

## A Review of the Effect of Privatization Legislation on the Workforce Job Security

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**ABSTRACT:** The designation of the ownership of property from the public sector to the private sector is one of the policies of developed and developing countries, including Iran. In fact, any transfer of activities from the public sector to the private sector lies with the issue of privatization law. The government that is trying to enforce the privatization law should examine the effects of the privatization law as well as the impacts of the ownership change, identifying the obstacles and constraints in order to set about minimizing the effects of designations. Hence it would be possible after the handover; a situation arose, testifying to a weakened job security or no job security. Or on the contrary, it brings about better conditions in some ways. The results of the present study show that the job security situation in Iran is not appropriate in light of the privatization law. This issue will bear more significance in the short term, and it could be noted that a successful privatization depends on meeting the interests of all parties, employers, employees, and the general public. Thus, the lack of match conditions and labor matters in the public sector compared to the private sector is a very significant issue in terms of the workforce job security conditions in light of the privatization laws. Accordingly, to clarify the status of the workforce job security in the light of the privatization legislation; this paper first explores the issues of privatization laws, job security and labor in the public and private sectors, and then addresses the impact of privatization legislation on these issues.

**Keywords:** job security, privatization, workforce, public sector, private sector

### INTRODUCTION

The importance of employment and reflection on its dimensions and status has always been a topic of interest to researchers. In addition to the importance of job status, it should be noted that in organizational life, job security includes the issues, engaging the staff's mind, and a portion of the organization's emotional and intellectual energy is spent on this matter. Given the evidence we described, the question is what is the impact of privatization on employment and job security? Would the privatization law undermine the workforce job security? Do the privatization laws lead to an adjustment and reduction of the workforce? How should the privatization laws follow to adequately protect the interests of all parties concerned, employees, employers and the general public? Answering these questions is the subject of our research.

**The Privatization Concept:** Privatization is the process by which the efficiency of the market mechanism will be revived, and it becomes a benchmark against which to judge the performance of the government and public sector's economic activity. This process can lead to blockage of the ownership or management of some state-owned economic units, transferring it to the market mechanism [1]. The meaning of the word privatization lies on a spectrum, taking the aim of applying methods and implementing policies to increase the role of free market forces in the national economy through various arrangements [2, 3]. Privatization is an administrative, financial and legal process maintained by governments in many countries in order to reform the economic and administrative system of the country [4]. To proceed with the privatization best, some measures are to be taken simultaneously: Strengthening private property rights, corporate restructuring, liberalization and deregulation, regulatory reform, financial reform (especially of capital markets) and the labor market reform, as well as encouragement and guidance in the development of the private sector in order to stimulate the competition and producers to enter the market along with the handover of public enterprises to the private sector [5].

**Job Security Concept:** By job security, we mean the employee empowerment, and not becoming official and ensuring the rights and benefits. According to industrial and organizational psychologists, job security is one of the causes of job satisfaction [6]. Job insecurity could cause a variety of psychological and social damages, including holding several jobs and increased false jobs, increased percentage of errors in the assigned tasks, increased stress and the fatigue caused by, growth of administrative violations, etc. [7]. Therefore, it could be noted that the category of "job security" is perceived as a red line of the labor rights and the labor law, and should not be protested. And if we think of creating jobs and increasing investment, we should lay the foundations for achieving the subject through reforming inappropriate structures and wrong policies, as well as providing logical and reasonable solutions, not by sacrificing an important principle (job security), forming the concerns of a broad spectrum of society [8].

Characteristics of the labor market of governmental enterprises: Too many employees or the workforce inflation: Governments throughout the world have employed a large number of workers. In fact, many of these firms were established as a means of creating jobs and political support. The creation of surplus labor could have different reasons, including Immunity from competition, no incentive to raise labor productivity, lack of hard budget constraints, Security of tenure posts, excessive recruitment, and the inefficiency of most individuals in the public sector [9]. It should be noted that excessive recruitment in the public sector to reduce unemployment in line with fulfilling the legal responsibilities and duties of the government to create jobs cannot be treated as a definitive solution to the community unemployment predicament, as this subject will gradually lead to the workforce inflation. It is inevitable that this would result in getting the government stuck in another predicament in order to prevent a social predicament called unemployment. While, today, increased work and production along with creating employment opportunities, and increasing the capacity of firms is considered to be a better solution to eliminate unemployment in the community [10].

**Generous salaries and benefits:** many state-owned enterprises, due to lack of hard budget constraints, usually compensate for the service of their employees well. In some countries, wages have declined due to financial pressures. But in other countries, government-owned enterprises holding government subsidies still pay low-skill workers higher than their counterparts in the private sector. In the public sector, the individuals' efficiency and effectiveness are not generally paid special attention to, and individuals are merely paid according to the number of years of experience and the education level. These factors led to low-skill workers with a high level of education and work experience to get paid higher wages and more generous salaries, than their counterparts in the private sector [11].

### **Characteristics of the labor market of private enterprises**

**The workforce congruent with the enterprise's needs:** One of the things that the private sector is prudent to maintain is the optimal use of the workforce. Private sector compared to the public sector is confronted with more risks and limitations. Budgetary constraints and the likelihood of a firm going bankrupt and shut down makes the private sector to be always cautious about matters that could cause these risks. And the workforce congruent with the needs include one of the cautions. For the private sector to survive in the competitive environment, the maximum amount of return on their staff is required. The private sector is not usually considered itself to be the trustee for employment, but employs the human resources consistent with the real need of production. Thus, they do not set about recruiting people beyond their actual needs; hence an issue called surplus labor is seen less in private companies [12]. In contrast, if privatization is an important component of an overall reform program, it will lead to more growth and general development of jobs. Then the workers previously unemployed or in low-paying jobs can restart work or be appointed to positions with higher wages [13].

**Deliberative Rights and Benefits:** Privatization can transform the re-allocated financial returns. If the new private ownership is more efficient than the government, the efficiency of existing capital or profit increases. In the private sector, generous payments and benefits as it generally exists in the public sector is not regarded as relevant. Indeed, there exists no interest in this type of payment among the owners and managers in the private sector, and on the other hand, they usually do not have access to subsidies and government support [14]. To participate in a competitive market, the private sector requires high labor efficiency and productivity. To this end, it will pay the rights and benefits congruent with productivity. However, the skills, abilities and therefore the efficiency and effectiveness of the individuals in the organization's play the essential role in paying the rights and benefits unlike the public sector, which the wages are mostly influenced by the workers' education and experiences, which are usually carried out in accordance with the laws [15].

**The impact of privatization on the workforce:** The effect of privatization on the workforce depends on the situation in both public and private sectors. The better the condition of the workforce in the public sector compared to the private sector, the more the adverse effect of privatization on the workforce. Conversely, the desirable situation of the workforce in the private sector compared to the public sector brings about the desirable impact of the privatization on it. The impacts of privatization on the workforce will be described below: 1. Impact on the number of employees and reduced labor: the extent and the high volume of the workforce for various reasons in the public sector compared to the private sector usually paves the way for the employees' loss when passing through the privatization filter. The advocates of privatization contend that the poor performance of state enterprises requires a period of reform. Therefore, it is natural that after privatization, the investors and managers of privatized firms dismiss a number of employees in order to improve the structure. Thus, privatization, either directly or indirectly, will affect the workforce in terms of the number of employees or reduced labor. Because job cuts take place not only after the privatization process by the new private investors to raise productivity, but also by the government before the process to put the enterprises up for sale [16].

2. Impact on the nature of labor recruitment: privatization will affect the nature of employment through transformation from the public to the private. By the privatization process carried out, the employees will be excluded from the association of their employer, namely the government, and their status transforms into the staff affiliated with the private employer. It is natural that in such a case, employees will be no longer subject to the regulations of various public sector employment and they will be attributed to labor and social security laws. The private sector managers in order to avoid the risk of long-term commitment to having a permanent workforce have a high tendency to employ staff on a temporary basis [17].

**3. Impact on the wage and salary of the workforce:** wage and salary is one of the determining factors of job security and is among the organizational factors. Many people due to the low salary may voluntarily quit their jobs in order to and find a new career [18]. Thus, feeling a sense of satisfaction towards wage and salary creates a sense of job security in individuals. The impact of privatization on the labor wage and salary depends on the difference in salary levels in both public and private sectors. This effect may be either positive (increased salary), negative (salary reduction) or is neutral. Sometimes privatization may not virtually affect the workforce by the same token, but there exists a substitution relationship between its diverse effects, as losses usually increase staff workload accompanied by reductions in working hours and facilities. But, instead, it brings about increases in salary and welfare benefits for employees [19].

### DISCUSSION

Based on what was described, it turned out that the staffing changes in privatized firms are affected by many factors such as general economic climate of the country, the volume of production, the level of technology, and so on. Paying attention to these differences in the privatization process can reduce its negative impacts on the workforce. National strategies for the privatization as well as the overall goals expected from the process are perceived as one of the effective factors in the quality and the rate of access to the outcomes of privatization. Consequently, countries entering the process with the objective of increasing the competitiveness of the economy, empowering firms, structural transformation, and downsizing the government have been usually successful in this field. And staff working in the private sector has suffered the least damage. But countries that embarked on privatization as a result of factors such as the government deficit, the cost of the public businesses, and generally with the aim of profiting from the privatization process have experienced a variety of crises caused by the privatization of enterprises, including closures, bankruptcies and a sharp reduction in the staffing, overall.

Taken together, it can be noted that the effect of privatization on the employees' job security status is undesirable. Privatization would lead to complete loss or decline of job security. That is why employees of state-owned enterprises are often among the severest and most organized opponents of privatization, taking action to delay or prevent the reforms. Such a negative impact is more in effect in the short term, as all changes are made immediately after the privatization, than the privatized firm reaches its new phase of stabilization; consolidation of changes. But in the long run it is hoped that the privatized enterprise will achieve higher profitability, paving the way for more investment and higher demand as well as increasing the capacity of the economy and job creation, resulting in increased employment. This thing can both increase the safety of the remaining employees in the privatized firms and revive the job security of the employees lost their jobs due to privatization by means of re-recruiting.

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