On the basis of similar expectations, state-owned enterprise (SOE) employees and organized labor are often strongly opposed to privatization, frequently threatening or taking action to block or delay privatization. Therefore, critics of privatization argue that labor force restructuring is a key concern and that governments should implement better retrenchment programs if privatization programs are to run smoothly (Chong & López-de-Silanes, 2002).

There is evidence for the above concerns. Since there often are too many employees in

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state-owned enterprises (SOEs), privatization usually involves lay-offs in a bid to improve efficiency. Campbell-White and Bhatia (1996), for example, report initial excess employment in several SOEs in African countries. Shaikh (1997), La Porta and López-de-Silanes (1997) and Tansel (1996) all report massive lay-offs of employees as a result of privatization in Argentina, Mexico, and Turkey.

This present paper intends to contribute to research and policy on privatization by presenting evidence on job satisfaction in Ghana. Controlling for firm characteristics and personal characteristics, we examine effects of privatization on job satisfaction, particularly of the job attributes: training opportunities, work safety, and job security. For several reasons, Ghana is suited for a case study of assessing the impacts of privatization on job satisfaction in sub-Saharan Africa and as an illustration of the problems encountered in the special setting of a fragile political system in a developing country (Appiah-Kubi, 2001). For instance, it was one of the first countries in sub-Saharan Africa to undertake the World Bank's prescribed structural adjustment program of which privatization was a sub-component and to start democratic reforms in its political system. Furthermore, there are strong reservations about benefits of privatization as expressed by the general public and some non-government organization and various policymakers (IMAS, 1999), which pose a threat to new privatization programs.

Ghana launched its privatization program in the late 1980s after decades of economic mismanagement and bad policies, which had led to a steady deterioration of the economy, with the situation reaching a crisis point in the early 1980s. The large government deficits during the 1970s were induced in part by the need to support an inefficient para-statal sector and to provide public sector employment. SOEs, particularly the industrial ones, were plagued by scarce managerial resources, over-staffing, heavy dependence on imports, outmoded and ill-maintained equipment, and, in some cases, low (controlled) prices of goods and services.

The Ghanaian privatization program is aimed at reversing years of deteriorating SOEs. The initiative to privatize an enterprise is the sole responsibility of the government through its Divestiture Implementation Committee (DIC). In exceptional circumstances, the contracts between an SOE and its employees are terminated in the process of privatization. Termination permits investors to start with a clean slate and, most importantly, to select their own levels of staffing and employment conditions (Asiedu & Folmer, submitted for publication). Privatization, therefore, influences employment conditions in enterprises.

It is possible that privatized enterprises, because of the competitive environment they operate in, attempt to cut costs leading to a worsening of employment conditions. However, firms may also attempt to increase the productivity of employees by reforming working conditions, such as the introduction of new technology to reduce drudgery of work, and by improving work safety, job security, and training opportunities to raise the skills of employees and their job satisfaction (Kambhampati & Howell, 1998).

There is a growing literature on job satisfaction, its measurement, its determinants and public policy for developed economies (see, e.g., Bartel, 1981; Clark, 1996; Clark & Oswald, 1996; Green & Tsitsianis, 2005; Hamermesh, 2001; Sloane & Williams, 1994). In a recent book edited by Polacheck (2001), 15 papers examine various aspects of employee well-being and discuss new research methods. Shields and Ward (2001) investigate the determinants of job satisfaction for nurses in the United Kingdom and establish their importance in determining their intentions to quit the National Health Services. Other studies, for instance, Sousa-Poza and Sousa-Poza (2000a, 2000b) analyze well-being at the work place, while Pergamit and Veum (1999) examine whether promotion is a strong correlate for job satisfaction.

For the developing world, Ravallion and Lokshin (1999) and Graham and Pettinato (1999, 2000, 2002) provide some evidence on subjective well-being. Particularly, Graham and Pettinato (2000) examine the determinants of subjective well-being for Russia and Peru, especially the role of relative rather than absolute income. The literature on job satisfaction in Africa, however, is still very scarce indeed. This applies in particular to the link between privatization, changes in working conditions, and job satisfaction. An exception is Mulinge and Mueller (1998) who examine how work conditions of agriculture technicians in Kenya affect their job satisfaction. They conclude that intrinsic and extrinsic rewards such as participation in decision making by employees, employee autonomy, perks and fringe benefits, promotional prospects, and job security contribute to satisfaction.