

EMPLOYEE ATTITUDE TOWARDS THE PRIVATIZATION OF KUWAIT'S GOVERNMENT DEPARTMENTS AND STATE OWNED ENTERPRISES

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ABSTRACT

There is little empirical evidence about how employees feel about privatizing state owned enterprises (SOEs) and such evidence provides insight on the impact privatization might have on employees. This study therefore aims at exploring the attitudes amongst Kuwait employees regarding the impact privatization might have on the employment system and recommends measures to minimise the impact so that the programme may readily be acceptable to civil servants. A mixed methodology was used to survey 500 and interview 15 people and in particular, descriptive and discriminant analysis demonstrated an effective categorization of Kuwait employees into those that were in support and those that were against the privatization programme. The research findings showed that although privatization of state owned enterprises was perceived to bring about improved service delivery, respondents' attitudes towards privatization was overwhelmingly negative. Respondents' attitudes were largely influenced by their concerns on the perceived changes in the employment system, in particular job security, and the impact of privatization on the localisation of the industry, commonly referred to as Kuwaitization (i.e. replacing foreign workers with Kuwaiti employees). Finally, we offer practitioners and researchers an analytical framework for assessing employees' attitudes towards privatization of state owned enterprises and the study suggests strategies that might be suitable for dealing with employees' concerns.

INTRODUCTION

Privatization has been perceived by various researchers to be a means of reducing the role of the government from direct provision of services and encourage private sector participation and competition (Ficici, 2001; Sheshinski and López-Calva, 2003). Much of the mainstream writing on privatization has been concerned with the effects of regulation and pricing regimes on the utilities by their respective governments and although an interest in efficiency and effectiveness has been central to this approach, little detailed attention has been given to public employees and their attitudes towards privatization, which may lie behind any developments in efficiency and improvements in service delivery. A study of public employees' attitudes broadens the scope of investigation of privatization.

Fluctuating oil prices and government determination to discourage overdependence on oil revenues accelerated the programme of privatization in Kuwait. Accordingly, the government of Kuwait intends to sell some of the public sector entities still under its control. However, a major concern in the process is the effect privatization might have on employees and the employment system.

This study aims at exploring the attitudes amongst Kuwait employees regarding the impact privatization might have on employment and recommends measures to minimise such impact so that the programme may readily be accepted by civil servants. It is therefore imperative to explore the attitudes of employees in order to identify the factors that shape those attitudes.

LITERATURE OVERVIEW

Privatization is a socio-economic and political philosophy adopted by several developed countries, particularly by UK under the Conservative government of Margaret Thatcher in the early 1980s. Lately, developing countries have slowly been privatizing government owned entities under pressure from institutions such as the World Bank and the International Monetary Fund (IMF) (Eurodad, 2006). In spite of such pressures, various governments are still heavily involved in the provision of public services such as health, water, electricity, education, etc. as is the case in Kuwait. However, service provision is poor for the most part largely because of lack of accountability and responsibility typically found in an over-staffed establishment. In the majority of cases, such public services are not delivered efficiently and cost effectively and are a large burden to the taxpayers. In the case of Kuwait, employees do not pay as you earn tax (PAYE) and the government is awash with money from oil revenues and has been able to provide such services, albeit inefficiently (Al-Hamoud, 1996). However, the need to improve efficiency, amongst other things has prompted the government of Kuwait to consider privatization.

With regard to the political dimension, Kuwait declared privatization as a new government policy (HPC, 1992) with the view to enhance Kuwait control of government bureaucracy and strategic establishments. To that end, the government has sold some of its shares in some shareholding companies such as MTC telephone company, banks and other companies listed on the stock exchange (Fasano and Iqbal, 2003). The Government also privatised the Adan hospital, petrol stations, etc., in an effort to improve service delivery.

Privatization initiatives have not come without much opposition. There has been strong opposition from workers' unions such as the Kuwait Trade Union Federation (KTUF) (Arab Times, 4th May 2006). There is also serious debate in the Kuwait National Assembly on whether the government should go ahead with privatization or not and which state owned enterprise (SOE) should be privatized, considering the perceived impact on consumers and employees alike (Arab Times, 28th October 2006).

Observers fear that post privatized firms streamline their operations and in the process reduce the labour force in order to improve efficiencies. This might be the case of Kuwait in view of the overstaffing in the public sector (Al-Enezi, 2002). Fearing unemployment and the loss of benefits, public workers and unions are often amongst the most vocal and organized opponents of privatization, taking actions to delay or block the reform programmes (Cam, 1999), even when privatization might be beneficial to the society. In spite of the importance of this concern, labour issues in privatization have attracted limited attention and there is paucity of research on employees' attitudes toward privatization. This is despite the fact that the reforms of industrial relations, the need to cutback on government expenditure and to make improvements in service delivery were amongst some of the major reasons for privatization in most countries

(Pendleton, 1997). The impact of privatization on employment needs to be addressed in order to curtail the concerns of governments and workers alike.

In its simplistic meaning, privatization is defined in this paper as an act of conversion of previously public owned assets, activities or service delivery to private ownership and management, with little government involvement except in setting up standards and regulatory mechanism to protect the interests and safety of the public as well as creating a conducive environment to improve efficiency and effectiveness. Our definition emphasises greater reliance on market systems and mechanisms but at the same time protecting the vulnerable groups such as employees from becoming worse off than prior to privatization. This is important in an environment such as Kuwait where privatization might not necessarily be in the interest of public employees in view of the secured jobs offering and high pecuniary rewards to Kuwaitis (El-Enezi, 2002).

It is argued that privatization of SOEs is amongst the best ways to reduce the inefficiencies of service delivery and bureaucracy associated with most government departments in Kuwait, especially when these companies must compete within the global economy (for instance, the telecommunication, airline, and oil and gas industries) (Ingraham,1997). A change of ownership, therefore, should lead to initiatives to improve efficiency (such as reform of working practices) and to reduce labour costs. This is particularly important in the case of Kuwait where 92% of employed Kuwaiti nationals are currently employed in the public sector (M.O.P., 2006) and there is serious overstaffing. In view of limited expansion of the public sector, the government strategically resorted to the *Kuwaitization* concept, i.e. hiring Kuwaiti nationals in the private sector to replace foreigners, since the government employs the majority of the Kuwaitis (Al-Enezi, 2002).

The motives for privatization have been reported in a number of studies and a critical review of the extant literature on the rationale given by different governments that have privatised includes the following:

- a. Realization of revenues (Vickers and Yarrow, 1988; Ramanadham, 1994),
- b. Efficiency and effectiveness improvement (Miller and Simmons, 1998; Shirley and Walsh, 2001; Al-Obaidan, 2002; Sheshinski and López-Calva, 2003),
- c. Reducing budgetary deficits/ tax burden reduction (Shirley and Walsh, 2001),
- d. Cost savings /competition (Savas, 1987; Adams, 2002),
- e. Empowerment (Bell, 1995; Adams, 2002),
- f. Encouraging greater domestic as well as foreign direct investments (Megginson and Sutter, 2006), and
- g. Pressure from international financial institutions such as the IMF and the World Bank (Eurodad, 2006)

Privatization may take a variety of forms including load shedding, contracting-out, franchises, deregulation, joint ventures, partial or total selling of a public enterprise to the private sector, whether to domestic or international investors, and various forms of build, operate and transfer (BOT) schemes (Al-Quaryoty, 1989). In the case of Kuwait, the government seems to have favoured BOT schemes, which has seen the construction

of various projects. Large capital projects being considered include the development of Failaka and Bubiyan islands, an urban transit system, a new seaport and Sulaibiya sewage treatment plant, shopping malls, etc. (GSPD, 2005). However, the key question that needs to be answered is whether these BOT projects cannot be undertaken wholly by the private sector without transferring back to the government at the end of the concessionary period, if the land issue is appropriately addressed. The issue of land ownership and how it impacts privatization progress in Kuwait requires further investigation. In spite of these initiatives, it can generally be stated that privatization in Kuwait is still in its infancy stages.

Privatization is not just an economic project and political philosophy and for it to be successful, human factors require central considerations (Fernandez and Smith, 2006). It is important to win the hearts and minds of employees since their attitudes will determine whether privatization will succeed or not.

This study considers attitudes to be a learned predispositions to respond in a consistently favourable or unfavourable manner with respect to a given object, situation or person (Buchanan and Huczynski, 1997; Gibson *et al.*, 1997; Nicholson and Stepina, 1998; Rokeach, 1973). With the knowledge and understanding of employees' attitudes, privatization planners can configure ways to alleviate the fears that employees might have and formulate appropriate strategies.

The employment system in Kuwait is a two-tier system for foreigners and the indigenous people (El-Enezi, 2002; BPA, 2005), with most top management positions held by Kuwaitis in both the private and government sectors. The government has an obligation towards securing jobs for its citizens as enshrined in the Sector Employment Law No. 16 of 1960 that was designed to ensure that every suitably qualified Kuwaiti citizen has the right to a job in the public service (Al-Enezi, 2002; Jones, 2005). The net impact of this law is that there is excessive over staffing in most government departments. Utilities such as electricity, water and telecommunications engage a large number of Kuwaiti citizens, many of whom may be said to be underutilised (SIFL, 1992). It can therefore be posited that employment levels will fall after privatization as firms attempt to cut labour costs and secure efficiency gains.

Privatization will shake out surplus and inefficient labour and we would therefore expect to witness negative employment effects around the time of privatization. A shake out effect would be necessary in order to remove excessive redundancies and derive efficiency gains unless the government intervenes to protect employees. It can therefore be hypothesised that:

H1: Employees in low-level positions (or with less education) will be more likely to expect or experience the threatening effects of privatization on their jobs and as a result will have a negative attitude towards privatization.

According to the BPA(2005), there exists separate Kuwaiti labour laws for work conditions in the public and private sectors and the law ensures higher wages for Kuwaiti employees while foreign workers, particularly unskilled labourers, receive substantially lower wages, with cleaners working in the private sector earning as low as a net KD 35 per month. The law number 38/1964 does not make provision for minimum wages for the private sector. In the public sector, the current (2007) effective minimum

wage is KD 226 (US \$741) per month for Kuwaiti bachelor degree holders and KD 301 (US \$987) per month for married Kuwaitis-compared to KD 90 (US \$295) for non-Kuwaitis. Therefore, at the low levels, civil servants in Kuwait earn higher wages than their counterparts in the private sector and in addition they receive very generous pensions (Al-Enezi, 2002).

It is believed that salaries and wages are viewed by many Kuwaitis working in the government sector not so much as compensation for their labour input but rather as a way of sharing the country's wealth and maintaining high standards of living. In SOEs, favouritism or preferential treatment is often a common phenomenon, and promotions are based usually on seniority and years of experience (Cunningham, *et al.*, 1993; 1994; Whiteoak *et al.*, 2005). However, with privatization, recruitment and promotion are based on qualifications and the skills an employee can bring to a company (Geldstein, 1997), something that many public employees in Kuwait may not want. Furthermore, pay systems in the private sector reflect performance and pay bands are used in place of seniority based incremental systems (Davidson, 1990).

The criteria for dismissing an employee differ from that of the public sector and in Kuwait, an employer cannot easily dismiss a national employee. Subject to a "no-layoffs" agreement, employees of privatized SOEs can be dismissed at management's discretion (Dereli and Isik, 1993). In addition, most private companies in Kuwait work a two-shift rota, in the morning and late afternoon, due to hot weather conditions. This is in sharp contrast to the government sector that works only a single shift. The issue of gender also comes into play here because Kuwaiti females prefer to work in less demanding and more secure work environments. Therefore, the second set of hypotheses revolves around pay, wages, working conditions and work pressures associated with privatization. It can, therefore, be hypothesised that:

H2: Employees will have a negative attitude towards privatization as it is perceived to lead to lower levels of average wages and increased work pressure compared with the private sector.

There is a gap in literature concerning the potential effects of ethnicity (otherwise referred to as 'nationality') on worker's attitude towards privatization. Expatriate workers outnumber the Kuwaiti nationals in the work force (M.O.P., 2006), causing large imbalances in the composition of the Kuwaiti-expatriate labour. The implication of overwhelming dependence on expatriates raised concerns amongst the government especially after the first Gulf War in 1991 when several expatriates, previously occupying many positions, were forced to leave the country (Al-Enezi, 2002). Subsequently, the government adopted a '*Kuwaitization*' programme with the main objective of systematically replacing foreign employees with the indigenous people and getting placement of more Kuwaitis in the private sector (H.P.C, 1992).

To support this policy and encourage more Kuwaitis to join the private sector, the government created a special budget called "Complementary Fund Budget" (CFB) to provide funds for government departments and private sector, encouraging them to accept new Kuwaiti applicants. However, many Kuwaitis are fearful of the *Kuwaitisation* project largely because they have been used to government cushioning and such protection might not be forthcoming in a privatized environment. For example, the labour laws are not flexible to hire and fire Kuwaitis, especially those working in the

government sector, but it is feared by many employees that this might change under privatization. It appears therefore that differences in nationality may have discriminating role in informing the positive or negative attitudes of employees in Kuwait towards privatization. It can therefore be hypothesised that:

H3: Employees' attitudes towards privatization will be negative largely because of fear of the consequences of the Kuwaitisation policy.

From the above, it can be summarised that concerns about job security, work load, salary, progression (recruitment and promotion) and *Kuwaitization* may influence the attitude of workers toward privatization negatively.

The importance of the opinions of employees stems from the fact that they are going to be responsible for undertaking much of the work in a privatised environment. Therefore, ensuring that employees hold favourable attitudes towards privatization is essential to the success of any privatization programme. Furthermore, a good strategy that wins labour support for privatization and creates a social safety net for laid off workers might be necessary for a successful implementation of privatization (Cam, 1999).

METHODOLOGY

Both quantitative and qualitative approaches were used to collect data. It was important to reach out to as many respondents as possible, which could only be achieved through surveys. Qualitative methods were used to get a feel and appreciate the level of understanding and reaction of both private and public sector employees towards privatization in Kuwait. It was also used to describe observed patterns and to enrich interpretation of quantitative results.

SURVEYS

A four-page survey questionnaire was distributed and the data was collected between October 2006 and January 2007. The questionnaire was designed to measure the extent to which job security; working conditions; progression and *Kuwaitization* affect employees' attitudes towards privatization. A Likert-style rating scale was used in the questionnaire. The respondents were asked how strongly they agreed or disagreed with a series of statements on a five-point rating scale. The validity of the content was determined by submitting a draft copy to six participants, randomly selected from Arabic and non-Arabic speaking, government and private sector employees, seeking their advice on the clarity of the questions and their relevance.

The target population were Kuwaiti and non-Kuwaiti employees working in both private and government sectors. Another target group was the retirees, potential workers to be, i.e. the unemployed, young graduates and undergraduates.

A total of 178 questionnaires out of 500 questionnaires sent out were returned thereby giving a response rate of 35.6% of the distributed questionnaires. The non-respondents did not significantly differ in size of jurisdiction or any other baseline characteristics.

INTERVIEWS

There were 15 voluntary face-to-face interview sessions, each lasting an average of 40 minutes. Ten Kuwaitis and 5 non-Kuwaitis from the public and private sectors were interviewed. The flexibility of interviews allowed collection of in-depth data and the responses enhanced the fixed-ended responses with qualitative depth as well as giving interviewees the opportunity to expound on issues not directly addressed in the fixed-ended questions.

FINDINGS AND ANALYSIS

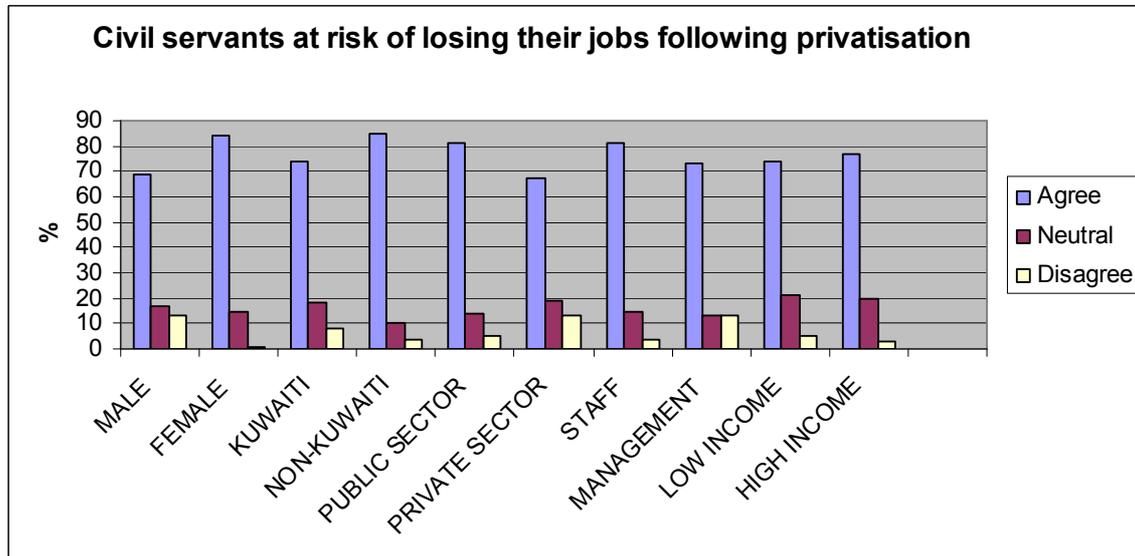
Multivariate discriminant analysis (MDA) was applied to determine which variables best discriminate between those who supported and those who did not support privatization. Internal consistency reliability coefficient (Cronbach's alpha) for the total 30-item scale was 0.71. The Cronbach alpha formula is sensitive not only to homogeneity of item content, but also to the number of items in the scale. According to Nunnally (1967) the acceptable level of coefficient alpha when a standard test is desired is a minimum of 0.7 and at least 0.6 is desirable during the development stage of a test and therefore the reliability level was acceptable.

More Kuwaitis were involved in the study despite the fact that the majority of the Kuwait work force is expatriates. The non-Kuwaitis were less enthusiastic on the subject matter and not forthcoming with answering the questionnaire due to fear of being victimised by management or for some other individual reasons, unlike their Kuwaiti counterparts. The Kuwaiti employees were willing to discuss the issue of privatization because it will necessarily impact them. The majority of them (92%) work in government or public enterprises (M.O.P., 2006). Furthermore, the perceived threat posed by privatization on the current government programme of *Kuwaitization* might be another reason why the Kuwaiti employees contributed greatly in this study. Also, a high percentage of government employees, unlike those from the private sector, responded to the study. This could be explained by the fact that they are the ones likely to be affected by privatization.

DESCRIPTIVE ANALYSIS

IMPACT OF PRIVATIZATION ON JOB SECURITY

Figure 1: Impact of privatization on job security



84% of female and 69% of male employees rejected privatization due to its impact on job security. Most females, especially Kuwaitis, however, would like to work under less stressful environments such as the government sector and this could have informed their responses. As expected, government employees were more likely than non-government employees to evaluate privatization negatively (81% vs. 67%). There was little difference between respondents with lower incomes and those with higher incomes (74% vs. 77%). Managers were less worried compared to low-level employees (staff) about job security (73% vs. 81%). The most concerned group of employees were non-Kuwaitis (85%) compared to Kuwaitis (74%).

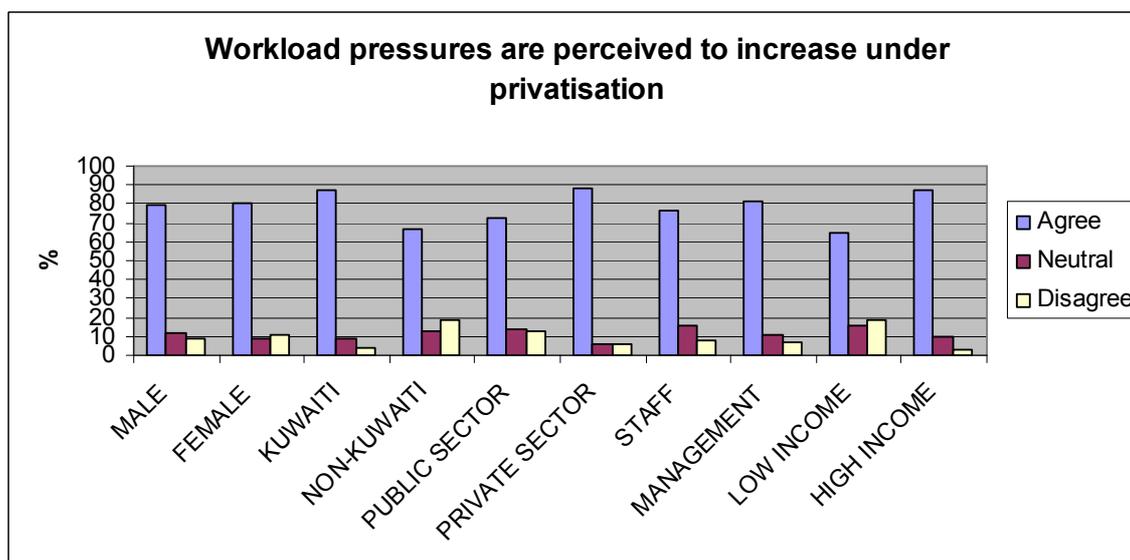
Loss of job security was seen as the greatest threat of privatization and as noted by one respondent:

“Job security, and other benefits earned from government is a good reason why Kuwaitis, either male or female, will be sensitive to the issue of privatizing SOEs. The females, however, are more sensitive compared to the male; because the pressure from their direct bosses in private companies cannot be tolerated since they are so emotionally driven”.

Overall, there was consensus among the respondents that the attitude of employees towards privatization was negative since privatization may lead to job loss and this was observed across all the categories of gender, nationality, employment type (private or government employed), income level or organizational position occupied by employees. However, the most concerned category was non-Kuwaitis, as these would be the first victims to be retrenched in the event of job rationalisation under privatization.

IMPACT OF PRIVATIZATION ON WORKLOAD

Figure 2: Impact of privatization on the workload



As shown in figure 2 above, the perceived increase in work load in the aftermaths of privatization led to negative support of privatization. 87% Kuwaitis compared to 67% of non-Kuwaitis were of the opinion that privatization would increase work load and working hours. The explanation to this could be that most Kuwaitis shun stressful work just to earn an extra income because most of them have incomes from other sources. In comparison, the non-Kuwaitis are willing to favour privatization if it will mean working extra hours for extra cash. Unlike most foreign workers, an average Kuwaiti is not poor because the government provides social support for them. Foreigners essentially come to Kuwait to work and are ready to do extra hard labour for extra income.

As noted by a Kuwaiti senior manager:

“Kuwaitis are socially driven and their commitments outside prevent them from spending more time working. So they will resist any system of employment that will demand more of their time in terms of workload and working hours”.

More of the management level employees (81%) and high income employees (87%) were observed to be of strong opinion that privatization will have negative impact on workload compared to the staff (76%) and the low income employees (65%). It could be that the later groups of people are already used to working hard and were therefore not concerned as their counterparts in top managerial positions.

Another senior Kuwaiti manager opined:

“Highly paid employees are older in age and their relationships outside and family commitments are important when compared with low income younger employees”.

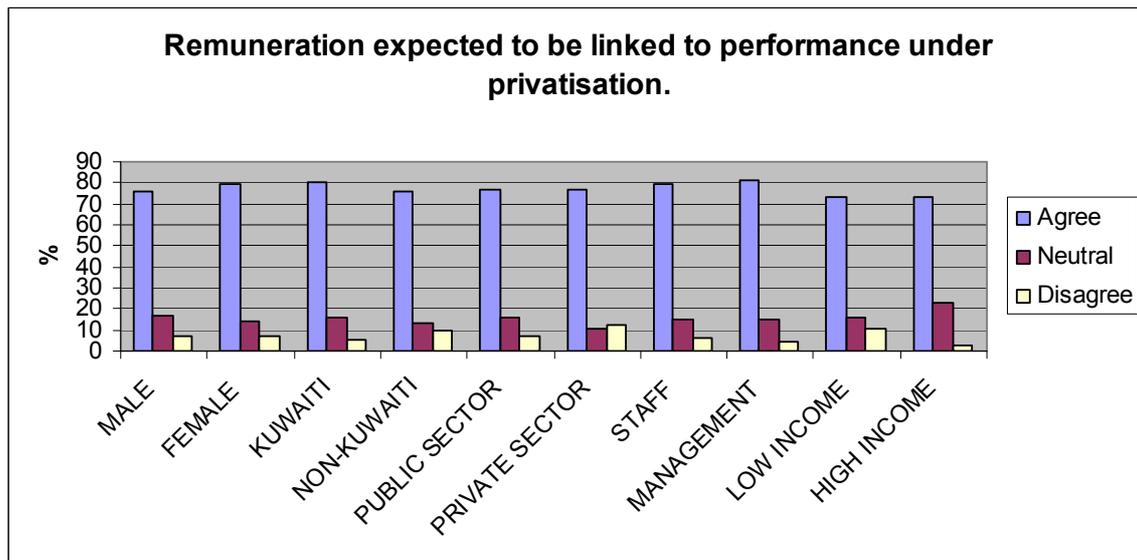
More private employees compared to their public sector counterparts (88%, 73% respectively), were of the opinion that privatization will have an impact on the workload. The main reason was explained by a senior manager from the private sector as follows:

“The people working in the private sector have experienced the effect of the increase in work load and how it is killing their social life. It’s the culture (societal factors) that is behind this feeling and being human, we like to have space for social activities (A general Kuwaitis’ perception). Moreover, they are already working hard, so any tilt in equilibrium amount to enslavement, hence the resistance”.

Privatized SOEs’ employees are likely to come under pressure to work harder and to achieve higher standards. Overall, perceived changes in working conditions (working hours and work load) were likely to result in negative attitude of employees towards privatization.

IMPACT OF PRIVATIZATION ON RENUMERATION

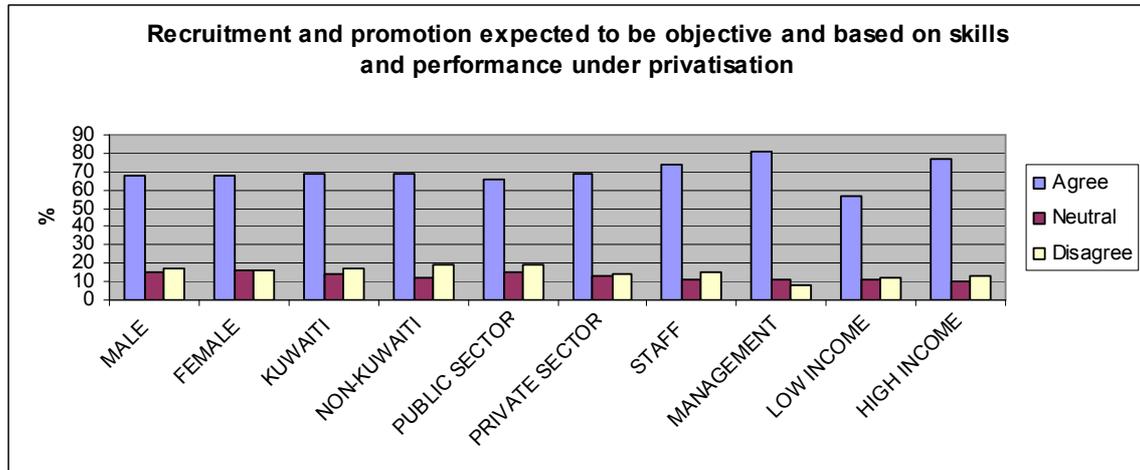
Figure 3: Impact of privatization on salaries



There was little difference between male and female (76 % vs. 79%) respondents. The opinions of public and private sector respondents were the same (77%) and so were those of low income and high income respondents (73%). Similarly, there were little differences between managers and the rest of the employees (81% vs. 79%) as they were both of the opinion that privatization will have a negative impact on salaries. It should be noted that the above concern was more noticed amongst Kuwaiti respondents (80% vs. 76%). This is because the government has a better salary package for its employees and pays higher than the private sector and on time, especially for people in low-level positions.

IMPACT OF PRIVATIZATION ON RECRUITMENT AND PROMOTION

Figure 4: Impact of privatization on recruitment and promotion



Both male and female respondents agreed that recruitment and promotion will be based on merit and not nepotism and favouritism (68% apiece). Similarly, both Kuwaitis and non Kuwaitis had similar views (69%). In addition, both government employees (66%) and private sector employees (69%) agreed that privatization impacted recruitment and promotion in manners that hinder their support.

This effect was much stronger with senior management (81%), which is mainly Kuwaitis, compared to other employees (74%). As such, fear of displacement by more qualified, highly skilled employees may be pronounced, since privatization introduces objective employment criteria based on qualifications and skills rather than nepotism and favouritism.

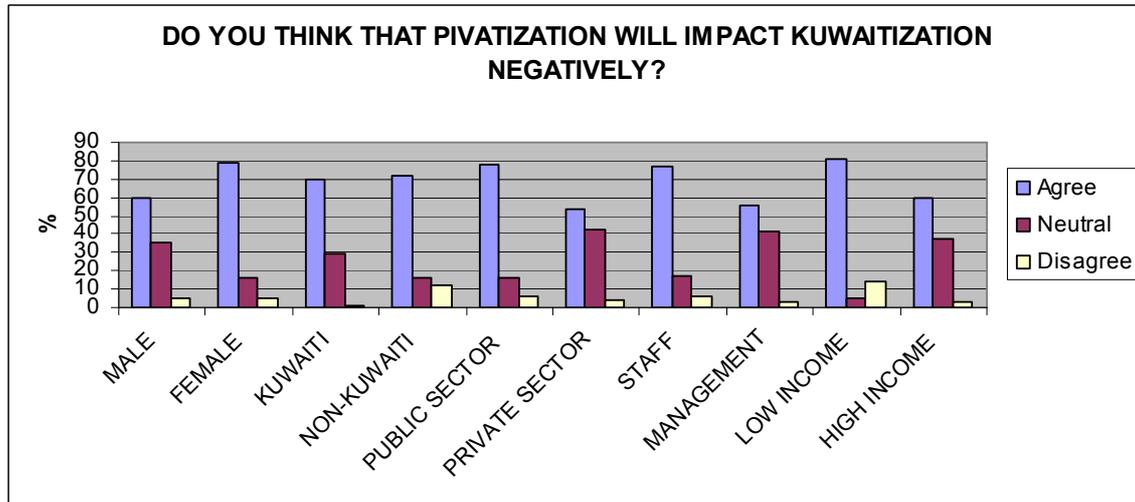
One senior manager confirmed this view and noted that:

“When a company transforms totally to private, the employment system will be operated as per the major shareholders' ideas in hiring and firing. Here in Kuwait, sometimes the issue of hiring may be strictly based on objectivity and qualification and in many other cases it will depend on how close you are to owner(s) (WASTA). This uncertainty is a major concern to both Kuwaitis and non-Kuwaitis alike.”

Perceived changes in recruitment and promotion criteria resulted in negative attitude of employees towards privatization mainly because of the strong social networks and connections used to gain promotions or to get appointed in the first place.

IMPACT OF PRIVATIZATION ON KUWAITIZATION

Figure 5: Impact of privatization on *Kuwaitisation*



More females were of the view that privatization will impact the *Kuwaitization* programme negatively compared to their male counterparts (79%, 60%, respectively). There was no difference on how Kuwaitis and non Kuwaitis responded to this issue. Both strongly agreed that privatization will have a negative impact on *Kuwaitization* (71%, 70%), respectively. There was a marked difference of opinions between staff and management (77% vs. 56%) and between low income and high income respondents (81% vs. 60%). Similarly, more government employees (78%) were of the view that privatization will impact *Kuwaitisation* negatively compared to private sector employees (54%).

As one senior staff stated:

“I foresee the impact of privatization to be devastating on the current *Kuwaitization* programme since privatization operates with objective recruitment and promotion criteria based on performance and skill which is contrary to the system of employment under *Kuwaitization* scheme. Under the *Kuwaitization* programme the only objective of the government is to get jobs for the citizens, replacing non Kuwaitis with Kuwaitis. This is a right thinking. This is because capitalism does not go along with indigenisation. They are parallel lines, which cannot meet.”

More people were of the opinion that privatization in Kuwait will have a negative impact on *Kuwaitization*. This was observed across the study categories that is, gender, nationality, employment type, income level or organizational position occupied by the employee.

REASONS FOR PRIVATIZATION

Respondents indicated efficiency and effectiveness of service as the major factors why the Kuwait government was opting for privatization of state owned enterprises. Tax burden did not impact much, possibly because Kuwait is a small oil rich Muslim country that does not tax individual incomes.

MULTIVARIATE DISCRIMINANT ANALYSIS

Multivariate Discriminant Analysis (MDA) was applied to the variables with factor loading equivalent to > 0.5 using step wise analysis procedure where the dominant or dependent variable was the question: “Whether an employee supports privatization of Kuwait SOEs or not”. The response to this question was in two modes: affirmative (Yes) or negative (No). The independent variables were job security, work load, salary, progression and *Kuwaitization*.

In profiling the two groups of employees that accept and those that reject privatization, we first identified the variables with the largest differences in group means. Wilks’ lambda (Table 4.4) was used to assess the significance between means of the independent variables for the two groups. The tests indicated that two perception variables were the only variables with significant univariate differences between the two groups.

Table 1: Wilks' Lambda

Step	Number of Variables	Lambda	df1	df2	df3	Exact F			
						Statistic	df1	Df2	Sig.
1	1	.608	1	1	165	106.219	1	165.000	.000
2	2	.584	2	1	165	58.530	2	164.000	.000

The variables are identified in table 2 as *Kuwaitization* and job security using stepwise estimation.

Table 2: Variables entered / removed

Step	Entered	Min. D Squared					
		Statistic	Between Groups	Exact F			
				Statistic	df1	Df2	Sig.
1	KUWAITIZATION	2.725	Yes and No	106.219	1	165.00 0	.000
2	TJOBSEC	3.021	Yes and No	58.530	2	164.00 0	.009

Under the stepwise step, the minimum Mahalanobis D^2 values were used to select variables for entry in the stepwise process. At each step, the variable that maximized the Mahalanobis distance between the two closest groups was entered. As demonstrated in Table 3, the process began with all the values excluded from the model and then selected the variable that:

1. Showed statistically significant differences across the groups (0.05 or less required for entry).
2. *Provided the largest Mahalanobis distance (D^2) between the groups.*

This process continued to include in the discriminant function variables providing statistically significant additional discrimination between the groups. In cases where two or more variables had been entered, the variables already in the model were evaluated for possible removal.

Table 3: Step wise analysis

Step		Tolerance	Min. Tolerance	F to Enter	Sig. of F to Enter	Min. D Squared	Between Groups
0	TEMSYS	1.000	1.000	2.804	.096	.072	Yes and No
	TJOBSEC	1.000	1.000	.704	.403	.018	Yes and No
	TWKLOAD	1.000	1.000	1.600	.208	.041	Yes and No
	TSAWAGE	1.000	1.000	.398	.529	.010	Yes and No
	Kuwaitization	1.000	1.000	106.219	.000	2.725	Yes and No
1	TEMSYS	.991	.991	.278	.598	2.737	Yes and No
	TJOBSEC	.943	.943	6.987	.009	3.021	Yes and No
	TWKLOAD	.990	.990	3.244	.074	2.862	Yes and No
	TSAWAGE	.993	.993	.038	.845	2.726	Yes and No
2	TEMSYS	.972	.925	.026	.872	3.022	Yes and No
	TWKLOAD	.781	.744	.415	.520	3.040	Yes and No
	TSAWAGE	.987	.933	.153	.696	3.028	Yes and No

a Minimum partial F to enter is 3.84. b Maximum partial F to remove is 2.71.

Table 3 shows (in step 0) that *Kuwaitization* had the most significant differences between groups, the highest F value and the largest Mahalanobis D^2 . Thus, *Kuwaitization* entered as the first variable in the stepwise procedure. Evaluating the remaining variables (Step 1) on the basis of their incremental discriminating ability, TJOBSEC (job security) had the second most significant differences between groups. However, at step 2, TEMSYS (Progression i.e. recruitment and promotion), TWKLOAD (Work load) and TSAWAGE (Salary and wages) were not statistically significant (levels greater than 0.05) and were, therefore, eliminated from the model.

From the statistical analysis, we concluded the following:

1. *Kuwaitization* and job security were the main concerns that influenced the attitude of workers toward privatization negatively. *Kuwaitization* was the most important concern that best discriminated between employees that accepted privatization and those that rejected it.
2. Other employment system variables such as recruitment and promotion, work load, and salary and wages were not major concerns affecting employees' perceptions of privatization.

OVERALL MODEL FIT - SUMMARY OF CANONICAL DISCRIMINANT FUNCTIONS

The discriminating function displayed a canonical correlation of 0.645 (Table 4).

Table 4: Eigenvalues

Function	Eigenvalue	% of Variance	Cumulative %	Canonical Correlation
1	.714(a)	100.0	100.0	.645

a First 1 canonical discriminant functions were used in the analysis.

We interpreted the correlation by squaring it (Hair *et al*, 2006), that is $(.645)^2 = 0.416$. It means that 41.60% of the variance in the dependent variable (acceptance or rejection of privatization among Kuwait employees) can be explained by the model, which included only two independent variables (*Kuwaitization* and job security). An alternative explanation is the Wilks' Lambda of 0.584 (See Table 5) which means that the function accounted for 41.60% (1-0.584) of the variance in employee attitude toward privatization. The eigenvalue (.714) indicated that the function had high discriminating power. With a Chi-square value of 88.347 (Table 5) and an associated p-value of less than 1 percent ($p < 0.005$), the model demonstrated an overall level of discriminatory power that is unlikely to be by chance.

Table 5: Chi-square

Test of Function(s)	Wilks' Lambda	Chi-square	Df	Sig.
1	.584	88.347	2	.000

We next assessed the predictive accuracy of the discriminant function (Table 6).

Table 6: Canonical discriminant function coefficients

	Function
	1
TJOBSEC (Job security)	-.110
KUWAITIZATION	.959
(Constant)	-1.557

Unstandardized coefficients

$$L = b_1x_1 + b_2x_2 + \dots + b_nx_n + c,$$

Attitude towards privatization = - 0 .110 (Issue of Job security) + 0.959 (Issue of Kuwaitization) - 1.557

The model developed could be used to gauge the level of employee support as the programme progresses. Based on people's responses primarily on job security and *Kuwaitisation*, their attitudes can be computed and compared with the critical cutting score. If the discriminant score is greater than the critical cutting score, it would mean that the concern for privatization is high and that particular employee is likely to oppose privatization and the converse is true.

ANALYSIS OF DATA

PRIVATIZATION AND JOB SECURITY

The concern that privatization could lead to job loss was strong. It was statistically significant in discriminating between support and rejection of privatization among employees. Though issues of recruitment and promotion, workload, salaries and wages were possible concerns, their discriminating power was poor. Job security and *Kuwaitization* were the two discriminant variables that were modelled. The insight may be particularly useful in forging successful strategy in promoting the programme of privatization.

Most females expressing this concern were Kuwaitis and would naturally prefer more secure working environments such as the government sector. Non-Kuwaitis were typically on short-term contracts and could easily be terminated. They, therefore, feared that for any lay off due to privatization, expatriates will be the first casualties. On the other hand, Kuwaiti workers resent private sector jobs due to lack of security in the public sector. On the other hand, private sector employers also resent hiring Kuwaitis due to: productivity concerns, demand of high salaries, less obedience.

In addition, due to competence constraints, the displaced employees from top positions in the public sector are not guaranteed that similar positions await them in the private sector. The average Kuwaiti would not want to do menial jobs that a non-Kuwaiti is prepared to do. So the fear of not securing top jobs in the privatised firm is a cause for concern for them. Furthermore, there is extensive overstaffing in the various government departments to the extent that a substantial number of employees would not be needed for efficient operation under privatization.

PRIVATIZATION AND KUWAITIZATION

The substantive findings indicated that privatization in Kuwait will have a negative impact on *Kuwaitization*. This impact was statistically significant in affecting employees' support for privatization negatively. It was the most important variable discriminating between those employees that accepted privatization and those that rejected it. Privatization policy makers in Kuwait need to be particularly aware of this concern, since it is strong among Kuwaitis, whose support is essential to any meaningful success of the privatization programme.

The long history of Kuwait dependence on foreign workers is no longer viewed by the government to be in the interest of the country and its citizens. In particular, since the 1990 Iraqi invasion and subsequent liberation of Kuwait, there has been an increase in the spirit of nationalism. Accordingly, the government seeks to empower its citizens through the concept of *Kuwaitization*, which is simply a systematic process of replacing non-Kuwaiti employees by Kuwaiti employees. Under the programme, private companies are compelled by law to have 2% of their staff as Kuwaitis.

A uniqueness of the Kuwait working environment is that the public sector pays higher salaries than the private sector, especially among the Kuwaitis. To encourage Kuwaitis to join the private sector, the government, as part of the *Kuwaitization* package, has had to pay a certain percentage of the monthly salary of the Kuwaitis that are employed under this scheme. Therefore, privatization means more *Kuwaitization* allowance burden on the government. The concern is that the government might be forced to review the subsidy and thereby leave the Kuwaiti employees poorer. Government subsidy is viewed to be inconsistent with privatization.

Another important concern is the risk that privatization opens strategic positions to private individuals, mostly foreigners, who may not necessarily have the interest of the country at heart. The experience of the Iraq invasion is too fresh to forget. Therefore, the nationalist instinct is to resist a programme that can dilute the strategic control of the fortunes of Kuwait. This is what *Kuwaitization* seeks to promote.

This finding is a useful contribution to literature since there is no study known to us that has addressed the impact of privatization on *Kuwaitization*. The ability of this impact to discriminate between acceptance and rejection of privatization among employees is particularly insightful. The findings support the notion that in countries where the nationalist instinct is high, privatization might be resisted.

PRACTICAL IMPLICATIONS OF THE STUDY

The study respondents were against privatization of state-owned enterprises. Therefore, to increase the success of such a policy or at least to minimize any negative effects and gain the support of employees in the implementation process, the government may consider the following:

1. Encourage a remuneration package in the private sector that matches or surpasses the public sector in order to make the private sector more attractive.
2. Implement a “no- lay off” agreement with the privatized firms for a reasonable period of time to allay the fear of job losses.
3. Train and equip those who might lose their jobs due to privatization for re-employment into some other public jobs or in the private sector (Abdalla and Al-Homoud, 1995).
4. Develop a system of pension and provident fund to absorb some social costs associated with the privatization initiative.
5. Encourage and empower individual Kuwaitis to own shares in privatised firms in place of the current government cash subsidy. Such a strategy will also help to dilute family holdings of private businesses in Kuwait by ensuring wider spread of business ownership in the Kuwait private sector. With the private sector ownership in Kuwaiti hands, the threat of preference of expatriate workers is mitigated.

CONCLUSIONS

Although privatization brings with it some benefits for the economy, it is also important to note its impact on employees, as stakeholders. The concerns of these employees are not to be neglected if a successful and smooth privatization is to be implemented. The conclusions to be drawn from the research findings indicate that the respondents perceived a negative change in the employment system due to privatization. In particular, discriminant analysis revealed Kuwaitization and job security as the most important variables that informed the nature of employee support for privatization.

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