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THE IMPACT OF PRIVATIZATION AND ECONOMIC RESTRUCTURING ON EMPLOYMENT RELATIONS: THE TUNISIAN EXPERIENCE

By

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ABSTRACT

THE IMPACT OF PRIVATIZATION AND ECONOMIC RESTRUCTURING
ON EMPLOYMENT RELATIONS:
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In this study, the author examines the impact of public policy changes in ownership and control of State-Owned-Enterprises (SOEs) during the first privatization phase on employment relations at the firm level in Tunisia.

I have used the technique of Paired t-test statistics for pre and post intervention effect for the following four continuous employment relations variables: employment size, labor cost, financial loss of the firm and the occurrence of strikes. Comparing the means for before and after the adoption of the Structural Adjustment Plan (SAP) measures deemed to be a useful tool of analysis to assess whether the comparison of the means is statistically significant at a priori alpha level. A mean as a sample statistic is computed. Then, a null hypothesis of no difference between the sample mean and the hypothesized population is tested. The data points are yearly observations from 1983 to 1993. The adoption of privatization started in 1986 at the strategic public policy level.

The main hypotheses are as follow: Employment levels would be impacted by privatization measures. In other words, privatization leads to employment reduction. Strikes as measured by the number of days lost would increase because of privatization as union(s) and labor voice their opposition to changes in ownership and control. Finally, Labor Cost would be alleviated and Financial Losses of the privatized firms will be controlled.

A statistical significance has been found on all variables but the labor cost one. The employment evidence in this study suggests that alternative solutions to loss of jobs could be fostered once all employment relations' parties are fully involved in the implementation procedure of privatization. Lower labor costs have not been achieved if one looks at the instantaneous effect of privatization and that is mainly due to the adoption of severance payments and other alternative measures to layoffs to the dislocated workers. A study of the possible delayed effect of the intervention would probably lead to different outcomes. Lastly, controlling the financial and budgetary drain of the ill-operating SOEs has been achieved.

This study shows the importance of examining the delayed effect of an intervention on employment relations' variables. Until more recent and complete privatization data becomes avaialble, it is extremely difficult to make any additional inferences as to what is the likelihood of a positive or a negative impact of an intervention as important as privatization of public services in its various forms on industrial relations.

Results of this research may assist researchers in the interdisciplinary field in resolving the debate between privatization opponents and proponents. Future research may focus on the new emerging trends of employment relations like the decentralization of collective bargaining and more employee participation at the strategic firm level. A more active approach for labor and their union(s) through employee involvement programs might also shed some light on the extent to which the changing role of unions as political institutions, workers and government intervene and act in the field of employment relations and gain the competitive and comparative advantage.

DEDICATION

To my wife Liza A. Armedilla, to our first daughter Amira Scheherazade Belhedi to my parents Sadok Belhedi and Chadlia Bchira Bouzidi, to my sisters Sonia and Hanane, to my brothers Adel, Tarek and Boulbaba and to my new Armedilla family: Ms. Aurora and Mr. Andres, Tony, Alvin and Antero.

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ABBREVIATIONS

AMA:	American Management Association
ASEAN:	The Association of Southeast Asian Nations
CAREPP:	Commission d' Assainissement et de Restructuration des Enterprises a Participation Publique
CLC:	Committee of Layoff Control (Commission de Licenciement Collectif)
DGEP:	Direction Generale des Enterprises Publiques
DGIT:	Direction Generale de l'Inspection du Travail
EDP:	Economic Development Plan
EMBO:	Employee-buy-out
ER:	Economic Restructuring
ESOPs:	Employee Stock Ownership Plans
FDI:	Foreign Direct Investment
GATT:	General Agreements on Tariffs and Trade
GDP:	Gross Domestic Product
GNP:	Gross National Product
IBRD:	International Bank for Restructuring and Development
ILO:	International Labor Organization
IMF:	International Monetary Fund
IRHR:	Industrial Relations and Human Resources
KGPR:	Kanawaty, Gerry, Prokopenko, and Rodgers
KKM:	Kochan, Katz and McKersie
LBO:	Leveraged-buy-outs
LSOC:	Large Scale Organizational Change
MAGHREB:	The Western region of North Africa
MBOs:	Management-by-Objectives
NAFTA:	North American Free Trade Agreement
NGO:	Non Government Organizations
OD/OT:	Organizational Development / Organizational Change
PE:	Public Enterprises
PSR:	Public Sector Reform
RIF:	Reduction in Force
SA:	Structural Adjustment
SAP:	Structural Adjustment Plan
SOEs:	State-Owned-Enterprises
TD:	Tunisian Dinar
TLC:	Tunisian Labor Code
TMD:	Tunisian Million Dinar
UNDP:	United Nations Development Program
WBG:	The World Bank Group

CHAPTER ONE

INTRODUCTION AND OVERVIEW

Introduction

This chapter provides an introduction and an overview of the entire dissertation. The introduction addresses the following concerns: (a) the importance to study the impact of economic restructuring on employment relationship in a developing economy, (b) the research strategy, (c) the key assumptions and limitations of this research, (d) contributions of the study to research and practice, and (e) an outline of the entire dissertation chapters.

Research Background

The international movement towards privatization has been intensified in the late 1970s and early 1980s just as the movement to Etatisme was international after the World War II. Privatization, or the total or partial transfer of ownership and/or control from public to private hands, has consequences for employment relations that are important and not yet well understood. Examining the employment relations' impact of changes in ownership structure and control of former State-Owned-Enterprises (SOEs) in Tunisia represents the core focus of this study. Privatization as a macroeconomic strategic public policy instrument has various forms. It is often considered as a liberalization measure that takes the form of either the total or partial direct or indirect sale of the company's asset to private investors both domestic and/or foreign. Privatization represents a new challenge and creates pressures for publicly owned enterprises.

Data from case studies of Tunisian publicly owned enterprises were collected for the period from 1983-1993. This period represented the first stage of the privatization program known as Structural Adjustment Program (SAP) that was initiated by the influential international financial institutions: the International Monetary Fund (IMF) and the World Bank Group. As of December 1993, forty-four SOEs have seen one form or another of economic restructuring and privatization where at least ownership and/or control structure has changed.

Privatization, or the total or partial transfer of ownership and/or control from public to private hands, has consequences for employment relations that are important and not yet well understood. Examining the employment relations' impact of changes in ownership structure and control of former State-Owned-Enterprises (SOEs) in Tunisia represents the core focus of this dissertation. Privatization as a macroeconomic strategic public policy instrument has various forms. It is often considered as a liberalization measure that takes the form of either the total or partial direct or indirect sale of the company's asset to private investors both domestic and/or foreign. Privatization represents a new challenge and creates pressures for publicly-owned enterprises.

The promotion of privatization as an economic development program strategy has immense consequences not only to the national economy but also to the industrial relations actors namely the employers and the workers as well. The revival of this public policy instrument known as privatization of publicly owned firms has two main explanations. According to a joint study of the Tripartite Symposium on

Privatization[1], the first explanation is ideological in nature. It originated from the perceived return of conservative governments, particularly with the election of the Prime Minister Margaret Thatcher in the United Kingdom and the election of Ronald Reagan in the United States. These state leaders were strong advocates of "less government" participation in the economic activities of a nation. Further, they reinforced the free enterprise concept that praises the advocacy of the private sector investment and involvement in the economy.

The second explanation behind the resurgence of privatization as a policy instrument in the economic development programs is economic in nature. It simply emanates from the notion that privately-owned enterprises are more efficient and generate more profit than their publicly-owned counterparts. Thus, publicly-owned-enterprises have widely been recognized and characterized as operating at a financial loss and at an accumulated deficit, low productivity, strong dependence on government subsidies either in the form of credits or loans, and misallocation of resources (Ramanadham, 1989).

It is important to assess the basic assumptions about employment relationship that often guide firm-level strategic decisions. Often, workers and their unions are seen as part of the problem and not part of the solution when firms are faced with major challenges (Sleigh, 1993; Voos, 1989). Part of the reasoning behind such an assumption is the short-term mindset that drives some managers and policy makers. These enterprise stakeholders often focus on the immediate results and thus, on

[1] The collected papers of the ASEAN Tripartite Symposium on Privatization –Its Impact on Labour Relations, Chiang Mai, Thailand, 17-20 February 1987, published under the auspices of the joint ILO/UNDP/ASEAN Programme of Industrial Relations for Development (see page 4).

considering labor as a cost that needs to be tightly cut for the enterprise to meet the competitive challenges rather than an asset to be fully developed (Kochan, 1996).

Unfortunately our understanding of the importance of Human Resources as an asset that could contribute to the economic growth and sustainability of the enterprise in the newly challenging environment has yet to be demonstrated by empirical studies. This research explores these two competing assumptions about employment relationship as suggested by Kochan (1996): a) either considering human resources as assets to be fully developed, or b) treating human resources as cost to be tightly controlled. I will then trace the industrial relations outcomes and implications of adopting such a policy through a longitudinal analysis of observed data points from 1983 to 1993. I will then show that privatizing public sector firms and reforming its structure and ownership are more likely to achieve its intended objectives has the behavior of the strategic parties at the firm level been well understood. In other words, as it has been shown in previous work by Cutcher-Gershenfeld (1995), change would be much easier to implement has it been planned, fostered and negotiated by the interested parties rather than forced. Thus, involving labor and management in the decision-making process of privatization helps achieve its anticipated results.

Purpose of the Study

Since the mid 1980s, Tunisia has been witnessing substantial economic restructuring that aimed at addressing the economic crisis facing the country. The move toward market-oriented economy has led to broad macroeconomic reform and redefinition of the legal framework. The Tunisian economic crisis was acute and necessitated an immediate response by policy makers to stop the drain of public sector enterprises operating at a loss and relying heavily on government subsidies. This study aims at evaluating and reviewing the strategic choices (Kochan, Katz, and McKersie, 1986) and responses of the industrial relations actors. The focus is on both the elaboration and the implementation processes of economic restructuring and privatization of Tunisian State-Owned-Enterprises (SOEs). Data from case studies of Tunisian publicly owned enterprises were collected for the period from 1983-1993. This period represented the first stage of the privatization program known as Structural Adjustment Program (SAP) that was initiated by the influential international financial institutions: the International Monetary Fund (IMF) and the World Bank Group. As of December 1993, forty four SOEs have seen one form or another of economic restructuring and privatization where at least ownership and/or control structure has changed.

Tracing the implications of these major changes under economic pressure on industrial relations represents the thesis of this research. These case studies have shown variation in the degree to which public sector reforms in Tunisia have responded to macroeconomic changes. I intend on tracing the effects of such changes on industrial relations and employment relationship.

Research Objectives

The literature on privatization focuses mainly on the pure economic efficiency and effectiveness of privatization and liberalization measures. This dissertation extends the focal point of this literature and focuses on the impact of Structural Adjustment Program (SAP) and privatization in its various forms on employment relationships. In this case, it is in the context of a developing national economy in transition that is undergoing major economic restructuring.

There are some key objectives that this dissertation intends to achieve:

(1) To review the strategic choices and responses of the main industrial relations actors – labor leaders, business executives, and government officials— to the major economic changes of ownership and control of former State-Owned-enterprises (SOEs);

(2) To address economic restructuring in its various forms as a policy phenomenon that has implications on Human Resources practices and Employment Relationships which in turn affects the economic growth of these enterprises and therefore of the entire nation;

(3) To examine the effects of large-scale macroeconomic changes at the firm level industrial relations in a context of a national developing economy;

(4) To evaluate the importance of joint-efforts of unions, businesses, and government in dealing with economic pressures and formulating strategic choices in response to the ever challenging pressure of the world economy; and

(5) To trace the implications for workers and their unions, businesses and managers, and public policy makers and government officials as well as for future research.

Employment terms and conditions in the Tunisian public sector have long been characterized by employment security and employment guarantees. These provisions have been considered by some scholars (Sherer, 1991) as rigidities that may have major cost implications and also may make labor virtually a fixed cost of operating an enterprise. Whether these provisions impact the economic performance of the firm remains to be seen.

This study engages in tracing the developments in the field of industrial relations and employment conditions in Tunisia. Although these changes were due to the changes in the external environment and market conditions, internal firm-level characteristics have also led to this forced change. The variations across the case studies are utmost importance especially when all firms faced the same external environmental pressures in terms of increased international competition and the implementation of SAP. Labor costs represent the corner stone of whether an enterprise has been successful in reaching capital flexibility. Factors affecting labor cost are examined. For example, changes in the labor law rules governing employment relationship might have an impact on potentially providing flexibility to the enterprises in arranging their workforce and might significantly help reducing their labor costs.

The research strategy consists of three multi-method approaches:

(1) At the national level: Historical/Institutional analysis of the overall change in ownership structure and control;

(2) At the firm level: Qualitative approach of selected case studies of privatized firms with high versus low labor cost;

(6) And at the firm level: Quantitative approach based on an analysis of time series data set on all 44 privatization cases in Tunisia for the period from 1983 until 1993.

Implications for industrial relations and employment relationship are examined. It is assumed that Tunisian industrial relations is being transformed: the changes in collective bargaining structure and outcomes are not provisional, the changes in industrial relations actors' strategic choices, their respective roles and the relationship between the actors are being significantly transformed.

Contributions

This dissertation contributes to the need for a theoretical and analytical framework in the field of industrial relations that best accounts for the changes in the economic and market conditions. Finding out how these changes do affect and transform emerging patterns of industrial relations is the primary focus. Using a three multi-method approaches (historical/institutional analysis of Structural Adjustment Program (SAP) and privatization at the national level along with firm-level case study approach and a full model time series) will help accounting for the variations in the responses of the main industrial relations stakeholders to macroeconomic changes. Further, methodological and measurement issues are necessary factors that help researchers better assess the impact of changes in public policy and stakeholders' strategic choices on employment relationships. The lack of industrial relations research in this area is partially caused by the fact that privatization is relatively a new widespread phenomenon[2].

This dissertation serves as an exploratory attempt to address research questions by assessing the intended and unintended consequences of macroeconomic pressures on employment relationship and industrial relations at the firm-level. Based on firm-level data of 44 privatized SOEs in Tunisia from 1986 to 1993, this research generates propositions and tests theoretical frameworks in industrial relations and organizational change literature.

Practitioners may benefit from the results of this research. To the extent that governments in both developing and developed countries are disengaging from active participation and involvement in the economic activities, this research will add to the

[2] According to the World Bank privatization database records, in 1988 there have been only 62 privatization transactions worldwide. In 1993, they reached a record high of 2667.

debate the importance of considering human resources (HR) as assets and not as costs to be reduced and tightly controlled (Kochan, 1996).

Labor unions may learn the importance of changing their traditional roles, engage in the strategic level decision making process, enlarge the scope of bargaining, and accept the principle of allowing firm-level bargaining. It is important to see if workers would be more able to understand the new challenges they are facing due to the globalization of the world economy.

The unintended consequences of such a strategic choice would inevitably alter the very role of the workers and their unions from stakeholders to shareholders. This role change has implications on labor-management relations and dispute resolutions. Of special interest, it is substantial to check whether workers and their unions recognize the need for flexibility, as opposed to rigidities usually found in job classification and job responsibilities. Skill upgrades and continuous training would inevitably increase workers' chances for longer terms of employment.

Limitations of the Study

This initial investigation does not assume a comprehensive analysis of the possible impact of Structural Adjustment Program (SAP) and its accompanying liberalization measures on economic performance indicators. Instead, the focus here is on tracing the impact of privatization as one form of economic restructuring on industrial relations outcomes. This research, thus, intends to contribute to the understanding of the debate on macroeconomic change and its effects on labor and industrial relations in an economy in transition context. Longitudinal studies in future research might fill this void in the literature.

Thus, tracing the net effects of such a policy is hard to identify and it is correspondingly difficult to come to the conclusion on whether the preset objectives of this intervention are being met or not. This study focuses on the industrial relations outcomes as influenced by SAP intervention often neglected and rarely understood by policy makers and scholars. In addition, since the privatization of SOEs is still currently underway for the publicly owned enterprises operating in competitive environment, it is hard to assess the full impact of this process on industrial relations outcomes. Thus, this study focuses on the industrial relations outcomes for the first privatization stage only that have started in 1986 until 1993.

Outline of the Dissertation

Chapter one included the introduction and overview of the phenomenon under study. This introduction, thus far, has generally described the legitimacy and the purpose of this study, presented the underlying assumptions and research objectives and the potential contributions and limitations of this dissertation. Following is the outline of the entire dissertation.

Chapter two includes a background and an overview of the macroeconomic policy change in Tunisia. The recent economic crisis in the mid 1980s that had led to adopting the Structural Adjustment Program (SAP) initiated by the two international financial institutions, the World Bank Group and the International Monetary Fund (IMF) would be addressed. Further, the origins and growth of public sector and State-Owned-Enterprises

(SOEs) in the context of a developing economy is invoked. Discussing the drivers for change and the reasons to privatize is utmost importance for this study. An overview of the political-economic background of the structural change in the Tunisian economy helps explain the changes in the strategic choices of the main industrial relations stakeholders. This in turn will lead to assessing the degree to which globalization has forced change in industrial relations practices both at the national and firm level.

Chapter three provides a review of the relevant literature focusing on the theoretical and methodological issues of large-scale economic change in its various forms and its impact on industrial relations and employment relationship. The purpose of this discussion is to highlight the need to build on a framework of analysis in dealing with the interdependency between the macro-level changes and its impact on micro-level. A major theoretical framework of analysis in the field of industrial relations does apply to this study in terms of its focus on the strategic choices of industrial relations actors in their response(s) to environmental and market pressures. The unit of analysis is the case study approach (Yin, 1994) of privatized and restructured State-Owned-Enterprises in the context of a developing economy. Further, a paired t-test statistics for differences in means for before and after the intervention is used to trace the impact of the privatization and the adoption of SAP, on industrial relations outcomes. Finally, a discussion of Organizational Change and Organizational Development literature would be provided to address the constructs of re-engineering, scope of change (incremental versus radical), workforce reduction and downsizing, streamlining SOEs and large-scale organizationa

Chapter four discusses the method of investigation that includes the sample of firms under study, the data collection procedure, the operationalization of variables, and method of data analysis for each hypothesis. This chapter thus presents the methodology, the dependent and independent variables, and the statistical analysis. Then, a research model and a research strategy would provide the basis for data analysis and presentation of findings for chapter five.

Chapter five contains the findings and results of the data analysis for each of the hypotheses. Descriptive and inferential statistics will also be included. Inferential statistics will be used to assess whether a hypothesis is statistically significant at an a priori alpha level. Assessing employment relationship and industrial relations changes requires comparing data before and after privatization and economic restructuring measures. Additional graphical presentation of the behavior of each of the four continuous variables for each site is presented.

Chapter six summarizes the dissertation findings and traces the implications for public policy practice and research. Linking industrial relations to economic development goal and presenting human resources as an asset and not as a cost to be tightly controlled and limited represents a potential contribution of this research to the body of knowledge. Further, a discussion of plausible alternative explanations to these findings as well as issues of research generalizability would be addressed.

Implications for future research and for theory and practice will also be provided. Finally, I would probe the recent emergent changes in patterns of industrial relations due to the implementation of Structural Adjustment measures post the first stage of privatization. An update of the privatization of State-Owned-Enterprises in its second phase deemed necessary to help shedding the lights on the direction, pace and scope of change albeit in the form of an epilogue.

CHAPTER TWO

BACKGROUND

AND

HISTORICAL ANALYSIS OF ECONOMIC CHANGE

Introduction

Although it is not the intent of this study to focus on the external environmental factors per se as a unit of analysis, it is important to note its influence on the strategic choices of the industrial relations actors. Industrial relations scholars have showed the degree to which contextual factors do affect industrial relations and firm-level employment relationships. Kochan (1988) traced the origins and contextual factors that had led to considering collective bargaining as the "corner stone" of the New Deal model. Kochan stated that the era was characterized by economic and social crisis of the U.S. great depression of the 1930s where manufacturing was the growth sector and the major concern of workers and their unions was to have a voice so that they could improve their working conditions. Seeking union representation was motivated "for the purposes of negotiating over the impacts of management decisions on wages, hours, and working conditions," (1988:288.)

These contextual external factors were believed to have impacted collective bargaining and employment relationships. Pattern bargaining took wages and fringe benefits "out of the competition" (Kochan, 1988; Strauss, 1988), which in turn have reduced employers' ability to compete on the basis of controlling labor costs. In other words, the traditional collective bargaining "was well matched to the economic environment of the war and postwar periods and to the strategic needs of management and labor" (Kochan, 1988:288.) As a consequence, labor conflicts have been reduced and industrial peace has been reached.

Privatization and economic restructuring have been recently a widespread phenomenon. According to the World Bank Privatization Records, in 1988 the number of worldwide privatization transactions was 62. The same number reached a record high of 2667 transactions in 1993. Thus, as an international phenomenon, the economic and political globalization process has influenced privatization and economic restructuring. A paper published by the International Labor Organization (ILO) states that "It is the increasingly global nature of investment, production, trade and labour markets which is having as great effect on limiting the sovereign power of states as are the restructuring measures," (ILO, 1989:56).

While it is not my primary aim to examine the globalization process in this study[1], it is useful to assess its impact on industrial relations actors (labor and their union(s), Business and management, and government and their representatives) and on their respective roles in providing public services.

Economic globalization has spread market concepts and practices. Constructs such as free enterprises, market-oriented reforms, liberalization measures, economic restructuring, privatization and divestiture and the like were common in the business and academic press alike[2]. Right after the World War II, and especially in the developed economies, the state has nationalized major industries and expanded the degree of

[1] For more details on the globalization aspect of privatization see Edwards et al. (1994), Gayle et al. (1990).
[2] An article by Robert Neff in Business Week magazine (January 24, 1994: 17-18) has reviewed four different forms of capitalistic systems in the world. For more on this please refer to the works of Albert, M.

government intervention in the economic activities as a mean to generate economic growth. State involvement in the economy has been heavily criticized particularly by Margaret Thatcher in late 1970s. As a result, privatization measures have been replacing state heavy involvement in the economic activities. Besides, public sector enterprises were operating at a loss: Their revenues were falling and their operating costs have been on the rise.

A close look at the economic and political economic literature reveals that the concepts of privatization, contracting-out, subcontracting, and divestiture –to state few- have become an integral part of the new lexicon in the economic development jargon. These liberalization measures have been presented as "solution packages" for the ill-operating publicly-owned state enterprises. It is often believed that liberalization measures increase economic efficiency and enterprise effectiveness. The ILO study mentioned earlier has concluded that public services privatization policies have a tendency of "overestimating" the expected efficiency as a positive consequence of fostering competition and promoting self-regulating market forces. Thus, whether the debt-operating enterprises' embarking on these economic "solution package reforms" is successful or not remains to be seen.

Kanawati et al. (1989)'s study have traced changes at the macro-level that have led to adjustments at the micro-level and have altered the enterprise activities and structures. The authors have examined how slow economic growth, the instability of financial markets, the increasingly intense competition, the growing global interdependence, and the rising expectations of consumers and workers have prompted

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Capitalism VS. Capitalism , 1991; Calder, K. E. Strategic Capitalism, 1993; Sakakibara, E. Beyond necessary changes particularly by managers who had to rethink and remold their strategic choices so that they adapt to the macro-economic changes and challenges.

In this section, I have showed that the external climate in which economic restructuring is taking place impacts the industrial relations outcomes. Some argue though that this environment is not generally pro-free market per se. Instead and in many cases, it has been characterized by an anti-state involvement in the economic activities (ILO, 1989).

Stating the Problem:

Tunisia has witnessed an economic crisis in mid 1986 that has led the adoption of liberalization measures. The macroeconomic changes were led by both internal and external factors. The Tunisian Seventh Economic Development Plan (1987-1991) has explicitly set the stage for stopping the financial drain on the governmental budget by eliminating the transfer of subsidies to State-Owned-Enterprises (SOEs). Two main approaches to economic restructuring and privatization of former SOEs have been discussed in the literature (Kochan, 1996). The first one treats labor as a cost that needs to be fully tightened and controlled. The latter considers labor as an asset that needs to be developed. Thus, contrasting cost cutting measures versus human resource development makes or breaks organizational change initiatives. Further, it has been assumed that economic restructuring and privatization would have a negative impact on employment and on industrial relations outcomes such as the occurrence of strikes and employee voice in the strategic decision process and firm governance.

Capitalism, 1993; and Hampden-Turner, C. and Trompenaars, A. The Seven Cultures of Capitalism, 1993.

Government policy makers both in developed and developing economies have thus addressed pressing economic crisis by promoting liberalization and privatization measures. Rare were the studies that addressed the impact of economic reform, structural adjustment, and privatization on industrial relations outcomes. Most of the studies in the literature have focused on the economic effectiveness of macroeconomic changes at the enterprise level. Moreover, factors like organizational properties such as enterprise size, labor cost, capital structure of the firm and industrial relations outcomes were not yet well understood. Thus, assessing the impact of an intervention like the adhering of Structural Adjustment Program (SAP) which implies restructuring and privatizing SOEs represents the core focus of this research. In doing so, this study does not intend to assess the degree of success or failure of SAP nor does it intend to trace the full impact of such an economic change on employment relationship in the entire country. Instead, the focus of this paper is on tracing the possible intervention effect of SAP on the 44 SOEs that have been privatized. The core research questions then center on industrial relations outcomes as influenced by organizational properties.

Thus, the public sector has largely been characterized by its inefficiency, poor performance, lack of interest in the quality of its goods and services, miss-allocation of resources, lack of competent managerial skills. These factors might have contributed to causing the financial problems associated with SOE sector (Divano, 1995).

To some extent, government expenditures in Tunisia have grown enormously and the public sector has grown too large. Improving economic and financial return of SOEs where its management by the state has been characterized as inefficient. The chronic loss making SOEs have been draining government budget that have deteriorated the balance of payments and added to the external debt of the country.

SOE sector in Tunisia has been in total financial loss that exceeded 500 Tunisian Million Dinars ($1 U.S. dollar = .98 TD). The SOE sector also contributes to the external debt of the country by 47 % and it has been estimated that it is overstaffed by 25 %. The Tunisian SOE sector includes a total of 189 firms that employ 139,000 employees or 12.5 % of the total number of public sector employees. The total amount of wages distributed to the 139,000 employees is 650 TMD per year or 23 % of the total wages paid yearly to the entire formal public sector. It also represents about 12 to 13 % of GNP. The cost of the government intervention in the public sector has been estimated at 10 % of the general budget. This intervention cost represents the deficit of exploitation, credits reimbursement, and investment. The cumulative losses of the entire public sector have achieved $1 U.S. Billion dollars (1000 TMD) by the end 1990[3].

The most direct attempt to control the drain on governmental budget has been the implementation of the Structural Adjustment Program (SAPs) that aimed at restructuring the public enterprise sector. The main aim of SAP has been to control the subsidies to SOEs. Thus, the push to the privatization of SOEs has been driven by the desire to reduce the size of public sector that has been perceived as growing too large. The main driver of the privatization process in Tunisia since the implementation of SAP in the mid-to-late 1980s to present has been to improve the efficiency with which public goods and services are being produced. It is important to note, however, that right after its independence from the French colonialism (1881-1956), the Tunisian government has been perceived

[3] See "Privatization objectives in Tunisia" in Courrier de L'industrie, No. 58, May 1991, pp.13-17.

as the guardian against market failures. In other words, the government was conceived as the legitimate vehicle for pursuing public interests especially when 'presented by the undiluted pursuit of profit by large businesses" (Henig, 1989:654). Thus, government intervention in the economic activities of the nation was an inevitable response to market failures (Henig, 1989:652-3).

That has been the main characteristic of the welfare state that poses challenges to conventional economists who do not necessarily agree in the enlargement of the size and structure of the government (Henig, 1989). There is an argument that assumes that competitive bidding of profit-maximizing private investors guarantees that the goods and services will be produced at the lowest cost. Thus, efficiency has been associated with lower production costs. Public sector enterprises have been characterized by its inefficient practices.

In the Tunisian case, the newly won state authority has made the main objectives of the creation of the SOE sector not profit maximization nor has the goal been to provide goods and services at the lowest cost possible. Instead, the main objective has been employment generation especially after the massive French exodus of labor right after Tunisian independence in 1956. Grissa (1990:114) states that

> "The inefficiency of state enterprises is inherent in the fact that they are not considered by their controlling authorities, their workers, or their local customers as normal enterprises that should make profit in order to survive. The way these units have been conceived, located, and managed, and their objectives determined not only excluded the possibility of their being profitable but rendered the application of the term enterprises to them quite a misnomer."

Thus, the objectives of creating SOEs have not been to make profit in order to survive. Instead, the emphasis has been put on the distribution of income, regional development, the rewarding of political loyalties, and the creation of employment regardless of the specific needs of the firms. These objectives are not compatible with the construct of efficiency or profit motives that are looming in the 1980 and 1990s.

Pre-restructuring Economic Conditions

Tunisia is a developing country with slightly over 8 million people, and has limited natural resources with a declining petroleum reserves, phosphate and natural gas (Saghir, 1993). France colonized Tunisia from 1881 until 1956. During the colonization, French companies have strongly invested in the economy. There was no domestic capital nor there was domestic managerial expertise. When French colonials and investors left the country after Tunisia's political independence in March 20th, 1956, a vacuum of both capital and workers has been created and it was the government who took the leadership role in advancing the economic growth and development agenda for the new nation.

Thus, since the independence and until 1970s, Tunisian government has nationalized all industries in its first attempt to create and develop economic growth. The private sector at the time lacked the resources for capital and the know-how. Therefore, the private sector initiative did not find the needed encouragement from the state especially in the domain of industrial investment (Zemmali, 1992). The public sector accounted for 55 to 60 percent of total investment from 1956 to 1960 (Bouaouja, 1989) and 40 percent as of 1985 (Saghir, 1993). It is within this macro-level political and economic context that Tunisian State-Owned-Enterprises (SOEs) have been established and have reached 180 in 1969.

It was not until the 1970s that the state has encouraged the private initiative, both domestic and international, as a way of involving private investors into the economic activities of the nation. In the meantime, the state has continued to provide governmental subsidies to keep the SOEs operating. The number of SOEs has even been increasing despite the fact that most of these publicly-owned enterprises were operating at a loss. This increase in the number of SOEs was largely attributed to the relative economic growth enjoyed by Tunisia's return on oil export revenues. At the end of the first two decades after the independence, the total number of SOEs has reached nearly 300 enterprises.

In the early 1980s, Tunisia has been hard hit by an acute economic recession that was mainly characterized by a decline in oil revenues due to a decline in international petroleum prices, a decline in tourism revenues[4], and a decline in agricultural products due to the lack of rainfalls. These factors have impacted the country's balance of payments. This crucial economic crisis has forced government policy makers to seriously consider economic reform of the public sectors enterprises that have heavily benefited from government budgetary subsidies and have therefore continued the drain on governmental budget.

To address the financial losses of the SOEs, government policy makers have called for economic reform in the Sixth Economic Development Plan (1982-1986) which basically meant reforming and "restructuring" public sector enterprises. The suggested

[4] Tourism represents the country's main industry.

reform measures have not been applied to the SOEs until 1985 mainly because the government was still able to use the budget to subsidize the losses made by the SOEs.

An occasional paper made by the International Monetary Fund (Nsouli et al. 1993) stated that the Tunisian budgetary deficit has averaged 5.2 percent of the Gross Domestic Product (GDP) during the 1981-1986 period. The average expenditure has attained 40 percent of GDP by 1985-86 and non-oil revenue reaching about 30 percent of GDP for the same period. In addition, Tunisian monetary policy was distorted in credit allocations to the expanding loss-making SOEs sector that created fewer opportunities for strategic investment and a financial distortion of credit and prices.

Under these continuous pressures from the financial requirements of the budget and public sector enterprises' need for more government subsidies, the demand for additional funding and international credit has been accentuated. Furthermore, the external current account deficit, which reflects the high level of aggregate demand, has increased from 5 percent of GDP in 1980 to 11 percent in 1984. This increase has unintended consequences on export performance indicators especially if it is fueled with an overvalued currency that in turn affects the terms of international trade. The external level of debt has also witnessed an increase from 38 percent of GDP in 1981 to reach 63 percent in 1986 along with doubling the debt service-ratio that was 14 percent of GDP in 1981 and has reached 28 percent in 1986.

The pre-reform conditions of macro-economic indicators for Tunisia were characterized by an annual growth rate that has averaged 7.4 percent for 1970-1980 period. Due to this steady economic growth, Tunisia has enjoyed a strong balance of payments along with a strong domestic financial stability. The overall budget deficit averaged just about 2 percent of GDP and the external current account deficit was held to just 6 percent during the 1970-1980 period.

Even though the economic crisis hit Tunisia in 1981 (Nsouli et al. 1993), its impact was not felt until 1985 for the reasons explained above. The growth rate of GDP has only averaged merely 3.3 percent annually. Domestic and external balances lost their stability and there was a felt severe distortion of the economic system. Gross domestic savings have declined from 24 percent of GDP in 1980 to 20.3 percent in 1984. During the same period, 1980-1984, the percentage of GDP for the overall budget deficit has more than doubled (Nsouli et al., 1993:4). This rise was mainly due to the increase in budget expenditure in terms of government subsidies to the operating at a loss SOEs, transfers and net lending despite that there has been a relative increase in government revenues.

The Tunisian Public Sector

Right after its independence from the French colonialization (1881-1956), the new Tunisian government has heavily invested in what it inherited from the French private investors: a relatively well developed enterprise sector (Saghir, 1993). It has been perceived at the time that the country will achieve its economic independence and reach economic growth and development by direct state investment and high involvement of the government in the economic activities. In order to achieve this goal, the public sector has been created.

During this important historical, political and economic transition, Tunisia did lack domestic private capital along with a lack of managerial skills and the needed know-how to operate efficient and effective enterprises. The main objective of establishing State-Owned-Enterprises (SOEs) has not been economic and/or financial efficiency or effectiveness. Instead, the focus has been put on meeting the following objectives set forth by government policy makers right after the political independence from France in 1956:

(1) To generate employment and fill in the void in jobs created by the massive departure of French workers and that is regardless whether a particular enterprise has a need for staffing,

(2) To embrace a nationalistic approach to economic development that asserts the newly won state authority,

(3) To ensure taking political control of the economic sector by appointing party loyal executives and managers who did not necessarily have the managerial skills and the know-how needed to operate and manage,

(4) To ensure investing in sectors where there is a lack of domestic private capital and private sector initiative such as in textile, tourism, construction materials, and natural resources (energy, mineral resources and the like)[5].

Thus, improving market efficiencies of SOEs was not a major preoccupation of policy makers. A working paper by the World Bank (Shirley, 1983) has summarized the common weaknesses of public enterprises. Shirley stated that public enterprises have unclear, multiple or contradictory objectives, bureaucratic meddling, overly centralized decision making, inadequate capitalization, managerial ineptitude, excessive personnel costs and high labor turnover.

[5] See more on this in Zartman (1990) from Development Plans and Reform.

Genesis and Growth of Tunisian Public Sector

There were 290 enterprises employing at least 50 employees operating in Tunisia by 1956, Tunisia's year of independence from France[6]. Over 85 percent of these enterprises were owned and managed by European nationals and Tunisian nationals owned the remaining 15 percent. European nationals also held all of the managerial and technical jobs and Tunisian nationals held none of these jobs. Shortly before Tunisian independence in 1956, there were 86,000 European residents working in Tunisia. After Tunisia's independence in March 20th, 1956, the same number has declined to merely 20,000 in 1966. This massive exodus of European settlers has caused problems for the newly independent state. Local private owners lacked the capital and managerial skills needed to operate a firm. This situation was also aggravated by the fact that the financial institutions at the time were branches of French banks and have never been in the practice of doing business with the indigenous residents. For these reasons, the State has embarked on a massive nationalization program that aimed at transferring ownership and control from European nationals to the government particularly in the public utilities such as the mining industry, electricity, and railways.

From 1956 to 1960, the Tunisian public sector has accounted for 55 to 60 percent of total investment (Saghir, 1993). During the 1970s, the number of SOEs has continued to increase despite the state encouragement to the private initiative through tax incentive measures. Since its independence and until the 1970s, the Tunisian State has nationalized

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[6] Institute of National Statistics (INS), Tunisia, 1992.

all industries. It is within this context that public sector enterprises, known as Les Entreprises Publiques, have been established and have reached 169 in 1969.

The public sector enterprises played an important role in the Tunisian economic development. By the early 1980s, publicly-owned enterprises accounted for nearly one fourth of Gross Domestic Product (GDP) value added, approximately one fourth of non-agricultural formal employment, 40 percent of all investment, three fourth of total exports, and 45 percent of all imports[7].

During the Tunisian sixth economic development plan (1981-1986), public enterprise investment alone has accounted for 57 percent of all investment in the industrial sector. Over the same period, the total debt of the forty largest public sector enterprises nearly doubled from TD 1.67 billion to TD 3.17 billion for the years 1981 and 1986 respectively. The seventh economic development plan (1987-1991) stated the government objective to shift the balance of investment that was lastly recorded at 55.2 percent on public investment and 44.8 percent on private investment to 50.7 percent for the former and 49.7 percent for the latter in 1991. Thus, this shift represents a clear disengagement of the government from all public enterprises in the competitive sector of the economy.

In 1985, and prior to the implementation of the Structural Adjustment Program (SAP), the public sector still holds 40 percent of total economic investment in the formal sector. Further, in terms of employment, the publicly-owned sector has accounted for 30 percent of the total workforce employed in the formal sector or 174 thousand employees.

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[7] United States Agency for International Development (USAID) 1989.

It is important to note at this stage of analysis that there have been changes in the definitions of what constitute a "publicly-owned" enterprise in Tunisia. There are three text laws that defined the criteria by which an enterprise might be considered a publicly-owned one. Tunisian public sector enterprises have been defined as such on the basis of the percentage share of the state in the firm's capital. The text law no. 85-72 of July 20th, 1985 stated that if the state holds at least 10 percent share of the enterprise's capital, either directly or indirectly, such an enterprise would be considered a public sector enterprise. Using this definition, the number of SOEs that are considered belonging to the public sector has reached over 500 enterprises[8].

Due largely to the relative economic growth achieved by the Tunisian economy and strengthened by oil export revenues, the number of SOEs has continued to increase. The total number of SOEs was 300 after two decades after the independence. In early 1980s, Tunisia's economy has been hit by an acute economic crisis especially after the decline in crude oil export prices, tourism revenues, and lack of rain and favorable weather conditions that hurt the agriculture industry.

This economic crisis has impacted the balance of payments. In 1981, the budget deficit was 1.7 percent of the Gross Domestic Product (GDP). It has reached 9.8 percent of GDP in 1984. In 1987, Tunisia's balance of payments deficit had reached a record high with an increase of 21.4 percent in debt servicing from 528.2 million Dinars in 1986 to 641 million Dinars in 1987. Government policy makers, thus, came to the conclusion that previous minor economic reforms would still fall short of achieving sustainable economic growth and long lasting development. Therefore, they seriously considered not

[8] See Hammami, Wassila, 192: p.45 and VIIth Economic Development Plan, 1992:173.

just reforming but restructuring SOEs. In order to do so, Tunisian government has adopted a comprehensive Structural Adjustment Program (SAP) in august of 1986. The SAP has included a reduction in the budgetary subsidies that were the common practice to keep the SOEs running, deregulation of prices, investment and imports.

The country's macroeconomic imbalances were largely due to its fiscal deficit. The international donor agencies have thus suggested that Tunisia should undergo stabilization and adjustment program. To sustain sound economic development, the World Bank, the International Monetary Fund, and the IBRD, have suggested that a favorable private investment environment along with liberalization measures such as domestic national currency devaluation, price deregulation, and tax reforms would help the country reach economic efficiency and control public spending.

The World Bank presented a report to the Tunisian government in September of 1985 recommending policy change towards a liberalized outward-oriented market economy. This report has pointed out the importance of Tunisia's reliance on crude oil revenues, which represented 33 percent of the country's total export earnings in the post 1974 era. However, Tunisia has suffered from the decline in worldwide oil prices, which in turn has contributed in the current budget deficit that has increased from 7 percent of GDP in 1981 to 11 percent in 1984.

Public sector enterprises have heavily depended on government subsidies for years in order to keep being operated. Table 2.0 below shows the amount of subsidies and transfers to SOEs along with capital transfer and equity to SOEs for the years 1986-1989 as compared to total expenditure. These transfers have contributed to the large balance of payment deficit, which necessitated restructuring and privatizing SOE sector. Although these subsidies have not witnessed an increase, they contributed in crippling SOEs. As of wages and salaries, they nearly doubled from 1986 to 1992 from 743.8 to 1,301.8 TMD. This has led to virtually doubling the interest of public debt from 223.6 to 435.4 TMD. It was believed that change in ownership structure and control of SOEs will help taking care of the financial drain on governmental budget. Resolving these issues poses an enormous challenge for governments in both developed and developing economies.

Table 2.0: Economic Classification of Consolidated Expenditure of the Central Government of Tunisia[1], 1986-1992, in Tunisian Million Dinars

	1986	1987	1988	1989	1990	1991	1992[2]
Current Expenditure	1,877.1	2,084.4	2,255.6	2,693.3	2,862.9	3,176.1	3,490.4
Wages & Salaries	743.8	778.6	833.7	949.7	1,013.5	1,158.1	1,301.8
Goods & Services	182.7	212.1	165.4	207.4	231.4	285.7	288.5
Interest on pub. Debt	223.6	245.1	278.1	316.7	341.3	416.1	435.4
Foreign Debt	174.0	187.0	213.9	239.1	249.0	258.0	247.3
Domestic Debt	49.6	58.1	64.2	77.6	92.3	158.1	188.1
Subsidies & Other Transfers	727.0	848.6	978.4	1,219.5	1,276.7	1,316.2	1,464.7
Consumer Subsidies	213.0	183.2	231.0	346.3	300.0	272.0	255.0
Transfer to SOFs	65.6	71.4	51.6	64.8			
Transfer to Household	291.0	307.3	375.8	454.0			
Capital Expenditure	707.8	633.7	802.3	724.8	880.4	1,026.2	890.9
Direct Investment	393.6	321.1	448.5	403.2	497.6	697.3	559.9
Capital Transfer & Equity	314.2	312.6	353.8	321.6	382.8	328.9	331.0
To SOEs	180.9	151.9	113.1	115.2			
Other	133.3	160.7	240.7	206.4			
Total Expenditure	2,584.9	2,718.1	3,057.9	3,418.1	3,743.3	4,202.3	4,381.3

Source: IMF Statistics, The path to Convertibility, privatization. 39, 1993.

1. Includes all expenditure in the treasury accounts, extra budgetary operations financed by external assistance, and expenditure of the social security schemes.
2. Provisional data.

The Tunisian sixth economic development plan (1982-1986) has called for economic reform of the SOE sector. The proposed reform measures, however, have not been applied until August of 1986 due mainly to the ability of the government budget to still subsidize the publicly-owned enterprises operating at a financial loss. The balance of payments and the financial crisis have pushed government policy makers to also seek financial assistance from international financial institutions such as the World Bank and the International Monetary Fund. These international monetary donor agencies do grant funding for developing economies on conditions. In the Tunisian case, the acute economic crisis has impelled policy makers to embark in liberalization measures[9]. Further, SAP was supported by $150 million World Bank loan signed in 1988, in which macroeconomic targets were set for the Tunisian economy. These targets have reinforced the government commitment that was expressed in the seventh economic development plan (1987-1991) to decrease the financial drain of operating SOEs.

The nationalization has enforced the government control over the economic decisions and has even extended public ownership of more government-controlled enterprises. This policy choice has also reinforced the state sector by the introduction of central economic planning. Has the state reached an economic development through the extended public ownership over the means of production?

The unintended consequences of this strategic choice decision by government policy makers were felt. The very rapid decline in production along with a growing shortage of supplies has meant that government tax receipts has declined and that the need for government subsidies is escalating in order to keep the State-Owned-Enterprises (SOEs) functioning. Capital transfers and subsidies to SOEs has increased from just 10 percent of the public sector total investment in 1970 to 52.4 percent in 1980[10]. These transfers of public subsidies were mainly at the expense of private sector capital formation. Also affected is the country's investment on infrastructure and social services. The only goal set for the transfer of government subsidies to the SOEs was to keep them operating even at a loss. Maintaining the functioning of these inefficient SOEs has also

[9] Tunisia has signed a loan agreement with the World Bank in Washington, D. C. in July 1989: Public Enterprise Restructuring Loan (PERL).
[10] Annual Report of the Tunisian Central bank, 1982.

added a problem of unproductive employment and staffing at this sector. This policy has been maintained up until the mid 1980s when growing macroeconomic level problems were on the rise. For example, major declines in oil export prices and in tourism revenues have intensified the country's external debt and rising balance of payments. These factors have pushed the government policy makers to abandon its support to the publicly-owned enterprise sector.

Further, the inefficiency of the state enterprise sector is inherent in the fact that they are not considered by the controlling authorities, the workers, managers, or even local customers as normal enterprises that should make profit in order to survive. Instead, SOEs' main objectives were to generate employment, to promote regional development, and to reward political loyalties to the ruling party that fought the French colons to gain political independence.

None of the stated above objectives is associated with the constructs of efficiency and/or effectiveness. Table 2.1 below presents the financial performance of some SOEs two years prior to the implementation of SAP. Note that all these SOEs have made major financial losses and that these enterprises operate in the competitive environment. Furthermore, these enterprises were scheduled for privatization.

Thus, the public sector has largely been characterized by its inefficiency, poor performance, lack of interest in the quality of its goods and services, miss-allocation of resources, lack of competent managerial skills. These factors might have contributed to causing the financial problems associated with SOE sector (Divano, 1995).

Table 2.1: Records of Some Important State Enterprises for 1984, in Tunisian Million Dinars.

Enterprise	Capital & Reserve	Debts	Sales	Profit or Loss Capital	Profit / Loss Capital in %	Debts % to Capital
STIA (cars assembly)	9.7	76.6	81.0	- 2.4	-24.7	790.0
CONFORT (refrigerators)	5.7	15.9	11.7	- 1.7	-29.8	279.0
STM (trucking)	7.2	12.0	18.2	- 1.0	-13.9	166.7
SIAPE (Phosphate)	32.2	71.3	64.5	- 1.8	- 5.6	221.4
STIL (milk processing)	7.4	62.3	99.5	- 3.6	-48.6	841.9
STL (forestry)	1.0	3.6	1.6	- 0.2	-22.0	360.0
CPG (phosphate)	67.9	242.6	105.5	-25.8	-38.0	357.3
Tunis Air	54.7	147.5	123.8	- 5.9	-10.8	270.0
SNCFT (railways)	---	---	51.8	- 8.1	---	---

Source: Published annual statements, Institute of National Statistics (INS), Tunisia, 1984.

It is noteworthy to mention that the degree of unionization in Tunisia has been estimated at about 20 percent of the total workforce[11]. Unionized workers are primarily concentrated in the public sector and in some larger private firms. Small and medium-size private firms are more likely not to unionize than larger private firms. Enterprise size does not play any significant role in whether the firm is unionized or not in the public sector. Union structure in Tunisia is very similar to that of French unions. Each economic sector and industry is represented by a union which is a member of a national 'umbrella' organization that supervise and structure all activities of local and regional trade unions. In the Tunisian case, it is the Union General des Travailleurs Tunisiens (UGTT) that is playing this role. The UGTT has fought colonialism with the now ruling party, which

[11] See US Department of Labor, Bureau of International Labor Affairs, Foreign Labor Trends, Tunisia, prepared by the American Embassy of Tunis, various annual reports for 1986-1993.

earned it a kind of 'legitimacy' in sharing the pie right after independence. There has been, thus a historical alliance between the UGTT and the Government, yet in occasions, there have been some politicized tensions and even clashes between both parties over the degree of independence of the union and its role in the national economic development effort.

State Intervention in the Economy

Direct state intervention in the economy has been perceived by early policy makers as the solution to market failures. Privatization as a policy choice has gained momentum in Great Britain under the leadership of Margaret Thatcher as she took power in 1978. Privatization as a policy has spread quickly to both developed and developing economies alike. Privatization was presented as the solution to market failures. Its main aim was directed towards cutting government expenditures in the face of fiscal crises. Countries that have traditionally favored strong government intervention and a prominent role of the state in the economy like china, Algeria, and Tunisia are now involved in Structural Adjustment Programs. International donor agencies have not only supported the restructuring efforts but also put it as a condition for allocating loans.

A close look at these objectives set forth before the inception of the Tunisian public sector clearly shows that neither efficiency nor effectiveness was in the agenda of public policy makers while SOEs have been established. The government, thus, enjoyed a double role through its heavy investment in the economy. The first role has made the government the biggest and largest employer in the nation. The second role was regulatory and it did placed the government as the sole regulator of the market structure and the rules of the game. This duality in the role played by the state at this particular historical era has not been typically unique to the developing countries. Right after the World War II, developed economies also have undergone major nationalization programs that ended up strengthening the government intervention in the operation and functioning of publicly-owned enterprises. This phenomenon is not common in the United States, however, where government intervention in the economy has been limited. The historical factor of colonialism in the case of developing economies and of the World War II in the case of developed economies might account at least in part for the felt need for heavy state intervention into the economic activities. These factors might have shaped both the scope and degree of state intervention in the economy.

The goal of achieving economic development and growth has been the sole concern of the state. This issue has been exclusively addressed at the macro-level where the state not only plays a major role in the strategic planning and investing decisions but also in providing the legal framework needed to ensure the functioning of the market. State intervention in the economy has been perceived as necessary factor in guaranteeing growth in the economic indicators such as Gross Domestic Product (GDP), and lowering inflation and unemployment rates. Furthermore, the state has sizable capital contributions and control of the SOS' sector. SOEs constituted the domain in which government policies are implemented in accordance to a pre-conceived national economic development plan designed to meet the challenges that face these publicly-owned enterprises.

Firm-level constraints have been addressed at the macro-level (national, regional, and industry-wide levels) with little or no consideration to the specifics of each enterprise. Thus, SOEs' main stakeholders, labor and their unions and employers' representatives, have been "out of the loop". Government has been the sole active industrial relations actor who not only framed the issues, shaped the bargaining agenda and provided the legal framework and the rules of the game, but also it forced other parties to react-often passively- to its strategic choice decisions. Thus, the state has been the agent of change in Tunisia. Enterprise-level issues like wages and benefits, working conditions, and collective bargaining issues are addressed across the board at a national, regional and/or industry-level.

This degree of centralization of industrial relations issues ignores the specifics of each enterprise characteristics such as enterprise size, labor cost, the financial profit or loss of the firm, and the like. Firm-level characteristics are believed to have an impact on the industrial relations outcomes and on firm-level economic performance. It is mainly because of the state intervention in the functioning and operation of SOEs that issues of efficiency and effectiveness have not even been in the agenda. The main objectives of state intervention in the economy were to nationalize all sectors of the economy and reach social objectives such as job creation and regional equilibrium. Thus, the hiring practices were not driven by enterprise's need for skilled personnel. Instead, the hiring and selection practices were guided by the state's desire to offer employment and solve the unemployment issue.

The unintended outcome of such work practices was the existence of an estimated 20 percent of redundant and superfluous workforce. The government as the largest employer has used hiring practices to reward ruling party followers to work for the SOEs. Instead of considering a pure economic rationale as suggested by the Labor Demand

Theory. Government appointees did not necessarily have the needed skills and lacked the technical know-how often needed for the functioning of the SOE sector. Productivity issues were not even in the firm-level agenda, nor has Human Resources been considered strategic to the development of the firm.

The Role of the Government in the Economy

Tunisia's economic growth until the 1980s has strengthened the role of the government in the economic activities. A rising share of government expenditure in GDP coupled with an expansion of public sector enterprises in all sectors and branches of the economy have been the major traits of government intervention. Additional measures included import restrictions, tariffs and regulations; price controls; budgetary subsidies to the loss-making SOEs; and the establishment of an elaborate social security system (and related social funds to alleviate the negative consequences of economic distress) and heavy investment in social development and poverty reduction.

Thus, since the independence in 1956, the government has moved towards a nationalization program where it not only invested heavily in public sector but also has established public sector enterprises even in competitive industries like tourism and textile. In other words, up until the early 1980s, the economy was still under government control. The state has monopolized a large share of assets either through a direct investment or indirectly through a contribution in the share of capital in public sector enterprises. Government policy makers controlled the rules and the regulations of the economy. Such regulations have restricted the functioning of the economy and have included restrictions on imports, customs duties, and price and investment controls.

This highly involvement of the government in the economic activities has caused major economic and financial distortions. An acute economic crisis was felt in the early 1980s, which in turn necessitated the call for economic reform. Faced with the financial and economic debt, Tunisia has opted for a technical and monetary assistance from the world's most influential international monetary institutions, namely the World Bank and the International Monetary Fund.

In August of 1986, the IMF suggested a comprehensive Structural Adjustment Program (SAP). The objectives of this restructuring reform policy were to encourage economic growth and re-gaining sustainable financial balances. Nsouli et al. (1993: 4) has summarized the main objectives of SAP as follows:

> "The program called for the adoption of tight demand-management policies and a significant improvement in economic competitiveness."

SAP represents a strategic choice change that moved the economic orientation and choices from relying heavily on government involvement into the economic activities to the reliance on market forces. That is to say, a major shift in the strategic choices of the government policy makers from nationalization to privatization has called for a major role change of the government.

This research does not intend to assess the impact of the liberalization measures as suggested by SAP, like fiscal policy reforms; monetary and financial reforms; liberalization of prices, trade, tariffs, interest rates, and investment; the devaluation of the national currency (the Tunisian Dinar). Instead, the focus of this study is on assessing the impact of SAP mainly on account of privatizing public sector enterprises and as it applies to industrial relations outcomes.

The Urgency for Privatization

Based on the data presented on table 1.1 above, it is evident that the expansion of the Tunisian SOEs has been associated with escalating financial losses which drains the financial burden on government budget and slows down the country's economic growth. Thus, the inefficient SOEs can no longer rely on state capital transfer. The government net borrowing amounted to nearly 50 percent of the increase of the country's external debt for the period from 1972-1986[12].

The SOE sector has become a fetter rather than a factor of economic development. Its financial deficit has been the principle driver for change from nationalization to privatization. Tunisia's external debt has accelerated the need for economic restructuring that included restructuring the entire public sector. SOEs' greedy need for more governmental budgetary support through a transfer of subsidies has forced government policy makers to opt for privatization policy. The only frequently used argument in favor of the publicly-owned sector was the preservation of employment albeit an estimated 20 percent of the employed personnel in this sector are perceived to be redundant. Thus, the economic restructuring and privatization of SOEs in Tunisia was a consequence of necessity and a matter of choice as well[13].

The divestiture of Tunisian SOEs has led to two different paths: Either through privatizing SOEs that are operating in competitive economic sectors; or through either

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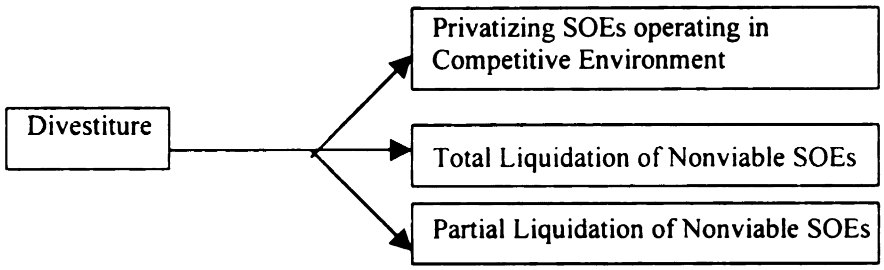
[12] According to Annual Reports of the Tunisian Central Bank for the years 1972-1986.

[13] The Tunisian policy makers have changed the name of the ruling party from Destourian Socialist Party (PSD) to Constitutional Democratic Grouping (RCD) as a way to confirm its commitment to liberalization measures and showing that socialism has withered away.

partial or totally liquidating nonviable SOEs. Figure 1.2 below diagrams these reform paths.

Figure 2.0: The Divestiture of Tunisian SOEs:



It is analytically useful to distinguish privatization from divestiture, subcontracting and contracting-out and other forms of economic restructuring. SOEs have been rehabilitated prior to being privatized and prior to putting it up for sale.

Public Sector Reform and Privatization Measures

Tunisia has tried to reform its public sector in the late 1970s and early 1980s. The government has created a special department under the Prime Ministry called "Direction des Enterprises Publiques". This department has a mandate that aimed at tracing the reforms and financial remedies that the sector needed. Often these reforms were of a short-term nature and rarely did they make any significant changes as to the performance of the SOEs' sector. The nature of the crisis and the challenges facing the SOEs were not perceived by policy makers as structural in nature. For example, the state involvement in the economic activities and in the functioning of the publicly-owned enterprises has not been questioned. Furthermore, privatization has not surfaced in the Tunisian press as an option to remedy the loss-making SOEs until after 1988.

The crisis was illustrated in the fact that the burden of SOS's sector on governmental budget was enormous. This financial burden was at the expense of freeing capital resources for private initiative and for improving the country's infrastructure and other social services such as education and health care. Thus, the resources for new investment have been limited.

Structural Adjustment Program (SAP)

Economic growth depends largely on more efficient use of domestic private and public resources. Often Structural Adjustment Programs are confused with macroeconomic stabilization programs. Both programs are analyzed when a fiscal crisis occurs especially in developing countries. A distinction between the two constructs is important at this stage of analysis. While Structural Adjustment addresses the obstacles to longer term economic growth and development such as overvalued real exchange rates, trade tariffs, and higher taxes on import, macroeconomic stabilization addresses short-term issues such as inflation, and loss of foreign hard currency revenues. The former measures do not need urgent intervention as the latter one. However, it is also important to note that both short-term and long-term measures might be needed to sustain economic growth and development.

"Structural Adjustment" (SA) as a construct was an old concept that has been given a newer meaning. Prior to 1980, SA was associated with industrialized economies (Toye, 1995). It had connoted the state-assisted run-down of their old industries such as textile, leather goods and light engineering. Arndt (1944) goes further to conclude that SA had been almost universally as an essential policy component of the achievement of the world economic development.

SA has also been associated with the international donor agencies like the International Monetary Fund (IMF) and the World Bank and its affiliated agencies like IBRD. However, and according to Stanley (1945:129-217), the International Labor Organization (ILO) often known for providing the labor standards for all countries regardless of their stages of economic development, has strongly supported the use of SA "in order to make the process of world economic development beneficial to developed and developing countries alike".

A historical view of the genesis of this construct of industrial readjustment or adaptation reveals that right after the World War II (1945) and up until 1980, this policy was exclusively initiated by the most economically advanced countries only. That is to say the responsibility for making the necessary industrial adjustments was not shared by the economies in transition or the developing economies. This task was used as a way of avoiding the damaging protectionism practices that has characterized the depression era at the time. The problem with this exclusivity of putting the responsibility on the world's most advanced economies to make the needed adjustment was that in the case of a worldwide economic slowdown, the countries that would suffer the most are those who are making the adjustment and that the countries that are benefiting the most are those who have protectionism practices. Thus, it was not until 1980 that the burden and responsibility were placed equally on both developed and developing economies alike to reach beneficial world economic development.

According to Toye (1995), SA of the 1980s contained two distinct components or stages: First, the stabilization stage that aims at improving the balance sheet, and second, the Structural Adjustment stage (SA) which aimed at reforming economic policies and institutions in order to make an efficient use of resources and remedy the losses caused by the first short-term stage of stabilization. The central underlying assumption of SA is the primacy of macroeconomic stabilization. The main objective is to bring a balance of payments supported with "auxiliary" measures that make both economic sectors, private and public, adjust to an unsustainable macro framework.

Since 1986 and after the implementation of SAP, Tunisian policy makers have set a new objective that consisted of reducing the size and scope of state involvement in the economic activities. This move towards a market-oriented economy necessitated a disengagement of the state from the public sector and the number of publicly-owned enterprises have declined. The economic crisis that hit Tunisia in the mid 1980s was illustrated in the trade deficit balance that translated into swapping the country's capital and resources away from new investment projects and merely concentrating on keeping the SOEs operating even at a loss.

Moreover, the decline in Tunisia's production capacities in natural resources coupled with a decline in the revenues of petroleum and phosphate have added to the complexity of the economic crisis (Saghir, 1993). These external environmental factors have added more pressure on policy makers to expedite the reforms needed for quicker economic recovery and had forced them to limit the degree of state intervention in the functioning of SOEs. SOEs can no longer rely on government budgetary subsidies and the private sector has been encouraged to take over the ownership and control of these SOEs.

During the VIth Economic and Social Development Plan (1982-1986), the Tunisian government has proposed a change in its strategic choice that aimed at reducing its capital investment and ownership and control of SOEs. By embracing the SAP initiative as a major strategic policy choice to restructure the public sector enterprises, government policy makers have clearly chosen to limit the flow of monetary support allocated to this sector. In 1984, an inter-ministerial commission known as CIM was created to primarily examine the SOEs that need to be restructured and possibly privatized. As mentioned earlier, the construct privatization has not been even mentioned in the official briefings and/or in the minutes of these meetings until 1988. The term privatization was perceived as having negative connotations as regards to its negative impact on employment levels and most importantly on the possibility that it might also mean getting rid of the trade unions as a bargaining unit at the firm level.

Thus, the fear of associating the term privatization with loss of jobs and hard won fringe benefits along with the possible diminishing role of the trade union organization were behind the deliberate non-use and conscious avoidance of the use of the term in the official documents. Instead, the construct economic restructuring have been widely used.

The Tunisian government on August 19th, 1986 then adopted Liberal economic recovery program. The International Monetary Fund (IMF) has granted Tunisia a loan of nearly $220 US million dollars ($103.7 million in traditional stand-by over 18 months; and a credit of $114.7 million) to make up for a huge fall in its export receipts that were damaged due to the decline in petroleum price and in decline in tourism revenues which represents Tunisia's first industry. Economic growth has been stimulated in Tunisia's VIIth Economic Development Plan (1987-1991) by limiting price rises and reducing budgetary deficit which, according to the IMF[14], has exceeded 6 percent of Gross Domestic Product (GDP) from 1983 to 1986.

In addition, the IMF has also announced on July 25th, 1988 that it had approved the renewal of an arrangement to grant Tunisia an equivalent of SDR $207.3 million over the next three years (1988-1991) in support of its economic and financial adjustment program. Further, a special fund, Fund for Restructuring Public Enterprises (FREP) was provided to restructure SOEs.

It is important to note that SA has included measures that are far beyond public sector reform. The agreement reached between the IMF and the Tunisian government has also included a number of major economic and financial liberalization measures such as the following:

(1) Liberalization of interest rates so that depositors will gain return on their investment,

(2) Limitation on bank charges to just 3 percent above money market rates;

(3) Liberalization of trade and cutting on tighter tariffs control and becoming a member of GATT and reducing customs duties from 15 to 25 percent by the end of the VIIth Economic Development Plan (1987-1991);

(4) Introducing Value Added Taxes (Taxes de Valeure Ajout9e TVA) as one form of indirect taxation to increase state revenues;

(5) Gradual freeing of prices control of competitive products;

[14] See Africa Research Bulletin 8480.

(6) Devaluation of the Tunisian national currency (the Dinar) by 10 percent[15].

I argue in this study that the globalization of the economy has contributed in putting pressure on public sector enterprises in particular. Further, internal issues of mismanagement and inefficient practices were just additional factors of an internal crisis that was intensified by external environmental factors, namely the globalization of the economy.

Economic Growth and Privatization

Since economic development is largely shaped by public finance which in turn influences the balance of payments (Saghir, 1993). Tunisia's balance of payment crisis and its foreign debt is aggravated by its fiscal policy. Thus, economists suggest that solving the problem often necessitates a combination of cutting public spending and raising additional revenues in order to free up financial resources to both service external debt and support exports. Budgetary deficit and external debt were the key indicators that the reforms needed are of a structural nature. This structural adjustment alters the role of the state as it can be seen in table (2.2). Before the adoption of SAP, the role of the Tunisian government was that of a catalyst of economic development and has been characterized by the heavy involvement of the state in the functioning and the day-to-day operation of the SOEs. This particular role could be named as the role of provider of goods and services. After the implementation of SAP, any heavy involvement of the state in the economic activities of the SOEs has been perceived as an obstacle to economic development. Therefore, keeping the state involvement low and minimum will make the

[15] See Africa Research Bulletin 8366c.

role of the government, at least in theory, that of an enabler rather than a provider. Whether Tunisian government intervention in the economy after the implementation of privatization measures could be described as such remains to be seen. Table 2.2 portrays a theoretical description of the changing role of the government depending on the nature of its involvement in the economy.

Table 2.2: Change of the Role of the State in the Economy

Public Policy Strategic Choice	
Nationalization Model	Privatization Model
High Involvement in the Economy Inward-Oriented Heavy State Regulations	Low Involvement in the Economy Outward-Oriented Heavy Market Orientation
Catalyst of Economic Development Piecemeal Reforms	Obstacle of Economic Development Comprehensive Reform
Provider of goods and services	Enabler[16] of goods and services

Thus, to resume sustained economic growth, the government opted for a reduction in economic distortions by increasing public revenues and reducing public spending. Restructuring domestic economic policies in the developing economies has thus focused only on the financial and economic measures. Little or no attention was given to the Human Resources as an asset to be fully developed for an enterprise to be fully efficient. Instead, the assumption has been considering labor as a cost to be tightly controlled and reduced.

[16] The constructs enabling and providing were borrowed from Collins and Wallis, (1993:375-376).

Public Sector Enterprises' Restructuring

It is important to note that the public sector has played a major role in the economic development of the developing economies. In Tunisia for example, the public sector has accounted for between one fourth and one third of the total employment in the formal sector, Gross Domestic Product (GDP), and investment as table1.1 indicates. Thus, reforming the public sector is necessary to achieve the economic growth and development.

SOEs were established for reasons that are not necessarily for profit, pure efficiency or efficiency. Amongst the objectives set for public sector enterprises were employment generation and regional development. Thus, SOEs were operating at a loss, which caused financial drain on government budget and restricted resource allocations and strategic investment decisions. As of 1985, public sector enterprises consisted of some five hundred fifty units including some offices that are extension of the central government (Nsouli et al., 1993:25). To address the financial burden of SOEs on governmental budget and to stop the financial drain, SOEs were targeted for economic restructuring. Thus, enterprise divestiture and the sale of state's share of assets to private shareholders have been the common forms of restructuring and privatization that took place from August 1986 till 1993 with the implementation of SAP as an economic intervention. That is the scope of public sector enterprise was set to be limited.

Law 89-9 was enacted in 1989 as a measure to reduce government intervention in the functioning and control as well as in managing SOEs. Prior to 1989, an enterprise may qualify as a public entity if the share of the government owned equity is at least 33 percent. Based on this definition, the total number of publicly-owned enterprises was reduced from 550 to 189 SOEs. Nearly three out of each four enterprises were operating in commercial and competitive industries. About 75 percent of these SOEs are under the supervision of government Ministries (Ministeres de Tutelle).

Table 2.3: SOEs after enacting Law 89-9 by Ministries' Supervision:

Ministries Supervision	The Number of SOEs
Economy and Finance	68
Agriculture	26
Transport	26
Equipment	13
Tourism and Handicraft	10
Other Ministries	46
Total	189

Source: Tunisian Prime Ministry, 1993.

The remaining SOEs under direct or indirect government control have also granted under the same Law (89-9) more independent autonomy in management. This shift in focus has put the emphasis on assessing objective enterprise performance measures rather than focusing on individual decisions. Thus, the government run performance contracts with the restructured yet still under government control enterprises.

The first stage of privatization in Tunisia included loss-making and small and medium-size enterprises. In this first stage period that has started in August of 1986 until December 31, 1993, some 44 SOEs have been privatized either totally or partially. Nearly 72 percent of these SOEs have been privatized through the sale of assets and 28 percent through the sales of equities. The remaining public sector enterprises that are still under government control were managed under performance contracts. The second privatization phase started in 1994 and still underway. It includes SOEs that are operating at financial profit and operating in competitive commercial industrial sectors such as mining, chemical industries, energy, and transportation.

Table 2.4: Macroeconomic Indicators and SOEs in Tunisia Prior to SAP (Tunisian Million Dinars)

Gross Domestic Product	1983	1984	1985
SOEs	3,190.6	3,712.5	4,035.2
Total Economy	10,270.5	11,899.7	12,852.0
SOEs Share of Total	31.0 %	31.2 %	31.4 %
Investment			
SOEs	582.4	722.0	770.9
Total Economy	1,728.8	2,101.3	1,953.7
SOEs Share of Total	33.7 %	34.4 %	39.4 %
Domestic Credit			
SOEs	1.027.8	1,234.9	1,349.9
Total Economy	2,711.9	3.284.0	3,774.0
SOEs Share of Total	37.9 %	37.6 %	35.8 %
External Debt (US$)			
SOEs	1,172.3	1,084.3	1,198.9
Total Economy	3,800.8	3,752.0	4,380.1
SOEs Share of Total	30.8 %	28.9 %	27.3 %
Employment (Workers)			
SOEs	174,266	N/A	140,961
Total Formal Sector	590,342	N/A	N/A
SOEs Share of Total	29.52 %	N/A	N/A

Source: Saghir, 1993: 5.

A total number of 128 SOEs that produce goods or services, with the exception of the financial sector such as banks and insurance, were included in a performance evaluation study done by the DGEP for the period of the VIIth Economic and Social Plan from 1986 until 1991. Aggregate data are presented in the tables 2.5 through 2.9 below. Three major results were drawn:

1. The production value of Tunisian SOEs has achieved 4810 MD in 1991 at current prices or a net increase of 4.2% compared to that of the preceding year;
2. Their value added has achieved 1321 MD in 1991 or 14.3% of the Gross Domestic Product (GDP) and that is an increase of 9.2% relative to the preceding year;
3. Finally, the total wage bill distributed by the Tunisian SOEs has increased from 630 MD in 1990 to reach 681 MD in 1991 or an increase of 8.1%. This wage bill represents 18.3% of the total global wage bill in the country.

Considering the year 1986 as a base (last year of the VIth Plan 1982-1986), the average annual rates of increases of basic indicators is presented as follows:

Table 2.5: Economic Performance Indicators of Tunisian SOEs in Percentage, 1987-1991

Indicators	Annual Increase Rates Averages: 1987-1991
Value of Production	+ 8.6 %
Value-added	+ 12.2 %
Wage Bill	+ 7.0 %
Operational Financial Cost	+ 8.5 %
Gross Exploitation Results	+ 22.2 %
Short-term Debt	+ 7.9 %
Total Debt	+ 2.4 %
Proper Assets	+ 7.2 %

Source: General Direction of Public Enterprises (DGEP), Prime Ministry, Republic of Tunisia, February 1993.

Table 2.6: General Results of Tunisian SOEs' Performance1986-1991

Indicators	1986	1987	1988	1989	1990	1991
Net Assets	7122	7621	8502	8777	9481	9737
Production Value	3391	3716.5	4319.6	4429.0	4617	4810
Value-added	836.8	1000.0	1176.1	1282	1210	1321
Wage Bill	464.5	475.2	521.8	548.5	630	681
Fin. Cost of Oper	81.9	89.2	82.5	84.9	111	159
Gross Explo. Rslt	315.0	426.0	572.7	760.9	590	640
Net Explo. Rslt	-158.0	-95.0	+15.4	146.4	-94.0	+19
Net Exer. Results	-305.0	-180.0	+3.0	+65.6	-16.0	-67.0
Rotation Funds	-203.0	-61.8	-66.7	+140.9	174	0
Short-term Debt	3047.3	3190.5	3438.8	3632.9	4324	4666
Total debt	5469.3	6060.0	5320.3	5514.3	6111	6342
Wages and Salaries	743.8	778.6	833.7	949.7	1,013. 5	1,158.1

Source: General Direction of Public Enterprises (DGEP), Prime Ministry, Republic of Tunisia, February 1993.

Table 2.7: General Results of Tunisian SOEs' Performances in Variations, 1986-1991,

Indicators	87/86	88/87	89/88	90/89	91/90
Net Assets	+ 7.0 %	+11.6 %	+ 3.2 %	+ 8.0 %	+ 2.7 %
Production Value	+ 9.6 %	+16.2 %	+ 4.8 %	+ 4.2 %	+ 4.2 %
Value-added	+19.5 %	+17.6 %	+ 9.0 %	- 5.6 %	+ 9.2 %
Wage Bill	+ 2.3 %	+ 9.8 %	+ 5.1 %	+14.9 %	+ 8.1 %
Fin. Cost of Oper	+ 0.9 %	- 7.5 %	+ 2.9 %	+30.7 %	+43.2 %
Gross Explo. Rslt	+35.2 %	+34.4 %	+32.9 %	-22.5 %	+ 8.5 %
Net Explo. Rslt	--	--	--	--	--
Net Exer. Results	--	--	--	--	--
Rotation Funds	--	--	--	--	--
Short-term Debt	+ 4.7 %	+ 7.8 %	+ 5.6 %	+20.2 %	+ 7.9 %
Total debt	+10.8 %	-12.2 %	+ 3.6 %	+13.5 %	+ 3.8 %

Source: ibid, February 1993.

Table 2.8: List of Eight SOEs that hold more than 50 % of the total Assets

Enterprises	Average Share in Total Net Asset (%)
STEG	11.0
SONEDE	6.5
TUNIS AIR	6.2
ETAP	6.1
OFFICE DES CEREALES	5.9
SIAPE	5.8
SNCFT	5.4
SMLT	3.9
TOTAL	**50.8**

Source: DGEP, Prime Ministry of Tunisia, February 1993

Table 2.9: Aggregate Data on Labor Cost in Tunisian 128 SOEs for 1986-1991 period,

	1986	1987	1988	1989	1990	1991	1992
Total Wages in SOEs (MD) (1)	464.5	475.2	521.8	548.4	630	681	
Global Total Wages (MD) (2)	2486	2554	2944	3077	3335	3721	4139
(1)/(2) in %	**18.6**	**18.6**	17.7	**18.2**	**18.9**	**18.3**	
# Of Wage Earners (000)	1147	1172	1203	1237	1268	1294	1330
Average Annual Wages (Dinar)	2128	2180	2290	2486	2626	2887	3112
Percentage Change	**2.4**	**2.5**	**5.1**	**8.6**	**5.6**	**9.9**	**7.8**

Source: ibid., February 1993 and Nsouli et al., 1993: 51.

Amongst the 128 SOEs 44 have been privatized and four enterprises had their cumulative labor cost reach over 19 % of the total labor cost in the entire economy. See table 2.9a below for details. Note that this table contains data of nine SOEs that account for 53.8 % of the total wage cost in the entire wages paid.

Table 2.9a: Share of Selected Tunisian SOEs in the Total Labor Cost , 1991,

Enterprises	Average Share in Labor Costs in (%)
Tunis Air	9.8
Compagnie de Phosphate de Gafsa (CPG)	***9.1***
STEG	8.0
SNCFT	7.9
SONEDE	4.7
SNT	4.4
SIAPE	***4.1***
OTD	***2.9***
ElFouledh	***2.9***
Total	**53.8 %**

Source: Ibid., February 1993.

The Legal Framework for Privatization

Tunisia's Labor Code was first enacted in 1966. The Code guarantees minimum wages, fringe benefits, grievance procedures and dismissals, and sets the standards for working conditions: hours per week (48 hours), holidays, vacations, overtime pay, and maternity and sick leaves. Some of the amendments to the code have touched on establishing a joint employee/employer funded social security program to provide for medical coverage, pensions and disability programs. The employers' share for this fund is 20 percent of the base salary and the employees' contribution is 6.5 percent. Tunisia does not provide unemployment insurance coverage.

Due to the economic and financial difficulties that faced the SOE sector, the government has, however, used these funds to pay early retirement benefits for the workers who were considered as redundant. These guarantees, however, are perceived to cause unfavorable conditions that ultimately inhibit investors to create more jobs. Thus, investment is often capital intensive and firms are discouraged by this practice from creating more jobs. The right to unionize and the right to strike are guaranteed by the Tunisian Constitution.

Collective bargaining in Tunisia is primarily centralized and thus based on sectoral collective conventions that are tripartite in structure. Business, government and labor are represented at the national level bargaining table where wages and fringe benefits (i.e. family allowances and transportation supplement) are negotiated at the economic and industrial sector-level. Thus, wage levels and working conditions are uniform all across all economic sectors and all industries regardless of the specifics of the firms and regardless of their respective enterprise characteristics. These sectorial conventions supersede the Labor Code.

Text laws relative to the restructuring of SOEs have been enacted shortly after implementing SAP in August of 1986. The text law 87-47 of August 1987, the decree no. 1169, no. 1170, and no. 1171 of August 26th, 1987 have established three committees and commissions as well as an interdepartmental council (CIM) in charge of elaborating the necessary files of rehabilitation and financial restructuring of the publicly-owned enterprises.

The text law 89-9 of February 1st, 1989 have modified and redefined the text law 87-47 of August 1987. This text law has redefined what constitutes a "publicly-owned" enterprise. A public enterprise is an enterprise with at least 34 percent of the capital is being held by the State either directly or indirectly. Furthermore, this text law has also established just one committee instead of the three previously suggested ones in the prior text law, that is in charge of the privatization and restructuring efforts. The single inter-ministerial commission structure, the National Commission for the Restructuring of Public Enterprises (CAREPP) is chaired by the Prime Minister or his representative and is composed of five members. These members are: the director of the Central Bank and the Ministers of Social Affairs, Public Services, Planning and Development, and Finance or their representatives. The recommendations made to this commission are made by a technical committee composed of high-ranking civil servants in each of the Ministries and chaired by the director of Public Enterprises in the Prime Ministry.

Article 24 of CAREPP states the privatization modalities as follow:

> * The transfer or exchange of stock and shares or titles held by the state;
>
> * The fusion, the absorption or the scission (splitting away) of the enterprises where the state holds a direct participation in the capital;
>
> * The transfer of every asset that could be set as an autonomous unit of exploitation in an enterprise where the state holds a direct participation in the capital."

Decree no. 89-337 of March 15th, 1989 has fixed the composition of the Committee and its functions. CAREPP has a consultative role. Its main aim is to provide other alternatives measures to layoffs and examines the modalities of severance payments or golden parachute formulas. As regards to the enterprises with financial and economic difficulties, CAREPP prepares options for personnel that are considered superfluous.

Impact on Employment Security Measures

SOEs' personnel have long enjoyed a protection of employment guaranteed by a specific statute. Since 1968, the government as an employer has established a unilateral statute that was particularly based on the text law 68-13 of June 3rd, 1968. This text law 68-13 does apply to "those employed permanently by the offices, the public establishments of industrial or commercial character or the state and the public collectivities holding directly or indirectly a participation in the capital." The text law 58-78 of August 5th, 1985 has also modified these employment guarantees. Text law 58-78 ad modified the statute of 1968 and had limited its application to the enterprises where the capital is held directly and entirely by the state and local public collectivities." Note that the former text law had a larger scope that also included the indirect participation of the state in the enterprise capital as a precondition to guarantee employment for the SOEs' personnel. Later, after enacting the newer text law 89-9 of February 1st, 1989, the general statute has further reduced its coverage of employment guarantees to SOE personnel. Text law 89-9 has redefined what constitutes a "publicly-owned enterprise". Public enterprises are those enterprises with at least 34 percent of the capital is held either directly or indirectly by the state and/or its public collectivities. The number of SOEs meeting these criteria totals 189.

It is important to note that the text law 58-78 of August 5th, 1985 has not provided a provision for layoffs of personnel due to economic difficulties. Such a provision has been common in the Tunisian private sector, however.

Thus, once a SOE is being privatized, it no longer enjoys the use of statutory statute. Instead, the reference would be the common law (droit commun) as described in article 15 of the Tunisian Labor Code first enacted in 1966. Article 15 of the Labor Code is relative to employment guarantees and protection measures. In essence, article 15 protects employment regardless of the form of privatization undertaken by the new purchaser.

Text law 85-78 of August 5th, 1985 relative to public enterprises has not treated the issue of change in ownership and control. Such a provision has been addressed though by the Tunisian common law (droit commun) and explained in the Labor Code (1966). The Tunisian Labor Code applies to all salaried workers regardless of their statute, being statutory or contractual. The text reads as follows:

> "The dispositions of labor code does apply to agents targeted by article 1 when they are not contrary to the present law."

The following Table 2.9b clearly distinguishes the main characteristics between the public and private sector in terms of statutory implications.

Table 2.9b: Public and Private Sector Main Statutory Characteristics:

Public Enterprises	Private Enterprises
Statutory Statute	Contractual Statute
Career Goals	Task Oriented
Political Motives	Profit Motives

Thus, article 1 of the Tunisian Labor Code covers public enterprises and "applies to the establishments of industry, commerce, agriculture,..., regardless of their nature public or private."

Article 15 of the Labor Code reads as follows:

> " The labor contract subsists between the employee and the employer in case of transfer, sale, integration, transformation of funds)."

Article 15 of the Labor Code does apply on two conditions:

(1) There should be an existing labor contract still in effect,

(2) There should be a continuity of the enterprise in the same line of business.

Since privatization might lead to the dismantling of the existing SOEs, the second condition mentioned above might not be met. For that reason, the state has taken additional measures in order to maintain employment levels and therefore guaranteeing the continuity of the privatized enterprises. What were the employment saving measures taken by Tunisian authorities to avoid massive layoffs?

First, once the public offers on the sale of assets of the privatized SOEs are presented during the elaboration process of "Les Cahiers de Charges[17]", the previous firm management (direction de l'entreprise) proceeds to include a provision and a clause that forces new private purchasers to maintain the nature of the enterprise activity. This meets with the second condition of article 15 as mentioned above. Failure to ensure the continuity of the same production activity will result in violating the contract terms and will cost the employers large severance payments. This has been the case for SOTEMI, which has been totally liquidated after the sale has been finalized due to its inability to maintain the continuity of the previous employer's line of business.

[17] First created by a Circular of Prime Ministry of June 21st, 1989.

Second, during the transfer process and during the actual writing of the sale contract, employment provisions are negotiated. While writing the terms in Les Cahiers de Charges, the new private employer has to clearly mention in writing the number of jobs to be kept. Such practice clearly shows the efforts made by the government in ensuring the preservation of jobs in both their content and their modalities as well. This provision has its roots in the article 15 of the Labor Code. The private purchaser of the SOE "has to guarantee the jobs in the same previous conditions since it is a continuation of the same nature of business." That is to say, the professional qualifications of the jobs to be held as well as wages and fringe benefits and working conditions have to be at least kept in the same previous conditions otherwise any changes would result to serious violations of the legal requirements of the transfer of assets and change in ownership and control.

Since privatization leads to change in the legal entity of the enterprise, article 15 of the Tunisian Labor Code protects the employees from any automatic loss of employment due to the change in ownership and control of the former SOE. It is important to note, however, that article 15 does not necessarily totally eliminate such a possibility, but it sure reduces such a practice to the possible minimum. Zemli (1992) traced the preventive measures taken by the Tunisian policy makers to control managerial prerogatives as regards to layoffs. Zemli has showed the five steps that control the reduction of the workforce employed at the SOE sector. These steps are as follows:

(1) Via CAREPP where the social dimension of transfer of assets are being negotiated despite the consultative role of CAREPP;

(2) Via DGIT or the Department of Labor Inspection where the General Director of Labor Inspection presides a Committee of Control of Layoffs[18];

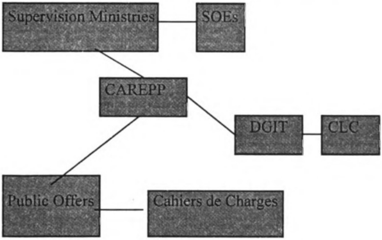
(3) During the sale of SOE's assets;

(4) Through forcing the new purchaser(s) to abide by the terms and conditions stated in Les Cahiers de Charges,

(5) And through the sale contract clauses which often determine the number of employees and jobs to be kept.

It might be beneficial at this point to draw the process of privatization in Tunisia and trace the relative roles played by the institutions and committees involved in the process. Figure 2.1 below illustrates the Tunisian privatization process.

Figure 2.1: The Privatization Process in Tunisia



[18] in French this committee is called : Committe de Licenciement Collectif (CLC). CLC was established by article 393 of the Tunisian Labor Code that was first enacted in 1966.

Once the transfer of ownership and control has occurred, no unilateral decisions are permitted to alter the conditions of employment as negotiated prior to the sale of assets. For example, any unilateral decision relative to the firing of personnel or to the change in the job content will result in a violation of the contract of employment. This could result in severe ruling of the judge who will ensure that the workers' rights with regard to jobs, wages and benefits, and working conditions are protected, unless the enterprise parties agree upon these changes mutually. Enterprise stakeholders could sign mutual accords that clearly changes the conditions set forth by the privatization committees prior to the conclusion of the sale of assets to the private investors.

CHAPTER THREE

LITERATURE REVIEW, RESEARCH HYPOTHESES, AND RESEARCH MODELS

Chapter one pointed out the limitations and deficiencies in the relevant literature on the impact of macroeconomic changes on employment relationship. The purpose of this chapter is to review the relevant literature on privatization and economic restructuring and trace the possible impact(s) on industrial relations and employment relationships.

Introduction

Privatization in its various forms is becoming a widespread international phenomenon that has been introduced in countries regardless of the stage of economic development: first in developed, then in newly industrialized, in developing economies, and in economies in transition as well. There is a vast literature coverage on privatization as entries found in books (568) or as entries found in journal articles (4004) as presented in the matrix tables (3.1) and (3.3) below. Other forms of organizational change or macro-economic change initiatives are covered in the literature as well. Other constructs similar to privatization are included in the computerized reference search. These constructs are: economic restructuring, structural adjustment, public sector reform, public enterprises, and industrial restructuring. Interestingly enough, a look at these key words search associated with human resources and industrial relations issues reveal the following remarks. Despite the wide coverage in the literature on privatization and other forms of macroeconomic change, the focus on the implications for human resources and industrial relations is very limited. For example, table 3.2 clearly shows that with all macroeconomic change initiatives combined, human resources as a construct has been mentioned only in 6 reference books out of 1418 or merely (.42) percent. The construct labor relations has been cited only in 11 reference books out of 1418 or (.78) percent. The construct employment relationship has been mentioned in (.35) percent of the cases. The rest of the IRHR constructs such as labor, employment, unions, and industrial relations ranged from (1.1) percent for entries under "unions" label to (4.0) percent for entries under the key word labor.

The issue of scarcity of research interest on the consequences of macroeconomic changes on industrial relations and human resources is more apparent in journal articles database as shown in table (3.4). Table (3.4) shows a total of 5397 journal article entries with the same key words on macroeconomic changes compared to 1418 book entries. With all constructs combined, Human Resources and Employment Relationship issues were mentioned only in (.31) and (.20) percent of all entries combined respectively. Labor Relations and Industrial Relations constructs have been cited in only (1.0) percent each of the total entries combined. Issues like consequences on Labor and on Employment implications had received slightly a better attention with (4.7) and (3.0) percent of all entries combined respectively.

Thus, a close look at this vast literature coverage of these issues reveals a very limited emphasis on the impact of such policy change on employment relationship and industrial relations. It is important to mention, however, that the IRHR issues are not mutually exclusive. That is, the search findings could be more limited as these constructs could be used interchangeably.

Interestingly, most of the book references found in the computerized search of macroeconomic changes and industrial relations and human resources has focused on labor issues (57 book entries), employment issues (50 books), and industrial relations issues (31 books). As regards to the journal articles found on macroeconomic changes and industrial relations and human relations, the most cited references were also labor issues with 255 articles, employment issues with 162 articles, and "unions" issues with 90 references. Labor Relations issues have been mentioned 56 times and Industrial Relations have been cited 54 times in journal articles. Again, these key words might not be mutually exclusive, which diminishes even the number of the results found.

Table 3.1: Matrix of Book Entries on Macroeconomic Changes

	P	ER	SA	PSR	PE	IRs
Privatization (P)	568	2	9	13	18	0
Economic Restructuring (ER)		78	7	1	0	14
Structural Adjustment (SA)			456	0	0	4
Public Sector Reform (PSR)				15	3	0
Public Enterprises (PE)					233	0
Industrial Restructuring (IRs)						68
Total						1418

Source: Michigan State University Libraries Catalog @magic.lib.msu.edu, November 1996.

Table 3.2: Matrix of Book Entries on Macroeconomic Changes and Industrial Relations and Human Resources (IRHR)

	Freq.	HR	LRL	IRL	ER	L	U	E	IRHR (%)
Privatization (P)	568	2	2	8	2	7	12	7	40(7.0)
Economic Restructuring (ER)	78	0	2	5	0	16	1	4	28(36)
Structural Adjustment (SA)	456	1	0	2	0	17	0	25	45(10)
Public Sector Reform (PSR)	15	1	0	0	0	1	1	2	5(33)
Public Enterprises (PE)	233	2	1	1	1	5	0	6	16(7.0)
Industrial Restructuring (IRs)	68	0	6	15	2	11	2	6	42(62)
Total	1418	6	11	31	5	57	16	50	176 (12.4)
Percentage	100.0 %	.42	.78	2.2	.35	4.0	1.1	3.5	12.4

Source: Michigan State University Libraries Catalog @magic.lib.msu.edu, November 1996. Note that HR= Human Resources, LRL= Labor Relations, IRL= Industrial Relations, ER= Employment Relations/Relationship, L= Labor, U= Unions, and E= Employment.

Table 3.3: Matrix of Journal Articles on Macroeconomic Changes

	P	ER	SA	PSR	PE	IRs
Privatization (P)	**4004**	34	**2**	12	48	4
Economic Restructuring (ER)		**487**	9	3	2	75
Structural Adjustment (SA)			**309**	3	1	3
Public Sector Reform (PSR)				**84**	5	0
Public Enterprises (PE)					**328**	0
Industrial Restructuring (IRs)						**225**
Total						**5397**

Source: Michigan State University Libraries Catalog, Expanded Academic Index, ACAD, @magic.lib.msu.edu, November 1996.

Table 3.4: Matrix of Journal Article Entries on Macroeconomic Change and IRHR Issues

	Freq.	HR	LRL	IRL	ER	L	U	E	IRHR (%)
Privatization (P)	**4004**	4	18	12	4	127	60	62	**87(2.2)**
Economic Restructuring (ER)	**487**	6	9	9	2	52	12	46	**136(28)**
Structural Adjustment (SA)	**309**	1	5	3	1	16	6	14	**46(15)**
Public Sector Reform (PSR)	**84**	0	2	0	0	7	2	4	**15(18)**
Public Enterprises (PE)	**328**	1	4	4	0	9	2	19	**39(12)**
Industrial Restructuring (IRs)	**225**	5	18	26	4	44	8	17	**122(54)**
Total	**5397**	**17**	**56**	**54**	**11**	**255**	**90**	**162**	**645 (11.95)**
Percentage	**100.0 %**	**.31**	**1.0**	**1.0**	**.20**	**4.7**	**1.7**	**3.0**	**11.95**

Source: Michigan State University Libraries Catalog, Expanded Academic Index, ACAD, @magic.lib.msu.edu, November 1996. Note that HR= Human Resources, LRL= Labor Relations, IRL= Industrial Relations, ER= Employment Relations/Relationship, L= Labor, U= Unions, and E= Employment.

Review of Theoretical Models

In Industrial Relations Theory, Organizational Change

And Privatization Literature

Introduction:

Industrial relations theory has contributed to five main theoretical perspectives: the pluralistic tradition[1], the Marxist tradition[2], the sociological approach[3], the Human Relations Tradition[4], and the economic tradition[5]. Very few industrial relations theories, however, have focused on the issues of transformation and change[6].

This section covers the relevant literature review by the following themes in industrial relations theory and in organizational change fields:

1) *Industrial relations theory:* stable versus dynamic environment, environmental determinism versus strategic choices, and human resources investment versus labor cost containment strategies on one hand,

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[1] These five theoretical traditions was referred to by Dr. Joel Cutcher-Gershenfeld in an Industrial Relations Theory Seminar held at the School of Labor and Industrial Relations, Michigan State University, Winter 1992. For the Pluralist Tradition see: Webb, S. and B., 1926; Dunlop, J. T., 1958; Meyers, C. A., 1964; Commons, J. R., 1966; Walton, R. and McKersie, R., 1968; and Clegg, H. A., 1975.
[2] See: Edwards, R. 1979; Buroway, M 1985; and Hyman, R. 1986.
[3] See: Dahrendorf, R. 1959; Michels, R. 1962; Fox, A. 1974; and Maurice, M. 1986.
[4] Rothlisberger, F. J. 1941; McGregor, D. 1960; and Walton, R. 1963.
[5] See: Smith, A. 1789; Lindblom, C. E. 1949; Olson, M. 1965; hicks, J. R. 1972; Bluestone, B. and Harrison, B. 1982; Jacoby, S. M. 1983; Freeman, R. B. and Medoff, J. L. 1984; Osterman, P. 1984; and Segal, M. 1986.
[6] See: Piore, M. J. and Sabel, C. F., 1984; Kochan, T. A., Katz, H., and McKersie, R. B., 1986; Chelius, J. and Dworkin, J., 1990; Hecksher, C., 1988; Bluestone, B. and I., 1992; Cutcher-Gershenfeld, J., 1991; and Kaufman, B., 1993.

2) *Organizational Change Literature:* incremental versus strategic change, organizational restructuring, downsizing strategies, large-scale organizational change, re-engineering, planned versus negotiated change, and unit and mode of change in terms of consequences and outcomes.

3) *Industrial Relations Literature:* Labor demand theory, employment and labor market impact, labor cost, labor input in the strategic firm decisions, and the state intervention in firm governance issues.

A discussion of the relevant literature on privatization in its various forms and its impact on employment relationship and industrial relations follows along with proposed hypotheses and research questions.

(1) Industrial Relations Theory

Strategic Choice Model versus External Environmental Determinism:

John Dunlop's work on *Industrial Relations Systems* (1958) has focused on 'the rules of the game' as the unit of analysis. Dunlop characterized the "industrial relations system" as a "sub-system of the economic system". Dunlop's analytical systems framework was believed to better capture the "stable equilibrium state of industrial relations systems in industrialized economies," (Verma, 1990:174), therefore is not well suited for times of changing environment. To understand the changes and challenges facing industrial relations in the newly competitive global economy, a dynamic analytical framework in industrial relations is needed.

Kerr, Dunlop, Harbison, and Myers 's work on *Industrialism and Industrial man* (1964) represents an international version of the Dunlop's systems framework that was designed for the study of the U.S. industrial relations system. Kerr et al.'s work (1964), like Dunlop's study, was conducted at times where industrial Western European economies reached a level of stability after the World War II. Kerr et al. argued "for the inevitability of significant convergence across industrial relations systems in the direction of the pattern Dunlop maps out."

In contrast to the focus on rules and institutions, Richard E. Walton and Robert B. McKersie's *A Behavioral Theory of Labor Negotiations: An analysis of A Social Interaction System* (1965) focuses on the interaction process --as suggested by the title of their work--. Thus, Walton and McKersie's work (1965) represents another alternative to Dunlop's focus on the rules as the central interest of or unit of analysis in industrial relations system. Their work was a classic. It represented an additional contribution to the development of a theoretical base for industrial relations that was dominated for years by the historical and institutional mode of institutional economics. Their model made an ample use of theoretical constructs like game theory, motivation theory, and other psychological concepts like equity and balance theory. Industrial relations scholars and researchers did not heavily use all these concepts at the time. Walton and McKersie's work was neither based on the pure conflict or on the pure consensus assumptions about employment relationship. Instead, and like Dunlop, their focus was on the mixed-motive approach. Thus, their work was a clear response to the fixture on the rules and the structure of bargaining as the unit of analysis that has characterized the literature in the field.

The two significant contributions of Walton and McKersie's behavioral model were the mixed-motive assumptions of negotiating relationships and the positive and negative contract bargaining zone concept. Conflict and cooperation are inherent in --at least most of-- the employment relationship. I find the mixed-motive assumption a useful tool of analysis that can capture the dynamics of the employment relationship in a national economy in transition like the Tunisian case. That is, conflict as often represented by strike and/or lockout activities at the workplace is better understood with Walton and McKersie's theoretical framing rather than treating it as an abnormal work behavior. Walton and McKersie (1965:3) clearly state that

> "(t)he agenda for labor negotiations usually contain a mixture of conflictual and collaborative items."

Walton and McKersie (1965) introduced four models of negotiations processes --or subprocesses-- that help negotiating parties make their own choice of the best strategy to use. These subprocesses are distributive bargaining, integrative bargaining, attitudinal structuring, and intraorganizational bargaining. They represent the hallmarks of their work (p.4).

Thomas A. Kochan (1992:292) commented on the classic work of Walton and McKersie and pointed out the specific conceptual contributions of their behavioral model. He stated that "the power of the work lies in the overall framework and interrelationships and tradeoffs among the four subprocesses." Further, he commented that their analytical framework provides the insights and approach needed to organize the facts and field data into a model of that magnitude.

The bargaining zone concept, the second main contribution of their behavioral model, suggested that each negotiator has a resistant point, below which he/she would prefer not to reach an agreement rather than to settle. If a gap exists between the two parties, where the parties deem no offer is acceptable, a negative contract zone prevails and the predicted outcome is simply no agreement. Yet, when resistant points overlap, a positive contract zone emerges, and reaching an agreement is the likely outcome.

These concepts and insights are useful tools of analysis for this study. The mixed-motive assumptions framework helps embrace empirically tested strategies that are well suited to the distributive and integrative mix of issues. Walton and McKersie's book did challenge the institutional tradition not by rejecting its underlying assumptions about employment relations, but rather by building on their institutional training. Further, they grounded their behavioral concepts in their own fieldwork and provided enough contextual and substantive grounding for their framework[7].

Walton and McKersie's work is still applicable in today's changing challenges because its main focus was not on the fixture of the rules and the institutions; instead, they highlighted the ongoing process. Much of the dynamics of management-labor relations in any given society regardless of its stage of economic development, takes place outside of collective bargaining, thus, the formal negotiation process is less central to the field and to the practice itself. That is, the real decisions and the real ongoing processes are the real factors that shape the employment relationship.

Kochan, Katz, and McKersie (KKM)'s work *The Transformation of American Industrial Relations* (1986) has received ample attention among industrial relations scholars and practitioners (Chelius, J. and Dworkin, J., 1990). KKM's analytical framework is based on a three-tiered system[8] in which the main actors of industrial relations --employers, employees and the government-- play their roles. The top tier level or 'macro or global level for the key institutions' involves long-term strategies that include making decisions on issues like corporate investment, plant location, new technologies, outsourcing and the like within firms, unions, and government agencies. The middle-tier level or 'Employment relationship and industrial relations system' involves the decisions on personnel policies, negotiations and strategies, and collective bargaining. The bottom tier level or 'the work place' represents the area where policies and practices that affect individuals and groups, employees, supervisors, and union

[8] Traditional theories of social or economic change do highlight strong external factors as stimuli that induce major adaptations and transformations in organization. KKM's model, though, adds to that the choices at the strategic level by the main actors of the industrial relations system, which implies an interaction that could determine the industrial relations outcomes.

representatives are implemented on a daily basis at the shop floor level. The middle tier clearly represents the traditional area of industrial relations, but KKM argue that the three decision levels outlined above are interrelated. Further, recent changes at the top and the bottom tiers do have major effects on the middle tier.

> The three tiered institutional analysis is one significant component of a larger framework provided by KKM. I find KKM's theoretical framework useful tool of analysis where changes in the environment are accounted for as factors affecting changes in industrial relations.

According to KKM, although the external environment affects the institutional structure, which in turns affects the performance outcomes, the results are not mechanical or easy predictable. Instead, the parties make strategic choices, of which those made by employers are particularly important. For that reason (Figure 1) shows Business Strategies and Values have major impact on the process and outcome. In other words, KKM did not agree that environmental determinism is the driving factor for change in industrial relations.

It is the basic strategic choices of the parties that shape and transform the workplace employment relationship. Further, KKM argue that the external environment was marked by severe recession, intense competition resulting from increased foreign competition and significant deregulation in several industries, and changes in political environment.

According to KKM, the effects of these developments on the industrial relations systems run deeper than changes in employment level or percentage organized, both of which any decline could be recovered with an economic rebound. But, they argue that these changes are irreversible. They have impacted all three tiers of the industrial relations system. The middle tier has witnessed a significant decentralization of bargaining, with industry-wide bargaining disappearing. Wage freezes and even wage cuts have been introduced in several work places, and work-rules have changed. The lower tier has also seen significant use of worker participation programs that intended to increase flexibility and employee involvement and, hence, increase efficiency and productivity. The strategic top tier has also changed in some companies. Some unions in highly organized firms are becoming active participants in strategic decisions despite managerial resistance to union leaders' involvement along with some reluctance from some union leaders to accept to transform their role.

In their concluding chapter, KKM emphasized that the outcomes to this rapid change are not predetermined. Besides, the actors of industrial relations system (Unions, Employers, and Policy Makers) still have ample choices that will affect the outcome of their interaction. KKM, then, proceed with likely outcomes and possible scenarios. Thus, strategic choices and not external environmental determinism do affect the industrial relations outcomes.

KKM's work is so significant for the study of the impact of privatization and economic restructuring --as external environmental pressures-- on employment relationship --or the middle tier at which collective bargaining or personnel policy decisions are negotiated or designed. The dynamics of industrial relations system can be best explained by tracing the effects of changes in environmental conditions on the choices the parties make at these three levels of activities. These choices might have an effect on activities and practices under way at the other two levels. Similarly, the effects that choices made by one party have on the responses of the other actors in the industrial relations system could also be tracked to better account for the relative impact of the external environment. Industrial relations outcomes could be influenced but not mechanically predetermined by environmental forces[9]. In the case of developing countries, influential international financial organizations like the International Monetary Fund (IMF) and/or the World Bank group could impose abrupt structural political economic changes that would have an impact on industrial relations. The question to be asked at this level of analysis is to what extent external environmental determinism shapes the industrial relations outcomes? Or, to what extent are these industrial relations outcomes determined by the strategic choices of the industrial relations actors?

KKM's theoretical framework highlights that the industrial relations outcomes are the product of interactions among the environment and the strategic choices of the parties. KKM (1986:29) state that:

> "It should be kept in mind, however, that these 'choices' are not made by single monolithic representatives, are not always consciously thought out or planned decisions, and are constrained by various environmental conditions."

Thus, outcomes can only be explained by the interactions among environmental forces, values, and strategic choices of the actors of the industrial relations system. The study of the former state-owned enterprises (SOEs) that have been privatized will provide me with a similar empirical basis for assessing the applicability of the strategic choice framework for the Tunisian experience.

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[9] This was mainly driven by the work of M. Piore and C. Sabel (1984) *The Second Industrial Divide: Possibilities for Prosperity*, New York.

Although their propositions applied the general model to a specific question: what accounts for the decline in unionization within partially unionized firms? I argue that their theoretical model can answer my research question: how a transformed labor-management relationship might operate? KKM's theoretical model based on case studies reveals that major changes have occurred in the internal organizational policies and practices of management of industrial relations. Thus, before engaging in tracing the magnitude of the changes and assessing their effects on industrial relations, KKM started first by specifying what they see as a dominant source of pressure for change operating on the U.S. industrial relations system. They found that the stimulus for change is the increased product market competition. They claim that some abrupt pressures have resulted from the deregulation of markets. In a previous paper, Kochan, McKersie, and Cappelli (1984:490) stated that:

> "Regardless of their source or speed, increased competitive pressures set in motion a series of strategic choices for managers that eventually affect industrial relations practices at all levels of the firm."

Similarly, I examine the consequences of increased economic pressures to changes in industrial relations in Tunisia at all three decision levels: impact of these rapid changes at the workplace and the effects of these changes on labor unions and on collective bargaining structure. KKM's theoretical framework is somewhat adequate for explaining the dynamics of the employment relationship because it links behaviors of management and labor at the workplace to the strategies and values/assumptions initiated at the highest levels of strategic choices. Yet, KKM's framework does not fully give the needed attention to the important role of the government as a regulator and as a large employer, which is the case especially in economies in transition, and/or in developing countries. Nor has the authors' theoretical framework accounted for the possible strong role played by international donor agencies such as the IMF and the World Bank that often provide conditional loans and development funding on the basis of restructuring public policy options.

Furthermore, public sector plays an important role in the economic development of the developing countries that often has been seen as vital to the economic growth of their nations. Thus, a need for a theoretical analytical framework represents an added contribution of this dissertation. Such a framework would capture the dynamics of the interplay between the three main industrial relations actors in an environment characterized by increased pressure from the globalization of the world economy.

Human Resource Investment versus Labor Cost Containment Strategies

According to Kochan (1996), organizational strategies and organizational structures have been shaped by the phenomenon of globalization of world economies. A new range of strategic choices is being evolved to enterprises over "how to structure employment relationships and human resource practices" rather a move toward a convergence of employment practices. In this new era of increased international competitiveness, Kochan adds, enterprise strategic choice evolves around how to gain competitive advantage. Assessing human resources as either assets to be fully developed and optimally utilized or as a cost to be tightly controlled and closely minimized represents a strategic choice for firms facing the globalization phenomenon. Kochan's basic assumptions about industrial relations evolves around the mutual gain employment relationships (Kochan and Osterman, 1994) which offers good returns to both stakeholders and shareholders at the workplace. Kochan provides two divergent strategies firms might consider gaining the comparative advantage in this new era of increased competitive world economy: 1) the human resource investment strategy, and 2) the cost control strategy. The former approach consists of treating human resources as assets and that the path to competitiveness resides in high-skill formation and high-wage reward system that supports it. The latter approach consists of treating human resources as costs to be simply minimized and tightly controlled. Kochan's (1996) analytical framework clearly provides a tool of analyzing critical human resource challenges facing firms such as industrial restructuring, downsizing state-enterprises in privatization drive to improve economic growth rate, and avoiding labor unrest while restructuring. Micro-level case studies or enterprise-based research in this study will help testing the implicit and explicit assumptions and propositions of this theoretical framework. Kochan's framework (1996) helps tracing changes in employment relation practices in these following practices: 1) work organization and employee participation in the decision-making process; 2) training or skill formation; 3) compensation systems; and 4) employment security.

As for drivers for emerging patterns for change in industrial relations and employment relationship practices, Kochan (Figure 3.1) suggested that they be shaped by a combination of both external and internal pressures. The external pressures consist of the efforts made by individual firms to adapt to increased domestic and international competition by altering their respective strategic choices to remain competitive. The internal pressures being the need for changing the roles of the main stakeholders of employment relationship including the government and other national and/or industry level institutions. I found Kochan's (1996) framework of analysis helpful in that it accounts for the strategic choices of the industrial relations system.

Yet the same framework is not quite befitting for tracing large-scale economic developments and emerging patterns of employment relationship at the work place level. In other words, with the globalization of the World economy, there are increased calls for deregulation, divestiture, and privatization of previously owned and controlled public enterprises. Changes at the macro-level thus require a theoretical model that best account for the changes in the environment and trace the emerging patterns of employment relationships.

Unless, filling the void in the framework under (other factors) with external factors that influence and/or shape the outcomes of industrial relations actors in their quest to alter their strategic choices to meet the challenges of the new era of global competitiveness. Factors like the existence of pressure from the international lending institutions (the World Bank and the International Monetary

Fund (IMF)) and its impact on industrial policy and industrial relations, at least in the developing countries, are undeniable.

Figure 3.1: Framework for Organizing IR/HRM Research to assess Changes in Employment Relations

Employers - Labor - Government

Explanatory Factors | **IR/HRM Practices**[10]

National, Industry and
Firm Governance
Institutions and
Structures

Firm Strategies: | **Outcomes**

Competitive Strategies | Employment/Staffing
Technology/Production | Compensation Economic
Strategies | Skill Formation and Social
Performance | Work Organization
Other Factors?

Source: Kochan, T. A. (1996:17) in Lee, J. S. and Verma, A., (1996).

[10] The author notes that "within any single country IR/HR practices vary across industries, firms and over time and all the variables in the model may be shaped by different combinations of employer, labor, and government influence." p.17

(2) Organizational Change and Organizational Restructuring Literature

Human Resources literature has addressed issues of workforce reduction due to economic pressure and organizational restructuring. Various types of restructuring have been identified (Johnson, Huskisson and Margulies, 1990). Different types of downsizing strategies were provided (Cameron, Freeman and Mishra, 1991) and the dynamics of downsizing phenomenon have been addressed (Wright, Fillipowski and Messner, 1989). Some scholars have focused on managing radical change (Want, 1991) or planned or negotiated change (Cutcher-Gershenfeld, 1995). Other researchers have contributed to the formulation of a theoretical framework to understand types of organizational change. For example, in terms of its scope (incremental versus radical or strategic) (Nadler and Tushman, 1986) or in terms of providing theoretical models (Van de Van and Poole, 1995); and large-scale organizational change (Ledford, Mohrman, Mohrman, and Lawler, 1989).

Thus, the organizational change literature has addressed the impact of economic restructuring and economic recession on employment levels at the firm level. Using these theoretical lenses helps understand the complexities of the political economic change and assess its impact on industrial relations and employment relationship. Has the change in ownership and control via partial or total privatization as a result of implementing the Structural Adjustment Program (SAP) in mid- August of 1986 in Tunisia been a radical and abrupt change or has it been gradual and incremental? Further, has the change in ownership and control been a planned or a negotiated change? This study will address these issues both using an aggregate data and a case study approach.

Incremental versus Strategic Change

Nadler and Tushman (1986) provide a two-by-two framework of analysis where types of organizational change could be better understood. On one hand, change in organizations could be either incremental or strategic. On the other hand, change could be either proactive or reactive. The following Figure 3.2 offers an explanation of the different types of organizational change.

Figure 3.2: Types of Organizational Change

	Incremental	***Strategic***
Anticipatory (Proactive)	*Tuning*	*Reorientation*
Reactive	*Adaptation*	*Re-creation*

Source: David Nadler and Michael Tushman (1986)

As shown in figure 3.2, if the type of change in an organization is incremental two likely outcomes emerge depending on whether the organization decision-makers take a proactive or anticipatory perspective to deal with change or when they take rather a reactive approach to address organizational change. The former strategy results in what Nadler and Tushman (1986) labeled as tuning which might not be easily felt on a day-to-day basis. The latter strategy or approach results in a different process of adaptation to the new changes in the reorganization, which might be felt by organizational members.

If change in organizations is strategic and radical, either a re-orientation or a recreation approach strategy would be used depending on whether the decision makers took a proactive or a reactive strategy to deal with change respectively. An assessment of change strategy as it happened in the Tunisian case is helpful in terms of determining how industrial relation outcomes were shaped by whether the labor input in the strategic decision making process was deemed necessary for the success and survival of the restructured and privatized SOEs. In other words, the question that needs to be answered at this level of analysis evolves around the issue of whether labor and its organizing trade union were seen as part of the solution or as cause of the problem. That is, using Nadler and Tushman's framework of analysis, has there been a proactive or a reactive approach by policy makers in Tunisia with regards to involving labor and their union first in the elaboration then in the implementation process of the SAP intervention?

Organizational Restructuring

Johnson, Huskisson, and Margulies (1990) provided an analytical framework for organizational restructuring phenomenon (figure 3.3). Figure 3.3 presents various forms of divestiture. The authors provided useful definitions of various forms of divestiture that I found very helpful for researchers interested in the privatization phenomenon. According to the authors, Sell-offs occur when business units are sold to another enterprise. Spin-offs happen when there is a separation of functional areas and divisional units' operations from the parent enterprise, which results in transferring control and decision-making from the central enterprise to the subsidiaries' top management. Split-ups bring into being at least two distinct businesses where at least one has previously existed.

Thus, the enterprise separates into several units and ceases to exist. Split-offs eventuate when ownership of the enterprise is altered. For example, in Leveraged-buy-outs (LBOs) when an enterprise exactly goes from public ownership and control to private owner(s), it is a split-off phenomenon. Finally, the authors assert that liquidation is the most radical form of organizational restructuring. The reason being because of the sale of the company's assets in a piecemeal form to the highest bidder which results in the cessation of the firm operations and the shutting-down of the entire business. Johnson, Huskisson, and Margulies (1990) stated that there are two types of restructuring: voluntary restructuring and hostile takeovers, and have related these types of restructuring to organizational outcomes. Voluntary restructuring could be in both private or public sector enterprises, whereas hostile takeovers are unique to the private sector. Figure 3.3 presents various types of restructuring (voluntary restructuring either in private large-buy-outs or in public sector, hostile takeovers) and plots the corresponding forms of divestiture based on outcomes.

Figure 3.3: Types of Restructuring

	Voluntary Restructuring		Hostile Takeover
Outcomes	**Private**	**Public**	**Hostile Takeover**
Related Assets (Core Business)	Sell-offs Liquidation	Spin-offs Split-ups Split-offs	Sell-offs Liquidation
Unrelated Assets (New Business)	Sell-offs Liquidation	Sell-offs Liquidation	Sell-offs Liquidation

Source: Johnson, Huskisson, and Margulies (1990)

Johnson, Huskisson, and Margulies (1990) showed that external organizational pressures do impact internal organizational development techniques. These forces and outcomes affect corporate restructuring before, during and after restructuring process. The authors stated that

> "Organizational Development has traditionally been based on the premise that change is driven internally, thus minimizing external environmental contingencies: reducing conflict, improving interpersonal relationships within the organization." (1990:144-166)

They argue that strategic management focuses on the external environment as the driving mechanism for change and they cited financial performance as one form of external contingencies. Concerning the outcomes of restructuring change initiative, the authors argued that divestitures do involve sell-offs, spin-offs, split-ups, liquidation and leveraged buyouts. Three principal mechanisms through which restructuring are often implemented: public, private, and takeovers (figure 3.3). One of the essential elements in organizational effectiveness, the authors suggest, is the fit between the strategy and the culture.

Considering that organizational restructuring is a change intervention presumes that changes could be either incremental or framebraking (Nadler and Tushman, 1989). Change is incremental when minor alignment(s) of organizational functions are made, and is framebraking when it is radical, abrupt, and requires major cultural redesign. The latter form creates more anxiety amongst employees and uncertainty dissonance. Johnson, Hoskisson, and Margulies (1990) offered two forms of downsizing strategies that require careful planning and suggested that employees within the organization could become allies in the change effort. Top-management reaction could be either proactive or reactive. For example, a proactive framebreaking scenario is a re-orientation in an anticipated change effort, whereas, a reactive framebreaking scenario is a response to an immediate internal or often external demand. They finally add that corporate restructuring represents large-scale change or frame-breaking change.

Downsizing Strategies

Cameron, Freeman, and Mishra (1991) in their work on types of downsizing strategies came up with a typology of three main types of downsizing: 1) Reduction In Force (RIF), 2) Organization redesign, and 3) Systemic strategy. Each of these types has some specific characteristics and the authors offered some vivid examples to illustrate their analysis. Figure 3.4 below portrays their findings along with examples.

The reduction in workforce (RIF) type of downsizing strategy is similar to the labor cost containment strategy described by Labor Demand Theory (Hammermesh, 1993) and Kochan (1996) which targets headcount reduction in an attempt to control cost. This strategy is a short-term strategy and it may give sound results in terms of controlling operating costs. The organization redesign strategy is a moderate-term strategy that aims at the elimination of layers, functions, and products. Finally, the systemic strategy is a long-term implementation of change and restructuring that involves all organizational constituents. The systemic strategy resembles the negotiated change discussed by Cutcher-Gershenfeld (1994) which presupposes change as a journey and not as a one shot deal.

This study examines the impact of implementing SAP and privatization of former SOEs on employment levels. The recourse to layoffs and other alternative measures is reflective of the strategy taken by policy makers in terms of whether they consider employees as assets that need to be retrained and retained or to consider them as cost to be contained, therefore reduced. This assessment is reached through case studies of the Tunisian privatized enterprises. The question that remains to be answered here is: How are the measures undertaken in the Tunisian experience similar or different from the downsizing and head count reduction measures widely known in the U.S. as a common employment practice?

In other words, is Tunisia now witnessing a diffusion of work practices that are widely used in the developed industrialized economies? Or how are the Tunisian work arrangements and alternative layoff measures similar or different to those practiced in the U.S.?

Figure 3.4: Types of Downsizing Strategies

Characteristics	Examples
1) Workforce Reduction	
Aimed at head count reduction	*Attrition*
Short-term implementation	*Transfer/outplacement*
Fosters a transition	*Buyout packages layoffs*
2) Organization Redesign	
Aimed at organizational change	*Function elimination*
Moderate-term implementation	*Product elimination*
Fosters a transition and potentially transformation	*Layers elimination*
	Units merging
	Work tasks redesigned
3) Systemic Strategy	
Aimed at Cultural Change	*Change requirements*
Long-term implementation	*Involves all constituents*
Fosters Transformation	*Downsizing is a way of life*

Source: Cameron, Freeman, and Mishra (1991)

The authors' four-year study at the University of Michigan (1991) provides an insight for Human Resource Mangers interested in the issue of change. They suggested that change initiatives should also be initiated from the bottom-up and not only implemented by command from top-down. Their study has also revealed that downsizing was seen as short-term and across-the-board as well as long-term and selective in emphasis. They argue that downsizing strategy could be both as a targeted end in itself and as a means to an end as well.

Their major contribution resides in focusing on using the downsizing process to rethink client service targets, remove wasteful work, and begin practices of continuous improvement at all levels to transform public service organizations. Thus, Cameron, Freeman and Mishra (1991)'s study highlights that often companies downsize as a response to market pressures and that downsizing involves not only workforce reduction but also the elimination of functions and layers. Therefore, redesigning systems and work organization policies to contain costs is becoming a common cost reduction strategy in US companies.

Downsizing should not be confused with two other similar but different organizational phenomenon: layoff and workforce decline. Cameron, Freeman, and Mishra (1991) argue that organizational downsizing involves many alternatives beyond just laying people off. Common alternatives to firing workers because of economic pressure are: headcount reduction strategies such as attrition, early retirement measures, and/or outplacement. The authors add that downsizing might also occur by three additional measures: 1) by reducing work and not just personnel, 2) by eliminating functions, hierarchical levels and units, and 3) by implementing cost containment strategies that simplify processes (i.e. paper work, information systems, and sign-off policies).

Greenberg's AMA survey results (1987, and 1990) provided the rationale behind downsizing phenomenon as practiced in the United States. The survey showed that downsizing occurs both in times when companies are profitable and in times when companies are non-profitable as well. In business downturns, more workers and top managers get laid-off. Could these assumptions hold for the Tunisian case, where the economy is witnessing a major structural change?

Large-scale Organizational Change

Ledford, Mohran, Mohran, and Lawler (1989) proposed a framing of large-scale organizational change in the Organizational Development (OD) and Organizational Theory (OT) literature. Figure 3.5 presents the main issues relative to large-scale organizational change. Research in the OD and OT fields differ in their primary focus, main levels of analysis, and in the degree of practical implications.

Figure 3.5: Large Scale Organizational Change

Main Issues	**O D**[11]	**OT**[12]
Primary Focus	Specific Planned Organizational Change	Specific Causes and Types of Change
Main Level of Analysis	Group Individual Subgroups	Organization Groups of organization
Potential Implications	Extensive	Intensive

Source: Ledford, Mohrman, Mohrman, and Lawler (1989).

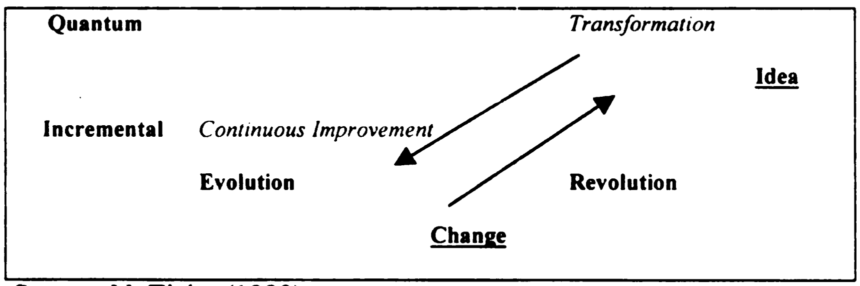
Could the Tunisian experience with privatized former SOEs be considered as Large-Scale-Organizational-Change (LSOC) and/or could the implications of the implementation of SAP be limited or extensive?

[11] Organizational Development
[12] Organizational Theory

Re-engineering

Tichy (1989) has contributed to the restructuring debate by providing a more strategic framework for organizational change known as re-engineering. Tichy's framework of analysis considers change as either an evolution or a revolution, which is similar to Nadler and Tushman's (1986) framework that emphasized incremental and strategic types of organizational change. Tichy adds that an idea once suggested to an organization could have either a quantum or an incremental impact. For example, a quantum idea is associated with a revolutionary change, which leads towards a transformation. Whereas, an incremental idea is more associated with an evolutionary change that leads towards more of a continuous improvement. Figure 3.6 offers a preview of Tichy's Re-engineering framework.

Figure 3.6: Tichy's Re-engineering Framework



Source: N. Tichy (1989)

Re-engineering approaches emphasize total rejection of the current system. It is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in enterprise performance. Performance measures include critical factors such as cost and quality and speed of service (Hammer and Champy, 1993).

Planned versus Negotiated Change:

Cutcher-Gershenfeld (1994)'s study on planned versus negotiated change focuses on various strategies often used by companies that face change. The author's emphasis was on the combination of Forcing, Fostering, and Escaping strategies utilized to define major pathways to change. Tactics either enable or limit movement along each pathway. Cutcher-Gershenfeld (1994) argues that change is not a one time event or one shot deal. Instead, change is a long-term process. Change initiatives derail when original plans are badly designed, people driving change do not push hard enough, people have irrational fear of change, change effort gets side-tracked by unnecessary battles, and when change is not really that important after all.

I found the theoretical framing of change strategies (forcing, fostering, and escaping) useful to account for the type of macroeconomic Structural Adjustment Program (SAP) implemented in Tunisia. It appears that change has been forced on and not fostered by the main workplace stakeholders. To what degree were the decisions to implement economic restructuring and privatization measures the sole decisions and strategic choices of the industrial relations actors? Or to what degree did the external environment determine these decisions? KKM (1990) have addressed this issue of strategic choices versus environmental determinism and their model clearly admits that industrial relations strategies are shaped and strongly influenced by environmental factors and will still continue to do so in the future (1990:192).

The authors argue that in the United States, both past environmental events like post-World War II developments as well as more recent ones like the deregulation of the trucking industry shape the strategic choices of the parties at the workplace. They state that such events "continue to show the important choices confronting the parties and the role played by business and industrial relations strategic decisions" (KKM, 1990:192). That is to say, that the authors clearly disagree with the contingency theory model and consider it too deterministic and leaves no choices to the parties that have shaped the industrial relations system.

Cutcher-Gershenfeld, McKersie, and Walton (1995)'s empirical work on strategic negotiations and change initiatives examines a series of highly cooperative and highly contentious change initiatives within various unionized workplaces in the United States. Their study reveals lessons learned from case studies in the auto-parts, paper, and railroad industries about the nature of negotiated change and lay down the reasons behind which change initiatives at the workplace either succeed or fail. In some cases, management has employed a fostering change strategy in an attempt to move forward common or complementary interests between the parties (labor and management) and that is through the use of attitudinal change, persuasion, and problem solving. In other cases, the authors found that management has used forcing strategies followed by fostering strategies and other cases where management has used forcing and fostering strategies simultaneously.

This study is useful in terms of analyzing the type of strategy of change initiative used at the workplace by the main actors of industrial relations. I will argue that the implementation of SAP and privatization of SOEs in the Tunisian case have witnessed similar strategies of forcing and fostering. Also a simultaneous use of both strategies have been used in order to advance workers and their unions to accept the transfer of ownership and control from the public to the private sector.

Ideal-type Process Theories by Level

And Mode of Change

Van De Ven and Poole' s study (1995) based on 'the theory integration approach' introduced four basic types of process theories (Life-cycle, Teleological, Dialectical, and Evolutionary) which represent fundamentally different event sequences and generative mechanisms (motors) to explain *how* and *why* change occurs in organizations. The authors provide a typology (Figure 3.7) that distinguishes the *level* and the *mode* of change to which every theory applies. This typology is useful for understanding a widespread of theories of change processes in organizations. They suggested that different perspectives and theory integration or 'the interplay among theories' is necessary to enrich one's understanding to the complex phenomenon of change and development at the organizational level. Contrasting initial disciplinary perspectives against 'broader explanatory power' has been the focus of their study.

Their assumptions, though, was that all organizational change and development theories provide alternative pictures of the same organizational processes without nullifying each other. Van De Ven and Poole (1995) clarify that the constructs change and development are neutral terms. The construct change does not necessarily mean a movement from worse to better situations nor does the construct development necessarily mean a positive progression from a weak to a stronger condition.

Figure 3.7: Typology of Organizational Change and Development Theories

EVOLUTION	DIALECTIC
1ST Order Change	**2nd Order Change**
Gradual Change Deductive Modality Predicted Outcomes Multiple Entities Variation Process Unspecified	Radical Change Constructive Modality Unpredictable Multiple Entities Antithesis Origin Obscure
LIFE CYCLE	**TELEOLOGY**
1ST Order Change	**2nd Order Change**
Gradual Change Deductive Modality Predicted Outcomes Single Entities Obscure Start-up & Termination Processes	Radical Change Constructive Modality Unpredictable Single Entities Dissatisfaction Source Obscure

Source: Van De Ven and Poole, 1995.

The authors clarify that the classification of the theories in their typology is very loose and for illustrative purposes only. They added that other single motors can be used to account for the origins of the events and that interrelation amongst the four motors or template matching is possible. They argued that organizational theory and development literatures are composites of two or more ideal-type motors.

The four building blocks shown in Figure 3.7 represent a framework for all specific theories on organizational change and development. They claim that any organizational change and development theory can be built from one (initial perspectives) or more (interplay of motors) of the four basic types. In each theory of change processes presented in their study, four main characteristics are added:

1) *Cycles of change*, where process is viewed as a different cycle of change events,

2) *Motors of change*, which are governed by a different 'motor' or a generating mechanism that operates on a different
3) *Unit of analysis* and change which represents a different, and
4) *Mode of change.*

This hierarchical system of levels, the authors suggest, sheds the lights on two various angles for studying change at any given organizational level. The first angle is the internal development of a single organizational entity through exploring its historical processes of change, adaptation and replication. The second angle is the relationships between numerous entities to understand ecological processes of competition, cooperation, conflict, and other interactive forms.

Summary and Discussion

The review of the theoretical literature in industrial relations and organizational change thus far reveals key analytical tools of analysis. These analytical tools help assess the impact of an intervention, like the change in ownership and control, on industrial relations outcomes. It is important to note that the above-discussed theories did unfold in the context of developed economies that have faced some fluctuations and crises. Could these practices still hold for countries with economies that are dependent and/or in transition? In other words, could there be a diffusion of work practices from the developed to the developing world as the newly industrialized and the developing economies attempt to move towards a market-oriented type of economy?

The above-mentioned theories in the fields of industrial relations and organizational theory distinctly invoked the issue of change in organizations. In this section, I discuss the relevance of using these theories in addressing the impact of a change initiative on industrial relations outcomes in Tunisia.

KKM (1986)'s study did emphasize the importance of considering the strategic choices of the industrial relations actors in shaping the outcomes of employment relationship rather than focusing on the external environmental determinism as the independent factor accounting for the changes and transformation of industrial relations systems. As regards to the Tunisian case, although the need for privatization was called for by the international donor agencies (IMF and the World Bank group), internal organizational factors could not be denied. The strategic choices of the main industrial relations actors could still be influenced by the external pressures as explained in the theoretical model developed by KKM (Table 3.4). Yet, the external factors do not play a deterministic role in shaping the outcomes of industrial relations at the workplace level. That is, changes in collective bargaining structure and scope for example is a function of the interplay of the industrial relations actors' strategic choices and the environment in which they operate. Further, KKM's theoretical model did not pay enough attention to the pivotal role of the state in the change process. In the U.S. it was management who drove change in organizations whereas in Tunisia it was the government who initiated it. Thus, a need for a model that accounts for the importance role of the state and the international market pressures deems necessary to trace the emerging patterns of industrial relations in developing economies.

Kochan (1996) model on human resource investment versus labor cost containment strategies clearly captures the difference between the short-run versus the long-run approach often held by policy makers and some enterprise managers in their approach to change. The former approach values the long-term returns on investing in people and the latter approach appraises the benefits of being concerned with the immediate drain of the labor cost on the firm budget. These two approaches represent the two ends of the same continuum where much the work practices could be better understood. They imply assumptions about people in the organizations: people could be either valued as assets to be fully developed or as cost to be tightly controlled and cut.

Similar approaches to Kochan's (1996) theoretical framework could be classified under either the human investment or under the labor cost investment strategies. For example, Nadler and Tushman's (1986) work on increment versus strategic change could fall under the category short-term versus long-term or labor cost versus human investment strategies.

The works of Johnson et al. (1990), Cameron et al. (1991) and Tichy (1989) on voluntary restructuring versus hostile takeovers, downsizing strategies, and on re-engineering are useful in terms of tracing whether the changes in Tunisia's SOEs have seen the same patterns. The work of Ledford et al. (1989) addresses the scope of change (large-scale organizational change) which is the case in the Tunisian experience. Considering that the macroeconomic restructuring did change not only the role of the industrial relations actors (government, business, and labor) but also has altered the entire economy from a heavy dependence on government intervention into a market-oriented form. Tracing the implications of large-scale change at the organizational level has been the premise of the authors but there has been less emphasis on the importance of organizational properties and enterprise characteristics as shown in this research. Factors like enterprise size, labor cost, labor input in the strategic decisions of the firm, share of the government in the capital structure and type of industry are important determinants of industrial relations outcomes.

The works of Cutcher-Gershenfeld (1994) and Cutcher-Gershenfeld, McKersie and Walton (1995) on type of change (planned versus negotiated) and on negotiation is useful to account for whether the change in ownership and control due to privatization and economic restructuring was planned or negotiated. The importance of such an analysis reveals the significance of the strategic choices of the industrial relations actors rather than the environmental determinism that forces change. The merits of involving labor and their unions in the strategic choices of the firm is an important factor that accounts for the changes in industrial relations outcomes. If change is forced rather than negotiated, could the industrial relations outcomes be the same?

Finally, the work of Van de Ven and Poole (1995) on process theories is important in that it describes the levels and modes of change that best explain *how* and *why* change occurs in organizations. Their typology (Figure 3.7) clearly distinguishes the *level* and the *mode* of change to which every organizational development or organizational theory applies. I found this typology useful for understanding the change processes in organizations in the Tunisian case. Understanding privatization as a complex phenomenon of change and development at the organizational level is deemed necessary but organizational properties and enterprise characteristics are essential to grasp the determinants of industrial relations outcomes.

(3) Review of Relevant Literature on Privatization and Industrial Relations

This section of literature review deals with the previous research on privatization and other macroeconomic restructuring on industrial relations and human resources. As mentioned in the first chapter, tracing the consequences of privatization in its various forms on industrial relations and employment relationship is not well understood. Little attention was given to the importance of empowering the industrial relations system rather than "fighting" it.

Furthermore, emphasizing the importance of enterprise characteristics in influencing the industrial relations outcomes has rarely been addressed. Instead, most of the focus of the economic restructuring and privatization literature has been on external environmental pressure such as the globalization of the world economy as the determinant factor that shapes enterprise outcomes.

Introduction

This dissertation does not intend on discussing the claims made for or against privatization nor does it intend on arguing about the benefits or the negative consequences of changes in ownership and/or control. Instead, the purpose of this research is to assess the industrial relations consequences of the SAP and privatization as applied in the Tunisian case. It is important to note that privatization is one component of the general macroeconomic liberalization policy. Most of the literature on privatization admits that this construct is ideologically charged. Yotopoulos (1989:698) stated, "...(T)he question of whether to privatize revolves more around ideology than around positive analysis." Moreover, privatization is part of a process of global economic restructuring that was best defined by an ILO study (ILO, 1995:5) as "increased reliance on market forces and reduced role of the state in economic management."

Theoretical Framework of Privatization

Privatization is often defined as the total or partial transfer of assets and/or equity and control from public to private hands. It is manifested in the opening of the economy to global trade and international capital flows in order to encourage more free market mechanisms as regards to prices, tariffs, trade, and compensation.

Needless to say that privatization is an ideologically charged construct. The general arguments for privatization claim that it unleashes competitive private impetus that in turn contributes to advocate and promote efficiency and effectiveness, thus leads to economic development and growth. Privatization opponents, however, claim that privatization is nothing but a mere substitution of public monopolies with private ones that just lead to more corruption and no competition.

I argue that the implementation of privatization in developing economies was initiated by pragmatic rather than ideological objectives. Furthermore, the need to privatize could be better understood by analyzing both domestic and international dimensions of change in control and ownership. That is, the globalization of the world economies has put external pressure on publicly owned enterprises to remain more competitive and focus more on being efficient operations. Internal issues of lack of managerial and entrepreneurial skills and mismanagement crisis were added factors.[13]

A close look at the economic development literature reveals that privatization and nationalization have been two competing models of economic growth largely used by State-nations (Etat-Nations) around the world after World War II. These two competing ideological paradigms were closely linked to both capitalism and socialism respectively. It is safe to say that privatization is to capitalism what nationalization is to socialism.

Privatization is an international phenomenon that signals the shift in economic policy from a centrally planned to a market-oriented strategy (Krueger, 1992). The reasons as to why privatize have been the same in both developing and

[13] See the study done by the International Labor Organization, 1995:6 for more on this.

developed economies alike. Whether countries do respond differently to the same economic crisis remain to be seen for future research.

State Intervention in the Economy

The role of the state in the economy has shifted in recent years in all countries regardless of the stage of economic development and the political system (KGPR, 1989). The post World War II era and with few exceptions, the state has been perceived as the driver for economic growth and development, even more sometimes as the "sole controlling agent" of economic activities. What might have contributed in accounting for the interventionist nature of the state in the economy worldwide could be attributed to the pre-existing and prevailing economic conditions that were largely characterized by the lack of private initiative.

Thus, macro-economic planning has been the main focus for public policy makers, which has led to the creation of public enterprises with centralized decision-making processes (KGPR, 1989:285). The newer trend of reversing the state intervention in the economy has only been active in the late 1970 even though the construct privatization in itself was an old concept[14].

Public sector enterprises as a form of public sector organization (Thairy, 1989) have witnessed financial difficulties in both developed and developing economies alike. The causes of increased indebtedness of SOEs have been addressed in the privatization and economic restructuring literature (Thairy, 1989; Innes, 1992). The main reason has been attributed to the political intervention of the state in the functioning of the SOEs. Part of the reasons of such an intervention has been explained by the degree to which the state has contributed to the capital structure of the firm. That is, the higher the capital intervention of the state in the SOE the higher is the control.

This issue of state intervention in the functioning and operation of the publicly owned enterprises has generated a lot of debate in the privatization and economic restructuring literature. Most of the debate is centered between the proponents and opponents of privatization initiative. Privatization proponents as they argue in favor of privatization claim that private sector services and goods would be "cheaper, better, and quicker" than the state sector (Innes, 1992).

Innes (1992) offers a reason why privatization is better and that is because of the existence of competition or at least the threat of privatization. That is, it is not the private sector per se that creates efficiency. Instead, it is the competitive enabling environment in which the firms operate and function that makes the difference. In addition, privatization proponents argue that since SOEs are overstaffed, redundant workers add to the indebtedness of the firms, which in turn has to be cut.

Privatization opponents, however, argue that privatization in itself does not guarantee higher efficiency since the competition does not exist within the private sector either (Innes, 1992). Innes adds that increased efficiency could be the result of increased prices of services and goods to customers and consumers and due to added near monopolistic control of the markets, efficiency and higher profits might be achieved. Van de Walle (1989) also adds to the monopoly

[14] See for example the work of Adam Smith (1789) who advocated the "hands-off" government stand.

argument the necessity of having accompanying liberalization measures for privatization to be more effective tool of development. He stated (1989:601) that:

> "Unless it is accompanied by liberalization measures, privatization of public enterprises is unlikely to result in significant gains in economic efficiency."

The efficiency argument in favor of privatization stems from the drive for profit, which makes retrenchment evident. In other words, efficiency for the sake of profit will come before jobs therefore efficiency means headcount reduction of a redundant workforce that was not hired because of a need for skills or the like.

Earlier in the background chapter, I have demonstrated that public sector enterprises were established during the nationalization movement past French colonialism that ended in 1956. Nationalization of industries was at the time believed to lead to economic development and growth and to sustained investment in the economy. According to Van de Walle (1989:603), public sector enterprises served the state elites (Hermassi, 1974) in the form of providing jobs to loyal political constituents. The Tunisian case was not any different from other developing countries' experience. Employment creation and other social objectives such as regional equilibrium were on the agenda more than the issues of efficiency or effectiveness.

Besides, not all publicly owned enterprises do operate on the premise of being efficient and profitable. The existence of numerous examples of Non Government Organization (NGOs) and non-for-profit organizations in both developed and developing economies is a vivid illustration of such a point. Simply put, the promotion of certain goods and services whether by the government and/or other private initiatives especially in the remote and isolated areas and for the under served segments of the population portrays such a point.

Van de Walle (1989:603) added that:

> "Improving market efficiency was not a major preoccupation, however, and public enterprises were rarely created to handle market failures, as is sometimes implicitly argued on their behalf today."

Shirley (1983) has listed the most important weaknesses of SOEs in the early 1980s:

- Unclear multiple or contradictory objectives and mission statements;
- Highly centralized bureaucratic decisions;
- Lack of strategic capitalization;
- Managerial inaptitude;
- Excessive labor costs and high labor turnovers;
- Increased and continued financial losses; and
- Superfluous workforce.

Since the privatization of SOEs means less government intervention in the functioning of the firm, this does not necessarily mean that the role of the state is withering away albeit it is diminishing[15]. Oestmann (1994) draws two scenarios where he shows the importance of state intervention even in the aftermath of introducing privatization. He stated in his study for the ILO (1994:32-33) that:

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[15] For more on the issue of re-inventing the government see the work of David Osborne and Peter Plastrik, 1997.

" Where competitive markets exist, (...) privatization
seems to enjoy success, provided that an efficient public administration provides a regulatory framework, which safeguards the continuity of the services concerned. However, (...) in areas where market failure is possible, regulatory intervention and special control mechanisms are extremely important. In order to protect workers against the possible negative impact of privatization, governments should also include specific commitments to respecting the principles of international labor standards."

Why Privatize?

Entelis (1980) has attributed the impetus for privatization to the difficult economic crisis that was characterized by its high unemployment rate, massive balance of payments, and an increasing foreign debt burden (p.174-177). In third world countries, public sector deficit has contributed to real devaluation of national currencies coupled with real decline in wages and an increase in real interest rates (Grissa, 1990; Davis, 1992:51). These impetuses for privatization efforts have been purely based on economic grounds. Thus, the focus has been put on the product market and not on the labor market (Bos, 1991).

Consequently, the outcome of state intervention in the economic activities of the State-Owned-Firms (SOEs) and the public enterprise sector has contributed to the stagnant economy. Furthermore, Davis (1992) stated that the state of the economy has been aggravated by the increase in the external debt, higher unemployment rates, and lack of resources to boost investment. SAPs have been introduced as solution packages to jump-start the chronically ill SOEs. They have focused on the necessity to shift towards market-oriented reforms. The liberalization measures such as the liberalization of prices, exchange rates, interest rates, and wages as well as privatizing publicly-owned firms that have relied heavily on government subsidies to survive has been deemed necessary steps for sound economic development (Davis, 1992:52).

Davis (1992:57) has reported: "privatization helped to reduce fiscal deficits because public enterprises in the depressed 1980s were losing money and borrowing from the state to cover deficits (and to finance capital investments if any were feasible). Those losses could have been reduced, and in some cases eliminated, by eliminating the redundant personnel, but that legally required the payment of huge termination benefits that in the short run would simply increase fiscal deficits." In other words, the debt-led economic growth model required the implementation of the Structural Adjustment Programs (SAPs). The new economic realities have forced the structural economic changes from centrally planned to market-oriented reforms.

A close look at the economic and political economic literature reveals that the concepts of privatization, contracting-out, subcontracting, and divestiture –to state few- have become an integral part of the new lexicon in the economic development jargon. These liberalization measures have been presented as "solution packages" for the ill-operating publicly owned state enterprises. It is often believed that liberalization measures increase economic efficiency and enterprise effectiveness.

It is important to assess the basic assumptions about employment relationship that often guide firm-level strategic decisions. Often, workers and their unions are seen as part of the problem and not part of the solution when firms are faced with major challenges (Sleigh, 1993; Voos, 1989). Part of the reasoning behind such an assumption is the short-term mindset that drives some managers and policy makers. These enterprise stakeholders often focus on the immediate results and thus, on considering labor as a cost that needs to be tightly cut for the enterprise to meet the competitive challenges rather than an asset to be fully developed (Kochan, 1996; Lee and Verma, 1996).

Unfortunately our understanding of the importance of Human Resources as an asset that could contribute to the economic growth and sustainability of the enterprise in the newly challenging environment has yet to be demonstrated by empirical studies. This research explores these two competing assumptions about employment relationship as suggested by Kochan (1996): 1) either considering human resources as assets to be fully developed, or 2) treating human resources as cost to be tightly controlled.

Privatization and Industrial Relations

Thompson and Ponak (1992) did trace the industrial relations outcomes of privatization in the Canadian case. In their study of the developments that face the Canadian public sector industrial relations system, the authors stated that privatization was among the major forces that had the most substantial impact. The authors agree that cutting public spending and subsidizing SOEs is no longer feasible now that governments are faced with increased pressures to transfer running enterprise sector to private entrepreneurs instead of running it through the state bureaucrats. Thompson and Ponak stated that "the greatest long-term threat to stability of public sector industrial relations would be the change in the role of the public sector itself. Further, the role of the government must be reduced due to both fiscal pressures and conservative political ideology," (1992).

Bray and Walsh (1993) have traced the trade unions' reactions and responses to the economic restructuring in Australia and New Zealand. Their major finding was that trade unions could either take a traditional role that I call reactive approach or a new proactive approach to economic restructuring. Some trade unions contributed in shaping the policy and agenda for economic and political change around economic restructuring and privatization. Others have just responded to it. Table 3.5 below summarizes the authors' study of the unions and economic restructuring in Australia and New Zealand:

Table 3.5: Reactive and Proactive Approaches to Economic Restructuring From A Union Perspective

The Traditional Reactive Approach	The New Proactive Approach
Limited policy horizons	Expanded policy horizons
Reacts to the policy changes	Shapes the direction and pace
Narrowly reacts to policies	Participate in policymaking process
Traditional confrontational role	Changing participatory role
Defensive and ad hoc role	Proactive strategic role
Micro-level focus	Macro-level focus

Kanawati et al. (KGPR) (1989)'s study have traced changes at the macro-level that have led to adjustments at the micro-level and have altered the enterprise activities and structures. The authors have examined how slow economic growth, the instability of financial markets, the increasingly intense competition, the growing global interdependence and the rising expectations of consumers and workers have prompted necessary changes. Particularly managers had to rethink and remold their strategic choices so that they adapt to the macro-economic changes and challenges.

Methodology and Research Focus on Privatization and Industrial Relations

Some attempts have been recently made to evaluate the effects of privatization and the change in ownership on industrial relations institutions, processes and outcomes (Cam, 1999; Pendleton, 1999; Bojnec, 1999; Lawler, 1999; and White and Janzen, 2000). This section of literature review discusses the methodology and research focus of those studies on privatization and employment issues.

Cam (1999) has conducted case study fieldwork in the Turkish cement industry where he analyzed employees' attitudinal changes towards the effects of privatization on their job security, unionization and wages. A total of 150 employees affected by the privatization of the cement industry were interviewed. Cam's main research question was to check whether privatization and exposure to product market competition leads to changes in labor-management and industrial relations.

Pendleton (1999) has examined three sets of propositions: (1) Privatization leads to lower changes in industrial relations institutions and processes, (2) Privatization will lead to lower average levels of remuneration relative to the public sector firms, and (3) Privatization will lead to relatively higher levels of efficiency. He then later concludes that competition will add to ownership effect and that privatization outcomes on industrial relations have yet to be fully felt.

Bojnec (1999) has studied the impact of privatization and restructuring and management in the Slovene enterprises. He used a firm panel data set. He concluded that the majority of employment is still in socially-owned enterprises but argues that private enterprises are more efficient than socially-owned enterprises. The author has addressed management issues, union recognition and competitive pressures.

Lawler (1999) addressed personnel and transition issues and traced the role of public employees during the privatization process. He made personnel matters his research interest. Issues like selection and termination, wages and benefits, job security and workers' dislocation to private sector employment have been addressed. Lawler's methodology consisted of using an example of privatized service in Florida namely the Orlando-Orange county Expressway Authority to private toll operations in central Florida. His approach though has been consultative with much emphasis on what the government and the private new owners should do. In essence, Lawler's work was somehow similar to that of Wisniewski (1992) in that it offers a framework for considering the contracting out of government services. Similar work also could be found in the works of O'Leary and Eggers (1993) where the authors offer guidelines for fair treatment of public employees during privatization process.

White and Janzen (2000) offer a more recent study on the industrial relations' implications of privatization. They have focused on the privatization of Canadian ad-mail services that took place in February of 1997. Their data sources comprised of government, union and primary archival materials and documentation. Data was also gathered through interviews and media records of major stakeholders' reaction to the termination of about 10,000 workers due to privatization. In order to determine privatization's outcomes on the workers who have faced layoffs, the authors used a tracking survey of ad-mail workers just six months after their termination. A sample of 1160 was randomly selected and telephone survey was conducted. The response rate was nearly 89 percent. The random sample was selected after satisfying the population by province.

Privatization Literature in former Communist Countries

Since Tunisia's public policy has been favoring heavy government intervention in the economy after its independence from France in 1956, it seemed important to trace and assess the literature in the former centrally planned economies.

Since the fall of the Berlin wall in 1989 and the breakup of the Soviet Union in 1991, the move towards market oriented economy has been accelerated. Former centrally planned economies in post communist Central and Eastern Europe and the former Soviet Union countries have embraced privatization as a mean to achieve better economic growth. The strategic choice of departing from a command type economy towards an economic liberalization and privatization has taken the form of adopting liberalization measures such as trade and tariff deregulation and privatization of publicly owned enterprises.

The works of Jeffries (1996) and Carman (1997) help researchers assess the transition of those economies and offer a general guide and a framework for evaluating the progress. Exeter and Fries (1998) offer a progress report of those economies in transition and point to the difficulties that face such a transition. Willard (1997/1998) addressed the issue of the need to privatize but warns of the use of state funds to pop up loss-making firms with non- performing loans. He cautions that since the bank in the former Soviet countries and in Central and Eastern Europe are still under state control, private investment initiative would be impaired. Thus, only a quasi-privatization is more likely to occur.

Ullman and Lewis (1997) take up the managerial challenges in Central and Eastern Europe that entrepreneurs face during privatization. Furthermore, Mills' study (1999) put forward a process evaluation for the privatization that took place in the Czech Republic. Privatization efforts in post communist countries are now faced with challenges that might impede the implementation of privatization measures.. Although public policy makers have been clear to move forward towards a free market economy, the resistance from state bureaucrats and lower level decision-makers could not be underestimated.

Labor Demand Theory:

Ehrenberg and Smith (1997) stated that "we must keep in mind that good research has to be guided by good theory." I believe that the labor demand theory[16] is necessary in directing researchers how and where to look for the expected effects of an intervention such as privatization on employment. The main assumption of the labor demand theory is that the employers of labor (firms) seek to maximize their profit. In the case of non-for-profit organizations, some kind of net of cost measures of services would be brought about. When firms undergo changes, the driving force is often to maximize profits and to improve efficiency.

This constant search for profit maximization is necessary for firms to survive in today's challenging global economy. That is in one hand, if expanding firms' output by one unit is the result of an added unit of labor input, and if the added output revenue is more than the added cost of producing the added unit of input, the decision to add labor input is profitable. Firms could only control, therefore make changes to, the two types of inputs that represent the factors of production –labor and capital. For any firm to survive, it has to compete in three types of markets. Two of these markets are input markets and they cover labor and capital markets. The remaining market is the product market that could not be controlled by one firm unless it is a pure monopoly.

With respect to the employment of labor and capital, there are three major decision rules that are useful guides to deciding how and whether to marginally increase or decrease output. Ehrenberg and Smith (1997:62) state these important inferences that assert the profit-maximizing criterion in terms of inputs rather than output:

[16] See Hammermesh, D. <u>Labor Demand</u>, Princeton, N.J.: Princeton University Press, 1993.

a. If the income generated by one more unit of an input exceeds the additional expense, then add a unit of that input;

b. If the income generated by one more unit of input is less than the additional expense, reduce employment of that input;

c. If the income generated by one more unit of input is equal to the additional expense, no further changes in that input are desirable.

In this study, capital is held constant. I am interested in the labor rather than the capital part of the labor demand theory that generates additional income for the firm because of the added output that is produced and sold. By the same token, the decision to reduce the employment of labor will be solely based on the fact that it is because of the reduced output produced and sold.

Based on the profit-maximizing decision rule guideline mentioned above by Ehrenberg and Smith (1997), any given firm should keep hiring additional workers and increase employment levels as long as the labor's marginal revenue product exceeds its marginal cost. By the same token, firms should reduce hiring additional labor as long as the expense saved is greater than the income generated. These decisions are based on an assumption that product and labor markets are competitive.

In the past two decades, market failures have been used to justify governmental intervention in the economy (Pack, 1987: 523). Public intervention has been justified on social and political grounds especially in an era where profit-maximizing private firms bid to provide goods and services at the lowest cost possible. The traditional microeconomic theory labels the government intervention in the economy as welfare state.

The study of employment effects of privatization could be found in the labor economics literature (Reynolds, 1978). Since the privatization of public enterprises has been introduced, a concern has been that it will reduce employment (Cowan, 1995; Davis, 1992, Ehrenberg and Smith, 1997). The focus in the privatization literature has been on the product market rather than on the labor market. The impetus for privatization movements around the world has been based on two main causes. First, there is a tendency to reduce the size of the public sector that has grown too large since after the independence of developing countries and after the World War II in the rest of the world. Second, there is a belief that private ownership of the means of production is more efficient (Pack, 1987:523).

Labor fears the consequences of privatizing SOEs (Cowan, 1995:207; Davis, 1992:57). There will be an initial drop in employment due to privatization, but whether it will eventually increase later under privatized management remains to be seen. Continued public ownership of a firm is no longer a guarantee that jobs are secure in today's highly competitive world economy. Current and future economic conditions prevent governments from continuing to provide subsidies to the public sector, as has been the practice for the years after the colonialism in the developing countries and after the World War II in the developed economies.

Ensuring continuous job security is no longer dependent on government's intervention in the ownership and control of the firm. Instead, reaching a profitable, productive and efficient firm is the only way that the level of employment would be not only maintained but also increased. Thus, ownership does not matter in keeping jobs anymore.

Labor's fear that privatization will lead to loss of jobs is 'generally justified since overemployment is chronic in state-owned-enterprises" (Cowan, 1995:209 and Davis, 1992:57). If labor factor is taken seriously at all stages of a change initiative, the likelihood of success of such initiative is high. Integrating all parties in the privatization process is an integral part of the change process. Changing the role of the trade unions from a traditional reactive to a proactive role overcomes the labor's objections to privatization is deemed necessary if the unions want to survive. Employee involvement programs in its various forms – board representation at the firm being privatized or Employee Stock Ownership plan (ESOP)—has been remarkable in the United kingdom experience (Letwin, 1988:47).

Increasing employment levels will add to the firm's total costs. Likewise, reducing employment levels will reduce the firm's total costs. Hiring practices used to be based on non-economic grounds[17]. Bos offers a framework for theory of privatization that was built on positive theory of industrial organization and on normative theory of public economics. The labor market behavior of the firms is based on the rejection of welfare-based theory (Bos, 1991:90). Changing the firm's objectives from welfare to profit-maximization represents the core of the positive theory model of public firms (Bos, 1991:89-92).

Organizational Properties as Variables

Tracing the changes in industrial relations outcomes and assessing the possible emerging patterns of employment relations after the implementation of SAP and privatization measures is at the heart of the concern of this study. I labeled the following variables as enterprise characteristics or firm properties that best account for industrial relations outcomes as affected by privatization measures in its various forms. These variables are firm specific. Enterprise size represents the measure of the impact of privatization on employment. Given that the impetus for privatization is financial in essence, privatization measures are more likely to affect labor cost. The same argument holds for Firm Financial Loss, which most likely affects the ability of the firm to meet its contract obligations and survive in the newly competitive market. Strike Occurrence is a measure of the industrial relations climate as change initiatives are either forced or negotiated. And finally, I will trace the degree of presence or absence of employee involvement in the strategic decisions of the firms being privatized as a control variable.

Impact on Employment and Labor Market

The effects of macroeconomic restructuring in its various forms (SAP, privatization, liquidation and the like) have included displacement of labor (Mangum and Bower, 1992). The International Labor Organization has expressed its concerns about the impact of SAP on employment issues "employment, although both an economic and a social issue, fell between the stools of economic

[17] As explained earlier under the subtitle stating the problem.

restructuring and social protection," (ILO, 1995:6). Part of the problem stems from using public sector employment as welfare (ILO, 1995:12) in addition to having pay and pay levels totally unrelated to productivity in most publicly owned enterprises. Compensation has not been used as a tool to improve productivity and enterprise performance.

The dominant concerns, at first, were focused on enterprise size and have treated labor as a cost, therefore as part of the problem of the increased financial debt. Some go even further in legitimizing the cost-cutting strategy. For example, Blyton and Turnball (1996:18) argued that "to a greater or lesser extent, the desire to cut costs and improve quality is a characteristic feature of all employment relationships." Rare have comprehensive strategies been suggested to protect workers and to shift the focus from considering labor as a cost that needs to be tightly controlled and reduced to a strategy that believes in human resources development (Kochan, 1996; ILO, 1995:7).

According to Edgren (1989), the macroeconomic dimensions of change have often ignored the microeconomic dimensions: "Restructuring policies would not be as effective, has the behavior of the firm, its workers and managers not been understood." That is, in order to examine the effects of the macroeconomic dimensions on the functioning of the labor markets, it is evidently essential to study the behavior of the employers, employees and their union(s) at the enterprise level.

Ferner and Colling (1991) in their study on the impact of privatization in Great Britain have concluded that employment, pay and working conditions were reduced and that the industrial relations climate has worsened. The authors argued that since the British government has traditionally used public enterprises to accomplish political goals, public sector was overstaffed. Savas (1982) is amongst privatization proponents who argued that private owners would be able to reduce employment levels in public enterprises once they are transferred to the private sector. Beaumount (1991) noted that privatization and contracting-out have resulted in layoffs of public employees. His study suggested that the expectations derived from the British and the US experiences propose that there would be reductions in both employment and compensation.

Other researchers, however, suggest that the impact of privatization on employment is rather limited. For example, Thompson (1992:642), in his study of the impact of privatization on industrial relations in Canada, has come to the conclusion that very little has changed in the privatized enterprises. That is, workers retained their union affiliation, their unions successfully made the transition from public to private sector and negotiated pay levels that were comparable to the public sector prior to privatization. Furthermore, there were few reductions of employment that were due to privatization in its various forms.

Recent research confirms that enterprise size is an important factor in determining the competitive advantage of a firm. It is assumed that larger enterprises have a strategic advantage over smaller enterprises (Corsi et al., 1992; McKinley, 1992). Examining the long-term effect of work force decline and/or growth has been implied in the works of Sutton and D'Aunno (1989) and Peter Blau (1970). Blau argued that a growth in the size increases the needs for coordination and control. Sutton and D'Aunno suggested that "if this logic is reversed, organizations will respond to work force shrinkage by discarding impersonal standardized procedures and precise routines, and they will implement personal means of coordination and control as an alternative," (1989:195).

Examining the impact of privatization policy on employment shows that only trade unions in both developed and developing countries have been vocal in their stand about the transfer of ownership and control from public to private sector (ASEAN, 1989). Innes (1992) presented the South African trade union point of view and major concerns as regards to privatization. According to Innes, the union's argument against privatization lies into the very basic assumption that drives privatization that:

> "Since monopolies will be producing for profit, there is
> the danger that efficiency for the sake of profit will come
> before jobs and (...) efficiency usually means retrenchment."
>
> Innes (1992:103).

Furthermore, McKersie and Sengenberger (1981) have categorized the strategies for dealing with the employment consequences of economic restructuring as either "the laissez-faire" approach or the "preventive" approach. The former approach implies that jobs are not protected, whereas the latter approach is aimed at averting the economic dislocation of workers.

Thus, a close look at the privatization literature reveals that privatization itself is rarely seriously questioned. What has been largely debated though was how it has been implemented (ASEAN, 1989) as well as how various aspects of work and work organization is impacted by the change of this policy phenomenon of the 1980s.

I suggest to examine the following hypothesis related to the impact of enterprise size decline and privatization:

Hypothesis 1: *Privatization leads to loss of jobs.*

That is, since SOEs have been characterized as overstaffed (Cowan, 1995; Haskel and Szymanski, 1993; Sleigh, 1993; Grissa, 1990), employment losses are most likely to occur. Cowan (1995) argued that "the sale to the private sector will almost certainly result in reduction in the workforce."

I will assess the impact of privatization as an intervention on labor using paired samples t-test outcomes to check whether the difference in the variable is statistically significant. One alternative possible way to test this hypothesis is to average all pre-intervention yearly observations in one hand and divide it by the averaged post-intervention yearly observations to look either at percentage change due to the intervention in the form of privatization and/or to assess the mean differences.

Labor Cost

It is utmost importance that the issue of labor cost is addressed in this study to assess the impact of privatization policy on industrial relations outcomes. Researchers have noted that "the viability of enterprises on competitive national and international markets is obviously affected by direct labor costs at the enterprise level and the policy on wages and indirect costs at the macro-level" (KGPR, 1989:282).

Tunisian State-Owned-Enterprises (SOEs) were faced with economic and financial difficulties. KGPR (1989) has defined total labor cost as the sum of both direct and indirect labor cost. "Indirect labour costs constitute a large proportion of total labour costs" (p.283). For example, the employer's 20 percent contribution to social security fund, payroll taxes, pay for time not worked, and training all constitute various forms of the indirect labor cost. According to the authors (1989:283), the share of non-wage indirect labor costs often amounts to over 40 percent of the total labor cost in many industrialized market economies. With labor cost on the rise, the marginal cost of hiring an additional worker will increase. In other words, instead of creating new jobs, enterprise managers tend to expand overtime work. Overtime use, thus, adds to the rising cost of the now variable -rather than fixed- indirect remuneration cost.

It has been argued in chapter 2 that the main objectives of establishing SOEs in Tunisia have not been increased profit or efficiency (Grissa, 1990). Instead, the primary objective has been on providing a social policy. The financial consequences for adopting social policies through public sector enterprises have been dramatic not only for the SOEs but also for the entire economy.

Thairry (1989) has attributed the rise in personnel cost and the increase in administrative problems to political intervention. This reveals a major issue around government intervention in the economy[18]. Thus, privatization has been considered as a solution to the chronic financial crisis of the loss-making public sector enterprises in developed and developing economies alike. Thairry (1989:5) contemplated that privatization is a "new model of public-private management organization."

The World Bank studied 28 least developed countries in 1986 and found out that out of a total of 3,975 SOEs, 35 percent in 16 countries were targeted for privatization. Furthermore, 85 firms were sold either totally or partially to private investors, 45 were leased or have seen management contracted-out, 35 SOEs were bankrupt and 102 were closed. According to KGPR (1989:287), the major consequences of privatization are large-scale dismissals, disruption of labor market patterns, high unemployment levels, inappropriate patterns of skills and abilities, and distorted job expectations and lopsided wage structures.

The same authors also point out that numerical flexibility, deregulation, and non-conventional working arrangements have all led to weaken job security. According to the authors, quantitative workforce adjustments and new work form arrangements are often seen by trade unions as "further evidence of deterioration in both job security and conditions of employment, as a threat to their ability to organize, and a dilution of their bargaining power."

KGPR (1989) add that enterprise survival in an increasingly competitive environment depends on cutting wage costs, at a time when competitors are doing so through the use of precarious and vulnerable forms of labor, which leads to

[18] State intervention in the economy and issues around reinventing government would be discussed later in this chapter.

"flexible enterprises." De Oliveira and MacKerron (1992:157) identified three "problematic market characteristics" which lead to inefficiency and excessive cost:

1. Centralization and excessive size which lead to the lack of flexibility;
2. Monopolization which leads to exploitation, and;
3. Public ownership that leads to political interference.

A review of the relevant literature on privatization and cost-cutting measures rarely argued about the merits of reaching the right mix between protection and regulation on one hand and flexibility and growth on the other hand. In other words, the mix between capital and labor where growth is not done at the expense of protection or vice versa has not been well understood. The International Labor Organization study (1989:41) best addressed this issue to answer the question on whether can the market alone generate full employment and what is the right mix between private and public sector. The study suggests that headcount reduction should be rationalized and should be more selective rather than being random. It states that: "Quantitative cuts need to be replaced by selective cuts."

Hypothesis 2: *privatization leads to lower labor costs.*

The literature on privatization mentioned above suggests that the transfer of ownership and control from public to private hands be based on economic and financial rationale. That is, privatization is a cost cutting device that is meant to control the costs of operating the SOEs. It was suggested that labor cost would be reduced after privatization. I will test this hypothesis using the paired t-test statistics for before and after the intervention.

Financial loss of the Firm:

I assume that once firms face financial burden it is most likely that its ability to pay workers and/or meet the contract obligations would be hard to do. Government officials and policy makers are more concerned with cutting the financial losses generated by the SOEs. Privatization is believed to help controlling the financial losses of the firms.

I have discussed earlier the impetus for privatization and state intervention in the economic activities of previously nationalized firms. I have also argued that the need to privatize in both developing and developed economies has been based on pragmatic rather than ideological objectives. Chapter two of this study clearly portrayed the reasons behind which the transfer of assets and control from public to private hands in the Tunisian case was motivated by profit-maximizing and cost-cutting motives. The ill-operating SOEs have continuously drained the public resources and survived not on the quality of its services and products but on the flow of government subsidies since its inception. Privatization proponents have argued that with privatizing publicly owned enterprises and with creating private market competition, the burden of financial debt on these firms would be alleviated (Innes, 1992). The efficiency argument in favor of privatization stems from the drive for profit maximization and cost control strategies.

Hypothesis 3: *Privatization leads to lower financial losses.*

I will test this hypothesis with paired t-test statistics for before and after privatization.

Strike Occurrence:

According to Cowan (1995) there is "an already prejudice to convince labor that the sale of publicly owned means of production to private owners will only result in unemployment and exploitation of the workers," (p.205). The labor's distrust of the privatization process is based on a perception that it will lead to losses of jobs and job security, deterioration of working conditions, lower wages, and it would be a threat to pensions, employee rights and seniority.

Privatization as a process of ownership change is strongly associated with a rise in labor conflicts between the main industrial relations actors at the firm level. The nature of the privatization process is distributive which provokes a rise in the number of labor conflicts (Kabanava and Nazimova, 1993; Newman, 1993). According to Kabanava et al. (1993) the peculiarity of the conflict over the consequences of change in ownership and control resides in the fact that the interests of the industrial relations actors coincide. As a result, the industrial actors at the firm level often end up confronting the authorities in order to receive preferential treatment over the privatization rights in competition with external private investors. Other potential conflict over privatization issues is related to the process itself and to the parties' interest in getting involved in both the elaboration and the implementation stages.

Furthermore, labor unions could influence the process of economic restructuring and privatization either positively by being active change agents or negatively by sticking to traditional arms length practices. Sabel (1993) and Herman (1993) argued that labor organizations need substantial internal reforms in order to adapt to the changes caused by economic restructuring. Sleigh (1993) however, insisted that union participation is neither necessary nor sufficient to ensure a beneficial outcome for labor. He further added that:

> "Weak unions in Japan, for example, seem quite compatible with international competitiveness, while strong unions and a management sheltered from market competition in the United States has in some instances led to mutual stagnation. Second, strong unions may well be undermined by successful corporate restructuring." (p.15)

Thus, rarely has researchers considered labor and their unions as part of the solution (Mishel and Voos, 1992; Locke, 1990). Instead, they have been thought about as the cause of lagging competitiveness (Sleigh, 1993:16). That is, concerns with the impact of structural adjustment and privatization on industrial relations ha not produced significant literature coverage (See Table 3.2 and Table 3.4).

Based on these fears and concerns, I hypothesize that:

Hypothesis 4: *Privatization leads to strikes*

I will test this hypothesis with the paired t-test statistics. Means for before and after the intervention would be compared for statistical significance. It is important to mention that policy makers often do not pay enough attention to the employment relations' consequences of privatization. As a result, the parties are left alone to deal with how to cope with this change initiative either with a confrontational or with a participatory approach. The neglecting of the importance of the employment relationship factor in a change process of this magnitude affects the overall outcomes under study.

Employee Input in Strategic Firm Decisions:

Privatization literature rarely touched on the benefits and the merits of involving labor and their union(s) in the business strategic decisions. The construct of employee involvement (EI) has, however, been heavily used and defined in human resources and industrial relations literature. It has been designed to provide workers with a voice in the decision-making process and get them involved in the strategic business decisions of the firm. In essence, the adoption of EI programs implies the recognition of labor and their union(s) at the workplace and approving their legitimacy in contributing in the strategic decisions of the enterprise.

There are various forms of EI initiatives ranging from suggestion systems to Management by Objectives (MBOs), Profit-sharing and Gain-sharing, Quality of Work Life and Quality Circles, Team-Based Work Teams, Board of Directors Membership, Worker Participation, Collective Bargaining, Joint Labor-Management Committees. In addition, there has been a recent introduction of Employee-Buy-Outs (EMBOs) and Employee-Stock Ownership Plans (ESOPs).

Bluestone and Bluestone (1992) stated in their study that labor has often used ESOPs to save jobs and gain control over strategic firm decisions. They further cited that "better industrial relations" and "higher profits" have resulted in firms, which had viable ESOPs. ESOPs and EMBOs are often used in firms that face financial and economic difficulties. These initiatives are believed to protect workers against hostile and unfriendly takeovers (Bluestone and Bluestone, 1992; and Johnson, Huskisson, and Margulies, 1990).

As privatization has become a widespread international phenomenon that has been introduced in countries regardless of their stages of economic development, attention has been given to new forms of employee ownership (Nutti, 1995; Jones and Weisskoff, 1996). Oftentimes issues of the transfer of ownership and control in the privatized SOEs have taken the form of ESOPs or EMBOs. In addition, there has been a discussion in the privatization literature on whether the control groups were workers or managers (Bim, Jones and Weiskof, 1994) or whether the benefits were due to foreign or domestic investment (Boycko et al. 1993).

Cowan (1995) argues that in the event that an opportunity for labor and their unions is given to become part or full owners of their firm through Employee Stock Ownership Plan (ESOP) or preferred stock offering and/or employee-buy-out programs has proven to be successful. Using such a step requires more of an employee participatory plan that is based on the assumption that labor is part of the solution to the chronically ill SOEs and not part of the problem.

Another way of involving labor in the change process requires having an assumption that labor should be involved not only in the post implementation process but also most importantly in all stages of privatization process. The impact of this variable should be assessed as to whether involving labor had made any changes in the success of implementing the restructuring program against selective expansion and better targeting depending on national priorities and social need."

That is to say, strikes and/or lock-outs as forms of job actions is a function of whether labor has been treated as a cost that needs to be tightly controlled and thus eliminated. Therefore, the higher the labor cost the more likely resistance to the loss of job security is more likely to occur.

It is important to note, however, that if a company chooses not to use a cost-cutting strategy it does not necessarily mean that it did so because of a belief in considering the human element as the most valuable asset that needs to be fully developed (Kochan, 1996; KGPR, 1989).

It is important however to distinguish between the merits of implementing privatization as a step in the transition from a centrally planned system to a decentralized market-oriented economy without considering the necessary conditions needed for privatization to succeed as a strategic economic development policy option. Since privatization represents the trust in the efficiency of markets and the distrust of the efficiency of governments, Bos (1991) reminds theoreticians that for privatization to meet its efficiency expectations, employees also have to have a developed self-initiative. Without an established stock market, the evaluation of the SOE' value would be difficult. Moreover, without well-trained and experienced managers and workers who are not always waiting for orders, the transfer of ownership and control from public to private hands via the sale of public assets would not necessarily succeed. Thus, labor input in the firm governance is utmost importance and is a necessary condition for privatization to meet its efficiency expectations.

Hypothesis 5: *Privatization leads to more Employee Involvement*

This hypothesis is better tested with a dummy variable with 0 value for absence of employee involvement and 1 value for presence for employee involvement in firm's strategic decisions. However, due to lack of sufficient data points on the variable in the data collected for this research, I will not test this hypothesis. The virtues of employee involvement will be addressed.

Collective Bargaining

Finally, I examine whether privatization has led to a decentralization of collective bargaining from the traditionally industry-wide bargaining to the firm level. The new trend of decentralizing collective bargaining and pay systems has been traced in the early 1980s in the United States. Strauss (1984:14) stated that "collective bargaining is likely to be somewhat more decentralized than it was until recently."

The relevant literature on economic restructuring and privatization clearly reveals that trade unions may resist privatization efforts because of their concern about the employment security of their members, their role in the newly privatized firm, their bargaining power, and the possible decline of union membership[19] (KGPR, 1989). The authors show that particularly in Europe in the late 1980s, collective bargaining has witnessed a shift in its structure from industry or national level to an enterprise focus bargaining (KGPR, 1989:290).

It has been argued those issues of workforce size adjustment and firm-specific negotiations are better addressed and adequately resolved with a decentralized type of collective bargaining. That is micro-level bargaining focus that takes into account the organizational characteristics rather than the entire industry specifics are believed to generate more equitable results.

According to the same authors, many employers are convinced that only enterprise-level bargaining can offer the flexibility needed in organizing production and even in making wages more responsive to the economic realities of the firm. The traditional multi-industry, industry-wide, and national level bargaining seems to be withering away. Thus, enterprise-level bargaining might significantly impact industrial relations outcomes and become the new trend of employment relationship in developing economies.

Hypothesis 6: *Privatization leads to decentralized bargaining*

I will address the issue of decentralized bargaining as hypothesized here using a content analysis of the issues brought before the parties during the occurrence of strikes and negotiation process right before the implementation of SAP measures. Newer patterns of industrial relations are believed to be emerging due to the changes of ownership and control. Future research on the new emerging patterns of industrial relations is needed.

[19] And hence a decline in union dues.

CHAPTER FOUR

METHODOLOGY

The data and methods used to test the hypotheses presented in this proposal are displayed in this section. Further, I discuss the dependent and independent variables used for this research along with a presentation of an operationalization of their respective measures. This section discusses the sample of firms under study, the data collection procedure, and methods of data analysis used to test the hypotheses. I then conclude with a description of statistical inferences as they relate to the variables under study. Finally, I present an exploratory conceptual model of the determinants of organizational change and its effects on the industrial relations actors and their strategic choices.

The Sample of Firms under Study

Tunisia has embarked on a Structural Adjustment Program (SAP) in August of 1986. The privatization in its various forms has targeted 44 State-Owned-Enterprises (SOEs) most of which were operating at a financial loss. The period covering mid-1986 until December of 1993 represents the first stage of privatization process undertaken in Tunisia. The second phase has already started in 1994 and is still undergoing. An epilogue updating the privatization process in Tunisia is offered in Chapter six. The first privatization stage targeted profitable SOEs that are operating in a competitive environment. This thesis focuses on the entire population of the SOEs privatized in the first privatization phase. It is important, however, to generate some inferences and generalize the research findings across developing economies facing similar macro-economic restructuring.

Table 4.0: Distribution of Firms under Study by Economic Branch Activity: (June 30th, 1993)

Economic Sector	Number of SOEs
Tourism and Handicraft	11
Textile	4
Commerce	5
Construction Materials	7
Mechanical Industries	6
Fishing and Nutrition Industries	7
Other Sectors	4
Total	44 SOEs

Source: Ministry of Planning and Development, 1993; and Prime Ministry, 1993.

Table 4.0a: Size Categories of Privatized SOEs in Tunisia

Firm Size	Number of Firms	Percentage
99 or less	8	22.24%
100 to 199	14	38.89%
200 to 399	4	11.12%
400 to 899	7	19.45%
900 to 1399	0	00.00%
1400 to 1699	3	08.34%
Totals	36	100.0%

Table 4.0a above offers a distribution of the firms with valid data points by enterprise size. This table shows that the firms targeted for privatization are either small or medium sized. Just over 8 percent of all privatized SOEs in Tunisia's first privatization stage do employ more than 1000 workers. Nearly two thirds of the privatized SOEs do employ fewer than 200 workers. Virtually one

third of those SOEs is medium in size and employ between 200 and 400 workers. The choice of targeting small and medium sized enterprises for the first privatization stage has not been arbitrary or due to chance. It has been the intention of the policy makers to experiment the possible reactions and outcomes of the change in ownership and control in a much smaller scale before engaging in a much larger scale change. The mere fact that the first privatization stage took over 7 years shows that the pace of change has been carefully planned. Out of the total of 189 SOEs, only 44 have been targeted to undergo a change in ownership and control in the first privatization stage. Once the entire process is completed, the privatization implications on industrial relations outcomes in Tunisia would be better fully felt. This pioneer study however could serve as a prelude to a much needed analysis and could clearly point out the benefits of the importance of planned and negotiated rather than forced change (Cutcher-Gershenfeld, 1995) albeit at a slower pace.

Data Collection Procedure

This thesis is using archival primary data collected from various sources ranging from departmental Ministries, union organization (UGTT) and employers association (UTICA). Newspaper clips about the debate between the partners as well as statistical data are provided. This study is based on empirical findings from case study analysis (Yin, 1994) of 44 State-Owned-Enterprises (SOEs). I will use a paired t-test statistics to compare the difference between the means for before and after the intervention of privatization between the years 1983 and

1993. The interplay between the context of change and the actors of the industrial relations system is analyzed along with enterprise-level industrial relations outcomes.

Archival Data

Financial and industrial relations data on the restructuring of public enterprises and privatization of the Tunisian State-Owned-Enterprises (SOEs) were collected. Copies of official documents containing comprehensive statistics on enterprise size, capital expenditures and capital structure, labor cost, days lost to strikes, and financial statements have been compiled. Furthermore, the bottom-line itemization of profit and/or debt of the restructured and privatized SOEs were taken for the period from 1983 to 1993. Privatization documents also contained the primary basis data for assessing SOEs' economic growth indicators and most importantly the basic information used as basis for strategic decisions at the governmental level.

These data were supplemented by longitudinal information on industrial/job actions (strikes and/or lockouts) since most of the reasons for the occurrence of strike activities were assumed to be linked to the financial difficulties of the SOEs. Tracing whether employment relations' outcomes in the forms of workdays lost due to strikes were increased or decreased due to the changes in ownership and control remains to be tested.

The archival data were obtained from various sources. Government documents from various departmental agencies and Ministries were available to the researcher. Other documents were also available from the Tunisian Statistical Institute (INS) and the Tunisian trade union organization (UGTT). In addition, Tunisian newspaper clips were gathered for the period from 1986 until 1993 and a content analysis was utilized.

Research Strategy

I use the case study as an exploratory comprehensive research strategy (Yin, 1994). In his attempt to define a case study, Yin (1994) uses a definition by Shramm (1971) who stated the following definition:

> "The essence of a case study, the central tendency among all types of case study, is that it tries to illuminate a decision or set of decisions: why they were taken, how they were implemented, and with what result."
>
> As cited in Yin (1994:12)

Yin defined a case study as "an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident" (1994:13). That is, a case study method is used when a researcher after mature consideration needed to cover contextual conditions assuming that they could be highly important to the study of the phenomenon under investigation. Thus, case studies are not experiments in that experiments are isolated from the contextual (laboratory) environment. This research is thus based on quasi-experiment approach. Yin argued that including additional technical characteristics such as data collection and data analysis strategies represent the second part of his technical definition. He then stated that the case study inquiry

> "copes with the technically distinctive situation in which there will be many more variables of interest than data points, and as one result, relies on multiple sources of evidence, with data needing to converge in a triangulation fashion, and as another result benefits from the prior development of theoretical propositions to guide data collection and analysis."
>
> (Yin, 1994:13)

This dissertation uses multiple-case studies and is based on a mixture of quantitative evidence and qualitative research. Applying the case study research helps achieve five main objectives. First it explains the possible "causal links in real-life interventions that are too complex for the survey or experimental strategies" (1994:15). In evaluation research language, Yin added, case study research strategy 'would link program implementation with program effects' (1994:15). Second, it helps describing "an intervention and the real-life context in which it occurred." Third, it illustrates certain topics within an evaluation in a descriptive mode. Fourth, it could be used to explore the situations in which the intervention(s) being assessed has no apparent single set of outcomes. And finally, it might be a study of an assessment study or "a meta-evaluation".

The theory of what is being studied here is needed in a research design strategy. Thus, my research theory statements read as follows:

The key theory behind this thesis is that attaining sustained economic growth of any given country regardless of its stage of economic development depends heavily on their investment in human resources and employment relations policies and assumptions (Lee and Verma, 1996). Countries might adopt low wage or labor cost cutting strategies to encourage a flow of foreign multi-national capital investment and might even witness some job creations and solve chronicle unemployment issues. But, in the long run, economic development necessitates an inclusion of all concerned workplace parties in the strategic planning so that they could voice their say in the process and address any change initiative with full participation and clearer vision.

The data analysis would help to explain why headcount reduction and labor cost control strategy are not necessarily sufficient nor were they necessary measures to stop the financial drain of the operating cost of SOEs in Tunisia.

Logical Tests and Quality of Research Design

I have adopted four commonly used validity and reliability tests along with case study tactics as suggested by Yin (1994:32-33). This dissertation also uses multiple methods to address common threats to validity. Figure 4.0 summarizes the steps taken and the case study tactics required addressing it.

Figure 4.0a: Case Study Research Tactics for Design Validity and Reliability Tests

Tests	Case Study Tactic
Construct Validity	Use of multiple sources of evidence
Internal Validity	Use of longitudinal analysis
External Validity	Use multiple-case studies
Reliability	use of case study data base

Source: Adopted from Yin (1994).

Data Analysis Procedure

The data collected for this research has covered the period before and after the implementation of privatization program as proposed by the Structural Adjustment Program (SAP) in August of 1986. The data collected represents 'time series' observations of four variables in virtually equal intervals. These intervals are yearly data points from 1983 until the end of 1993. Has the data points collected been equal intervals, one suitable analytical strategy would be the time series analysis. The ability to trace changes over time especially with the availability of precise data points in all privatization cases represents an opportunity to explore the variation across SOEs.

This data, unfortunately, did not meet the requirements of a time series analysis. There has to be an equal number of observation points before and after the intervention for time series to be used. The specific indicators to be traced over time are employment levels, job actions (strikes and lockouts), timing of ownership and control change, labor cost, and capital structure in the form of financial status. Thus, examining whether there was a statistically significant difference in the values of the means before and after the implementation of the change initiative that took place in the form of SAP in the Tunisian case has been the heart of this study. The impact on employment relationship over time represents the objective of the data analysis. Consequently, based on the type of data collected for this dissertation, I intend on using t-test statistics analysis to test for statistical significance of any changes in the series under study following the intervention.

Interrupted Time Series

The data collected for this study is a set of sequential observations taken at discrete and essentially equal time intervals. This annual-basis data set covers the period 1983-1993, which includes the pre and post intervention of the implementation of the Structural Adjustment Program (SAP) in August of 1986. Although using time series technique would be a better fit for a study of this type, the data points collected for this purpose do not allow it.

Interrupted time series analysis (McDowall et al., 1980), also known as quasi-experimental time series analysis (Cook & Campbell, 1979), provides a set of techniques that best fit the analysis of assessing the impact of an intervention upon single time series data. Such technique often requires developing model(s) of the time series process data (McDowall et al., 1980). Using Cook and Campbell (1979)'s quasi-experiment research design on a time-series data set, privatizing SOEs represents the treatment and pre and post intervention observations are recorded. This interrupted time series has eleven sequential orders for the observed data for the period 1983-1993. The research design that best fits the type of the data collected for this study requires both pre-test and post-test observations for the SOEs that have undergone a SAP treatment.

The research design that better fits the time-series data set could be diagrammed as follows:

bbbbbb X pppppp

This is typical of a time series plot. X denotes the treatment (SAP). The lower cases b represents the values preceding the treatment or the pretest observations. The lower cases p denotes the values following the treatment or the posttest observations for the same variables. Let X be the implementation of the Structural Adjustment Program (SAP) where State-Owned-Enterprises (SOEs) has been privatized either partially or totally to either domestic or foreign private investors[1].

Intervention Analysis[2]

The collected set of observations obtained for this study over the period from 1983 to 1993 is interrupted by the privatization of State-Owned-Enterprises event. The intent of this study was to discover any possible systematic patterns in the series so that a mathematical model would be developed to explain the past behavior of the series as well as any fluctuations in the data. Further, it is the intention of this dissertation also to forecast the future behavior of the series. Predicting how much the next values for enterprise size, labor cost, financial loss of the firm, employee involvement in the firms' strategic decisions, and strike occurrence would be is important for both academia and policy makers. Finding

[1] Note that the number of data points before and after the intervention denoted here by the letters b and p are equal (6 each). Also, I do not imply that b and p are necessarily different in values.

out how much increase or decrease is made possible because of the powerful parameters that did explain the changes in past values will give researchers an ability to forecast future behavior. Intervention analysis for time series data is known for its capability for evaluating the effect of such an intervention event that might alters the behavior of the series.

Thus, the aim of this study is to check if privatization has disrupted the interrupted time series pattern for the four variables under study. In the event that the obtained series' values witness any significant upward or downward trend after the occurrence of the intervention, we could conclude that privatization as an intervention event did have a significant effect on industrial relations outcomes. This interrupted time series has in common a hypothetical interruption in their usual pattern once the intervention occurs. Thus, evaluating the impact of the intervention on the interrupted time series is possible because both the time of the intervention is known to the researcher for all 44 cases and because the patterns before and after the privatization event are observable.

Variables under Study

The variables under study are annual recorded observations before and after the implementation of SAP. They consist of enterprise workforce size, labor cost, financial loss, and strike occurrence as measured in workdays lost.

Thus, the discrete intervention of the SAP as a treatment breaks the time series into two pre-intervention and post-intervention segments. SAP represents a

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Intervention Analysis was first developed by Box and Tiao (1975) and first applied by Wichern change in public policy as regards to the degree of government intervention in the economic activities of the SOEs. In other words, following the quasi-experimental logic, SAP as a treatment is expected to alter the industrial relations outcomes. Cook and Campbell (1979) warn researchers about some potential threats to exclusively consider that one treatment accounts for all the variance. Are the changes in industrial relations outcomes solely due to the introduction of the SAP discrete treatment or are there any alternative explanatory factors that might have contributed to the changes in post-intervention observations?

The data points are yearly observations from 1983 to 1993 and the year 1986 is the year when the intervention in the form of Structural Adjustment Program (SAP) and privatization has been officially adopted at the strategic policy level. Each site, however, has seen a different intervention date as the process took longer than expected bargaining as to who would be affected and what would be the alternative measures to plant closures and massive layoffs.

Methodology Limitations with Cross-sectional Data

The database collected for this study provides a multivariate statistical history for each number of individual enterprises over eleven year period of time covering the years from 1983 until 1993. This type of data is similar to pooled cross-sectional and time series database in the economics and econometrics literature (Fuller, 1996; Sayrs, 1989; Cromwell et al., 1994; Hatanaka, 1996, and Naidu, 1996). It is also similar to that of panel data used in marketing studies and

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and Jones (1977).

to longitudinal data often used in survey data. A pooled data is expected to contain the necessary information that explains both the intertemporal dynamics as well as the individuality of the entities under study. Thus, the data collected for this study is in the form of time series. It is a recorded history of macro and micro economic indicators over time.

Levels of Analysis Issues

Errors of inconsistencies between theoretical models (theory) and statistical models (data) are common in the social sciences. Glick and Roberts (1984) addressed the importance of having consistency of theoretical and data analytical treatments of the independence of observations. These inconsistencies that might exist generally lead to interpretational errors and misleading interpretations of data. This issue is related to the levels of analysis. The authors distinguish between three types of inconsistencies that might lead to biased correlation coefficients, therefore, equivocal results.

The first type of error is the ecological fallacy, which occurs when the researcher makes inferences about firm-level processes, based on aggregated industry data. The second type of error is called testing for interdependence. This error occurs when hypothesized interdependence is emphasized without modeling that interdependence in the data analysis. The final type of error is called ignoring hypothesized interdependence. It occurs when theories that focus on the firm-level data ignore hypothesized interdependence of individual factors. Thus, the intercorrelation among the rival independent variables should be reported.

This research develops both macro and micro level explanations of the privatization phenomenon as applied to the Tunisian case. It would be an ecological fallacy to make inferences about the individual processes of the SOEs on the basis of the aggregate level data analysis. James (1982) and Danserau and Markham (1987) also addressed the issue of levels of analysis. James concluded that estimates of agreement based on group mean scores have been incorrectly interpreted as applying to perceptual agreement among individuals. That is to say that the problem associated with this type of error consists of inflated estimates of individual agreements. In other words, inappropriate uses of aggregate perceptions would result in biased estimates of perceptual agreements[3]. Dansereau and Makham (1987) conclude that levels of analysis issues become more important when data collected at a lower level are thought capable of being aggregated to represent a higher level.

Dewar and Simet (1981) discussion focused on the organization as the primary unit of theory, thereby avoiding the ecological fallacy while developing multi-level explanations of an organization phenomenon. Dewar and Simet (1981) suggest that researchers should be careful to interpret their analyses at the appropriate level of analysis and give emphasis to the speculative nature of cross-level explanations.

[3] The author meant by perceptual agreement the climate perceptions within an organization. The author suggests that the variance in individual responses is accounted for by organizational membership and that individuals in the same environment tend to agree with respect to climate perceptions.

Inconsistent assumptions of interdependence will frequently leads to biased estimates of the regression or correlation coefficients. Thus, making inferences on individual processes based on aggregate data would be suspect.

Lincoln and Zeitz (1980) addressed this issue of using statistical aggregation and levels of analysis. They however conclude that aggregate measures (in their case as defined by means computed on distributions of individual scores) may be valid indicators of organizational properties which also enable an investigator to determine whether statistical relations among measures arise from organizational-level, as opposed to individual level, causal processes. Thus, according to Lincoln and Zeitz who spoke to the current and important issues in organizational theory and research, stated that

> "Aggregate indicators of organizational properties have been subject to much criticism and held to be poor substitutes for global measures. Yet, we have shown that they permit insights into organizational phenomenon which global indicators do not make available. It has long been recognized that an observed association between organizational traits can arise through a variety of processes at multiple levels." (p. 405)

Thus, the issue at study here is the fallacy of the wrong level of analysis. The question that remains to be asked is how a construct operationalized at one level of analysis is related to another form of that construct at a different level of analysis. This research's unit of theory for organizational characteristics such as workforce size at the firm, labor cost, capital and ownership structure, financial loss of the firm, workdays lost due to strikes. Besides, the appropriate unit to select for observations is the privatized organizations.

Threats to Validity Issues

In order to address this methodological threat to validity, Cook and Campbell (1979) suggest ruling out all other alternative explanatory factors. Making such a case requires considering the fact "either that they are implausible in the particular context of a given study or that they are plausible but did not actually operate" (Cook and Campbell, 1979:100). To invoke the former threat, Cook and Campbell propose "common sense or theory or experience are required for buttressing the argument of implausibility" and data are often required for the latter argument. These alternative plausible explanatory factors or history threats as the authors indicate, have to be ruled out or else the researcher cannot draw confident inferences and causal conclusions about the research findings.

For the purpose of this study, I will control for alternative competing explanatory factors causing changes in industrial relations outcomes by contrasting enterprise microeconomic indicators to national macroeconomic indicators as a way of comparing how far or how close are the firm's economic indicators are from the grand population means. The reason being that SOE's economic performance measures could be low for the same contextual reasons other enterprises operate under. This methodological issue suggests that random factors mean "that the impetus for change will be negatively correlated with productivity, and this is tantamount to deliberately choosing a year of extremely low productivity for conducting one's experiment" (Cook and Campbell, 1979:100).

Thus, comparing the SOEs' economic indicators to that of the grand mean national productivity levels and trends would help ruling out any alternative explanatory factors other than the implementation of SAP as a policy change that affects the ownership structure and control of the privatized former publicly-owned enterprises.

Comparing the means of the variables under study for the pretest and posttest years might help ruling out the alternative competing explanatory factors affecting change in industrial relations outcomes. That is whether their values are negatively related to how highly each SOE's performance is correlated from one year to another, and/or whether it is positively correlated to how far the pretest years deviate from the average enterprise. Even when the pretest-posttest correlation is high, a posttest increase in productivity for example might be explained by systematic cyclical fluctuations from one year to another that the research design might have missed by merely showing posttest observations. Thus, once the treatment has been introduced in a particular time, changes in industrial relations outcomes should be solely attributable to the treatment (change in ownership and control or privatization under SAP) unambiguously.

The question under study here is: what accounts for the changes or pretest-posttest differences? The common threats that face researchers as summarized by Cook and Campbell (1979) are:

- The threat of history
- The threat of maturation
- The threat of statistical regression

- The threat of instrumentation
- The threat of testing

Although the use of a time series model seems to be more adequate for assessing the behavior of the variables under study over time, the type of data points collected do not meet the requirements of having equal interval observations for all variables. However, one could argue that time series regression models, which could be either lagged or non-lagged (Ostrom, 1990), could adjust for the stated above deficiency. Since a non-lagged model captures the relationship over time when both independent and dependent variables are observed at the same point in time, whereas a lagged model captures a current dependent variable to past values of the independent and/or dependent variables. Notwithstanding that this study tries to be as close as possible to the non-lagged model, it falls short from the use of a full time series model. This research uses T-test statistics' approach to better account for the impact of SAP and privatization on industrial relations outcomes in both the pretest and posttest segments before and after the implementation of the treatment.

Constructing the General Research Models

Informed by KKM's (1986), Nadler and Tushman's (1986), Tichy's (1989), Kochan's (1996) and Lee & Verma (1996) models, this study uses a theoretical model that states the following. Industrial relations outcomes are a function of interacting elements including the external contextual factors of change and enterprise-level characteristics that include enterprise size, its financial debt, its labor cost, strike occurrence, and the degree of labor input in the decision-making process and strategic choices of the enterprise.

As diagrammed in Figure 4.1 below, this model proposes that industrial relations outcomes are not mechanically determined by the external contextual influences, albeit they do exercise an influence. Instead, they are also influenced by enterprise-level characteristics. In other words, a combination of external and internal contextual influences does shape firm-level industrial relations outcomes. These factors, either directly or indirectly, are hypothesized to have an influence on the strategic choices of the main industrial relations stakeholders (business, labor and government), that in turn affects industrial relations outcomes.

Thus, it is hypothesized in this study that enterprise-level characteristics do influence industrial relations outcomes. The external contextual factors, however, do -at least indirectly- shape the industrial relations outcomes because they influence the strategic choices of the industrial relations actors as they assess possible alternative measures that have to be taken while implementing a change initiative like that of Structural Adjustment Program (SAP).

Table 4.0 below shows and defines the variables under study along with showing the data sources of the observations over time. It is important to note here that not only the data observation points are important, their sequence of occurrence also is as considerable.

Figure 4.2 below presents the general theoretical model. It is assumed that external environmental factors do shape the strategic choices of the industrial relations actors, which in turn influences, the enterprise-level industrial relations outcomes.

Figure 4.1: Industrial Relations Outcomes as measured by Enterprise Characteristics

Enterprise-Level Characteristics		**Enterprise-Level Industrial Relations Outcomes**
Enterprise Size		Strikes and/or Lock-outs
Enterprise Financial Debt Labor Cost	⇒	Massive layoffs and Downsizing Measures
Share of Government in Firm's Capital structure		Alternative Measures to Headcount reductions
Labor Input in Strategic Decision Choices		
Industry		

Table 4.1: Independent and Dependent Variables: Measures and Data Sources

Variable Name	Variable Definition	Data Availability	Data Sources
Enterprise Financial Debt/Deficit	As measured in amount of Tunisian Million Dinars (MD) lost and as a percentage of the firm's total capital	1982-1993	Various sources
Labor Cost	As measured by a percentage of the enterprise's total capital and fiscal earnings and normalized for enterprise size	1983-1993	State-Owned-Enterprise Records and Various Ministries
Enterprise Size	As measured by the number of hired workers in an enterprise; Continuous variable measuring the number of employees at one point in time (December 31) regardless of their legal status in the firm	1983-1993	State-Owned-Enterprise Records and Various Ministries
Labor Input in Strategic Decisions	As measured by a dummy variable; 0 for no presence in privatization committees and 1 for presence in Work Councils or other EI forums.	1986-1993	Department of Social Affairs and Prime Ministry
Industrial Relations Outcomes	As a dependent variable measured by the occurrence of strikes and/or lock-outs, impact on employment levels (headcount reduction or alternative measures to layoffs)	1983-1993	Department of Social Affairs and Prime Ministry

Figure 4.2: Theoretical Model For Assessing the Impact of Structural Adjustment Program and Privatization On Industrial Relations Outcomes in Developing Economies

External Environmental Contingencies | **Internal Organizational Contingencies**

Macro-Level Contextual Factors ⇔ **Meso-Level Contextual Factors** ⇔ **Micro-Level Industrial Relations**

Economic Globalization — *Strategic Choices of National-level IR Actors* — *Workplace Responses*

Increased International Competition
International Institutions' Influence
(GATT, ILO, WB, and IMF)

Political Economic Policy Choices

Public Policies
Market deregulation
Technology ⇑⇓

Government Role in the economy

Nationalization
Provider Role
More Involvement
Higher Public Sector Investment

Privatization
Enabler Role
Less Government
Higher Private Sector Investment ⇓

Employers' Organization Strategic Choices

Oppose Change (Reactive)
Support Change (Proactive)
⇓ ⇑

Trade Unions' Strategic Choices

Oppose Change (Reactive)
Support Change (Proactive)
⇑⇓

Government / Policy makers' Strategic Choices

Oppose Change (Reactive)
Support Change (Proactive)
⇓

Enterprise-Level Characteristics

Enterprise Size
Enterprise Financial Debt
Degree of Government Intervention
Labor Cost
labor Input in Strategic Decisions
Industry
⇓

Industrial Relations Outcomes

Conflictual	**Mixed Motive Outcomes**	**Collaborative / Mutual Gain**
Strikes/Lock-outs		EMBOs
Massive Layoffs		Alternative Measures to Layoffs
Reactive Role of Labor in Change		Active Role of Labor in Change

Figure 4.2 portrays the framework that is most appropriate for studying privatization and its impact on industrial relations outcomes for this study. Employment relations' outcomes are the result of the interaction among three levels of analysis. First, the external environmental contingencies at the macro level consists of the influences of the international political economy in the forms of economic globalization and the pressing need for a competitive advantage. The influence of the financial lending institutions could not be denied for the developing countries and the economies in transition. The strategic national public policy could determine the role played by the government in the functioning and operation of the economy and that in consequence affects the strategic choices of the employment relations' parties both nationally and at the firm level.

At the meso contextual level, it is the interaction among the actors of industrial relations (Labor, business and government) as influenced by the external environmental influences that establishes the nature of the employment relations' outcomes. I agree with KKM (1986) in that the external environment does not predetermine the industrial relations outcomes. Instead it influences it to a certain degree. If change is forced on the employment relations' actors, it is very likely that their role becomes that of opponent to change initiative. And vice versa, once change is planned and negotiated (Cutcher-Gershenfeld, 1995), it is very likely that the parties become change agents.

Firm specific characteristics like enterprise size, financial status, labor cost and the climate of industrial relations along with worker participation in the firm's decision making process are deemed to heavily influence the outcomes of employment relations. Thus, depending on the strategic choices of the industrial relations' parties, the employment relations outcomes could take one of three possible forms: conflictual, collaborative or a mixed motive approach.

Privatization leads to change of ownership and control. It has implications on working conditions, wages and benefits, job security and even on unionization and on the structure of collective bargaining. Public sector reform has consequences –whether intended or unintended—on employment relationship. Achieving efficiency and developing human resources should not be mutually exclusive. Instead, including labor and management in the change process would lead to a win-win outcome.

CHAPTER FIVE

RESEARCH FINDINGS

Introduction

In this chapter I discuss the results of the statistical analyses described in chapter four. First, I present the importance of assumptions with a brief discussion of what they convey. Second, I present the data analysis procedure and describe its four steps, and discuss possible statistical significance of the emerging patterns of the variables under study. Third, I present the figure charts for the before and after mean values and exhibit the descriptive statistics of paired samples statistics for before and after the implementation of SAP as a treatment. Fourth, a discussion of the results would follow. I then, conclude with a general discussion of findings, research deficiencies and shortcomings, and a reflection on the hypotheses under investigation and what it means for future research.

The Importance of Assumptions

Testing the hypotheses of interest requires making certain assumptions about the nature of the collected data. These assumptions are necessary to define the sampling distribution of the test statistic. Unless the distribution is defined, correct significance levels cannot be computed. The assumptions for the equal variance t-test are as follow: the observations are random samples from normal distributions with the same variance.

Tables 5.0 and 5.1 below show the results from calculating a paired t-test statistics on the four continuous variables. These variables are Financial Loss of the privatized SOEs before and after the treatment, Labor Cost, Employment Size at the firm level, and Strike Occurrence as measured by workdays lost before and after the transfer of ownership and control from public to private investors.

The before treatment variables are denoted here with the letter B which stands for before intervention effect. And the after treatment variables are denoted with the letter P which stands for past intervention effect. Since the "sample" of the firms under study represents the whole population of the privatized SOEs in Tunisia for the years 1986 to 1993, the appropriate statistical tests for examining data could not be characterized by the question "Does a particular sample belong to a hypothesized population?" In order to address such an issue, one should draw a single random sample of subjects from some population (Shavelson, 1990:317). Besides, a sample statistic such as a mean is computed. Then, a null hypothesis of no difference between the sample mean and the hypothesized population mean is tested.

Instead, this research uses data on whether two groups are drawn from identical populations or from different populations. After the treatment is applied, the mean performance of the two groups might be compared to test the null hypothesis of no difference in population means. According to Shavelson (1990:318), this test is "tantamount to testing the null hypothesis of no treatment effect." Moreover, since the population value of the standard error is not known and that it has to be estimated from the data, t-test as a statistical test is needed.

The paired t-test procedure consists of comparing the means of two variables for a single group. The differences between the values of the two variables for each case then are computed using SPSS for Windows computer software application. Since privatization as an intervention did occur in all 44 SOEs at different years, a description of the means for pre and post-intervention has been computed accounting for possible changes before and after. To do so, I have used SPSS Syntax Editor for each variable and for each firm.

Comparing means for before and after the intervention helps testing whether the average of the differences between values is different from zero. All firms are measured at the beginning of the study, given the same treatment, and measured again after the treatment. Thus, each case has before and after measures. The main assumptions that need to be met at this level of analysis are threefold. First, the observations for each pair are made under the same conditions. Second, the mean differences should be normally distributed. And thirdly, the variances of each variable can be equal or unequal.

Table 5.0 and 5.1 provide the statistics for each variable tested: mean, sample size, standard deviation, standard error of the mean, and t-test significance level. Pairing is a helpful tool for researchers in that it either makes the studied groups as similar as possible or it attributes the observed differences between the groups more readily to the variables of the variable of interest[1].

Data Analysis Procedure

The data analysis procedure used for this study consisted of four steps:

1. Specifying the null and alternative hypotheses and the level of significance. Pair 1 addressed the values for the variable Financial Loss. The null and the alternative hypotheses for before the treatment should read as fellow: Ho: $\mu = 5344.63$; H1: $\mu > 5344.63$. For after treatment, Ho: $\mu = 3711.41$; H1: $\mu > 3711.41$. Pair 2 is for Labor Cost. Its respective null and alternative hypotheses for before treatment read: Ho: $\mu = 1205.5356$; H1: $\mu > 1205.5356$. For after treatment, Ho: $\mu = 1188.6056$; H1: $\mu > 1188.6056$. Pair 3 is for variable Enterprise Size or employment levels. The before treatment values for null and alternative hypotheses read: Ho: $\mu = 345.7016$; H1: $\mu > 345.7016$. The after treatment values are Ho: $\mu = 311.7974$; H1: $\mu > 311.7974$. Pair 4 is for the variable Strike Occurrence as measured by number of workdays lost. The before treatment values read: Ho: $\mu = 184.9932$; H1: $\mu > 184.9932$. The after treatment values are Ho: $\mu = 97.6670$; H1: $\mu > 97.6670$. In addition, the significance level here is set at 95% or at alpha level .05.
2. Table 5.1 shows the t observed values for each variable under study.
3. Locating the t critical at the specified level of significance using N-1 degree of freedom (df) as shown in the table C in the appendix.

[1] See SPSS books for more details on the merits of using paired t-tests.

4. Deciding whether to reject or to accept the null hypothesis: (Ho) will be rejected if the t observed is at least equal or higher than the t critical as shown in table C in the appendix. The null hypothesis Ho will not be rejected if the t observed is smaller than the t critical.

Data Output and Discussion of the Results:

I ran pre and post-intervention effect for the continuous variables Size, Labor Cost, Financial Loss, and Strikes in order to compare the means for before and after the treatment. The purpose of such an exercise is to assess whether the comparison between the pre and post privatization means is statistically significant at a priori alpha level. The paired samples test table summarizes the research findings as regards to the four mentioned above continuous variables.

Table 5.0 and 5.1 show the results of the exploratory analysis of the privatization data for the 44 SOEs using cross-sectional analysis along with the technique of paired t-test sample statistics for before and after the intervention.

By locating the critical values of t in table C in the appendix at alpha level α = .05 and at a degree of freedom (df) =30, I draw the following conclusions:

In this study I use a two-tail tests for two reasons. First, because previous research has not shown in a firm manner the direction of the phenomenon under investigation. Second, because I am in doubt about whether to use a directional or nondirectional hypotheses. Besides, if null hypotheses are rejected on the basis of two-tail they will be also rejected with one-tail hypotheses (Shavelson, 1990:251-2).

The critical value for t on table C in the annex at alpha level α = .05, with two-tailed test and with a df = 30 is t critical =2.042. That is, if the obtained t value is equal or greater than the t critical value shown on table C, it is safe to conclude that the obtained t is statistically significant at 95% alpha level.

For the variable Financial Loss of the firm (Pair 1) before and after the implementation of the privatization measures in the form of structural adjustment program (SAP), the obtained t =3.432, which exceeds t critical (2.042). Thus the null hypothesis should be rejected. The mean financial loss of the privatized SOEs is greater than the mean financial loss for the population. This finding suggest that privatization has influenced the financial state of the SOEs. In other words, privatization has stopped the financial drain of the former publicly owned Tunisian enterprises.

For the variable Labor Cost (Pair 2) before and after the implementation of the SAP, the obtained t value was (0.353), which is less than the critical t value of (2.042). This finding suggest that the difference in means for before and after the intervention treatment is not statistically significant. Therefore, we should accept the null hypothesis. In other words, although the main driver for privatization measures was to control labor cost and free up government budget from the financial burdens related to labor cost, there was no significant cost cutting results that emerged from the transfer of ownership and control of SOEs. This could be attributed to the fact that "departing" workers were given "golden hand shake packages" so that the long-term results as they relate to labor cost cutting measures could not be assessed at this time.

As for the variable Enterprise Size (Pair 3) or the total number of workers employed before and after privatization, the obtained t value equaled (2.598), which exceeds the critical t value of (2.042). This finding suggests that the difference in means is statistically significant at alpha level 95%. This difference is due to the treatment. I therefore reject the null hypothesis.

Finally, for the variable Strike Occurrence (Pair 4) computed as total of number of days lost to labor unrest before and after the implementation of SAP measures, the obtained t value equaled (2.379), which exceeds the critical t value of (2.042). That is to say that the null hypothesis is rejected and that the difference in means for before and after the treatment is statistically significant at $\alpha = .05$.

Table 5.0: Descriptive Statistics of Paired Samples Statistics for before and after Privatization Treatment

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	**Before Financial Loss**	5344.63	33	6845.28	1191.61
	After Financial Loss	3711.41	33	5762.04	1003.04
Pair 2	**Before Labor Cost**	1205.5356	35	1620.2074	273.8650
	After Labor Cost	1188.6056	35	1751.8201	296.1116
Pair 3	**Before Enterprise Size**	345.7016	36	425.9221	70.9870
	After Enterprise Size	311.7974	36	426.0662	71.0110
Pair 4	**Before Strike Occurrence**	184.9932	36	318.7485	53.1248
	After Strike Occurrence	97.6670	36	149.1411	24.8569

Table 5.1: T-Test Statistical Significance and Paired Samples Test: Paired Differences[2]

		Mean	Std. Deviation	Std. Error of the Differences Mean	95% Confidence Interval Lower	95% Confidence Interval Upper	t	df	Sig. (2-tailed)
Variable Financial Loss									
Pair 1	Before Privatization– After Privatization	1633.22	2733.56	475.85	663.94	2602.50	**3.432**	32	**.002**
Variable Labor Cost									
Pair 2	Before Privatization– After Privatization	16.9299	283.5557	47.9297	-80.4749	114.3347	**.353**	34	**.726**
Variable Enterprise Size									
Pair 3	Before Privatization– After Privatization	33.9042	78.2953	13.0492	7.4129	60.3955	**2.598**	35	**.014**
Variable Strike									
Pair 4	Before Privatization – After Privatization	87.3262	220.2183	36.7030	12.8151	161.8374	**2.379**	35	**.023**

[2] Please note that the mean values for the variables financial loss and labor cost are in Tunisian Dinar (in 000).

Summary of Data:

Following are figure charts for the before and after mean values of the four continuous variables under study. These figure plots clearly show the upward and downward shifts in the variables' values before and after the occurrence of the transfer of ownership and control of former SOEs. As shown in these figures the general trend in the means after the intervention is downward in nature.

Figure 5.0: Mean Values for Variable Financial Losses before and after Intervention

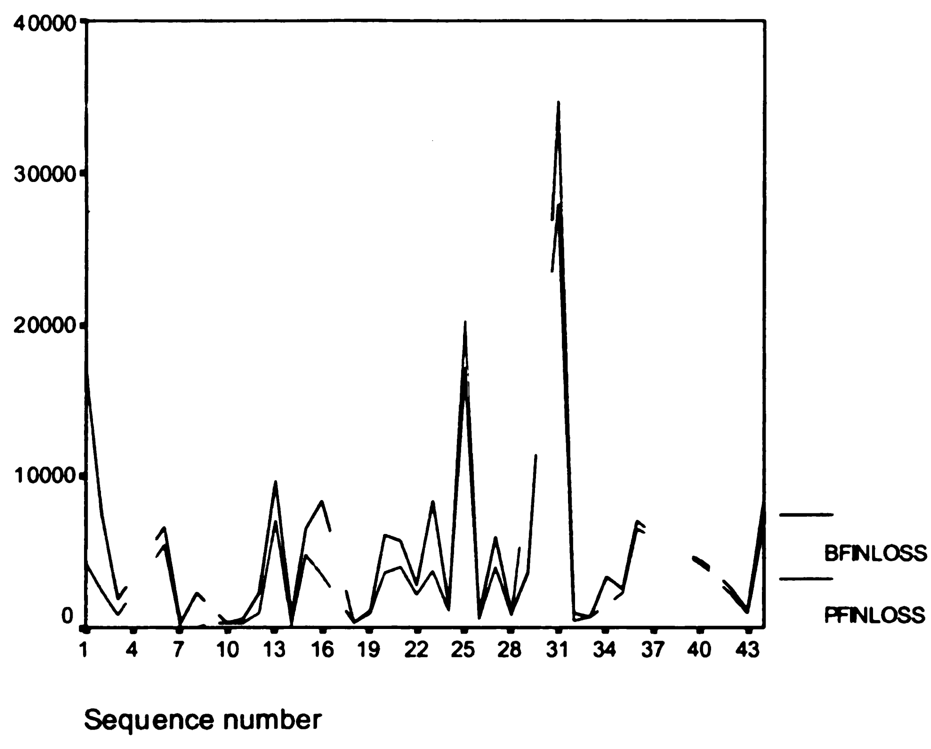


Figure 5.0 above displays the before and after privatization values for the variable Financial Loss. The horizontal axis represents the number of SOEs (44) that have been privatized. The vertical axis represents the amount of Tunisian Dinars (TD) lost via government subsidies and additional expenditure needed to keep the SOEs running. The red line in the chart denotes the values for financial expenditure before the privatization. The green line, consequently, depicts the values of the variable after privatization. Congruent with the statistical findings, the general trend has been downward shift in the mean values with few exceptions. Thus, SOEs' financial losses have, in general, seen a downward shift in their mean values due to privatization.

For the variable Labor Cost, figure 5.1 below displays the mean values for before and after the intervention. A close look at the chart suggests a virtually unchanged difference in means. In some of the cases, the after mean values exceeds the before mean values. This finding indicates that although the driver for privatization measures has been to cut labor cost, at least in the short run labor cost has either remained at the same values or even exceeded the values for before the implementation of SAP. The statistical finding discussed above for this variable confirms the chart display, which suggested that the difference in mean values for before and after the treatment is not significant. I argue that the adoption of severance pay for voluntary departure and early retirement packages for the "displaced" workers affected by privatization have contributed to keeping labor cost after the intervention similar to what it used to be prior to the intervention. Table 5.2 below supports this conclusion.

Figure 5.1: Mean Values for Variable Labor Cost for before and after Intervention

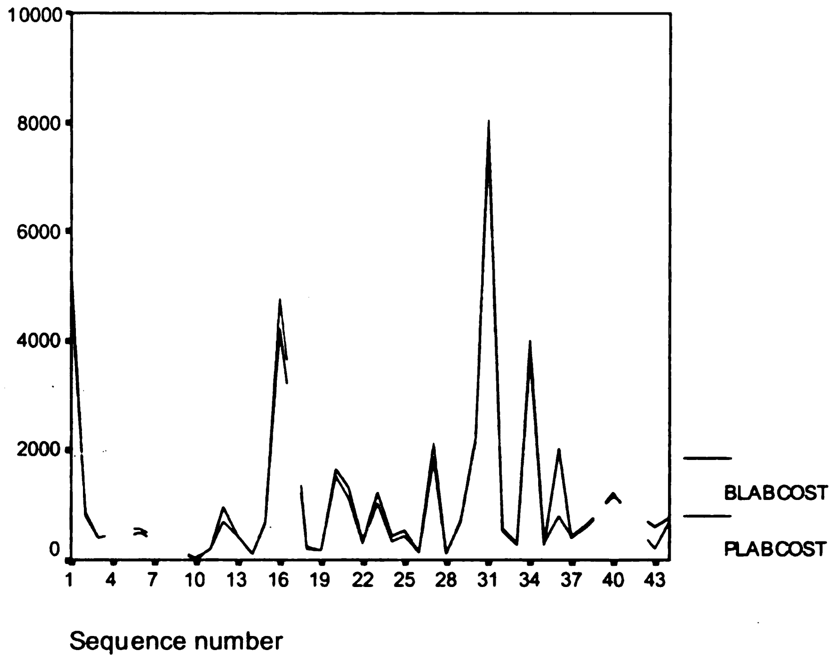


Table 5.2: Impact of Privatization and Economic Restructuring on Employment

Form of Employees' Departure	Number of Workers affected	Percentage
Transfer with the new buyer	2,989	46.0
Transfer to other enterprises	327	5.0
Voluntary departures/severance pay	1,011	16.0
Anticipated Retirement	515	8.0
Early Retirement	1,241	19.0
Automatic Retirement	101	1.9
Layoffs	291	4.0
Other measures	8	0.1
Total Number of employees affected	6,483	100.0

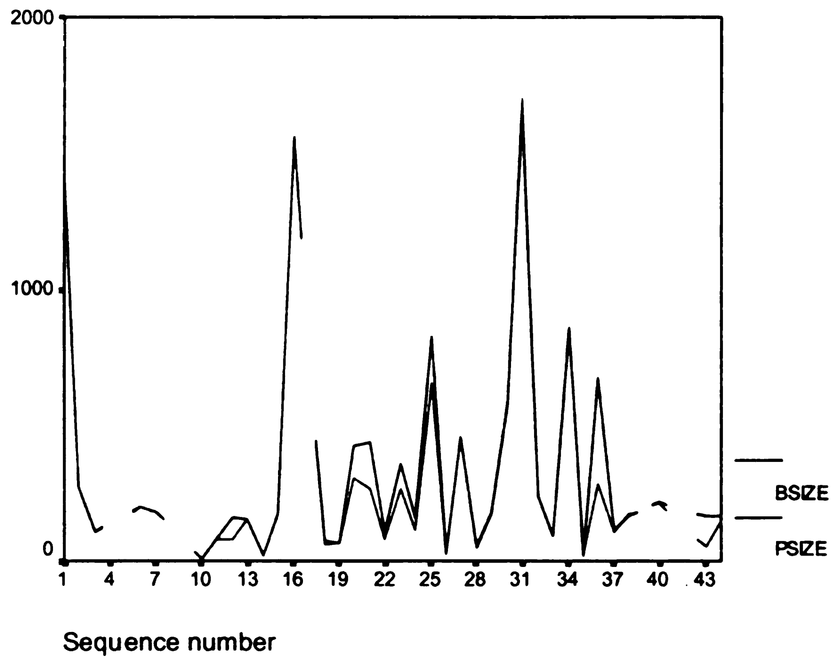
Source: Ministry of Social Affairs, Tunisia, (1993).

For variable Enterprise Size, table 5.2 indicates that nearly half of the workers employed at the SOEs have been transferred with the new buyers and 5% of the workers affected by the economic restructuring measures have been transferred to other enterprises. The layoffs have been minimized to just 4% of the total workers affected by the intervention measures. Nearly 45% of the workers have seen one form of retirement forced upon them.

Figure 5.2 below displays the chart plot of the mean values before and after privatization for the variable Enterprise Size. The figure 5.2 confirms the statistical finding that the difference in means for before and after privatization is statistically significant. Although it depicts the general downward trend of employment size in the SOEs, it also shows that employment levels have not dramatically changed. Laid off workers represented 4% of the total employees affected by privatization measures.

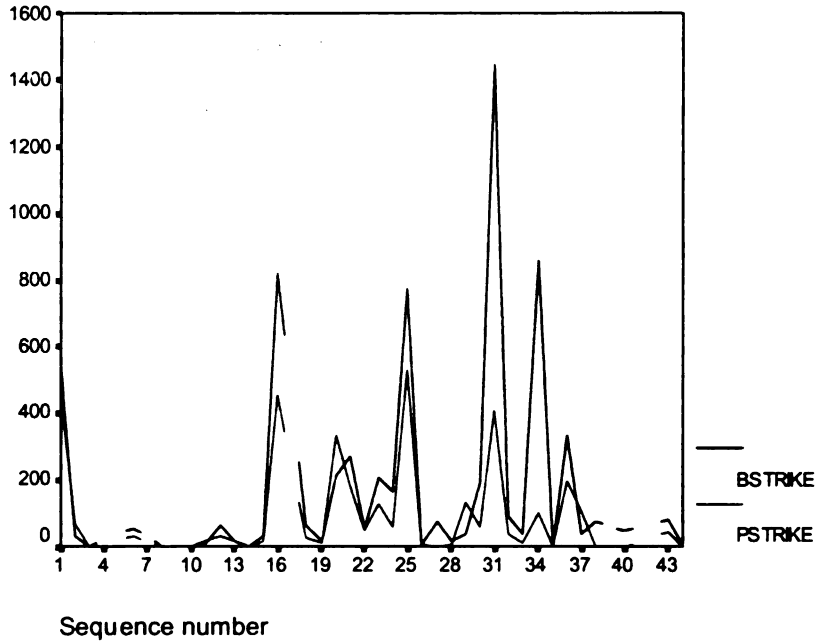
But what the chart does not show is the transfer of the "displaced" employees to other firms in public and private sectors, which represents 51% of the total employees affected by SAP. This suggests that lengthy negotiations with labor representatives have led to the adoption of the transfer measures without it one could conclude that the negative impact of privatization measures on employment is paramount. Future research would benefit from tracing whether privatization would lead to higher employment levels in the longer run.

Figure 5.2: Mean Values for Variable Enterprise Size before and after Intervention



For the variable Strike Occurrence in the 44 SOEs affected by the implementation of SAP measures, figure 5.3 below confirms the statistical finding discussed above that suggests that there is a statistical significance in the difference in mean values for before and after the intervention treatment. The figure below reports a general downward trend in most of the cases. Fewer cases has shown that the number of workdays lost due to strikes has seen an upward shift in mean values but the vast majority clearly shows a sizable drop in the mean values of workdays lost due to strike occurrence.

Figure 5.3: Mean Values for variable Strike Occurrence for before and after Intervention



Micro-Level Analysis of the Intervention Impact:

This section defines the scope of each intervention at the firm level. It is believed that there could be a significant variation across the 44 privatized firms as to the degree to which they have reacted to the change in ownership and control. As in any other change initiative, the question that remains to be often asked evolves around the degree of sharing what Shuster (1984) has labeled as "organizational improvements."

Differential Outcomes of the Intervention:

First, as mentioned earlier, it is important to note the difficulty of detecting the full impact of an intervention such as privatization on various employment relations' variables. Oftentimes, one needs more time to be able to fully assess the full effect of one single intervention and to account for no competing independent variables. Cook and Campbell (1979) have suggested that an intervention impact might not even be instantly felt once it takes place in a complex organization. Shuster (1984:152) also shared the same reservations by adding that delayed effects are common in certain settings.

Following is an overall summary of the privatization impact on the four continuous employment relations' variables for the entire population sample of 44 firms. Although not all the 44 sites provided data on all of the variables, the collected data represents the most elaborate available data on this subject. This section concentrates more on the individual cases in order to highlight the variation in the patterns of change of employment relations. Furthermore, I have included all cases where either positive and/or negative change has taken place or no change at all. Each case study illustrates the impact of privatization measure visually via a graphical presentation. These figures will also denote the intervention via a vertical line that represents the time of intervention that varies from one site to another.

The stimulus for change in ownership and control of former SOEs in the Tunisian case did not vary from that discussed in the literature in other countries. It has been an attempt to reduce the operating cost of the ill-operated SOEs. Differential outcomes have though occurred. There has been a variation in the outcome of the intervention for before and after. A number of cases represent situations in which jobs were threatened, or the plants were forced to close. Such a threat was real and was felt by all parties concerned employees, managers and their union. This trend could be detected via the lengthy negotiations that took place prior, during and even after the implementation of privatization measures. 'Adequate' attention to employment security procedures and alternative measures to layoffs has been on the agenda. In cases where negotiation stalled, high levels of mistrust could explain the occurrence of strikes and other forms of job actions that took place in some sites.

Intervention Impact:

In our case studies, change could take one of two forms. It could be either abrupt or gradual. Improving labor-management relations has rather been a desired-by product than the goal of the workplace change initiative as introduced in the form of privatization.

Table 5.3 provides a summary of the intervention impact on the four variables under study. Three change movements could be categorized as increased change, decreased change and/or no change. A similar study has used the same categorization but with a variation as to the level of change and the trend of change (Shuster, 1984). The level change is an abrupt change while the trend change is a gradual change over time.

Table 5.3: Summary of Intervention Impact on Employment Relationship

Variables	*Increased Change* +	*No Change*	*Decreased Change* -	*N/A*	*Total*
Employment Size	1 2.28%	8 18.18%	27 61.45%	8 18.18%	44 100%
Labor Cost	11 25%	0 0%	25 56.82%	8 18.18%	44 100%
Strikes / Lock-outs	3 6.82%	15 34.09%	18 40.91%	8 18.18%	44 100%
Financial Loss	3 6.82%	0 0%	31 70.45%	10 22.73%	44 100%

N= 44.

Variable 1: Employment Size

It should be recalled that the variable employment size is measured by the number of hired employees at the end of the calendar year for each firm under study. As the Table 5.3 above shows, of the 44 sites providing employment data from 1983 to 1993 27 (61.45 percent) has seen a decline in the values reported, thus a decreased change has been noticed. 8 firms (18.18 percent) had seen no change in the values reported. Only 1 case (2.28 percent) had seen an increase in the number of its employees after privatization. The remaining cases did not provide the researcher with available data points. Thus, for the most part, employment levels have seen a decline or were unchanged for nearly one fifth of the collected data points.

A closer look at the employment data by firm reveals more interesting dynamics. Trade unions and workers alike have feared that implementing privatization measures would lead to employment reduction and plant closures. At first, one could jump to the conclusion and confirm that most cases have seen a decline in employment levels right after the implementation year. Although the data summarized in Table 5.3 could serve as a proof for the above-mentioned hypotheses (*privatization leads to employment reduction*), just the opposite was found in the Tunisian privatization case over time. There has been an increase, albeit gradual, in the size of the workforce across 24 out of the 44 sites (or 54.54 percent).

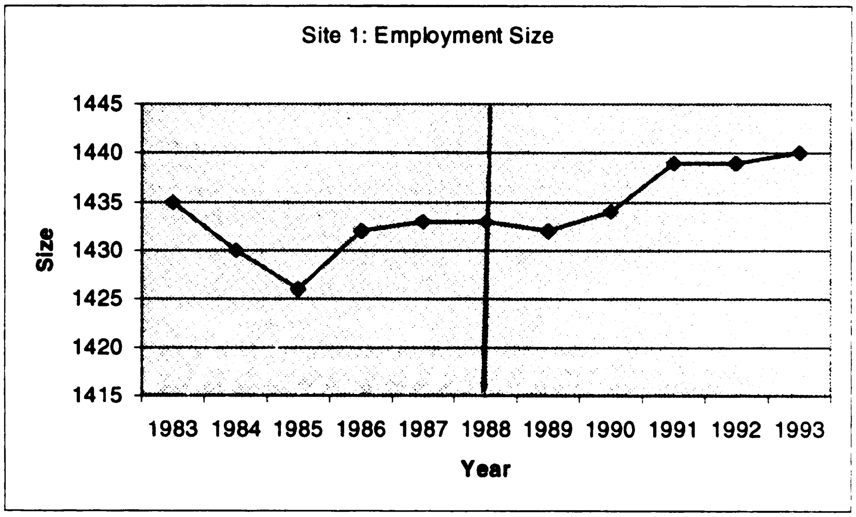
A close analysis of this variable over time for each site has revealed that there have been long negotiation sessions between the unions and their workers, management and government officials prior, during and post the implementation of Structural Adjustment measures. Alternative actions to layoffs –such as early retirement, retraining, outplacement and the like-- were sought in order to increase workers and unions' engagement in the change process.

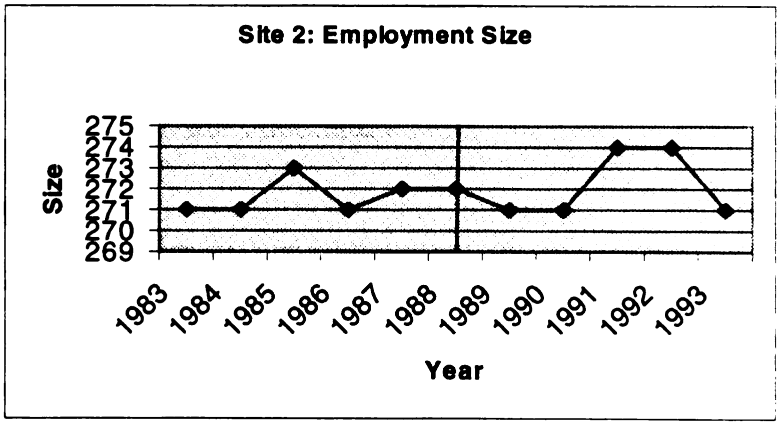
Site (12) was analyzed for the period 1983-1993 with the intervention point being April 1988, the start of privatization. As the figure indicates, there was an abrupt fall in workforce size to a much lower level following introduction to change in ownership and control. It could be easily noticed that the sharp decline in workforce size has occurred right after privatization took place. The question remains to be asked though: is this change due solely to the change in ownership structure and control or could it be attributed to other competing factors?

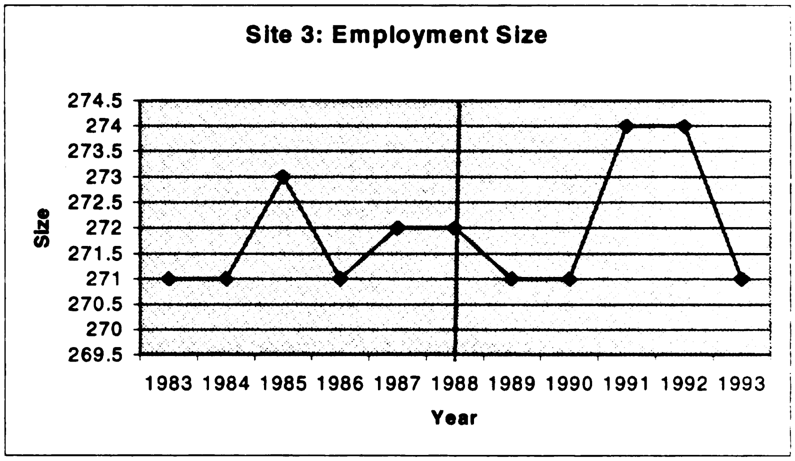
For this site, it was not until four years later few workers were hired and added to the already 'downsized' labor force. Yearly employment data were available to the researcher for the period under investigation. During the implementation of privatization measures, there was a recorded 50 percent layoff. Following the introduction of the plan, employed has been stabilized.

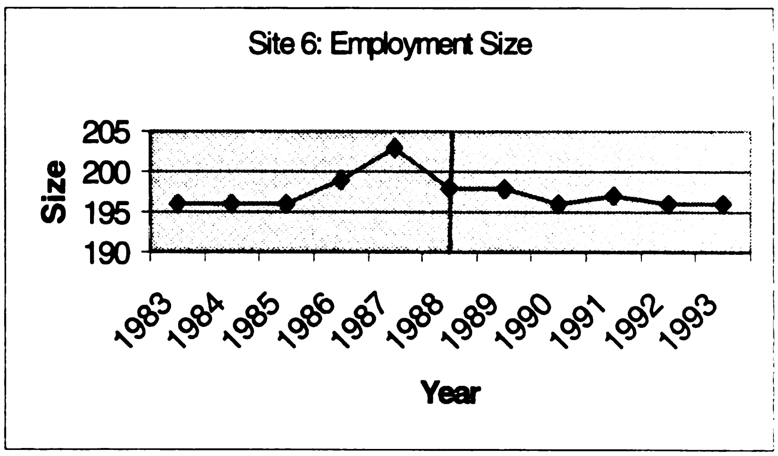
To illustrate the point clearly, I will use visual graphics. The identity of the sites is not going to be revealed. Instead, numbers would be assigned to each case.

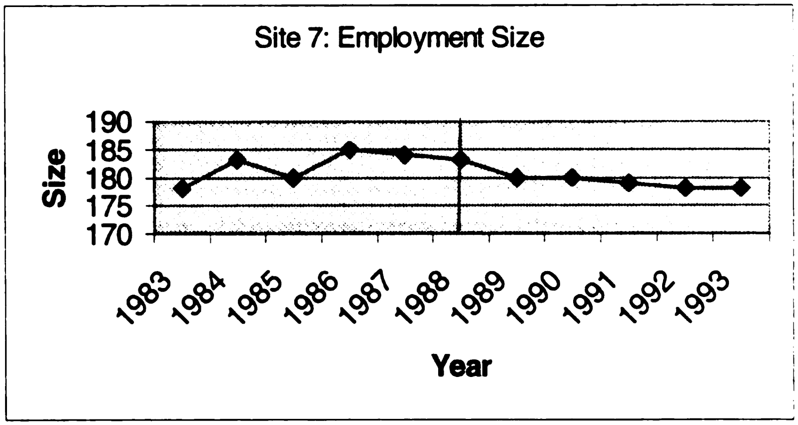
Employment Size Figures:



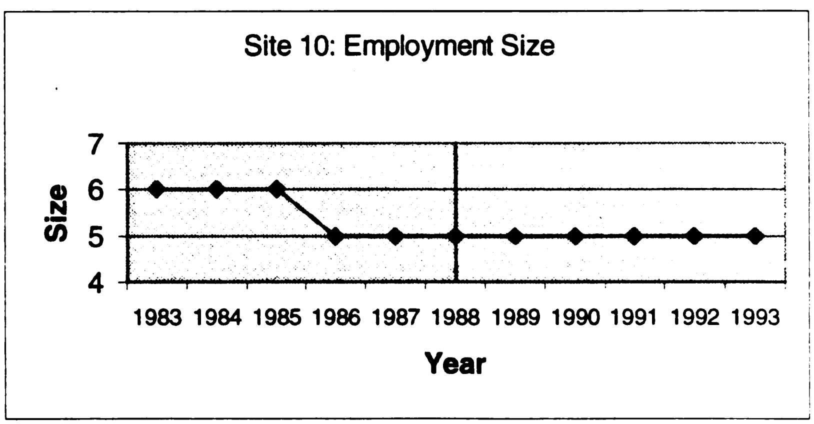



Site 3: Employment Size
274.5
274
273.5
273
272.5
272
271.5
271
270.5
270
269.5
Size
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

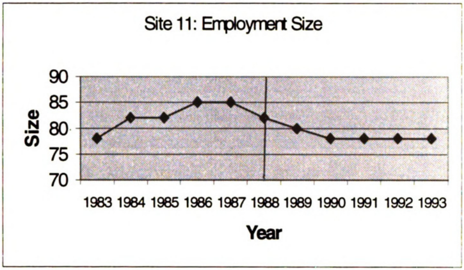

Site 6: Employment Size
205
200
195
190
Size
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year



Site 7: Employment Size
Size
190
185
180
175
170
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year



Site 10: Employment Size
Size
7
6
5
4
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year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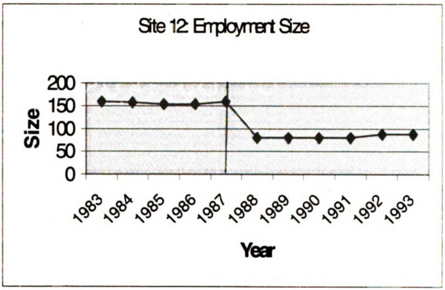
90
85
80
75
70
Size
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year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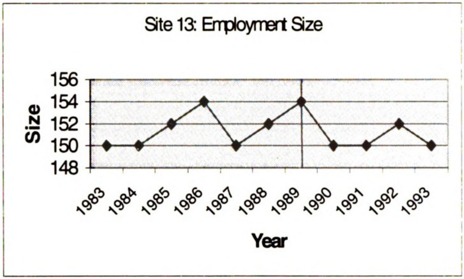
200
150
100
50
0
Size
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year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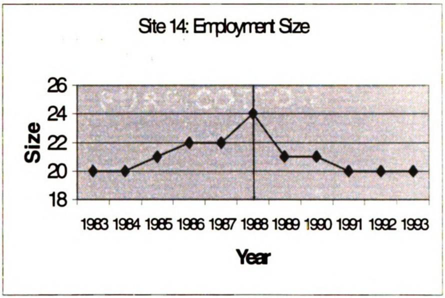
Size
156
154
152
150
148
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year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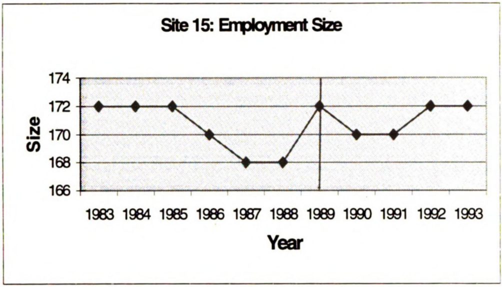
Size
26
24
22
20
18
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year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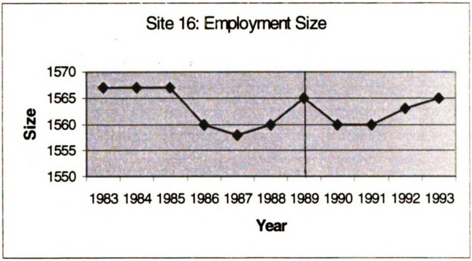
174
172
170
168
166
Size
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year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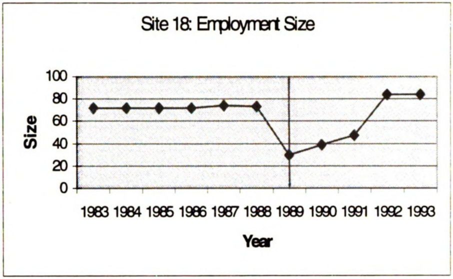
1565
1560
1555
1550
Size
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year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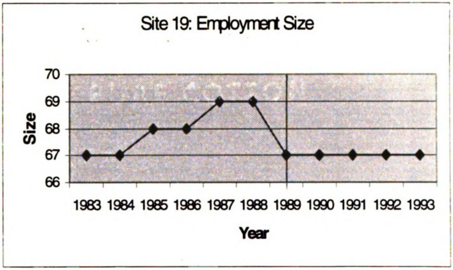
Size
100
80
60
40
20
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year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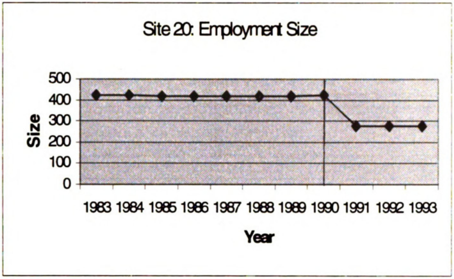
Size
70
69
68
67
66
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year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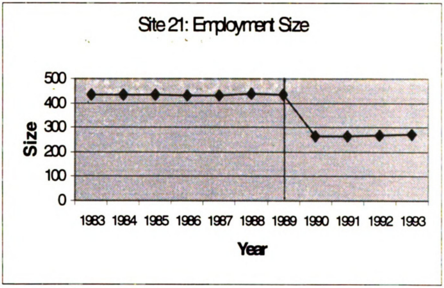
Size
500
400
300
200
100
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year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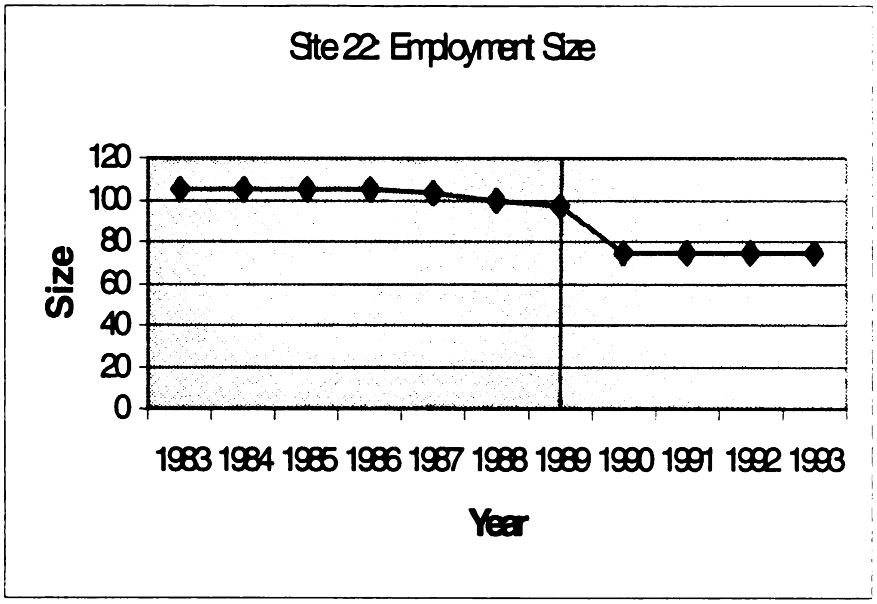
300
200
100
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year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Size
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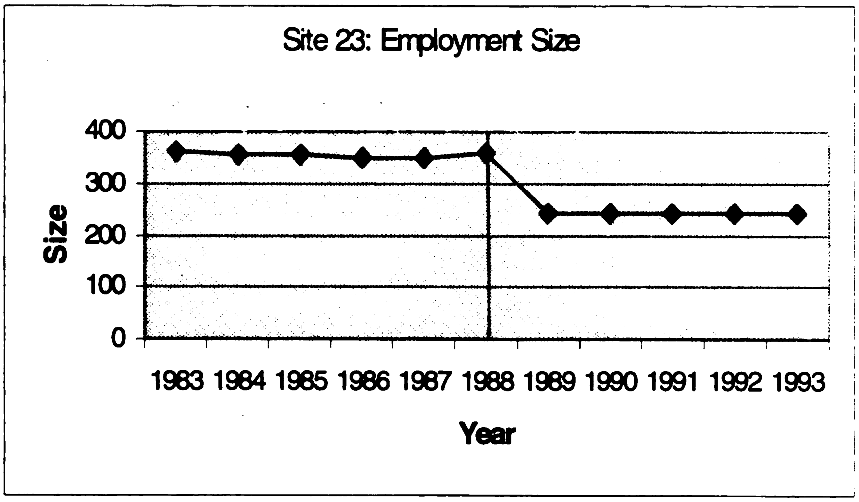
100
80
60
40
20
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year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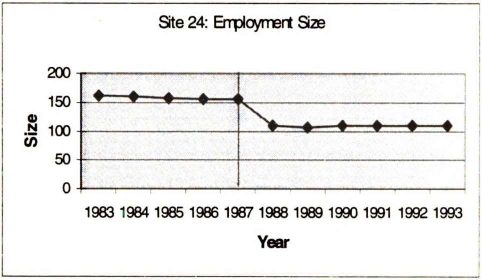
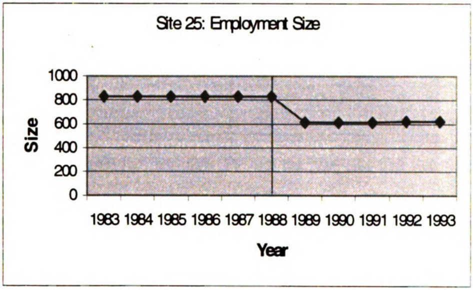
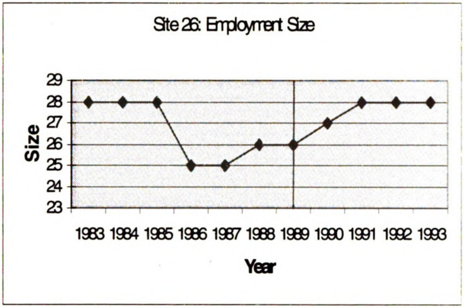
Size
400
300
200
100
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year



Site 24: Employment Size
Size
200
150
100
50
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year



Site 25: Employment Size
Size
1000
800
600
400
200
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year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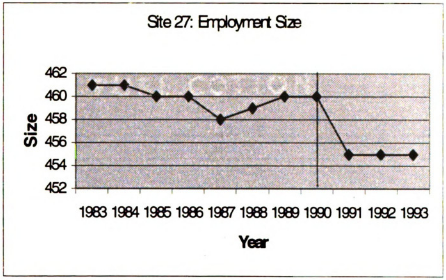
Size
29
28
27
26
25
24
23
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year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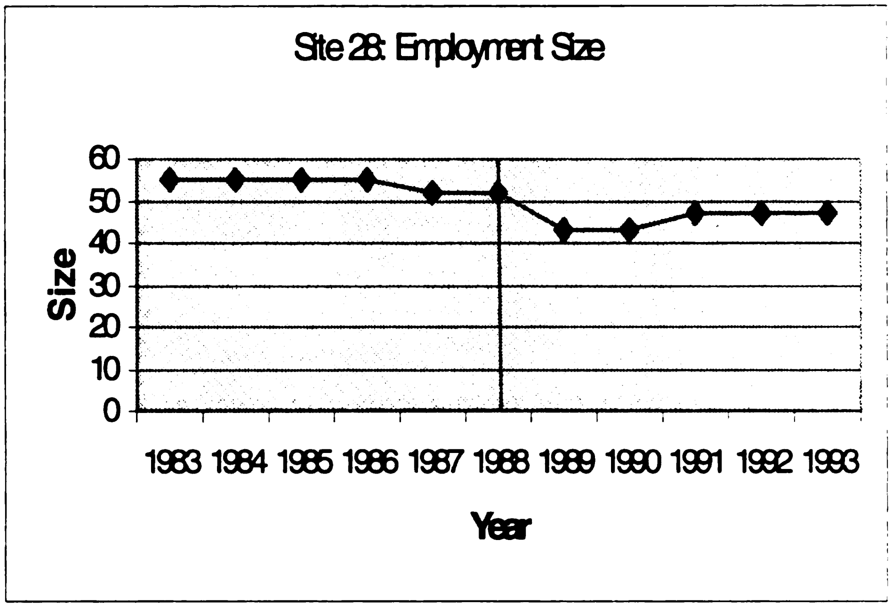
Size
462
460
458
456
454
452
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year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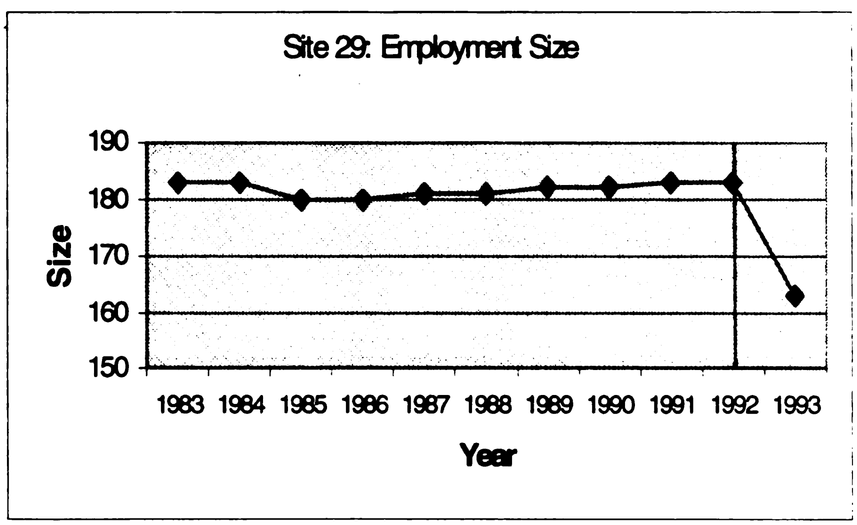
60
50
40
30
20
10
0
Size
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year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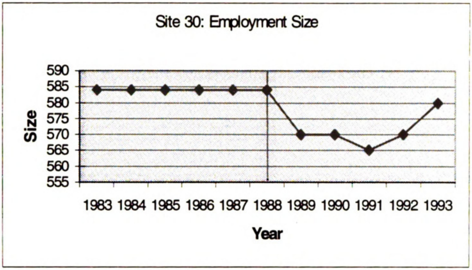
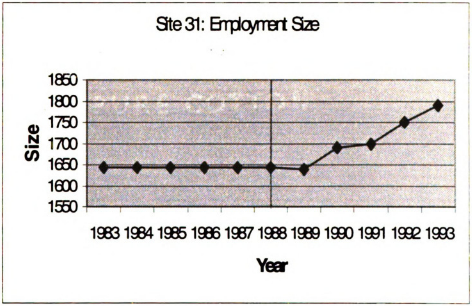
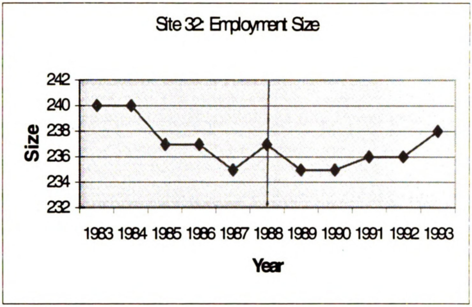
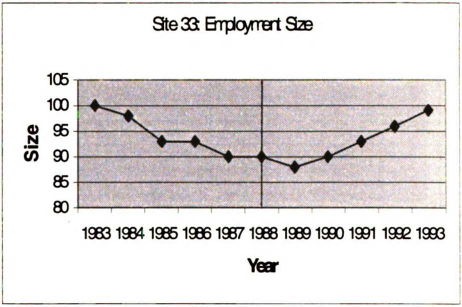
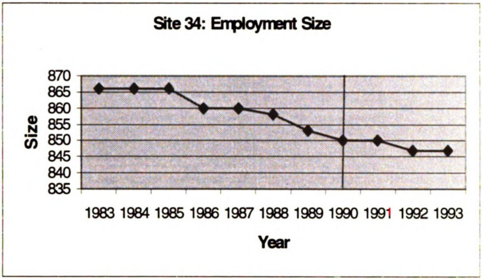
190
180
170
160
150
Size
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

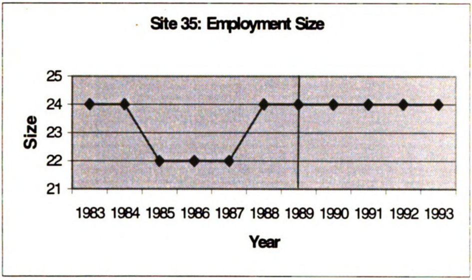

Site 30: Employment Size
590
585
580
575
570
565
560
555
Size
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

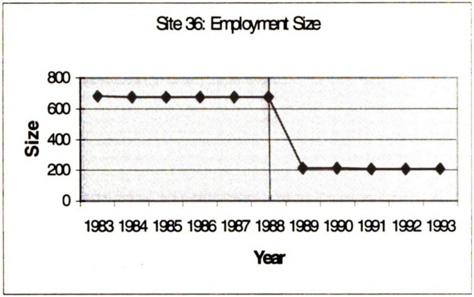

Site 31: Employment Size
1850
1800
1750
1700
1650
1600
1550
Size
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

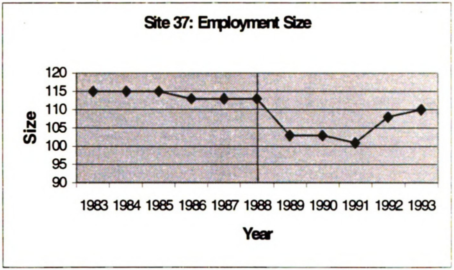

Site 32: Employment Size
242
240
238
236
234
232
Size
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

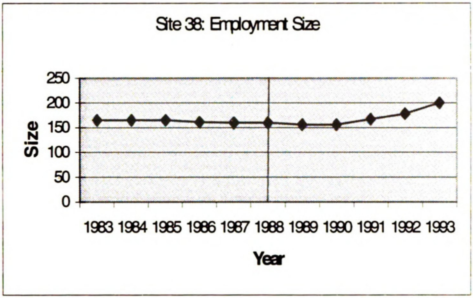

Site 33: Employment Size
105
100
95
90
85
80
Size
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

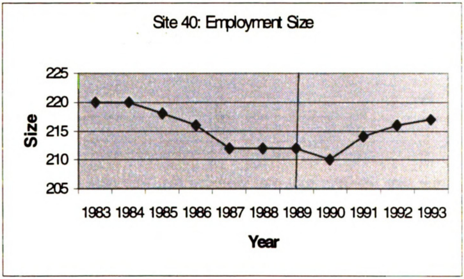

Site 34: Employment Size
870
865
860
855
850
845
840
835
Size
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

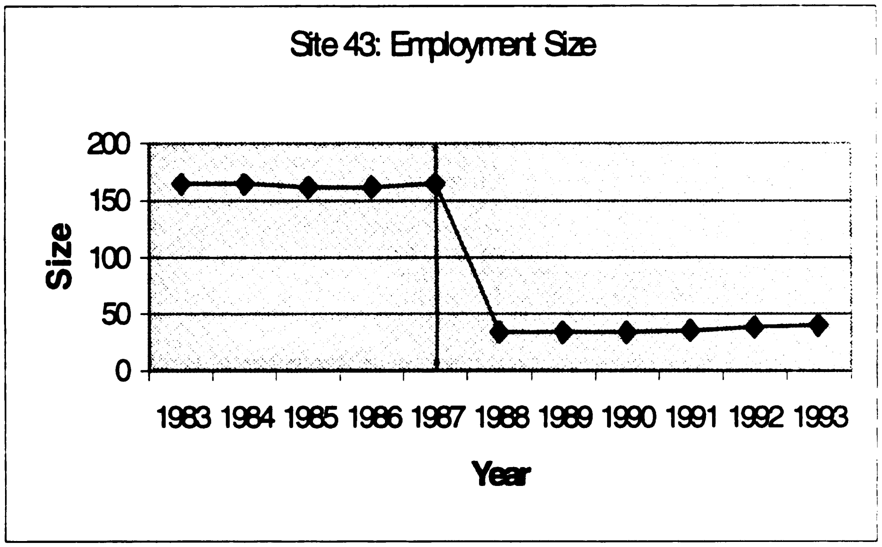

Site 35: Employment Size
25
24
23
22
21
Size
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

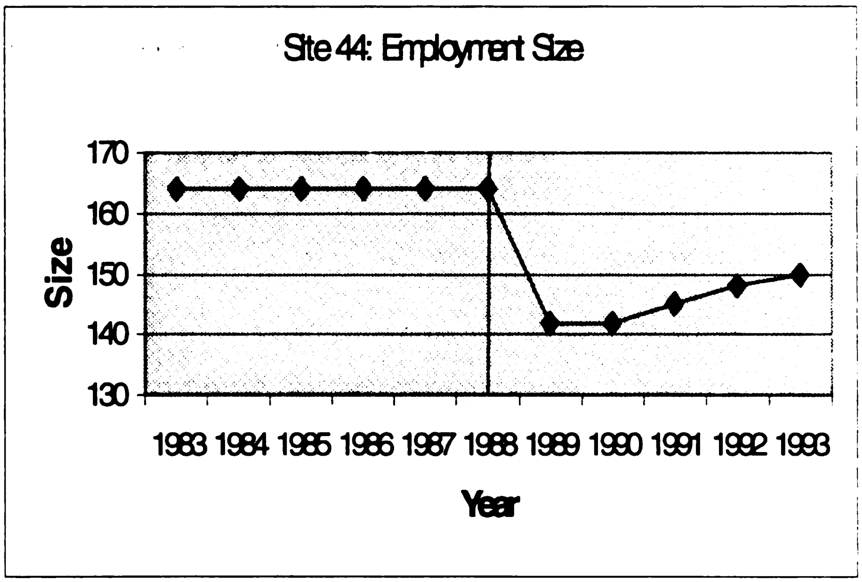

Site 36: Employment Size
Size
800
600
400
200
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year


Site 37: Employment Size
Size
120
115
110
105
100
95
90
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year


Site 38: Employment Size
250
200
150
100
50
0
Size
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year


Site 40: Employment Size
225
220
215
210
205
Size
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year





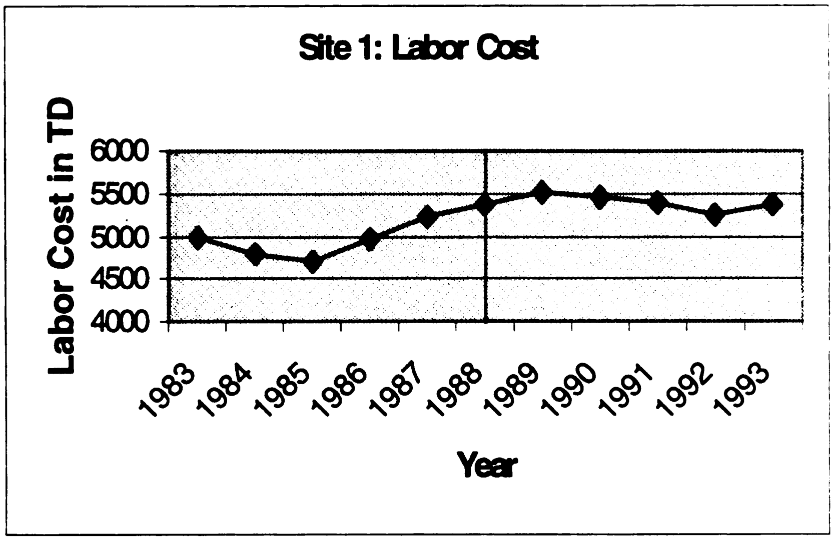
Variable 2: Labor Cost

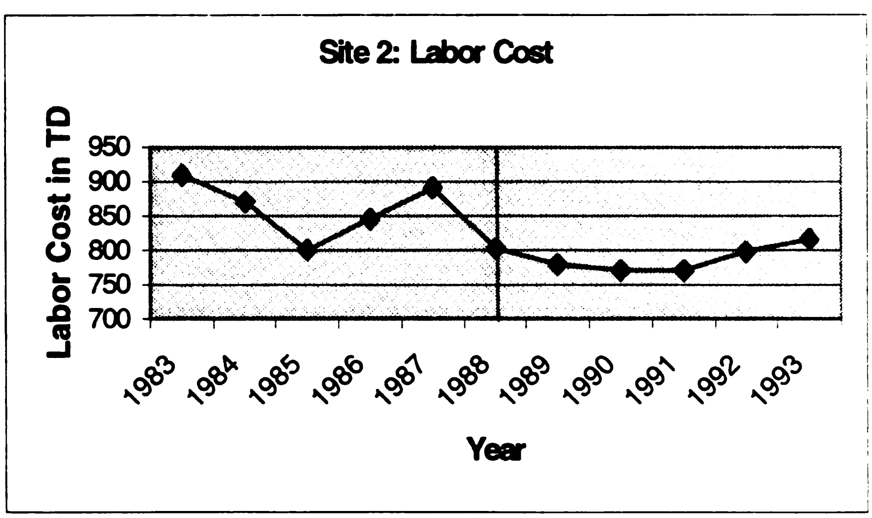
This variable was measured by the amount of Tunisian Dinar spent on wages and benefits and training. A look at the summary table 5.3 reveals that more than half of the cases under study 24 out of 44 (nearly 55 percent) have seen a decline in the labor cost spending right after the implementation of privatization measures. Furthermore, only one case (2.28 percent) has seen no changes whatsoever due to privatization. A quarter of all cases has witnessed a rather positive change in the form of more spending on labor cost. It is argued that privatization will lead to cutting labor cost. This outcome has also been on the negotiation agenda prior, during and after the implementation of the change in ownership and control. Were the workers and their unions right in fearing that privatization would lead to cutting labor cost?

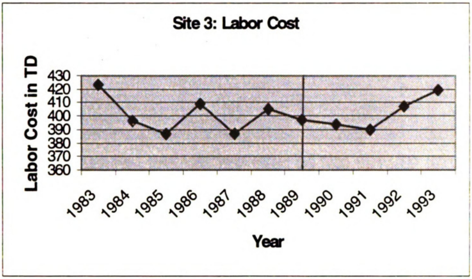
Again, the answer is affirmative if one just looks at the impact only one year after the implementation. In other words, in the short run, all these fears are proven to be right. But the question that remains to be asked is to what degree and for how long this trend is to remain valid?

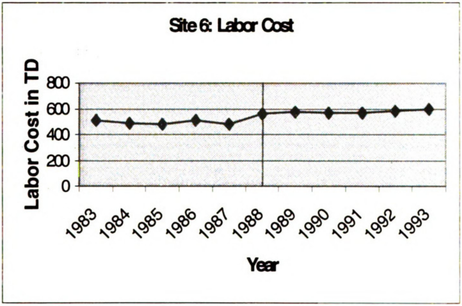
The visual illustration of this trend could be better detected over time and gradually. In actuality, some cases witness a sharp increase in labor cost right after the intervention but later these figures would stabilize.

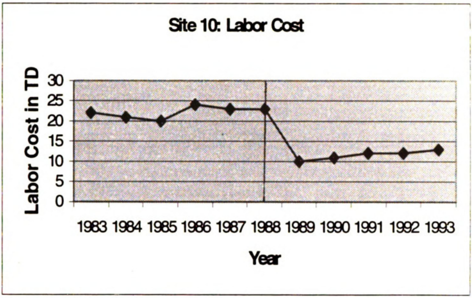
Labor Cost Figures:

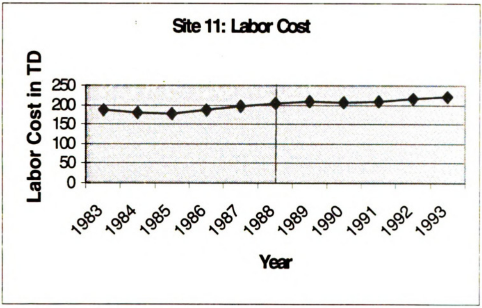


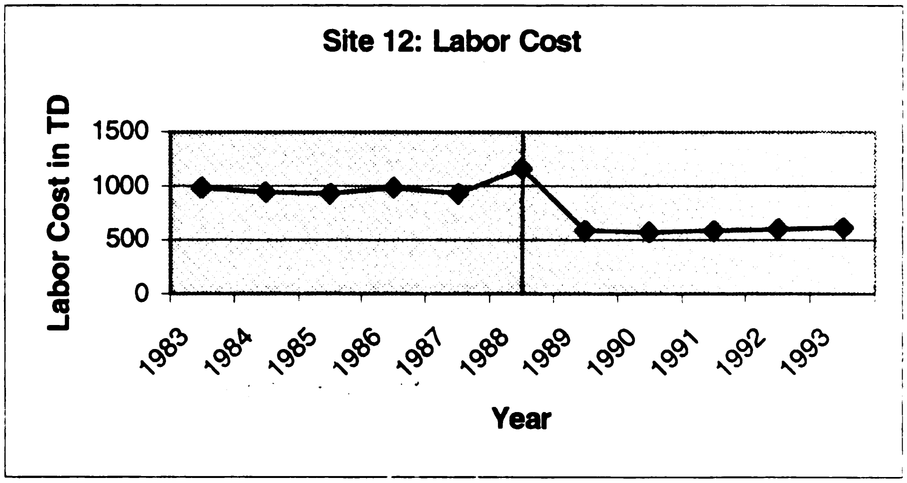


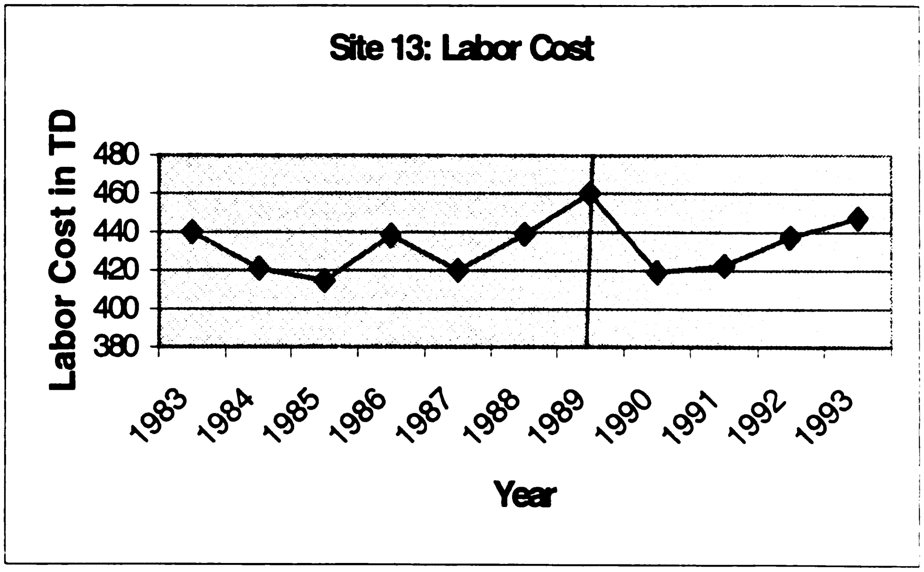

Site 3: Labor Cost
Labor Cost in TD
430
420
410
400
390
380
370
360
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year

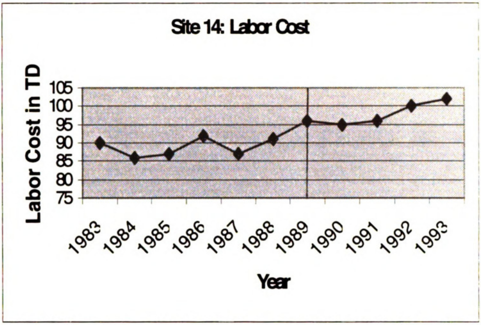

Site 6: Labor Cost
Labor Cost in TD
800
600
400
200
0
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year

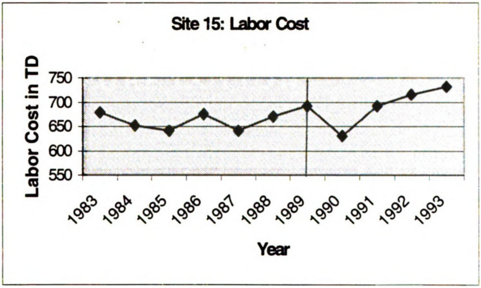

Site 10: Labor Cost
Labor Cost in TD
30
25
20
15
10
5
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

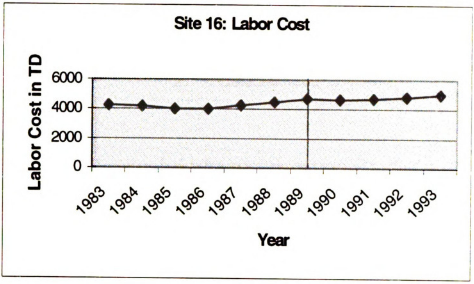

Site 11: Labor Cost
Labor Cost in TD
250
200
150
100
50
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

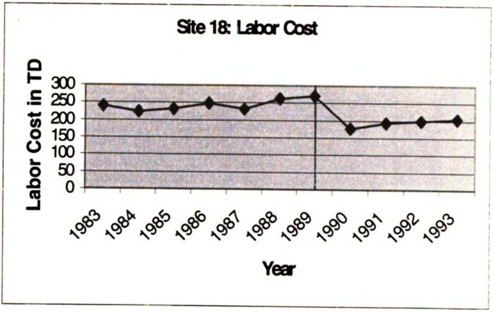

Site 12: Labor Cost
Labor Cost in TD
1500
1000
500
0
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year

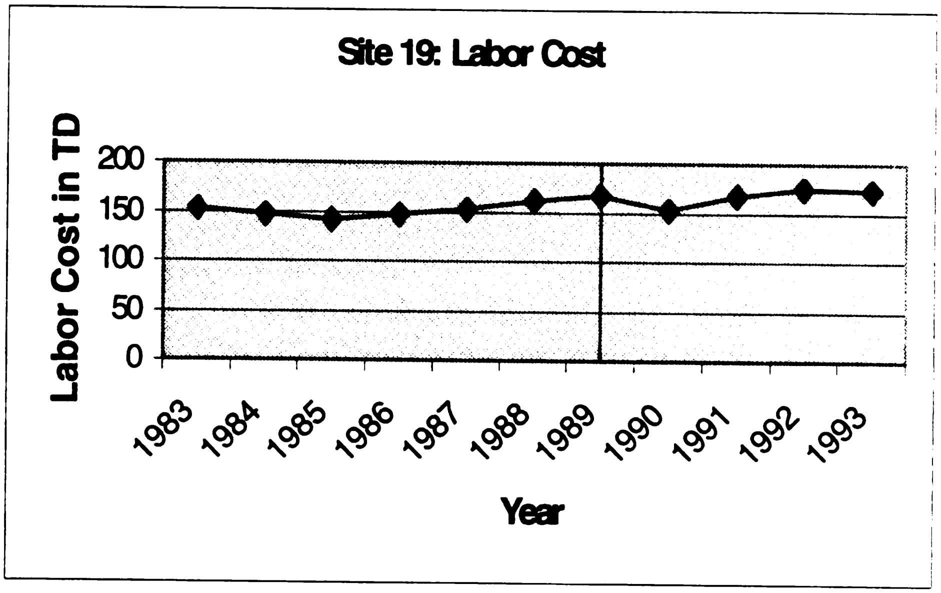

Site 13: Labor Cost
Labor Cost in TD
480
460
440
420
400
380
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year


Site 14: Labor Cost
Labor Cost in TD
105
100
95
90
85
80
75
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year

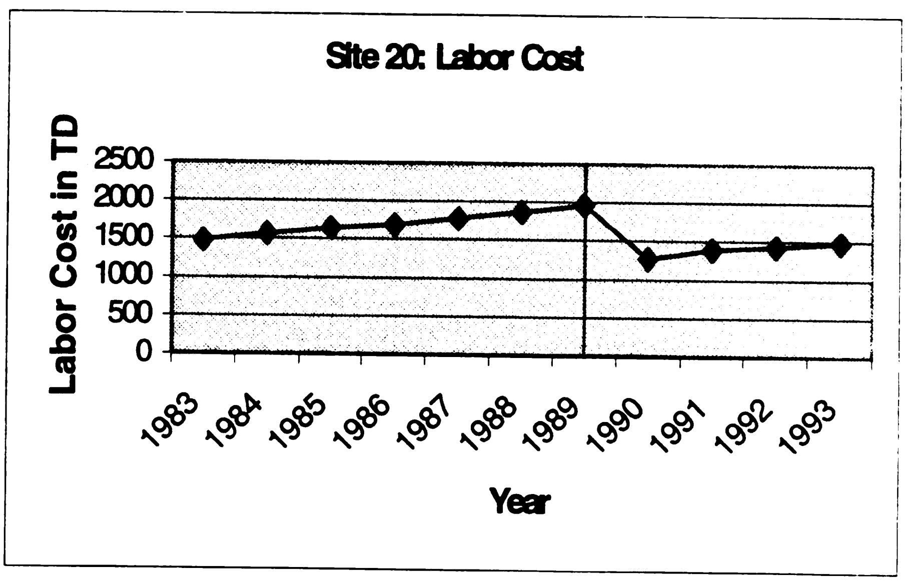

Site 15: Labor Cost
Labor Cost in TD
750
700
650
600
550
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year


Site 16: Labor Cost
Labor Cost in TD
6000
4000
2000
0
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year

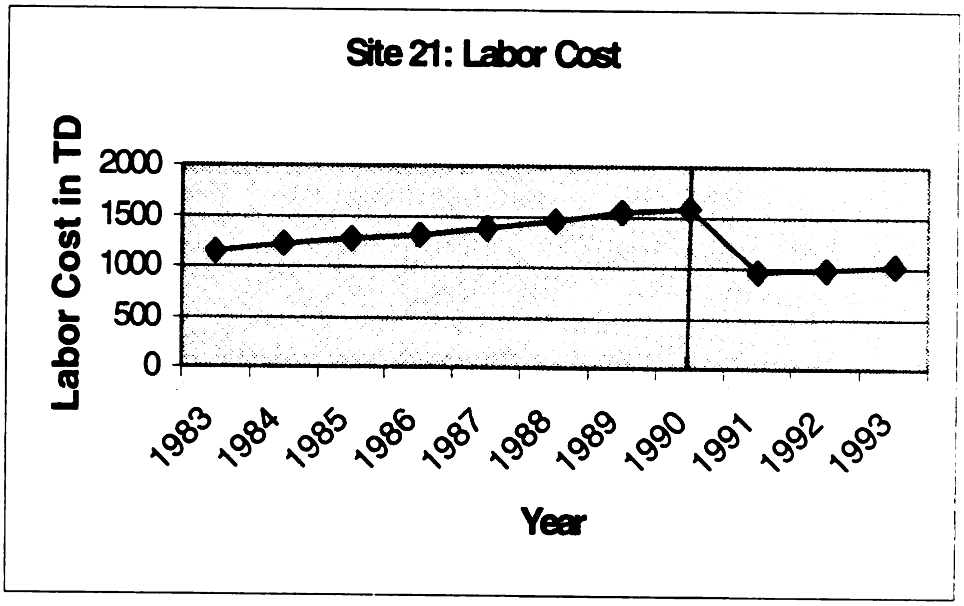

Site 18: Labor Cost
Labor Cost in TD
300
250
200
150
100
50
0
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year

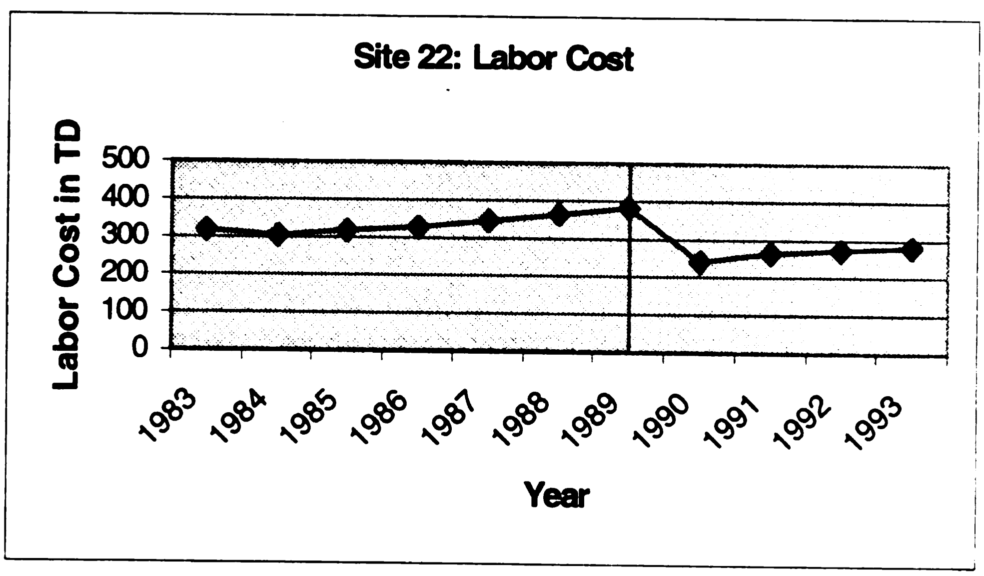


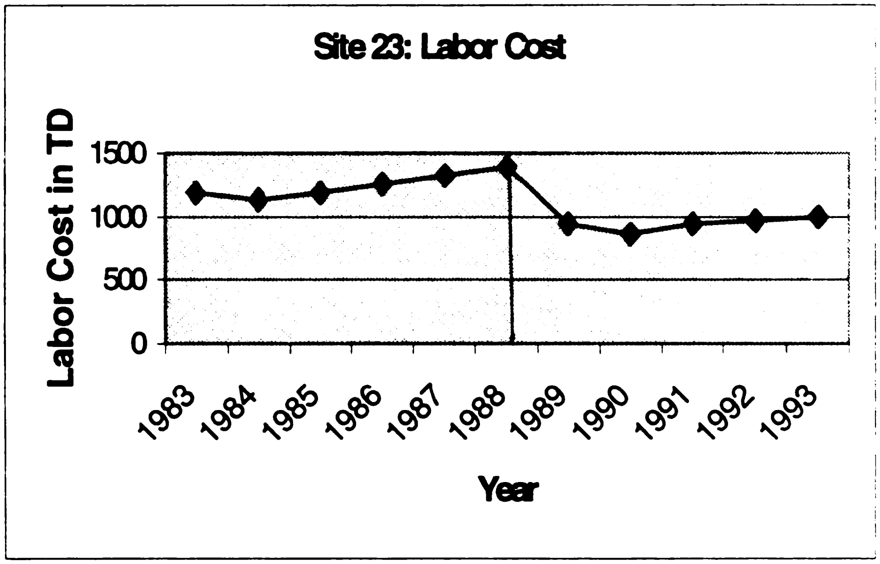
Site 19: Labor Cost
Labor Cost in TD
200
150
100
50
0
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year

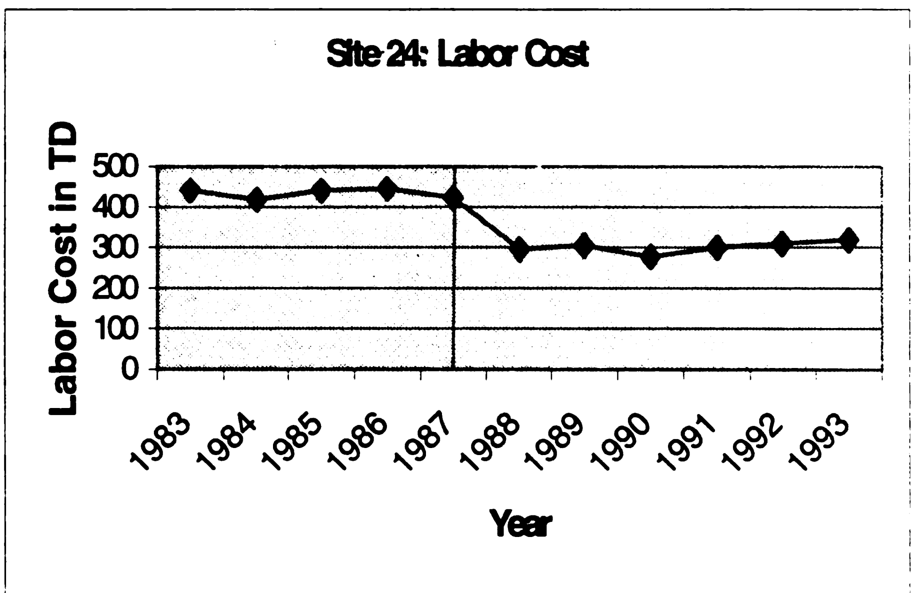


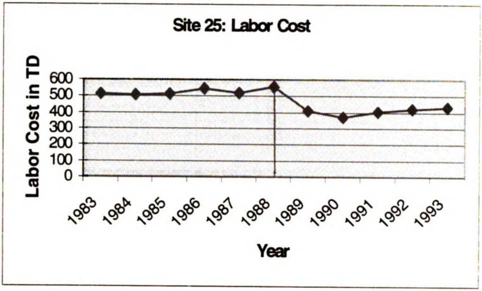
Site 20: Labor Cost
Labor Cost in TD
2500
2000
1500
1000
500
0
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year

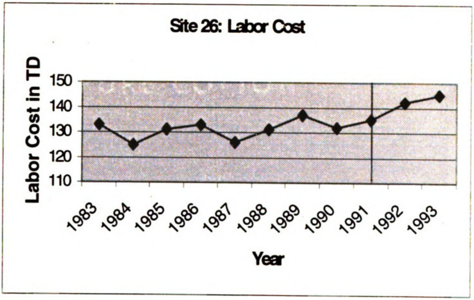

Site 21: Labor Cost
Labor Cost in TD
2000
1500
1000
500
0
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year

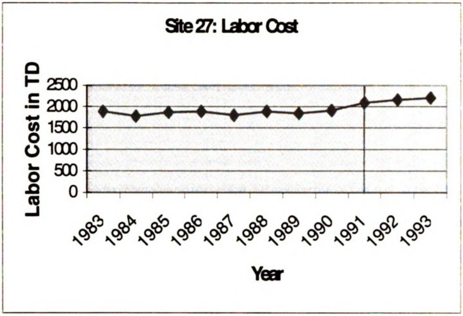

Site 22: Labor Cost
Labor Cost in TD
500
400
300
200
100
0
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year

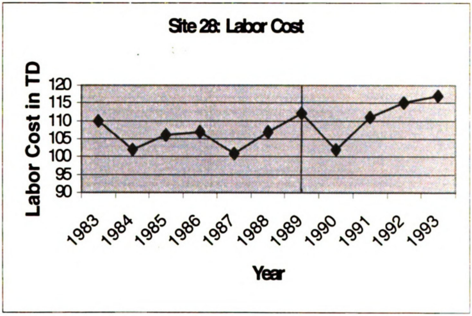

Site 23: Labor Cost
Labor Cost in TD
1500
1000
500
0
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year

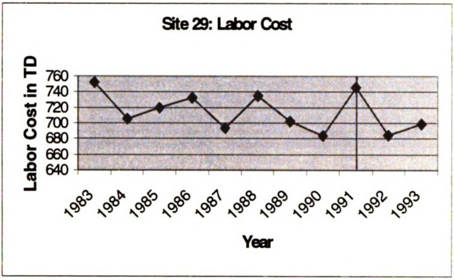

Site 24: Labor Cost
Labor Cost in TD
500
400
300
200
100
0
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year

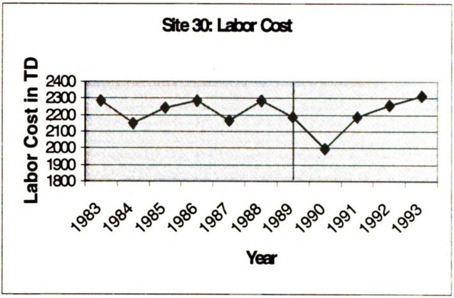

Site 25: Labor Cost
Labor Cost in TD
600
500
400
300
200
100
0
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year


Site 26: Labor Cost
Labor Cost in TD
150
140
130
120
110
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year

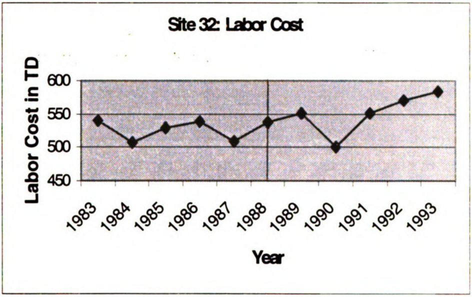

Site 27: Labor Cost
Labor Cost in TD
2500
2000
1500
1000
500
0
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year


Site 28: Labor Cost
Labor Cost in TD
120
115
110
105
100
95
90
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year

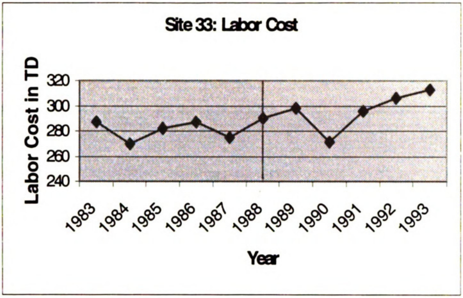

Site 29: Labor Cost
Labor Cost in TD
760
740
720
700
680
660
640
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year


Site 30: Labor Cost
Labor Cost in TD
2400
2300
2200
2100
2000
1900
1800
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year

Site 31: Labor Cost
Labor Cost in TD
9000
8500
8000
7500
7000
6500
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year



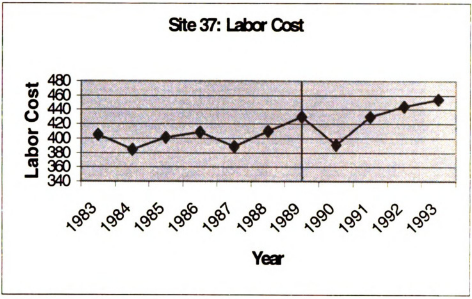
Site 32: Labor Cost
Labor Cost in TD
600
550
500
450
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year

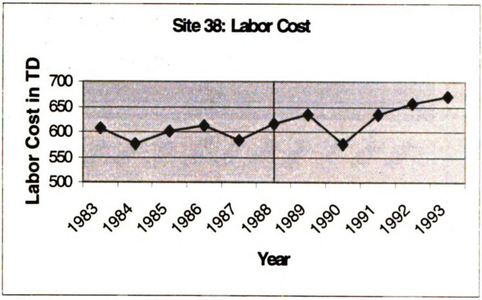

Site 33: Labor Cost
Labor Cost in TD
320
300
280
260
240
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year

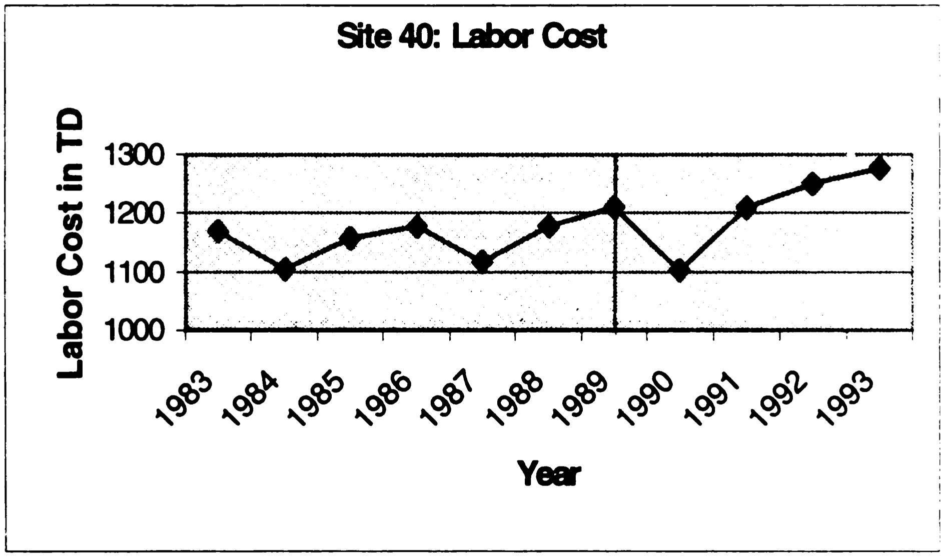

Site 34: Labor Cost
Labor Cost in TD
5000
4000
3000
2000
1000
0
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year

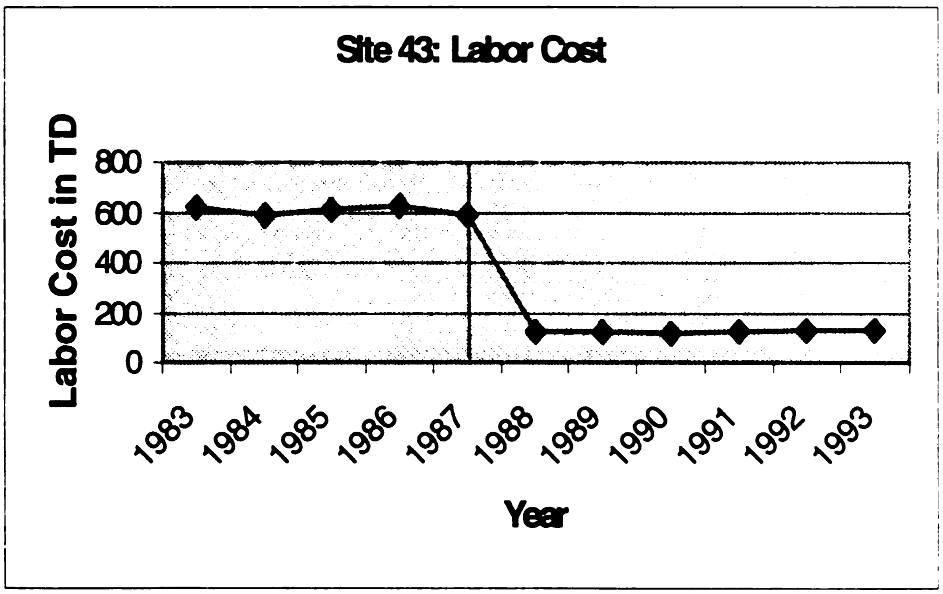

Site 35: Labor Cost
Labor Cost in TD
340
320
300
280
260
240
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year

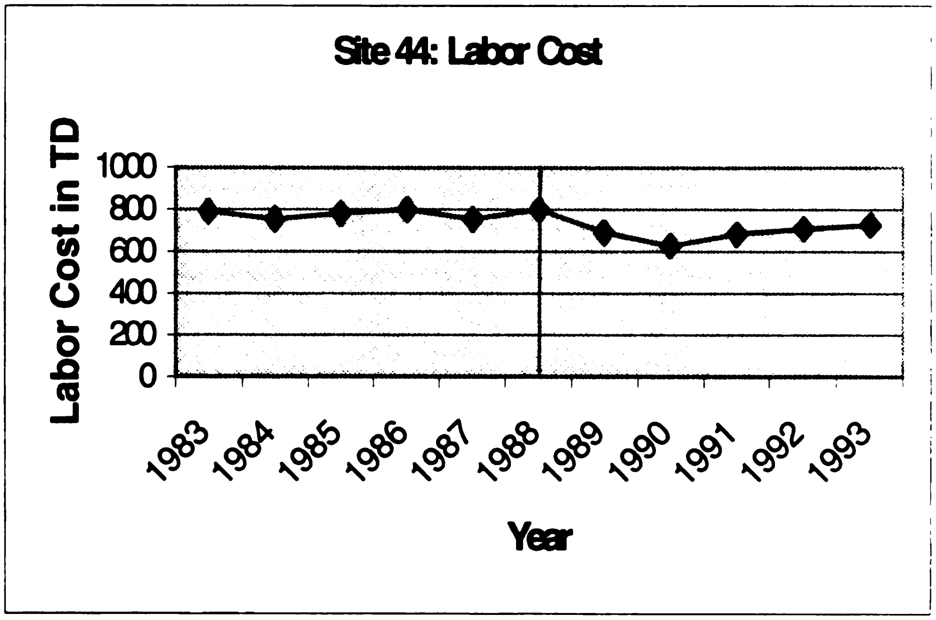

Site 36: Labor Cost
Labor Cost in TD
2500
2000
1500
1000
500
0
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year


Site 37: Labor Cost
Labor Cost
480
460
440
420
400
380
360
340
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year


Site 38: Labor Cost
Labor Cost in TD
700
650
600
550
500
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year


Site 40: Labor Cost
Labor Cost in TD
1300
1200
1100
1000
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year


Site 43: Labor Cost
Labor Cost in TD
800
600
400
200
0
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year


Site 44: Labor Cost
Labor Cost in TD
1000
800
600
400
200
0
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year

Variable 3: Strikes

It is argued that workers and their unions would resist change and that their militancy might become an obstacle in the implementation of the Structural Adjustment measures. One could not ignore the political nature of this change initiative. The existence of political opposition to a change program such as privatization has been widely documented. Both union and management could very well be either change agents or obstacles to implementing any changes. Shuster (1984) refers to the seriousness of political pressures within the trade union organization even if the opposition only represents a vocal minority. He stated that "opposition coalitions are a potential obstacle to cooperation in both the initial stages of discussion and once the cooperative program has been implemented" (1984:115).

This study has theoretical, practical and policy implications. Several questions remain to be addressed with regards to the role of the union in today's market economy:

Has the effective union-management cooperation during the implementation process of privatization had any impact on labor-management relations and on the process on improving productivity?

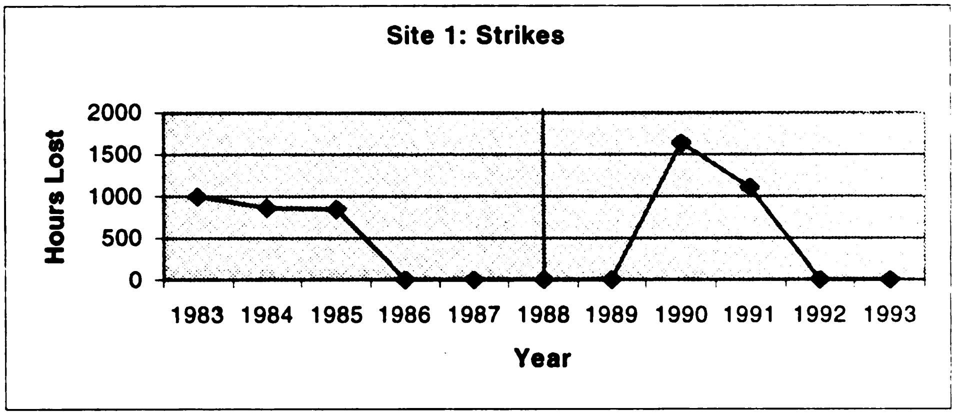
Could an increase in employee participation in the firm's decision making process increase the cooperation level between labor and management?

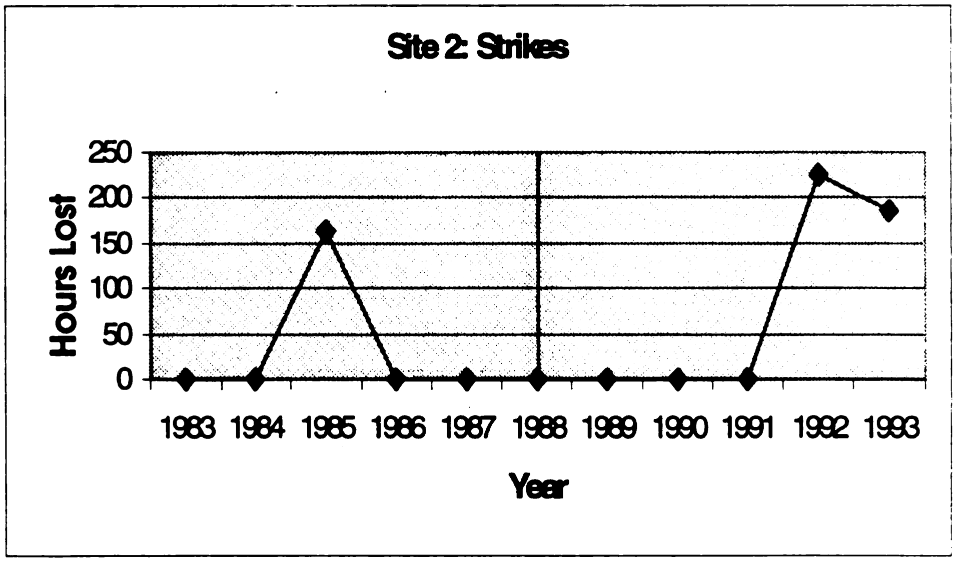
The summary table 5.3 shows only 3 cases (6.82 percent) have seen an increase in the number of men hours lost due to strike activities after the intervention. More than a third of the cases have seen no change. Moreover, most cases 18 out of 44 (40.91 percent) have seen a decline in the number of strikes.

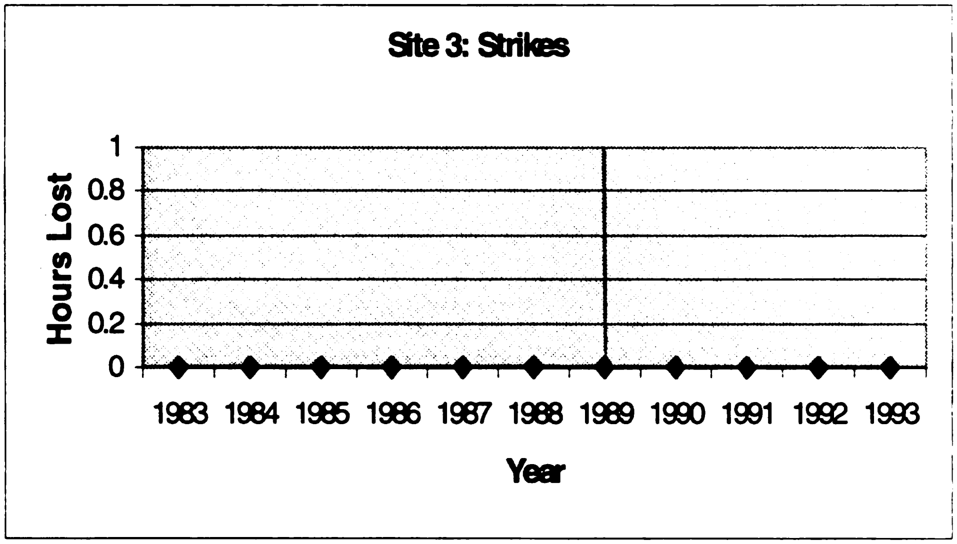
Again, the graphic presentation that traced the movement of strikes over time shows another dimension to this phenomenon. Strikes were used in most cases not after the implementation of privatization measures but prior and during the implementation. This coincides with the notion that unions are political institutions. Therefore, strikes have been used in the Tunisian case to gain more grounds on participation in the decision making process especially as regards to negotiating alternatives to layoffs and plant closures.

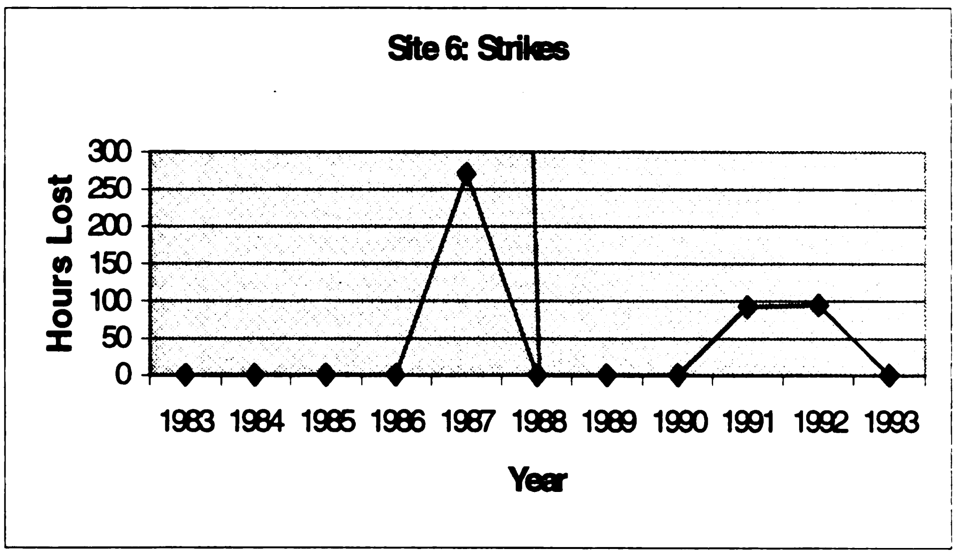
The following figures illustrate this trend.

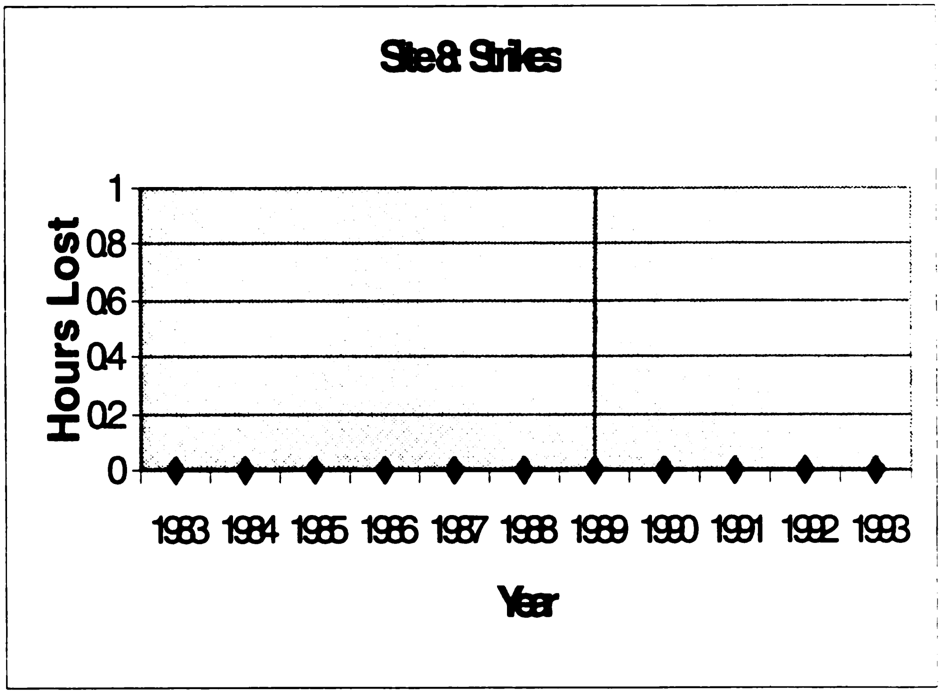
Strike Figures:

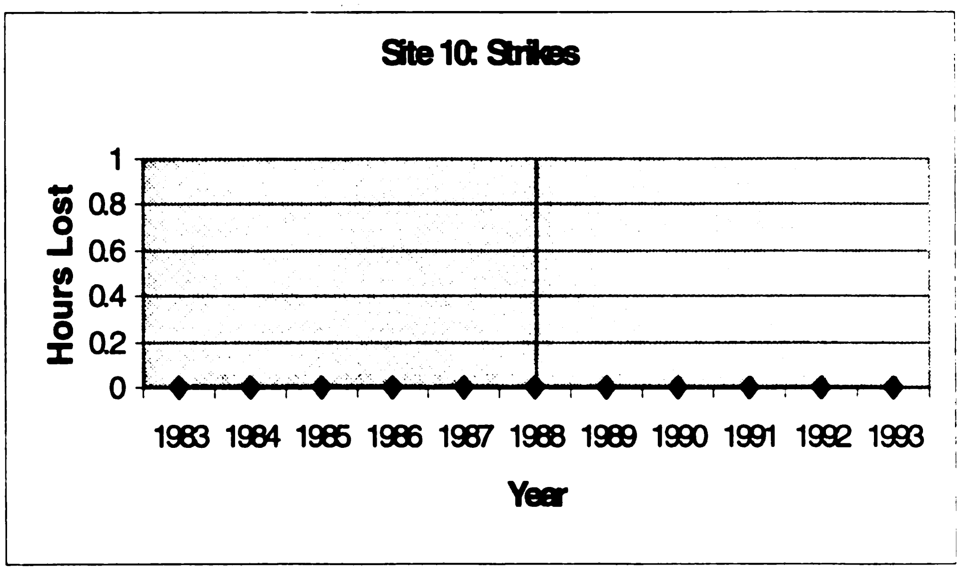


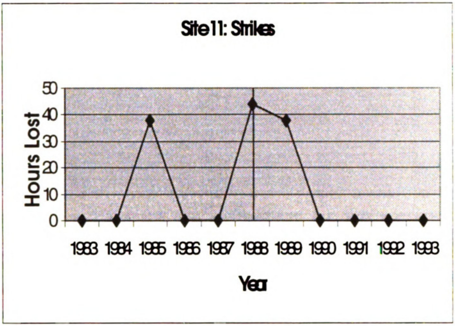


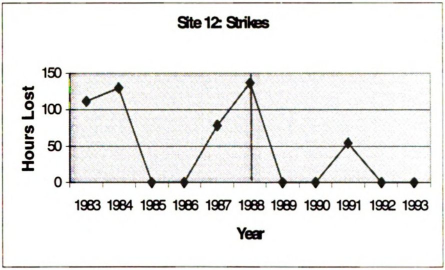

Site 3: Strikes
Hours Lost
1
0.8
0.6
0.4
0.2
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

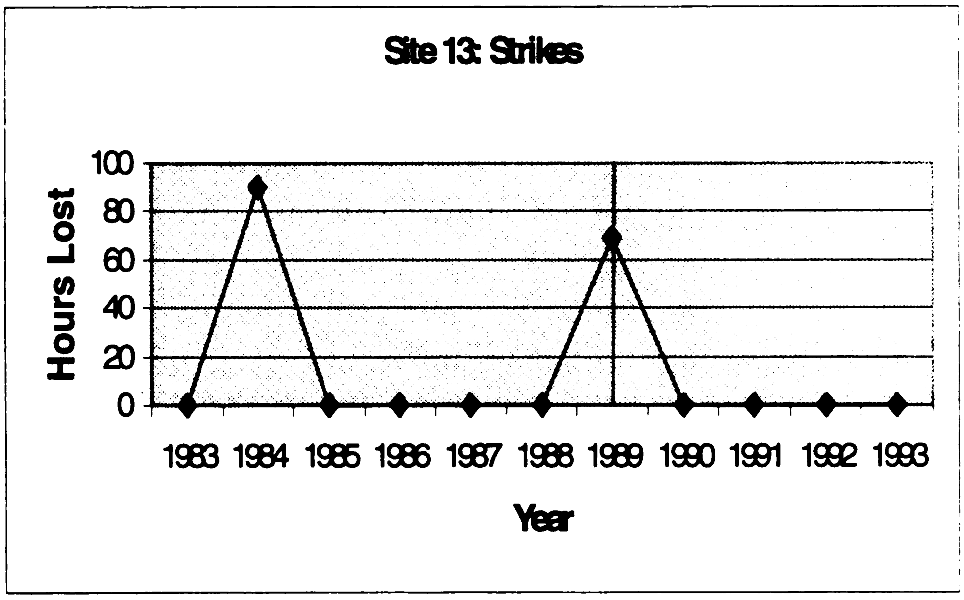

Site 6: Strikes
Hours Lost
300
250
200
150
100
50
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

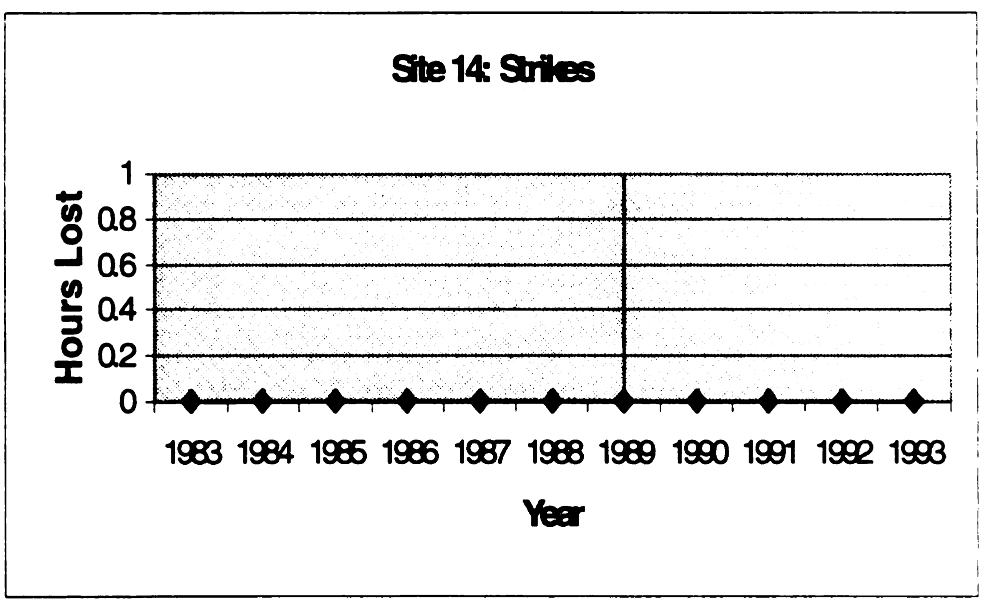

Site 8: Strikes
Hours Lost
1
0.8
0.6
0.4
0.2
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

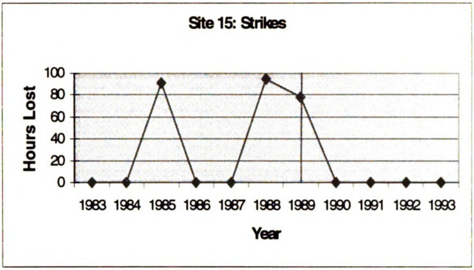

Site 10: Strikes
Hours Lost
1
0.8
0.6
0.4
0.2
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

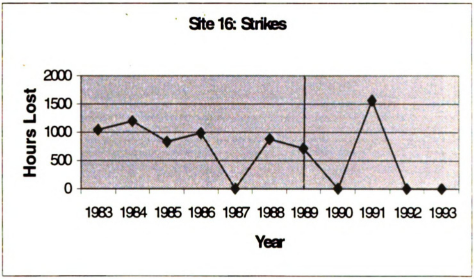

Site 11: Strikes
Hours Lost
50
40
30
20
10
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

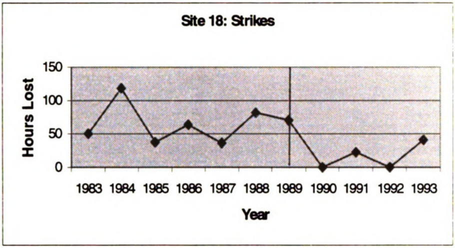

Site 12: Strikes
Hours Lost
150
100
50
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

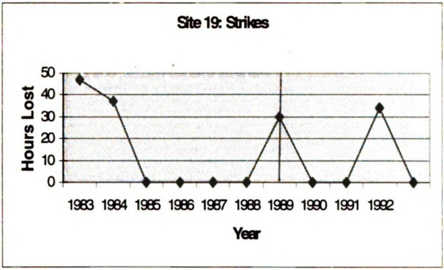

Site 13: Strikes
Hours Lost
100
80
60
40
20
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

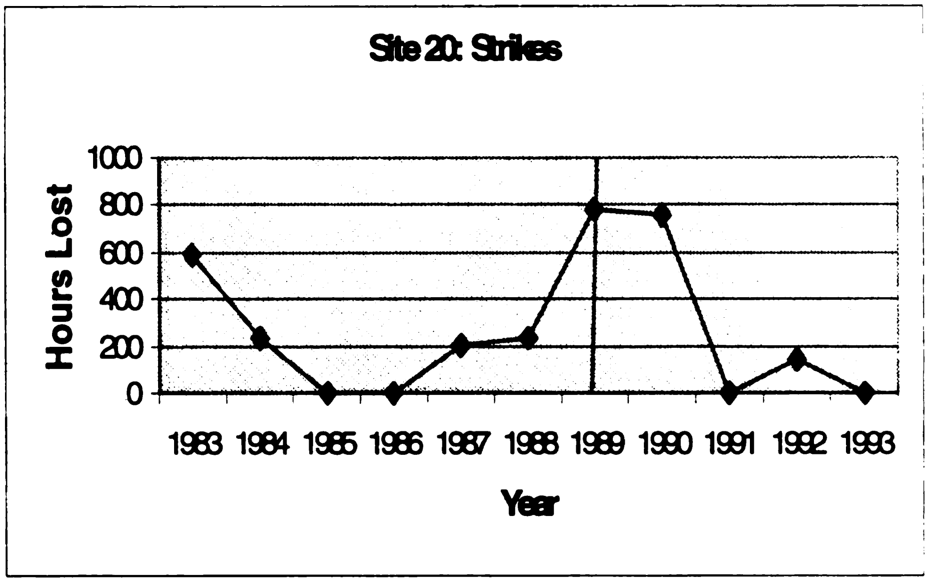

Site 14: Strikes
Hours Lost
1
0.8
0.6
0.4
0.2
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

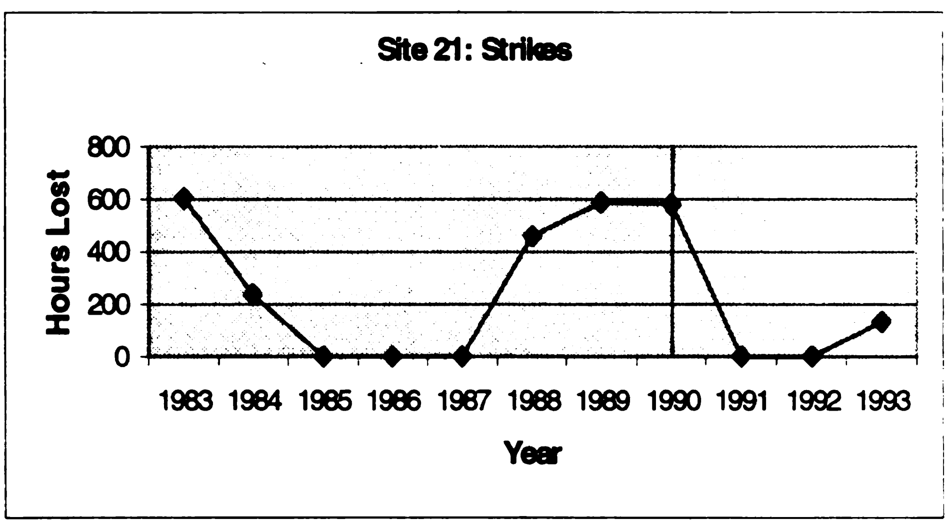

Site 15: Strikes
Hours Lost
100
80
60
40
20
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

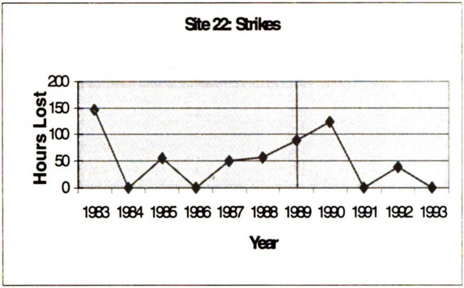

Site 16: Strikes
Hours Lost
2000
1500
1000
500
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

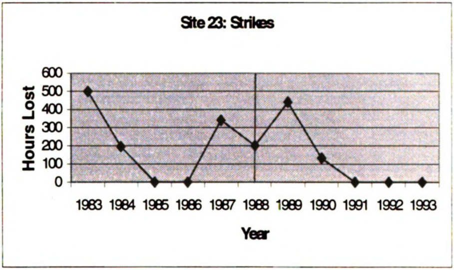

Site 18: Strikes
Hours Lost
150
100
50
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

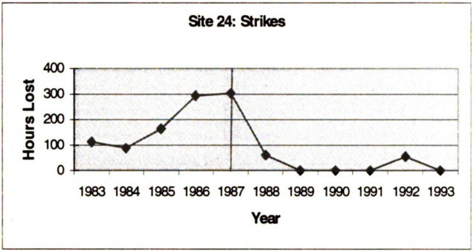

Site 19: Strikes
Hours Lost
50
40
30
20
10
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992
Year

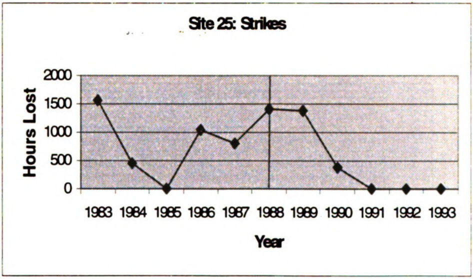

Site 20: Strikes
Hours Lost
1000
800
600
400
200
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

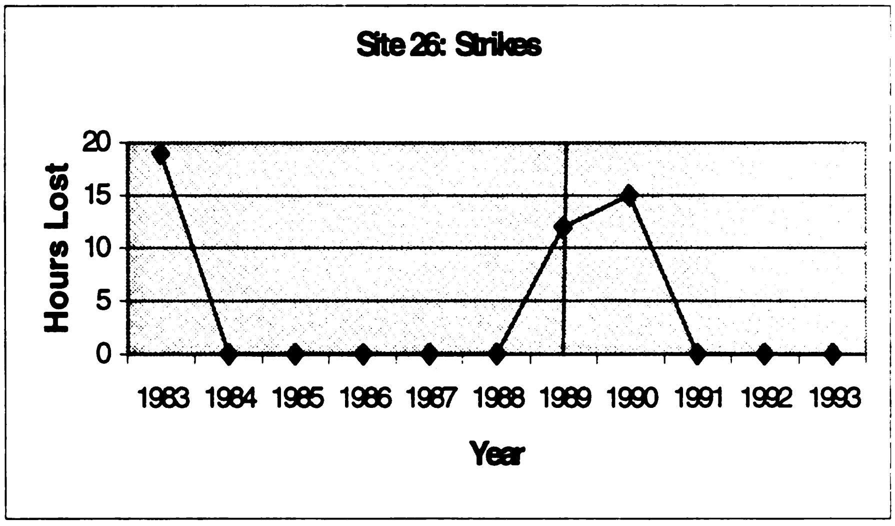

Site 21: Strikes
Hours Lost
800
600
400
200
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

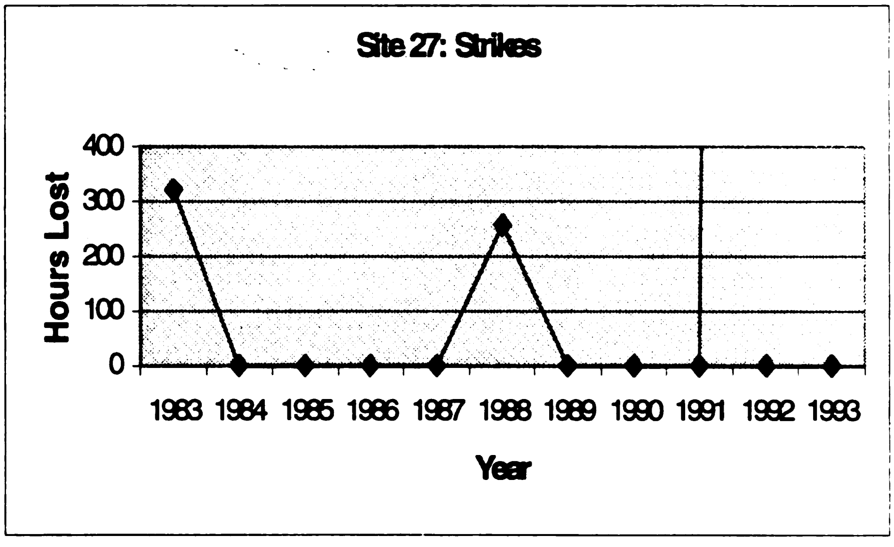

Site 22: Strikes
Hours Lost
200
150
100
50
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

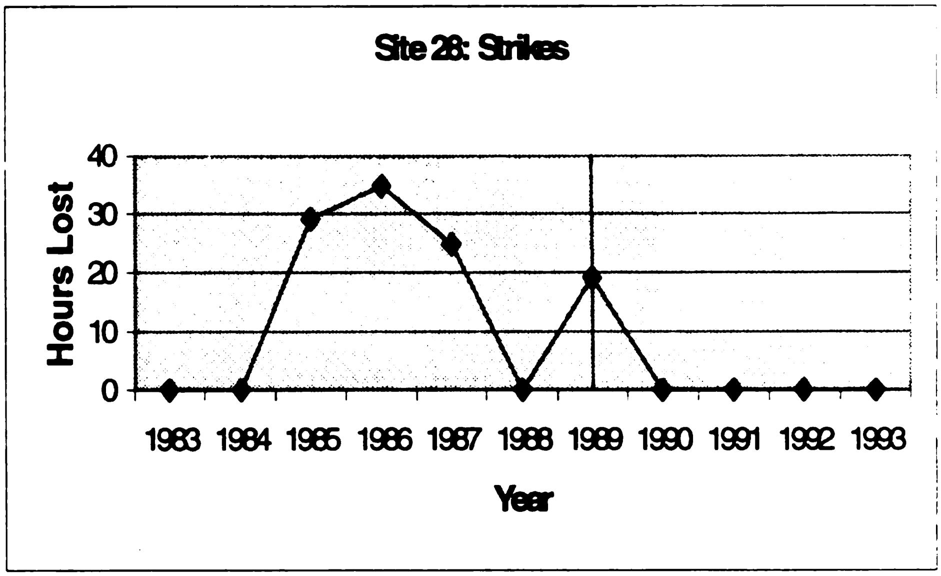

Site 23: Strikes
Hours Lost
600
500
400
300
200
100
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

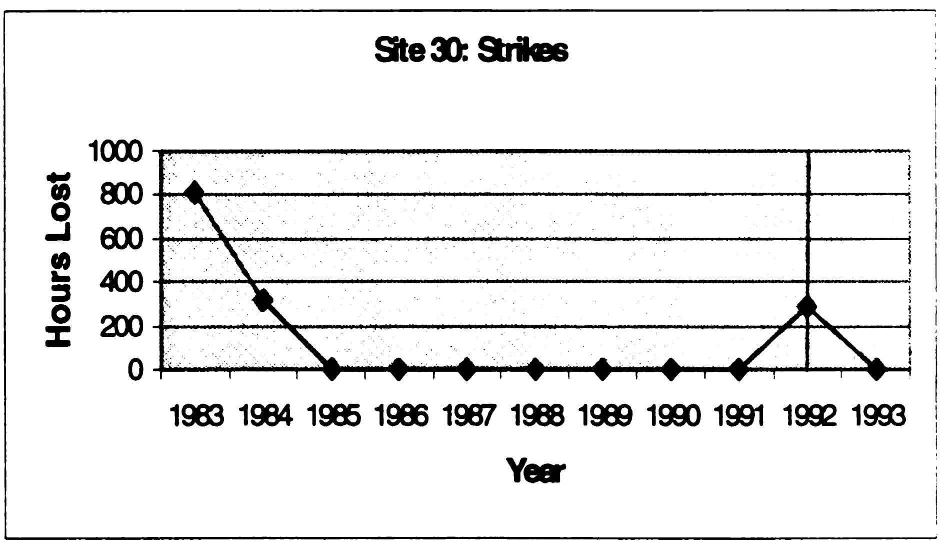

Site 24: Strikes
Hours Lost
400
300
200
100
0
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year

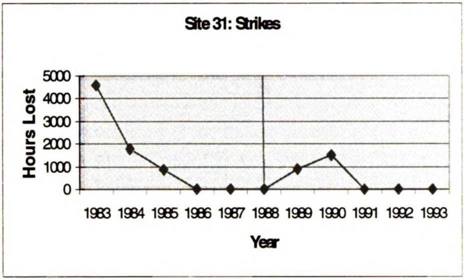

Site 25: Strikes
Hours Lost
2000
1500
1000
500
0
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year

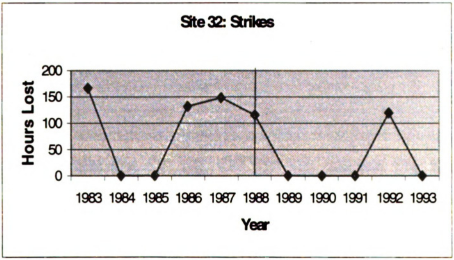

Site 26: Strikes
Hours Lost
20
15
10
5
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

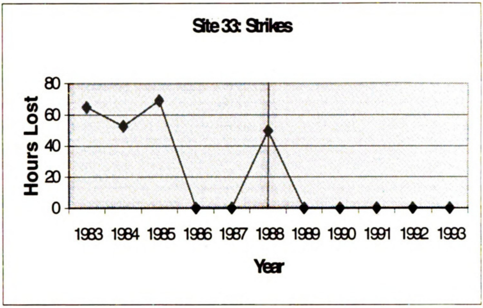

Site 27: Strikes
Hours Lost
400
300
200
100
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

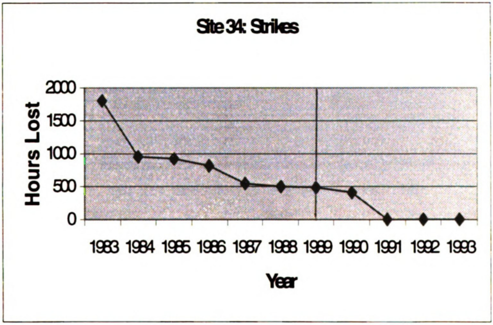

Site 28: Strikes
Hours Lost
40
30
20
10
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

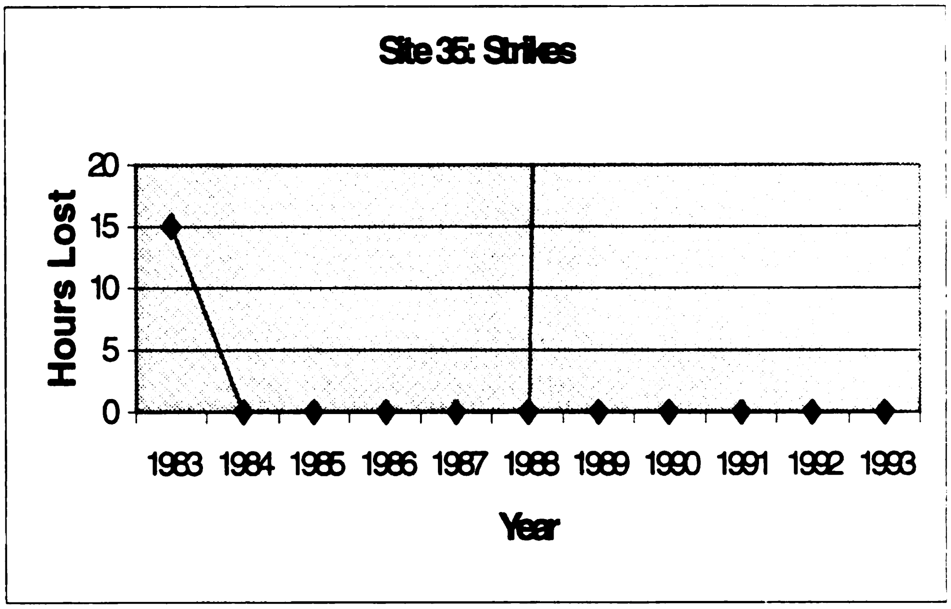

Site 30: Strikes
Hours Lost
1000
800
600
400
200
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

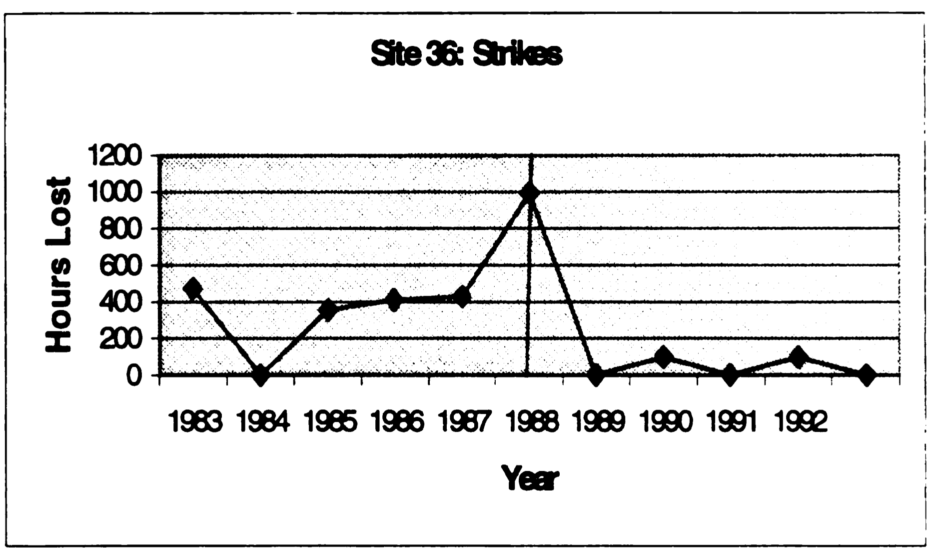

Site 31: Strikes
Hours Lost
5000
4000
3000
2000
1000
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

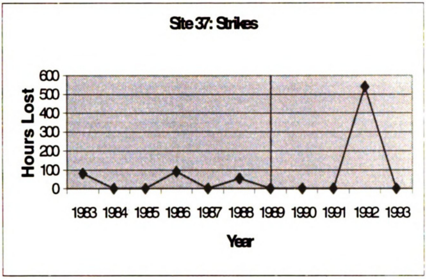

Site 32: Strikes
Hours Lost
200
150
100
50
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

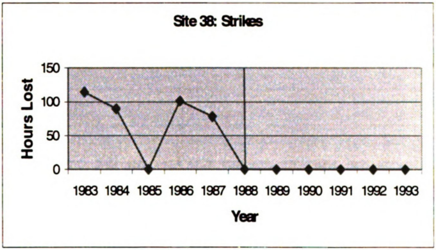

Site 33: Strikes
Hours Lost
80
60
40
20
0
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year

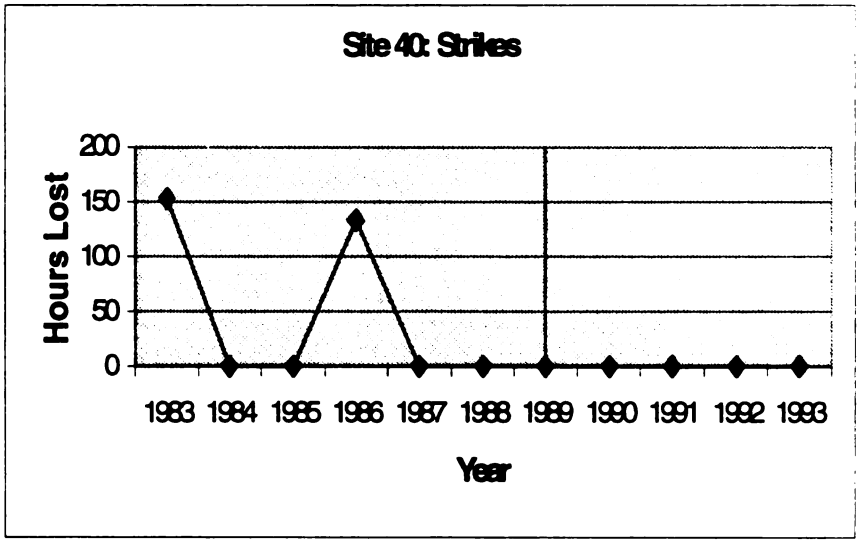

Site 34: Strikes
Hours Lost
2000
1500
1000
500
0
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
Year

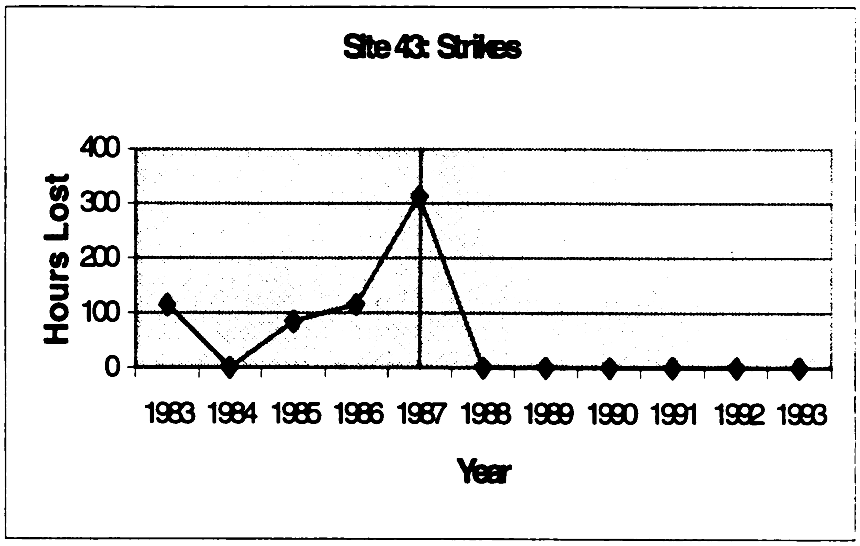

Site 35: Strikes
Hours Lost
20
15
10
5
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

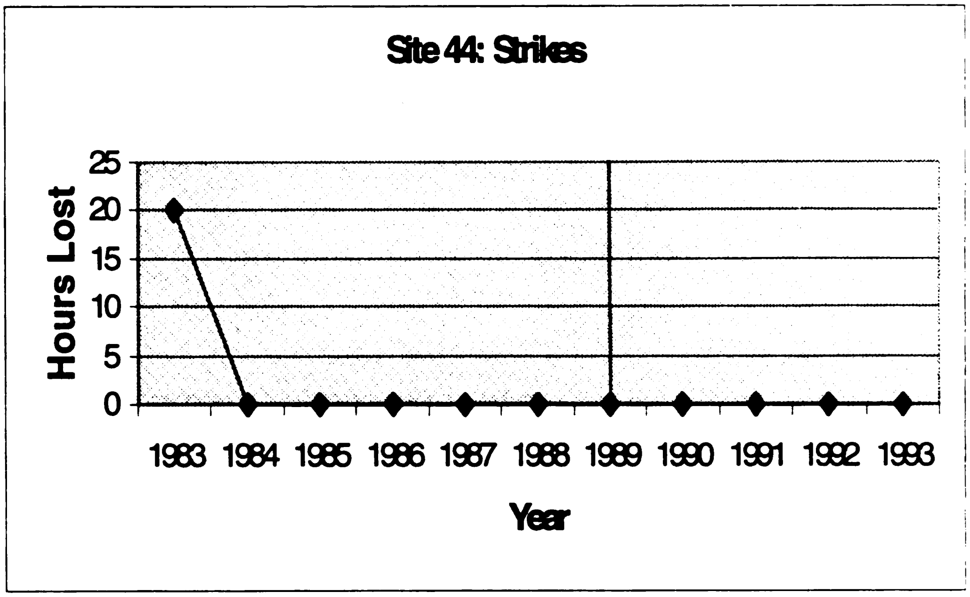

Site 36: Strikes
Hours Lost
1200
1000
800
600
400
200
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992
Year


Site 37: Strikes
Hours Lost
600
500
400
300
200
100
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year


Site 38: Strikes
Hours Lost
150
100
50
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year


Site 40: Strikes
Hours Lost
200
150
100
50
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year


Site 43: Strikes
Hours Lost
400
300
200
100
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year



Variable 4: Financial Loss

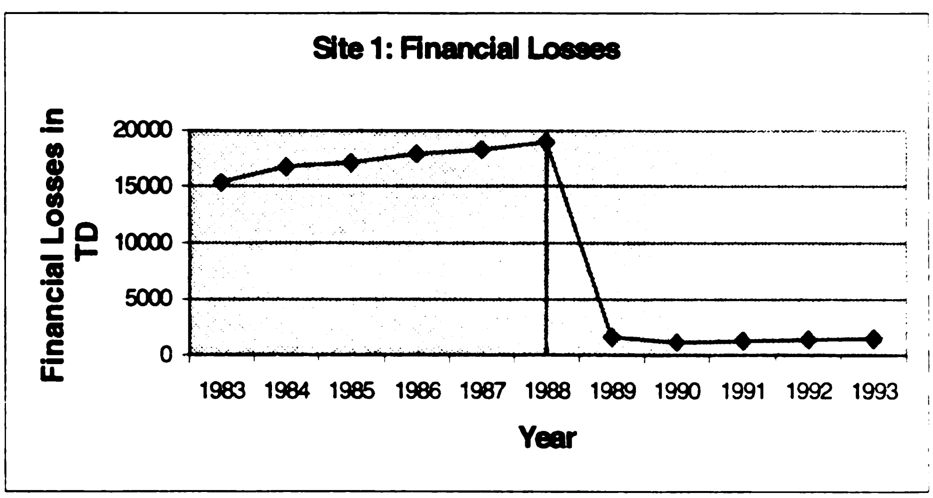
Financial loss was measured by the amount of Tunisian Dinar losses per calendar year. It is argued that the financial losses of a firm could lead to labor unrest and/or threatens the mere survival of the firm. Since the Tunisian SOEs are operating at a loss, it is debated that privatization is a cost cutting measure that would lead to better control of the firm's financial well being.

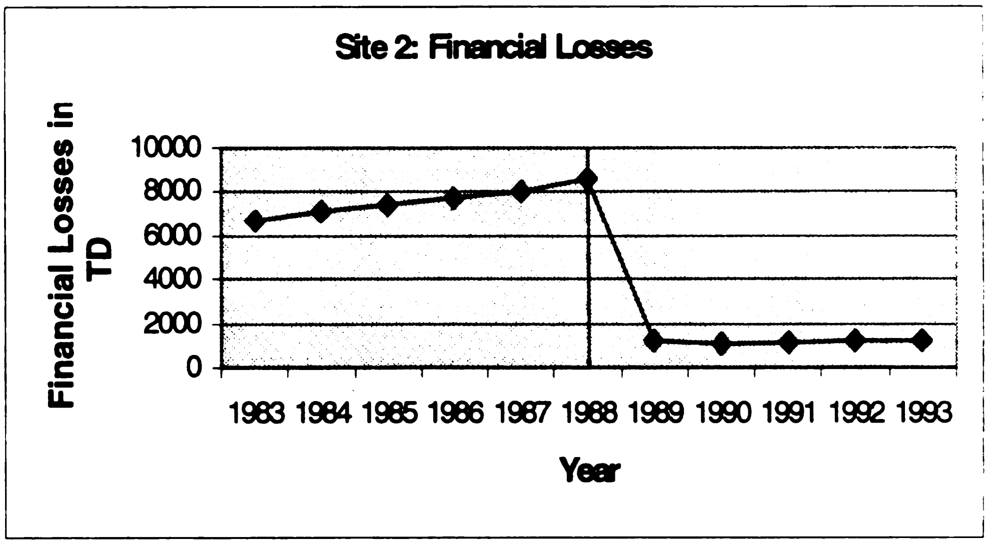
Table 5.3 shows that the vast majority of the privatized firms 31 out of 44 (70.45 percent) have witnessed a decline in spending. Only 3 sites (nearly 7 percent) have actually seen an increase in spending immediately after the implementation of the privatization measures.

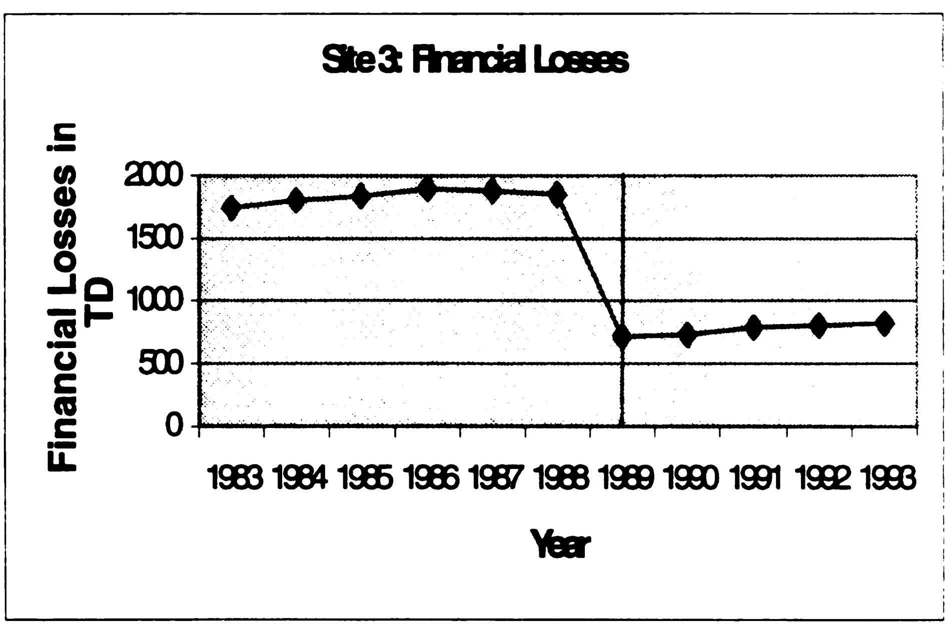
In the privatization literature review section of chapter three, I mentioned that some privatization proponents have argued that creating private market competition and privatizing publicly owned enterprises helps alleviate their financial burden and debt (Innes, 1992). I hypothesized that *privatization leads to lower financial losses.*

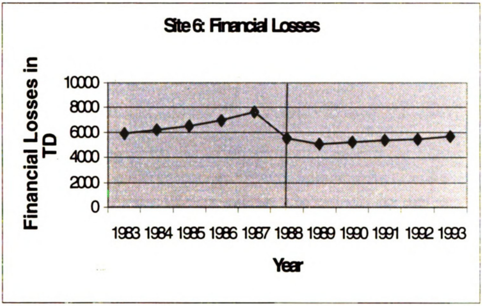
The following visual graphic presentation clearly shows the movement of financial status of the firms under study over time. The sharp increase in spending immediately after the intervention point could be attributed to the adoption of the alternative measures to layoffs and plant closures.

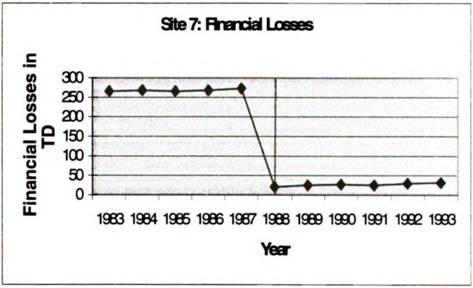
Financial Losses Figures:

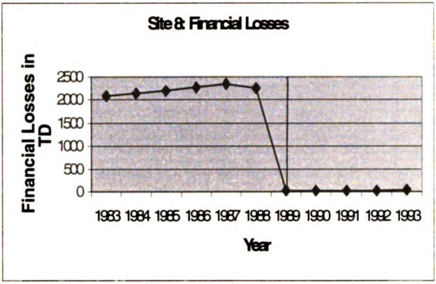


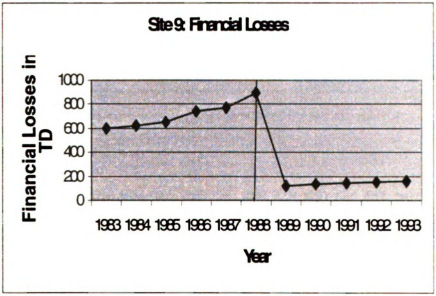

Site 2: Financial Losses
Financial Losses in TD
10000
8000
6000
4000
2000
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

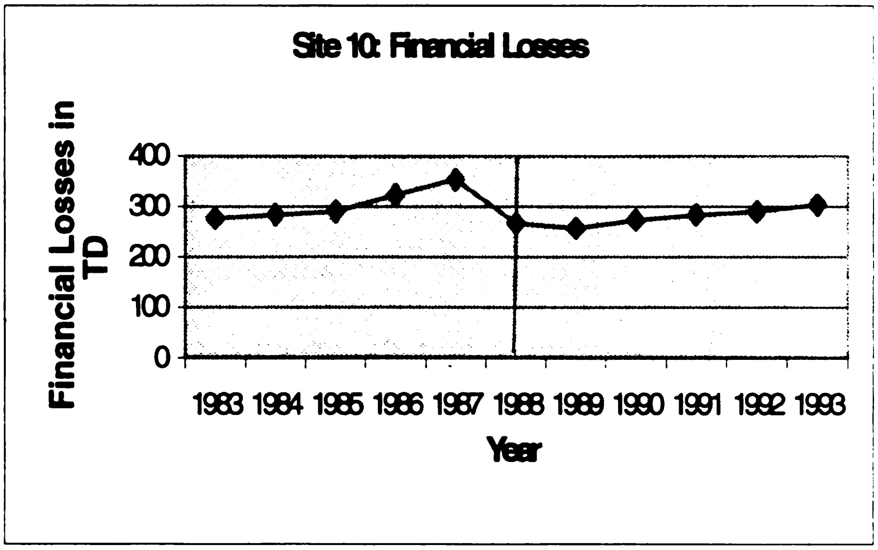

Site 3: Financial Losses
Financial Losses in TD
2000
1500
1000
500
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

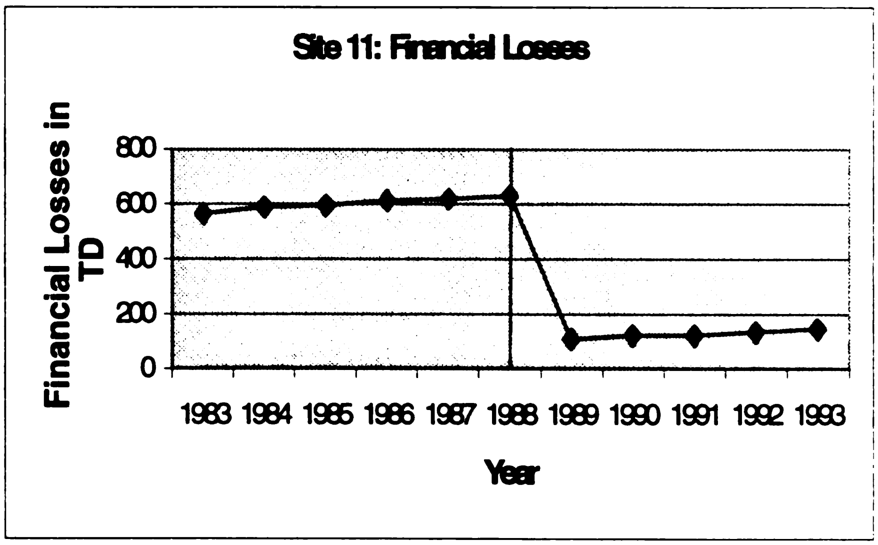

Site 6: Financial Losses
Financial Losses in TD
10000
8000
6000
4000
2000
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

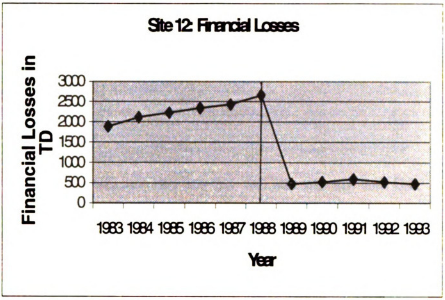

Site 7: Financial Losses
Financial Losses in TD
300
250
200
150
100
50
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

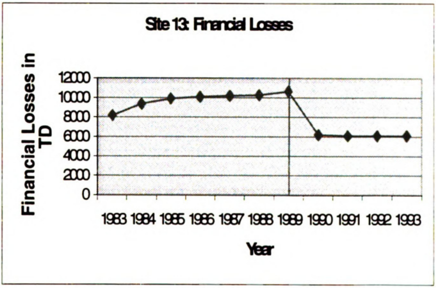

Site 8: Financial Losses
Financial Losses in TD
2500
2000
1500
1000
500
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

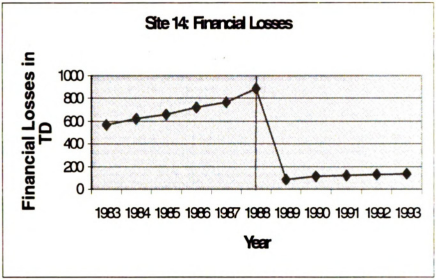

Site 9: Financial Losses
Financial Losses in TD
1000
800
600
400
200
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

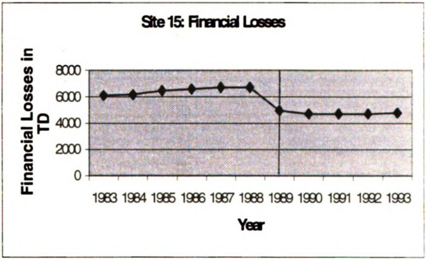

Site 10: Financial Losses
Financial Losses in TD
400
300
200
100
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

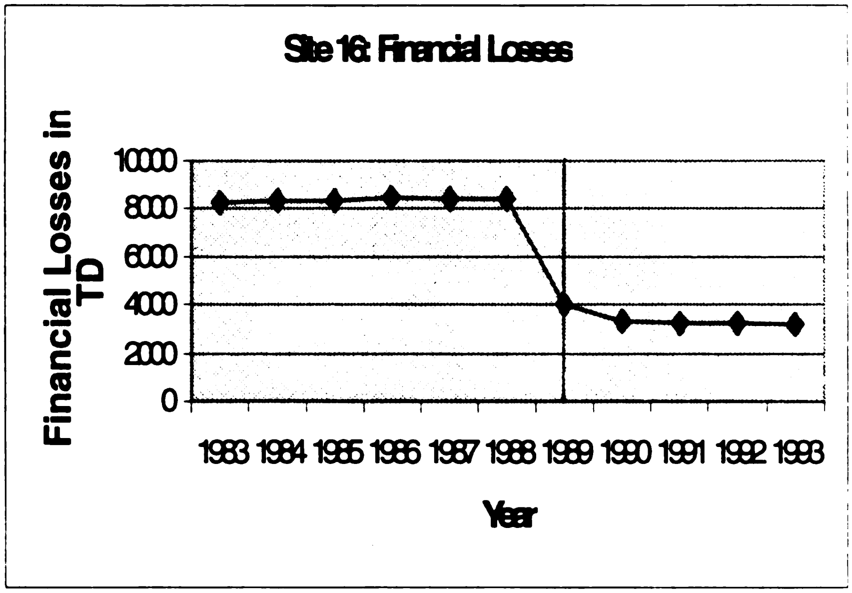

Site 11: Financial Losses
Financial Losses in TD
800
600
400
200
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

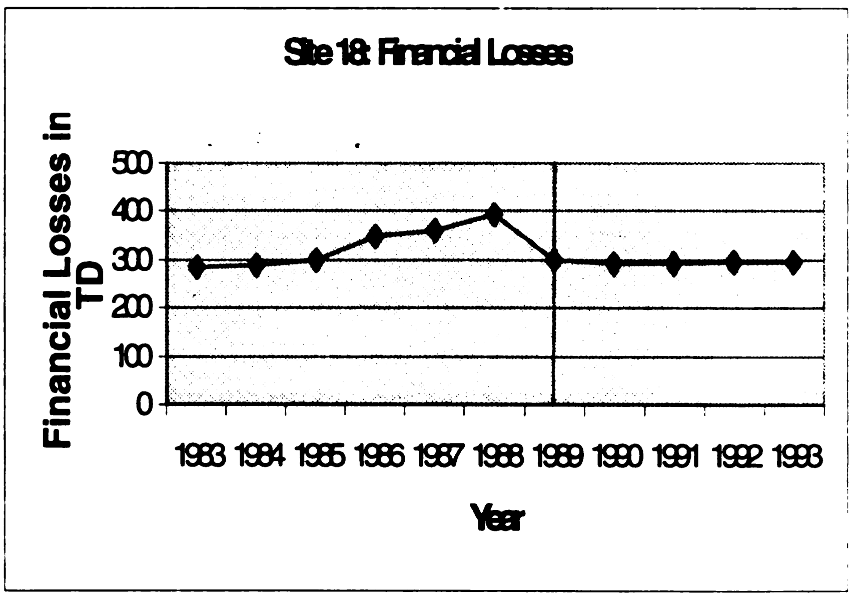

Site 12: Financial Losses
Financial Losses in TD
3000
2500
2000
1500
1000
500
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

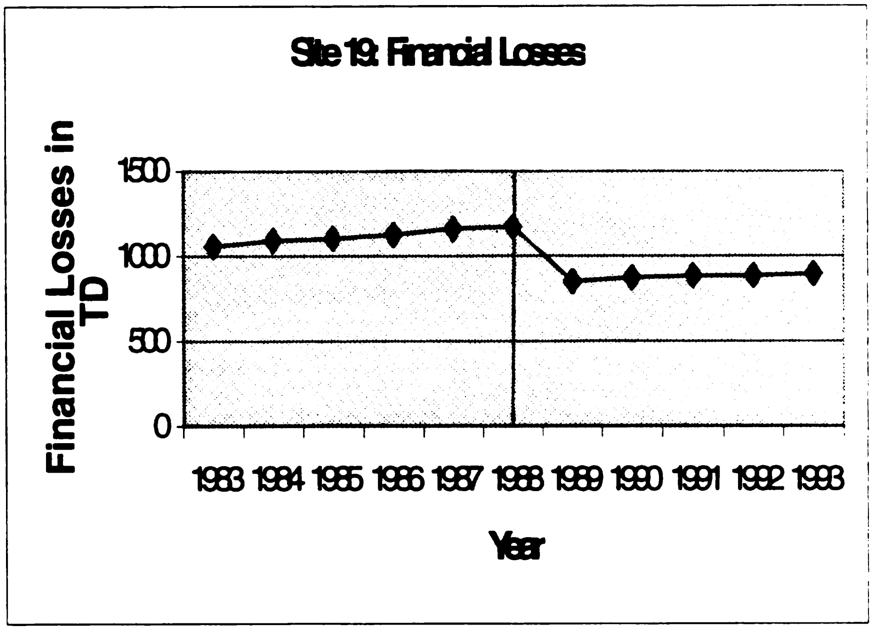

Site 13: Financial Losses
Financial Losses in TD
12000
10000
8000
6000
4000
2000
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

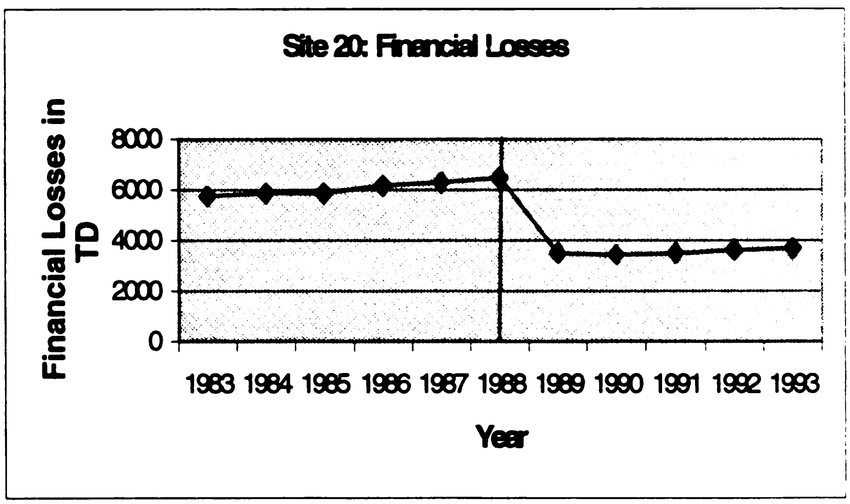

Site 14: Financial Losses
Financial Losses in TD
1000
800
600
400
200
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

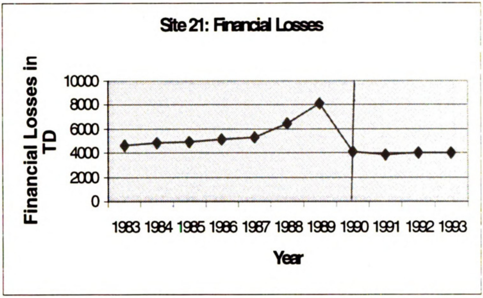

Site 15: Financial Losses
Financial Losses in TD
8000
6000
4000
2000
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year


Site 16: Financial Losses
Financial Losses in TD
10000
8000
6000
4000
2000
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

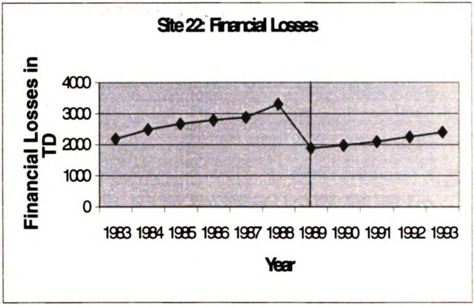

Site 18: Financial Losses
Financial Losses in TD
500
400
300
200
100
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year


Site 19: Financial Losses
Financial Losses in TD
1500
1000
500
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

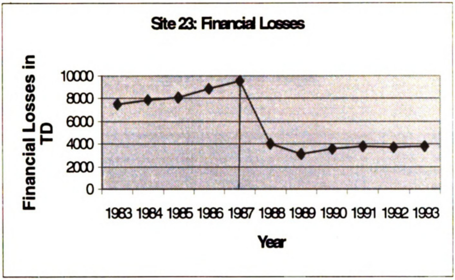

Site 20: Financial Losses
Financial Losses in TD
8000
6000
4000
2000
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

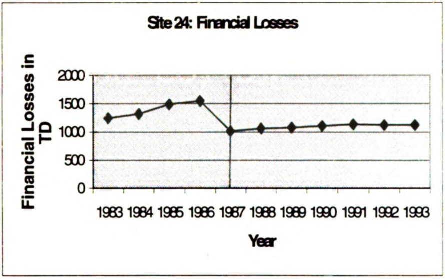


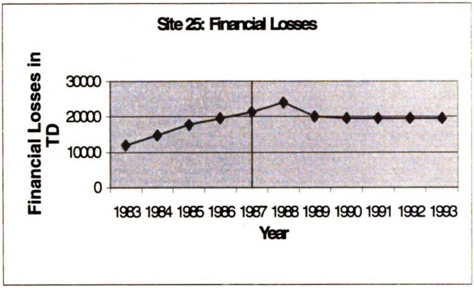
Site 21: Financial Losses
Financial Losses in TD
10000
8000
6000
4000
2000
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year



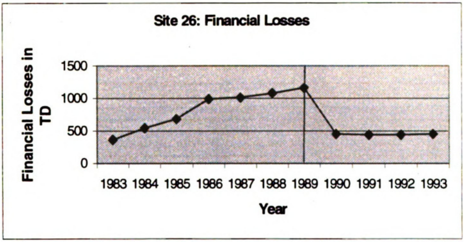
Site 22: Financial Losses
Financial Losses in TD
4000
3000
2000
1000
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year


Site 23: Financial Losses
Financial Losses in TD
10000
8000
6000
4000
2000
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

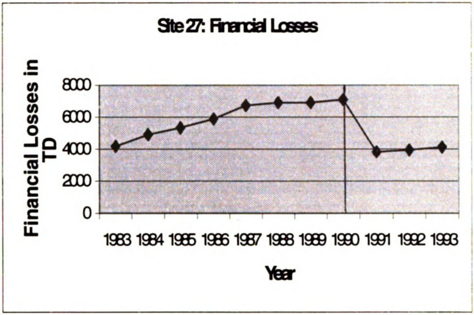

Site 24: Financial Losses
Financial Losses in TD
2000
1500
1000
500
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

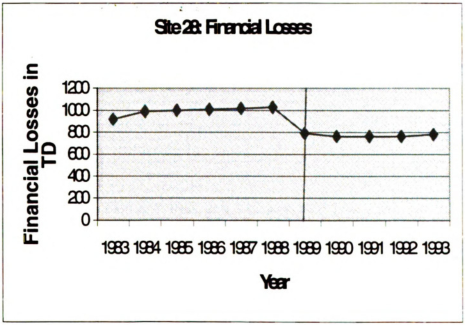


Site 25: Financial Losses
Financial Losses in TD
30000
20000
10000
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year



Site 26: Financial Losses
Financial Losses in TD
1500
1000
500
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year


Site 27: Financial Losses
Financial Losses in TD
8000
6000
4000
2000
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year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1000
800
600
400
200
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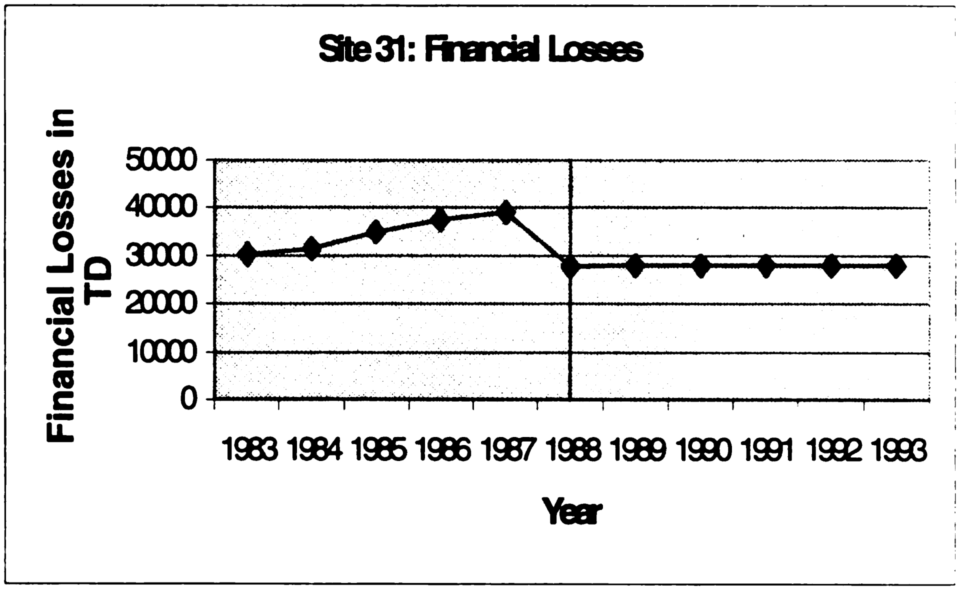
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year



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Financial Losses in TD
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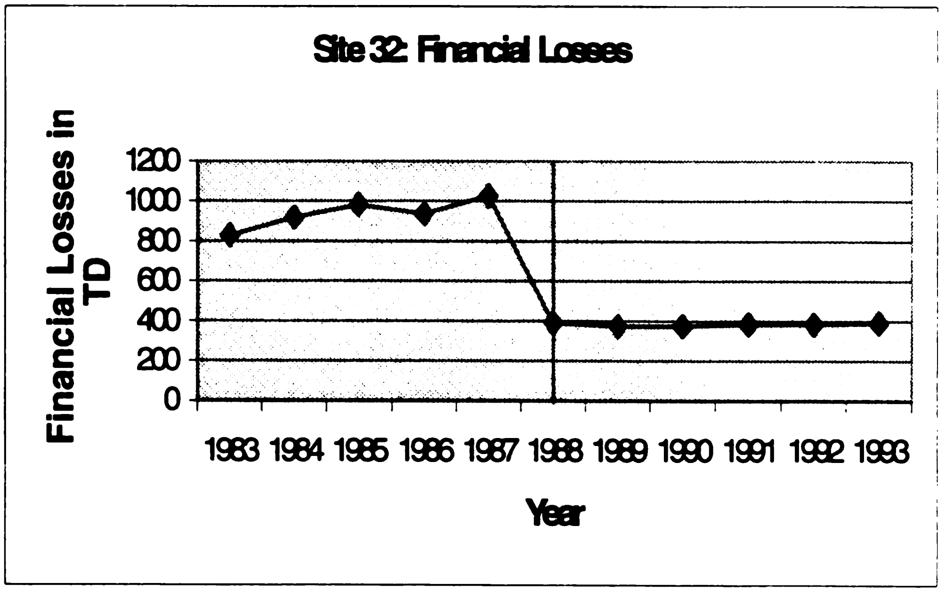
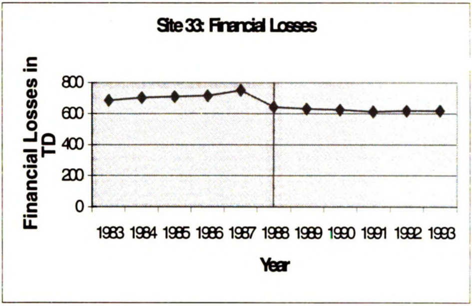
40000
30000
20000
10000
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year



Site 32: Financial Losses
Financial Losses in TD
1200
1000
800
600
400
200
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year


Site 33: Financial Losses
Financial Losses in TD
800
600
400
200
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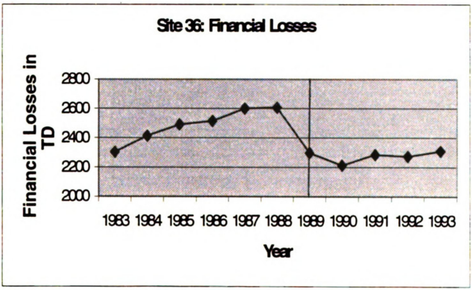
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year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Financial Losses in TD
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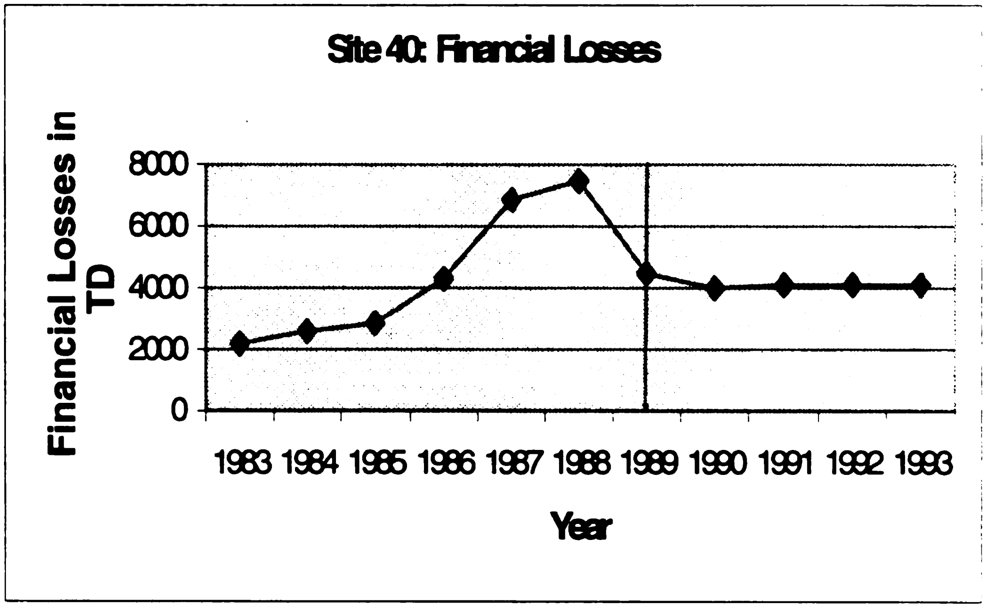
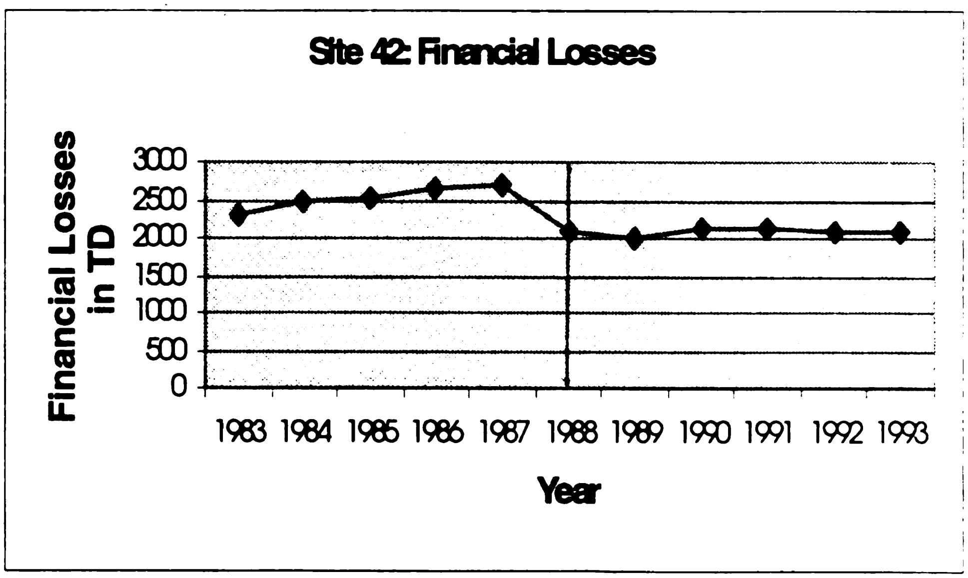
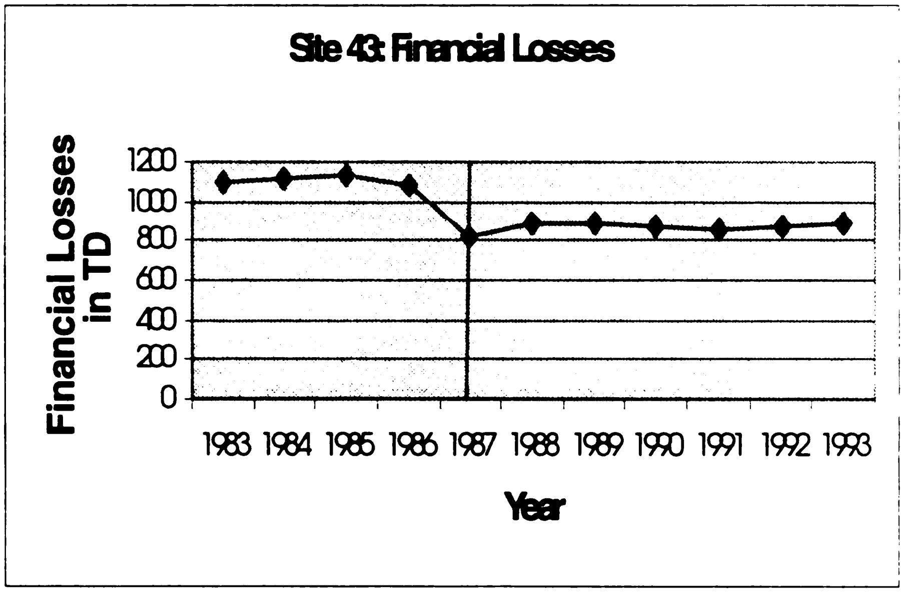
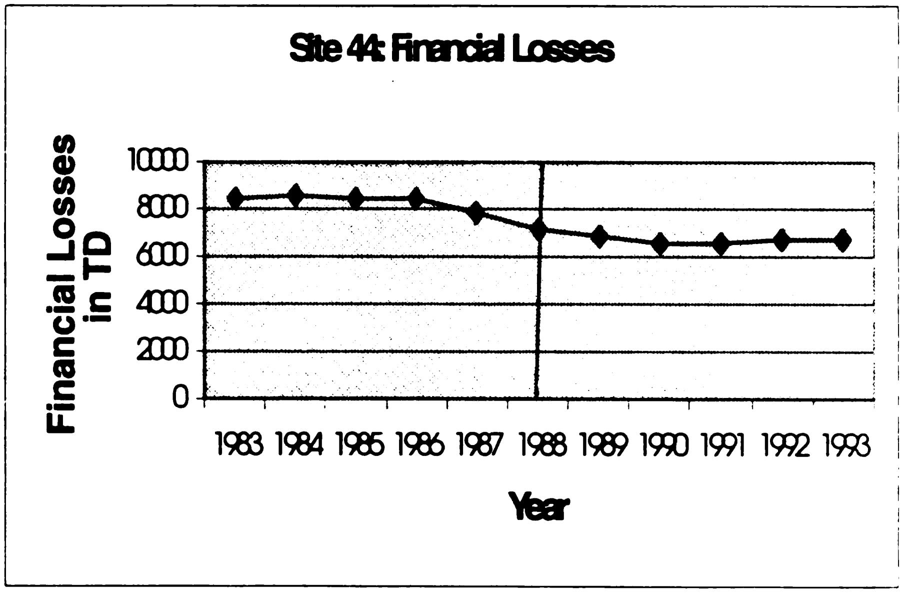
2600
2400
2200
2000
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year


Site 40: Financial Losses
Financial Losses in TD
8000
6000
4000
2000
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year


Site 42: Financial Losses
Financial Losses in TD
3000
2500
2000
1500
1000
500
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year


Site 43: Financial Losses
Financial Losses in TD
1200
1000
800
600
400
200
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year


Site 44: Financial Losses
Financial Losses in TD
10000
8000
6000
4000
2000
0
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993
Year

Concluding Remarks:

It is beyond the scope of this study to assess the full impact of the privatization in its various forms as an intervention on industrial relation outcomes across time. Instead, the focus of this research has been put on a cross-sectional series that took into consideration the before and after treatment as one single shot in time. Have the data been provided in equal intervals for before and after the intervention a time series analysis would have been a better method to use. The merits of conducting a time series analysis using an intervention method seems to be more appealing and more appropriate in order to assess the impact that a change in ownership and control of former owned SOEs might have on industrial relations outcomes. The need for such longitudinal studies is necessary to fully examine the interaction between the economic and the social and political phenomena. I hope this research has contributed in this debate.

The use of time series method would clearly pinpoint when the effect of the intervention showed up in the data. A downward and/or an upward shift in the values of the series would indicate the impact of the intervention on the interrupted time series data. But since the data collected for this study did not necessarily meet one of the requirements for using time series analysis (data points have to be equal interval observations), a paired t-test statistics comparing the means for before and after the intervention has been used. Although comparing means for before and after the treatment is helpful in assessing the merits of the change initiative implemented in the Tunisian case, the use of time series analysis would be more useful. Time series helps both assessing the past behavior of the series under study and also helps predicting the future values of the series, which has implications for both research and practice.

As for the substance, the privatization literature addresses the issues related to why privatize and the economic rationale for privatization. There is an additional body of literature on employee involvement programs that addresses the issues of the importance of integrating employees' input in the strategic decisions of the firm for the firms to achieve sound outcomes, but not from a privatization angle per se. This research contributes to the scientific inquiry and knowledge.

Finally, I have argued here that privatization was the major force that had subsequent impact on industrial relations. Overall, the impact on employment has not been as expected and feared especially by union leaders and privatization opponents. Although the reductions of employment have been limited to 4%, nearly half of the affected workers by the change in ownership and control have "lost" their jobs. That is if we consider their transfer to other firms and early retirement packages as one form of displacement. As regards to labor cost, although the driver to change was to control labor cost, it has remained similar to what it used to be prior to the implementation of SAP. This could be explained by the severance payments given to the displaced workers, which at least in the short run does not solve the financial objective of the SAP. Trimming the plethoric workforce though would inevitably lead to efficient workplaces at least in the long run. This could be inferred from the "delayed" positive impact on employment years after the intervention as has been the case for the 24 firms shown in the graphical presentation above.

As for the impact on workdays lost due to strikes, we have noticed a noticeable drop in strikes. But a close look at the data collected suggest that strikes were intensified prior to and during the chosen date for changing the ownership and control of the SOEs. Which suggests that labor and their union(s) have used strikes as a tool to negotiate better departure terms for the affected workers. Further, this research has shown that employees were voicing their input into the strategic decisions of the privatized firms and that many forms of employee involvement have been utilized ranging from works councils, board representation, to employee-buy-out plans and union representation at the firm level. Unions used to negotiate collective bargaining issues at the national and industry level in a tripartite committee. With the implementation of SAP, tripartite committees have been used at the firm level negotiations that took place both prior and during the implementation of SAP measures. This suggests that there would be a trend to decentralize the collective bargaining but more research on this need to be done.

This thesis is an attempt to trace the impact of economic restructuring and privatization on industrial relations outcomes at the firm level. New emerging patterns of industrial relations are being evidenced yet more data is needed.

Figures 5.0 through 5.3 presented above illustrate the mean values for pre and post intervention on the four variables under study. The total data points amounts to 274 with 77 missing data values. Comparing the means for before and after the intervention would better serve the goal of assessing the privatization impact on industrial relations outcomes at the firm level.

It is important to note however, that although signs of "interruption" after the privatization treatment were easier to detect with comparing the means for before and after, one could not rule out threats to validity purely based on statistical analysis of the data. Cook and Campbell (1979:208) warn, "researchers should remain open-minded about other effects that can be detected in an interrupted time-series analysis." Some time series analyses use an intervention and then later remove it to account for possible continuous versus discontinuous treatment effect. In our case, the intervention treatment remained in place. Furthermore, the cases under study do not have any seasonal trends. But, without a larger time series data, it is nearly impossible to rule out alternative treatment effects on the variables under study (Cook and Campbell, 1979).

Methodological Issues:

The use of interrupted time series analysis has led us to infer that privatization in its various forms had an impact on the variables under study. Has the impact been immediate or delayed? Has it been continuous even after the intervention tool place or has it been worn off? To fully answer these questions, a mean comparison for before and after the intervention was used along with a graphical follow-up of the data trends over time. First, it is important to note that it is hard to fully assess the treatment impact with shorter data observations and especially when the treatment occurs at different times for each site. In other words, since the observations for the pre-treatment and for the post-treatment do not have equal intervals, detecting the trends becomes harder. Ruling out any alternative explanations to the changes in the data observations after the treatment constitutes a methodological challenge for time series researchers. Cook and Campbell (1979) warned researchers about the threats to validity issue especially when it comes to assessing the delayed effect of an intervention.

This thesis demonstrated an attempt to assess the intervention impact on industrial relations variables for the Tunisian privatization case. Presenting the changes in the mean values for before and after the economic restructuring of former publicly owned SOEs seems to be the right method for the collected data. Comparing the mean values using the simple t-statistic to test for the significance of time series changes helps ascertaining whether the effects of the change in ownership and control of SOEs is of any significant duration or simply a short-lived result of the intervention. In this chapter, table 5.3 provided a summary of intervention impact on employment relationship variables. This table only shows what Cook and Campbell (1979) labeled as *instantaneous* characteristic of change. Whereas the graphical presentation of the trend values over time has shown an additional dimension to change that could be labeled as *delayed.*

Cook and Campbell (1979:209) state:

> "Instantaneous effects are usually simpler to interpret, for their onset can be matched exactly to the time of intervention. Delayed effects are more difficult to interpret, especially if there is no theoretical specification of how long a delay should elapse before an effect is expected."

Thus, both the pretest and posttest time trends have provided us with an insight as to assessing the intervention impact. The adoption of SAP as a strategic policy change initiative has been known since mid 1980s[3]. But, the effects of privatization measures has not necessarily immediately felt in all sites. Instead, in some instances, the effects were gradual. Cook and Campbell (1979:227) caution "ruling out the historical

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[3] Tunisian Government has officially adopted the SAP measures in 1986 pursuant to the World Bank and the IMF suggestions to alleviate the financial burden of the ill-operated SOEs and limiting government subsidies.

effects that could have operated between the onset of the treatment and the manifestation of what might be an effect."

A content analysis of Tunisian newspapers and magazines for the period following the implementation of SAP has revealed that government officials have officially avoided the use of the construct *privatization* at all levels. Instead, it is argued that the use of the construct *economic restructuring* would not carry the same political and negative connotation that is often associated with *privatization*. Perhaps this official reluctance in naming the change phenomenon what it actually is has contributed to the possible delayed effect of the impact of the treatment on the variables under study.

Finally, one could only hope that time series data would be more available in the future. This type of data should not be treated as confidential or privileged information. Otherwise, a researcher should be more cautious about alternative independent variables that might account for the changes in the behavior of the variables under study. Limiting the threats to validity and detecting the indicators for change is not only a function of the quality of data collected but most importantly depends on how the data is scrutinized and analyzed.

CHAPTER SIX

IMPLICATIONS FOR THEORY AND PRACTICE

Implications for Theory and Future Research:

There is a tendency for governments to undergo liberalization and privatization measures in an effort to cut the raising cost of public sector enterprises. SOEs have been chronically loss-making firms. Thus the need to privatize was imminent. It is believed that the public sector should withdraw from the manufacturing of the consumer goods and the provision of services (Jafarey, 1992:20).

Thompson and Ponak (1992) suggested that if such trend continues "a number of the basic elements of public sector industrial relations will be undermined." For example, the bargaining structure, patterns of union representations, the relevant legal regimes, compensation and benefits levels, and labor disputes are but just few of the many aspects of changes that might be occurring as consequences of policy changes.

We have seen that economic reform and privatization measures are often justified on economic and/or political and social grounds alone (Sulleman and Waterbury, 1990). This research has shown that indeed the restructuring process is driven by social and political consideration but has been legitimized by an economic rationale. Cowan (1995:205) has stated that "as the number of the privatization cases increases worldwide, it has become evident that in many developing countries fear of opposition by labor leaders and the rank and file of trade unions is a major deterrent to more rapid progress in privatization efforts."

Cowan added that government have become more cautious in their approach to privatization because of the possible political consequences. Thus, it is extremely substantial to seriously consider taking into account the labor factor not only after implementing change initiatives but most importantly at all stages of the change process. Cowan confirmed that "the government should be prepared to meet with labor leaders at an early point in discussion of the SOEs to be targeted for privatization, both to listen to labor's position and to reassure workers that their concern are being taken seriously," (Cowan, 1992:205).

As shown in this research, it is well known that SOEs are overstaffed, therefore, job losses are most likely to occur in the event of privatization. Cowan stated that there is "an already held popular prejudice to convince labor that sale of publicly owned means of production to private owners will only result in unemployment and exploitation of the workers," (1992:205). Once governments listen to labor's concerns beforehand, alternative measures to layoffs would be developed. How many public sector employees will lose their jobs due to privatization depends heavily on the very composition of the labor force. That is, whether the employees are skilled and trained determines whether they are likely to lose or keep their jobs in today's highly competitive global economy.

In the Tunisian privatization experience, the impact on employment had been very limited. Layoff did represent a mere 4 percent of the total number of dismissed workers for economic reasons. Alternative measures were taken to avoid direct dismissal and workers dislocation.

Could the Labor Demand theory developed by Hammermesh be a useful tool of analysis that helps scholars understand the dynamics of hiring and firing practices and the rationale behind it? Is there a need for a theory that better accounts for the labor market behavior and traces its consequences on industrial relations outcomes?

It is important for researchers interested in the study of the assessment of policy changes on industrial relations outcomes to have access to a longitudinal data of observable variables over a long period of time. Having access to such data is crucial but does not come with its own fallacies most of the time. Jafarey (1992:21) reports that

> "It can be difficult to measure the impact of adjustment programs, since the macroeconomic data may not be well constructed and the causal links between the program and other influences on the economy may be difficult to untangle."

It is believed that the public sector should withdraw from the manufacturing of the consumer goods and the provision of services (Jafarey, 1992:20). Further, for the privatization to succeed, all interested parties should be involved in all stages of the strategic decision process. Labor, employers, government, state bureaucrats, new private investors and labor leaders should address their respective concerns. The rank and file of the workforce regardless whether they are unionized or not are concerned with their compensation level, pensions and other fringe benefits, employment security and seniority rights. Labor leaders are concerned with maintaining their own power and are concerned with the reduced membership as a result of layoffs. The managers of the new privatized firms are also concerned with job insecurity. The government as the seller of the firms' assets is concerned with possible withdrawal of organized labor's support. This is true in true democratic regimes where voters' voice is important. Finally, the prospective purchaser of the SOEs are concerned with whether the unions oppose the transfer of ownership and control from public to private hands. The labor position may be very critical to the decision to buy a privatized firm.

Interested researchers could answer so many questions that still remain unanswered. These questions revolve around the welfare state and whether we are witnessing the "end" of the state in economic development? Davis (1992) raised the questions about what would be the future role of the state? Does it depend on the future state of the economy? Especially now that the constructs of Adam Smith the father of liberalism are being refurbished, does the role of the state in the future depend on the future state of the economy?

Why do governments seek to privatize and restructure the public sector has been shown in the Tunisian case. It is still needed though to assess whether the privatized companies will be better managed and better financed through the capital markets rather than through the state budget. does privatization contribute to increased availability of funds for industry? Is privatization the solution to economic development? Could labor that has been considered as part of the problem be part of the solution?

Tracing the industrial relations consequences of privatization and economic restructuring efforts is proven to be essential to the success of a change initiative at the workplace. Since union membership in the public sector is higher than its counterpart in the private sector, one could hypothesize that unions will oppose the privatization process and strike to voice their concerns. Has there been a shift in the role of the unions as regards to privatization efforts from hostility to participatory role in the economic recovery? In other words, does the reduction in the size of the state intervention in the economy undermine the bargaining power of public sector unions? Has the structure of the public sector industrial relations been altered due to the privatization process? Is there any evidence that employees will forgo the protections of collective bargaining?

Implications for Practice:

Policy makers could benefit form the study of the implications of Structural Adjustment Programs (SAPs) on industrial relations outcomes. The first lesson that could be learned is that country-specific solutions are needed. In the Tunisian case, the targeted firms for privatization were virtually either small or medium-sized. The privatization plan clearly addressed the legitimate fears and concerns of labor at an early stage of the implementation process of SAP. Having such a privatization plan should be publicly exposed and should address the possible short and long-term consequences of privatization. Such an attempt must also be straightforward and honest (Cowan, 1995).

Government and policy makers should plan for alternative solutions for the redundant workers. Placement of surplus labor requires re-training and could be easier done in industrialized rather than in industrializing economies (Cowan, 1995). Measures like social insurance and unemployment benefits are more soundly incorporated in the industrialized economies. Such practices are not yet established in developing economies where unemployment rate is high. Furthermore, firms in developing countries are labor-intensive and jobs are created not on the basis of the needs of the firms. Instead, other objectives such as regional development and employment creation have been the practice.

What would be the new role of the government in today's competitive global economy? What will be the implications of the government intervention in managerial prerogatives such as hiring and firing practices? Although Henig (1989) has stated that "big governments are bad governments," could governments still play a positive role in the economic development by rather providing services without producing them? Henig did not support the rejection of any future role of the state in the case of privatization. Instead, he reaffirmed the future government responsibilities. Henig stated that "Social welfare services could still be achieved by nonprofit organizations in an era of declining government financial influence (Henig, 1989:648). Boycko et al. (1996) has supported such an idea by affirming that effective privatization can be implemented by reducing the influence of politicians on the firm's management.

Another lesson learned from the privatization process is that involving labor in the change process will answer the labor's fears and doubts about the negative consequences of privatizing SOEs. This is true especially since privatization has been associated with negative perception as of impacting jobs and working conditions, pay and benefits, workers rights, and pension plans (Cowan, 19955; Davis, 1992; Sulleman and Waterbury, 1990).

Providing an opportunity for labor to become part or full owners of their firm through Employee Stock Ownership Plan (ESOP) or preferred stock offering and/or employee-buy-out programs has proven to be successful in some countries (Cowan, 1995). Employees as owners of their firms would be partners in the decision making process and would share the profits they can generate. Using such a measure requires more of an employee participatory plan that is based on the assumption that labor is part of the solution and could be partner rather than change opponent.

This alternative method also requires training the labor force in stock offerings and profit sharing from share ownership and the like. One of the shortcomings of using this method though could be the lack of capital for employees to buy stocks, unless preferred stock offerings are made. Another alternative method, used in British privatization, is the labor/management buy-outs. Assessing such initiatives should be done in order to trace the consequences on industrial relations outcomes. Cowan stated that "If the government is considering labor participation in sale of stock; the conditions, as well as the meaning of stock ownership, should be clarified in detail," (Cowan, 1995: 208).

A gradual and phased rather than a sudden reduction of the redundant workforce is proved to be the best method to use to address the fears of labor about the privatization consequences. The government of Tunisia has provided the displaced workers with new temporary jobs in other SOEs through public works programs until they re-enter to the labor market. A more useful plan should consist of offering the displaced workers a training that allows them to sell their know-how to the newer labor market public or private. An assessment of the new market needs is utmost importance for policy makers before engaging in the re-training program initiative. Such an initiative should help the surplus workforce getting newer jobs and re-enter the labor market again.

Starting the privatization process of SOEs with the small and medium-sized firms rather than with the larger enterprises is more beneficial. The Tunisian experience has proved that alternative solutions to layoffs have been developed with the involvement of labor at all stages of the privatization process. Offering a lump-sum redundancy settlement or bonus severance plan with early retirement could be a better option for displaced workers to re-enter the labor market. In the long run though, re-training the workforce seems to be imminent in today's global challenging economy.

Finally, privatization could find broad acceptance if, on one hand, it is perceived that it is not only possible but also it works, and on the other hand, a public-private partnership exists. Relying on market mechanisms rather than on government subsidies could enhance public policy implications. Whether public goods and services could still be achieved more efficiently with the private initiative remains to be seen. A joint public-private partnership might be more beneficial but it also remains to be assessed.

Conclusion:

The privatization literature addresses the issues related to why privatize and the economic rationale for privatization. There is an additional body of literature on employee involvement programs that addresses the issues of the importance of integrating employees' input in the strategic decisions of the firm for the firms to achieve sound outcomes, but not from a privatization angle per se. This research addresses both bodies of the literature in that it bridges the gap between the two literatures. Thus, this research contributes to the scientific inquiry and knowledge.

Privatization is an ideologically and politically charged construct. Personal value judgements are often present in some studies either favoring privatization and the market-oriented restructuring efforts or favoring a more direct and interventionist role of the government in the functioning of the State economic sector. It is utmost importance for public policy makers and researchers alike to seriously consider the needed conditions for any change initiative for it to meet its expected goals and objectives.

It has been shown that the transition from a centrally planned system to a decentralized market-oriented economy requires a set of conditions. That is, a well established stock market that helps evaluate the firms' real market values as well as the need for a well experienced and trained managers and workers who are self-reliant.

A careful implementation of the change initiative, although it might be time consuming process, showed that it could be more beneficial than a speedy and ill-planned policy. In other words, a change process is more likely to achieve its objectives has it been planned and negotiated rather than forced (Cutcher-Gershenfeld, 1995).

Considering the possible consequences for labor of a privatization program before implementing the changes in ownership and control as well as implementing the labor representatives in the strategic decisions have shown its merits in the Tunisian experience. The –intended or unintended- consequences of privatizing public enterprises on labor have been minimized. Strike occurrence has witnessed a decline after the intervention notwithstanding it has been used before and during the implementation of change in ownership and control as a mean to negotiate better terms for the losers. Firm's financial losses were diminished, although labor cost has seen an increase due to the adoption of severance payments to the dislocated workers and to the embracing of early retirement measures.

As shown in this study, sustaining economic growth is not and should not be the sole objective of traditional policy makers. Labor should also be involved in voicing its say in the strategic decisions of the firm and, therefore, be part of the solution and not be perceived as the problem. Labor's fear about headcount reduction measures that often accompany privatization policies although has basis for concern should not necessarily suggest that job security or job creation lies within the public scope. The main lesson to be drawn here for managers, employers, and state bureaucrats alike is to seriously believe in investing in human resources, skill formation or training and consider labor as part of the solution and not the problem. Cost cutting measures like massive layoffs and low labor cost strategies, although could bring in foreign capital flow for investment in the short run, would very likely cripple the economy in the longer run.

Thus, labor should be considered as an asset to be fully developed rather than a cost to be tightly cut (Kochan, 1996).

Needless to say that privatization has various meanings (Thiemeyer, 1986, Bos, 1991). In this study I concentrated on privatization as a partial or total transfer of assets from public to private domestic and/or foreign hands. There are other forms of privatization such as contracting out, de-bureaucratization, management by contract, contracting out public services and the like. It would be interesting to consider future research on these other forms of privatization and to test the consequences of these forms on employment and industrial relations outcomes.

The case studies presented in this research represent a clear example of the wide diversity and site variation in patterns of employment relations due to the inception of privatization measures. Although the stimulus for change has been the same all across the 44 privatized sites, saving jobs and alleviating the financial burden of the ill-operating State-Owned-Enterprises (SOEs), differential outcomes have occurred.

This case study approach showed that the intervention impact on employment relations' variables has taken two forms. The change was either abrupt or gradual. Although improving labor-management relations has not been the goal of the privatization change initiative, it was a desired-by product.

The findings have been classified in three possible categories: Decline in the change values or decreased change, increased change and no change. It is important to note that a mere look at the year following the intervention would not necessarily indicate the nature of change. Only longitudinal studies are better fit to fully assess the impact of such an intervention. With longitudinal studies one could not only assess the instantaneous but most importantly the delayed effect of an intervention on the behavior of the dependent variables under study.

For example, as regards to employment levels, the majority of the sites under study have witnessed an immediate decline, albeit with a difference in degrees. It was not until further observations that one could conclude that 24 out of 44 sites have seen an increase in employment levels gradually and over longer period of time following the intervention.

The impact on labor cost variable also showed the importance of the longitudinal approach. The 25 percent of all sites that have seen an increase in the values of labor cost spending after the intervention could be attributed to the adopted alternative measures to layoffs like early retirement and lump sum buyout options.

The impact on financial losses has been clearly noticed. Over 70 percent of the sites have seen a decline in spending. A closer look at the Figure charts 5.0 through 5.3 reveal the importance of considering the delayed effect. Most of the sites have seen their financial status stabilize over time after an immediate decline right after the intervention.

Finally, the impact on strike activities showed an interesting dimension to labor management relations. In some cases, strikes were used prior and during rather than after the intervention. One could have missed this conclusion had it not been for the visual presentation of the data in Figure 5.3.

Thus, a full assessment of privatization impact on patterns of employment relations could not be immediately felt. Therefore, the need for more longitudinal studies is imminent. Cook and Campbell (1979) have suggested considering what they have termed "a delayed effect" of an intervention under study. When considering change, the impact of the intervention could be better assessed in a longitudinal study.

The economic survival of today's organizations is no longer the sole responsibility and concern of management or owners. Workers and their unions could also be change agents have they been involved in the change process. Oftentimes, workers and their unions are considered as part of the problem and not part of the solution.

This study could serve as a link between employee-involvement and large-scale organizational change literature. More impact assessment studies are needed to further understand the complexities of the change phenomenon and for added analysis of the merits of including labor and their unions in more participative enterprise governance.

Industrial relation researchers could better address the impact of variousinterventions on patterns of employment relations and on organizational improvement with time series analysis. Future research issues could touch on whether the fear of losing jobs and plant closures is good enough reason for the success of the cooperation of both enterprise stakeholders (labor and management). Furthermore, would an active employee and management involvement in a change process positively affect their strategic choices in support for change? Could union participation in enterprise governance increase as a consequence of supporting the restructuring and privatization process? How could enterprise stakeholders become enterprise stockholders? How could labor-management relations at the plant level be improved? Could privatization and economic restructuring lead to decentralized collective bargaining? In other words, to what extent privatization will change the scope of the collective bargaining agenda?

An Epilogue

Developing the Private Sector

This thesis has focused its research questions on the impact of privatization and economic restructuring on Tunisian employment relations. The firms under study represented the entire privatized SOEs that were targeted by policy makers to undergo a change in ownership and control in the first stage of privatization. This first stage took place from 1986 until 1993. What has happened from 1993 until present?

Although assessing a full analysis necessitates relying on a longitudinal data, I will offer an update on the process of privatization in Tunisia in general and point to some emerging patterns of employment relations. My data sources rely on some discussions documented by the three parties of industrial relations: labor, business and government in the World International Labor Conference in their yearly summit at the Geneva offices of the International Labor Organization. Furthermore, additional comments were relied on from previous contacts of the researcher. Additional published sources and quotes from key Tunisian public policy makers have been used in writing this epilogue. Needless to say that more careful data collection procedure is needed to infer any conclusions about the privatization and its intended and unintended consequences on employment relations.

Originally, the privatization plan was set for two implementation stages. The first started in 1986 with the adoption of the Structural Adjustment Plan (SAP) and lasted for about seven years until 1993. 44 SOEs, out of a total of 189 partially or totally owned by the government, have been targeted for asset transfer from public to private hands domestic or foreign. The data analysis for this thesis has focused on these 44 SOEs. Table 4.0a showed that these firms were virtually small and medium sized. The emphasis has been on targeting firms in financial difficulties first to alleviate the budgetary and financial burden.

Two additional stages rather than the lone originally planned one have been set to follow suit. These two stages targeted the firms that have been one way or another profitable. Thus, attracting Foreign Direct Investment (FDI) has been expected to be much easier than the first 44 SOEs (Brandman, 2000).

The second stage took place from 1994 till 1997. The official reports from Tunisia state that the sale of assets during this stage has released the government a total of TD 195 million. Some of the privatized firms have been sold off and some have been liquidated. No official number though have been released as to the total of SOEs targeted for this stage (Anonymous, 1999).

The third stage has started in 1998 and is scheduled to finish by 2002. The privatization form often used here has been through the sale of shares by invitation to tender. A total of TD 205 million has so far been released from the sales of assets to private investors through the sale of shares by invitation to tender. Figures of the sales for the year 1998 alone combining all privatization forms has amounted to TD 460 million according to Mr. Taoufik Baccar, Tunisian Economic Development Minister (Anonymous, 1999).

At this stage, large units have been privatized. An estimated number of over 50 SOEs have been scheduled to be sold off. The pace of privatization at this stage has been gathering thrust. Although the official numbers only show the amount of sales of assets and shares to private investors, the Tunisian Economic Development Minister Mr. Taoufik Baccar argued that Tunisia's strategic choice has been based on a different rationale.

> "We did not embark on privatisation as a matter of ideology. What counts for us is rationalisation, not how much we expect to earn from selling off State-Owned companies. Privatisation is the first step in the modernisation of enterprises. When we look at bids, we examine the long-term strategies of the bidders, particularly their investment intentions."
>
> Anonymous (1999)

This official quote marks a much larger strategic choice of the Tunisian public policy makers. An association agreement between the European Union (EU) and Tunisia has been signed. By 2008, trade barriers to the imports of EU manufactured goods to Tunisia will be eliminated albeit on a gradual pace. Financial protocols[1] were signed between 1996 and 1999 to compensate Tunisia for its customs revenue losses due to the liberalization of trade tariffs. Thus, attracting more Foreign Direct Investment (FDI) would be much easier.

In order to raise Tunisia's economic performance to that of the EU level, a "Mise a Niveau[2]" program has started in 1996. It targets the private sector enterprises. It means "make it to par" and its objective is matching Tunisia's economic performance to that of Western Europe. It is a process that aimed at updating Tunisia's infrastructure, its financial and regulatory establishments and at easing the bureaucratic and

[1]The World Bank, The African Development Bank, The Arab Fund for Economic and Social Development, and BI-lateral agreement with France and Germany.
[2] Program sponsors are the EU and Credits from the European Investment Bank.

administrative hurdles to private investors. Thus, reaching efficiency levels through cutting production costs and attracting a flow of foreign capital investment. In the end, those strategic choices made by the public policy makers in Tunisia are intended to make private companies adjust to market demands for better quality of its goods and services so that they can stay competitive and survive.

Mr. Mohammed Ghannouchi, Tunisian Minster for International Cooperation and Foreign Investment commented on the direction of the "Mise a Niveau" program:

> "There are several prongs to the programme: We have to update our infrastructure, the financial and regulatory institutions, communications and adminstration. Through government subsidies, we have to push the private sector into greater efficiency, cut the costs of production, open up capital to foreign investors and make companies more responsive to market demands. Finally, we have to inculcate a new culture of productivity and creativity among the workforce."
>
> Anonymous (1999)

Tunisia's privatization process has been accelerating as of early 2000 and 2001. Two major cement plants have been privatized. Each of these cement plants is a heavy producer[3]. The sale receipts from the privatized Societe des Cements de Gabes (SCG) and Cements Artificielles Tunisiennes (CAT) amounted to TD 257 million. Brandman (2000) noted that by the end of the year 2001, Tunisia plans to sell off event and conference firm Societe Foire de Nabeul (SFN), Hotel Dar Midoun, furniture maker Skanes Meubles, and two textile firms Societe des

[3] Over 1 million ton per year.

Industries de Textile Reunies (SITAR) and Societe de Tissage de Moknine (TISSMOK). 12 percent of government shares in the Banque du Sud has been sold to private investors. In addition, discussions and negotiations are undergoing to privatize Tunisian/Emirates Investment Bank and the UIB bank.

No official numbers though have been released as to the number of workers involved. The efforts thus far have been put on making the privatized firms more attractive to private investors especially to foreign capital investment firms. Official estimates project that by the end of 2001 Foreign Direct Investment (FDI) in Tunisia may reach the Billion-Dinar mark ($775 US). In 1993, Tunisia has adopted a unified investment code in order to attract more FDI. Over 600 export-oriented joint venture firms operate in Tunisia. As of 1999, the number of foreign companies investing in Tunisia has been over 1700 and they employ over 150,000 workers. Companies like Benetton, Citibank, British Gas, Packard Electric, Siemens, Nabisco, and the like have become household names.

The ILO has launched a discussion to study the working conditions of free zone employees engaged in the manufacturing of textile products for export to Europe and the United States.

The government has chosen to keep its control and ownership of strategic utilities like electric facilities, water supplies and telecommunication. Private investors could invest in infrastructure[4] and

[4] A US based community energy alternative is involved on constructing an electric generator plant at the city of Rades.

tender for franchises in duty free shops at the airports is now no longer in government hands.

Industrial Relations Outcomes

Revised Labor Code

In 1994, Tunisian Labor Code (Code du Travail) has been revised to adapt to the changes in the market economy. Industrial disputes will be settled through tripartite regional arbitration committees comprise of an official magistrate and two representative one from labor and the other from management. Further, measures were taken to revise worker representation in the firm.

Tunisia's unionization level has seen a drastic decline in recent years. The total number of union members was around 400,000 in the year 1991 and it is estimated at 300,000 by the year 1994. That only represents a mere 10 percent of the Tunisian non-agricultural workforce. No explanation as to what caused such a sharp decline but more research is needed on this.

The costs of firing workers was fixed between 1 to 2 months of pay for each year of service rendered to the firing company with a maximum ceiling of 36 months of the wage bill.

Layoff procedures have been simplified. A new time frame of a maximum of 33 days from the time a worker is notified of a cutback has been set. Issues like abusive layoffs or dismissal for economic reasons have been addressed and a cap ceiling on the maximum amount of fines an employer could face for violating employment laws has been set.

Term contract for permanent employment was fixed at a maximum of 4 years. Recruitment procedures have also been simplified at least administratively. Firms are no longer in need for an approval from the Employment Bureau to advertise job vacancies.

New guaranteed fund has been formed. Its task was set to finance severance packages for the dislocated workers due to privatization measures and for firms who face liquidation or bankruptcy.

Tunisian employment relations' parties have participated in the discussions for the revisions to the Labor Code. The trade union's struggle to enforce certain pay level[5] and employment guarantees have been reported (TMC, 1999). The parties have been involved in the consultation since privatization and restructuring has ample implications on industrial relations outcomes. However, labor has been complaining about the growing pressure of employers on their increased demand and emphasis on higher productivity levels and higher efficiency. Business has been blaming foreign investors (new competitors) who demand high flexibility and higher quality of its goods and services through the stressing on lowering production costs. Employers are also lobbying for greater

[5] A decline in Tunisian average real wages during the 1990-1996 period was recorded in a study published by the ILO (TMC/1999).

legislation flexibility. Of special interest were the provisions related to working time provisions.

Developing a human resource strategy approach to change initiative however is a key ingredient to successful public sector reform. Easing the impact of releasing redundant workforce through not only severance payments and early retirement but most importantly through skill formation and redeployment would make restructuring achieve its objectives. A change in the role of the employment relations' actors is deemed necessary in today's highly competitive economy. A preventive rather than a reactive approach to industrial relations based on full and active participation in the decision making process of the firm is key in achieving the comparative competitive advantage.

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