

The Social Impact of Privatization in Ethiopia

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Table Contents

No	Title	Page
Chapter one		
1	Introduction	1
1.1	problem statement	4
1.2	objectives of the study	6
1.3	Significance of study	7
1.4	Scope of the study	7
1.5	Structure of the study	7
Chapter two		
2.	Theory/ concepts and literature	8
2.1	Introduction	8
2.2	Definition of the state owned enterprises	8
2.3	The rise and expansion of the public enterprises	8
2.4	Objectives of public enterprises	9
2.5	The rise of public enterprises in Ethiopia	10

2.6	The failure of public enterprises	12
2.7	Definition of privatization	14
2.8	Issues and problems	16
2.9	Motives for privatization	19
2.10	The conditions for privatization	22
2.11	Modes of privatization	27
2.12	Privatization and its impacts	30
 Chapter three		
3.	Methodology	40
3.1	Research paradigm	40
3.2	Sources of data	45
3.3	Analysis method	46
3.4	Instruments	46
3.5	Validation Verification	47
3.6	Limitations	47
 Chapter four		
4.	Results and Discussion	
4.1	Introduction	48
4.2	The establishment of Privatization and Public Enterprises Agency	48

4.3	The Ethiopian privatization process	51
4.4	Improvement in policies and guidelines	56
4.5	Awareness creation and preparation	58
4.6	The impacts or privatization regarding retrenchment	61
4.7	The impact in price change	78
4.8	The impact or implication in income of employees	81
4.9	The change in working condition	82
4.10	The impact in respect of basic rights of employees	83
4.11	The impact in relationship between management and employees and union leaders	84
4.12	The impact in obtaining benefits	87
CHAPTER FIVE		
5.	Summary, Conclusions and Recommendations	90
5.1	Summary	90
5.2	Conclusions	92
5.3	Recommendations	93
	Reference	97

List of Tables

No	Title	Page
1	Privatization status from 1995 to 2009	4
2	Performance of privatization up to April 2010	52
3	The number of employees who have got information	60
4	The different ways workers obtained information	61
5	Employees' expectations of changes that negative implications	63
6	Different kinds of changes expected by workers	64
7	Estimation of number of retrenched employees	64
8	Estimation of number of employees retrenched by early retirement	65
9	Estimation of number of employees demoted or transferred unfairly	65
10	Number of employees before and after privatization	66
11	Number of employees retrenched from Textile industry	74
12	The no. of retrenched and retained employees in two textile enterprises	74
13	Number of total employees and retrenched in 5 observed enterprises	79
14	The increase in price of privatized enterprises products	81

15	The price of products at time of transfer and on 31/08/2010	81
16	The performance data of selected enterprises	82
17	Gross monthly salary of employees at transfer and on 31/08/2010	84
18	The observation of negative changes in working conditions	85
19	Forms of violations of basic rights	86
20	The degree of relationship change	88
21	The different ways employees obtained benefits	91
22	Monthly salary of at transfer time and on 31/08/2010	91

List of Figures

No.	Title	page
1.	The organizational structure of Privatization and public Enterprises and Supervisory Agency	51

Abbreviations

Abbreviation	Definitions
CETU	Confederation of Ethiopian Trade Union
GOE	Government of Ethiopia
IMF	International Monetary Fund
J.V.	Joint venture
MEB	Management Employee Buy out
MOFED	Ministry of Finance and Economic Development
PPESA	Privatization and Public Enterprises Supervisory Agency
SOE	State owned enterprises
U.K	United Kingdom
UNCTAD	United Nations Conference on Trade and Development

Abstract

This paper examines the social impact of privatization in Ethiopia. The paper explains the survey result concerning the major social implications or impact issues such as retrenchment or lay – offs, changes in price of product or services, product output, income of employees in privatized companies. The paper also examines the changes in working conditions and the relationship between the management and employees and the management and the labor union. Data are collected from 6 privatized enterprises and other governmental agencies and Confederation of Ethiopian Trade Unions and industry federations. As for study purpose, mixed (qualitative and quantitative) method was used. 120 employees of the privatized enterprises were randomly selected but 108 employees responded to questionnaires. The study revealed that the number of employees retrenched from the privatized enterprises was significant. But satisfactory work has not been done to help and support the retrenched employees to be re-employed or start their own mini-businesses under safety net schemes. The study also revealed that there were significant changes in product, output, quality and income of employees. There was an increase in product output and quality in enterprises which have taken improvement actions in technological, organizational structure and input supplies. The increase in income was also seen in enterprises which have taken fast improvement action. A decrease in income of employees was observed in enterprises which have not taken improvement actions. The relationship between management and employees and labor union was in bad conditions in most of privatized enterprises.

Key words: State owned enterprise, social impact, privatization, retrenchment, lay-off.