The Quest for Efficiency: Role of Human Resource Management in Public Sector Reforms in Uganda

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ABSTRACT

The context of this thesis is the development strategy of public sector reforms and privatisation. It uses Uganda as a case study, and argues for the need to integrate the issue of human resource management in the privatisation discourse in developing countries. Public sector reforms arose out of neo-liberal thinking that argues against state intervention and recommends market led economic growth. Privatisation is part of the attempt to scale back on the role of the state in economic development and has been integrated in the development policies of developing countries through the structural adjustment programs of the IMF and World Bank. It is required because of the belief that the private sector is more efficient in allocation and use of resources and is therefore the best medium for attaining development goals. Private sector companies in the developed countries which utilise modern techniques of management are comparatively more efficient than their public counterparts. Globalisation and market competition forced organisations to search for ways to be competitive and this partly led to organisations elevating human resource management issues to a strategic level because of the belief that a company's workers add value that make firms competitive.

When privatisation is made a requirement by the multilateral aid agencies for developing countries it is based on the assumption that the conditions that make public enterprises inefficient do not exist in the private sector. No empirical evidence is available to confirm or refute these assumptions, particularly in the case of Africa's developing nations. This thesis has contributed to this area by examining the human resource management practices of seven Ugandan organisations, three public, two private and two privatised. The aim was to find out whether there are differences in the way in which private and public organisations manage their employees and if their practices are those associated with effective management of human resources. The practices that were examined were recruitment and selection of staff, training, compensation and employee attitudes. The results from this study did not provide evidence that the differences that were exhibited in the seven organisations were related to ownership. Rather they seem to be determined by the values and culture of managers and the labour market conditions in Uganda. Both private and public enterprises exhibited practices that human resource management literature and practice consider as obstacles to efficiency.

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INTRODUCTION

Introduction

This thesis examines the strategy of public sector reform using Uganda as a case study. Public sector reform entails a range of activities that aim at enabling governments to attain fiscal stability, managerial efficiency, capacity building and public accountability (Bangura 2000). The reforms that are used for attaining the goal of fiscal stability include public enterprise reforms, privatisation, tax reforms and expenditure reduction. This study focuses on the public sector reform policy of privatisation, which seeks to improve overall economic performance by improving the efficiency of parastatals and private sector enterprises. Public enterprises/state owned enterprises (SOEs)/parastatals are "...government owned or government controlled economic entities that generate the bulk of their revenues from selling goods and services" (World Bank 1995a: 26). Uganda is one of many developing countries that have implemented the public sector reform policy of privatisation in their attempts to revive their economies. Privatisation is seen as an alternative because of the belief that organisations in the private sector are more efficiently managed than public institutions.

Most of the discussion about privatisation and private sector efficiency has been at a macro-economic level and little attention has been paid to the institutional aspects that influence efficiency within organisations. Additionally, no evidence exists to support the belief that private sector organisations in countries with less developed markets such as those in Africa have more efficient management systems. Instead, some research indicates that institutional obstacles to efficiency exist both in the public and private enterprises in some African countries (Kiggundu 1989; Blunt and Jones 1992). Although Uganda has been pursuing the strategy of privatisation for nearly a decade, no attempt was made before or since its commencement to examine and compare the institutional capacities of Ugandan private enterprises and SOEs and their implications on the privatisation strategy. The objective of this study is therefore to find out the extent to which the managerial efficiency of private enterprises in developing countries is superior to that of public enterprises. Since the management of people impacts on the management of the rest of the resources, human resource management indicators of efficiency were used to attain this objective. Public sector reform policies and literature presume that private enterprises are more efficient in their use of resources. One would therefore expect that the systems of managing human resources in private organisations would be better at enhancing performance and efficient in their utilisation of human capital, compared to those owned by the state.

The performance of an economy is determined by the performance of organisations on which it depends for generation of goods and services. The performance of those organisations depends on how well their technical, commercial, financial and human resources are put to use and these are closely linked with the people who use them and the way they are managed. In view of this, there is a need to focus on this micro-economic perspective and integrate it in the discourse of privatisation, and this study seeks to address this. The view taken in this study and its basic assumption is that the way workers in an organisation are managed and their perceptions about management practices affect their attitudes to work and organisation, hence their work behaviour and performance. This in turn has an impact on an organisation's performance and therefore development strategies and policies such as public enterprise reform and private sector development, which aim at improving organisational performance, need to bear in mind the importance of human resource management (HRM) and its implications on efficiency.

HRM involves the design and implementation of policies and practices aimed at ensuring that an organisation's employees work towards the achievement of its objectives. HRM literature at times makes a distinction between strategic HRM (SHRM) and technical HRM. Technical HRM is described as the activities that traditionally fall under personnel management such as recruitment, selection, human resource planning, motivation, human resource development, performance management, industrial relations and management of compensation and benefits. SHRM is said to involve the design and implementation of a set of congruous policies and practices that ensure that a firm's employees contribute to the attainment of its business strategy (Huselid et. al. 1997). Besides the activities included in technical HRM, strategic HRM activities include compensation systems, team based job designs, flexible workforces, quality improvement practices, and employee empowerment.

Although aware of the importance of strategic HRM, the view taken in the thesis is that firms need to attain technical HRM effectiveness as a foundation for achieving strategic HRM effectiveness. Therefore, for purposes of this study, human resource management is used to denote the techniques and procedures of personnel management or technical HRM. It is therefore beyond the scope of this thesis to look at the question from a strategic human resource management perspective.

The question of human resources management and employee attitudes has not been examined in relation to the performance of parastatals and private sector organisations in Uganda, yet one of the objectives of public sector reforms is to improve managerial efficiency. The reforms address employees mainly in terms of downsizing and retrenchment costs. The only sector that has addressed human resources is the civil service through the civil service reform, and even in this area, the focus has been mainly on job reduction (McCourt 2001). However, not much is known about human resource management issues in terms of those practices that affect organisational performance in the parastatal and private sectors. This study seeks to fill this gap by examining the human resource management practices and the attitudes of employees of SOEs and private enterprises. It used HRM definitions of efficiency to find out whether the public sector reform goal of improving efficiency of Ugandan enterprises is attainable given the institutional conditions that exist in the country.

The aim of this chapter is to introduce the thesis by presenting a summary of the development strategy of public sector reform, the study area and research scope and a brief outline of the research methods. It also presents a brief outline of how the thesis is organised.

Rethinking the Roles of States and Markets

Prior to the Second World War, the dominant development strategy involved minimal state participation in the economy and saw the role of the state as being the provision of public services such as law and order, defence and protection of property rights. However, after the Second World War, there was high confidence and trust placed in governments' ability and willingness to institute policies whose outcomes would benefit society, and the state was then regarded as a neutral and benevolent institution that would protect national interests (Plane 1997). This was the dominant economic ideology in the years following World War II and it continued to influence economic thought through to the 1980s. Based on Keynesian economics, the accepted view then was that states ought to play an active role in the economy using contractionary or expansionary policies in efforts to stabilise the economy (Levy 1995). The state would play a broad role in the nation's economy through allocation of resources, provision of social security, income redistribution, provision of public and merit goods, facilitation of markets to engender their growth and provide full employment and economic management. Because of the increased faith in the competence of the state, there was pressure on states to do more. This led to a broadening of the role of the state in the industrial countries, with the state being seen as an important actor in economic and social development. State intervention to correct for market failures was seen as necessary and there were increased state welfare schemes. The planning model, whereby technocrats made policies which the state implemented for the good of society, was seen as effective (Giersch 1997; World Bank 1997).

Public sectors grew in response to what the governments in different countries wanted to promote. The wealthier countries in OECD which were committed to a welfare state and macro-economic stability saw the role of the state as being that of a "...central institution for redistributing wealth, protecting the vulnerable and stimulating aggregate demand" (Bangura 2000: 1). Those countries that sought to promote nationalism and rapid growth encouraged the expansion of the state, where it was involved in business enterprises and expanded the provision of social services. As a result, the size and scope of the state dramatically increased in the years that followed and at one time, government spending was equivalent to a half of the national income in the industrial countries and a quarter of the national income in the Less Developed Countries (LDCs) (World Bank 1997:1). This view was based on the assumption that the state looks after common interests, unlike the private sector which seeks solely profit maximisation. The IMF and World Bank also operated on the premise that the state had a significant role to play in economic development of the poor countries and their lending policies reflected this.

Economic Crises

The oil price increases of 1973 and 1979 resulted in reduced economic growth rates in the more developed economies. Because of the oil crisis, OECD countries posted modest growth and this affected their trade with other countries. Their purchasing power declined, and this had a negative impact on the amounts and prices of imports from other countries (Mkandawire and Soludo 1999). Most LDC economies depended on one or two major exports to these countries (OECD) hence their economies were negatively affected leading to economic decline, and to a negative effect on their current accounts (Demery 1994). OPEC surplus funds on the other hand made it possible for poor countries to borrow for financing projects/programmes, of low or no returns, which investments were not able to earn returns to pay for the high interests charged by commercial lenders. Capital accounts were also adversely affected by changing world interest rates. Restrictions on money supply and expansionary fiscal policy worked simultaneously to lead to increased interest rates (1973-80- 1.3% to just below 6% in 1980-86) (Demery 1994:27). This meant that whereas the LDCs were getting little from their external trade, they had to pay higher interest on the borrowed capital to service their debts. This led to economic crises in the 1980s and the subsequent debt crises in the developing countries in the 1990s, which have affected countries in Latin America, Asia, Africa and the Caribbean.

Due to the economic crises, emerging debate turned against state intervention in the economy citing the failure of the state to produce fruits of development. There was a change in development theory with regard to the role of the state due to this change in economic thought in the 1980s (Gore 2000). The central thesis of the neo-liberal economists, who championed the change, is that:

> long-run growth and development will proceed provided everything possible is done to achieve short-run allocative efficiency: although such a result will not necessarily be delivered by freely working markets since initial imperfections are (often grudgingly) acknowledged, the market nevertheless provides the best way of approximating it, and conventional interventionist strategies will almost always be even less satisfactory in that regard (Colclough 1991: 6-7).

Public sector reforms are an outcome of these changes in economic thinking in the broader political economy especially with regard to the role of the state (Taylor 1993). The aim of such reforms is to reduce the role of the state in the economy, particularly in the provision of collective goods while increasing the role of the market.

Whereas the industrial countries introduced the reforms of their own free will, this was not the case for most developing countries. In developing countries, this policy was integrated into their development strategies by the Bretton Woods institutions, the International Monetary Fund (IMF) and the World Bank, through their Structural Adjustment lending programmes (Fountaine and Geronimi 1995; Mkandawire and Soludo 1999; Bangura 2000). There was a notion that what was good economics in the more developed economies could also be applied to developing countries and therefore the changes that were being implemented in the developed world also needed to be implemented by the low-income countries. Since these countries were facing balance of payments problems, their chances of getting loans from the multilateral organisation depended on their willingness to adopt policies which the IMF and the World Bank considered necessary for the countries to improve their balance of payments performance. Privatisation was part of a growing trend towards moving to freer markets, supported by governments seeking to attain a competitive edge in the global economy. As one of the major policy objectives of reform, privatisation increasingly became part of the trend of trade liberalisation in Western Europe. It has become part of the ongoing deregulation efforts in the global economy and of the development strategies in the developing countries.

Privatisation involves both the enterprises that produce private goods, and those that provide public and merit goods and those that have large externalities (Giersch 1997). It can be defined broadly to denote actions that reduce the role of the state in the economy while increasing that of the market, or it can be defined narrowly, to denote the transfer of ownership of a business enterprise from government to private hands. For purposes of this thesis, the narrow definition, i.e. the transfer of an SOE's ownership or control to an individual or group of private individuals will be used.

It is generally recognised that privatisation of an enterprise alone cannot affect performance but that other things associated with the private sector contribute to changes in a firm's performance. These include issues such as capital markets regulations, changes in competition and changes in managerial incentives. Achievement of competition though, does not necessarily require change of ownership to have an effect on a firm because the competitive environment in which it operates does not change when a firm becomes private. Managerial incentives change because the change in ownership requires output based reward/penalties unlike the bureaucracy whose incentive system is based on functions. Managers are accountable for the performance of their organisation and this requires change in management information and structure. These can however be changed without changing ownership but are likely to lead to change in performance (Dunsire et. al. 1995). Although it is assumed that the managerial incentives of private enterprises are different from those in publicly owned ones, this has not been verified, particularly in relation to developing nations.

In view of this, this study seeks to answer the following questions

- To what extent are the individual human resource management practices of interest in the study, in use in the SOEs, private and privatised enterprises?
- What are the main similarities and differences between the systems in the private sector enterprises and in public sector enterprises?
- Do the differences make private sector enterprises more efficient in their use of human resources?
- What are the determinants and consequences of these differences?
- Do private enterprises have policies that enhance employee performance which the public enterprises do not make use of?
- As the future medium of enhanced economic performance and development, are the private sector enterprises better equipped than their public counterparts in managing their human resources?

This study seeks to answer the above questions by achieving the following specific objectives:

1) Examine the following personnel practices in parastatals and private enterprises in Uganda.

- Recruitment and Selection (Staffing)
- Development and Training
- Reward System/Compensation

2) Examine employee's perceptions on the above practices and how they affect their attitudes to work and labour turnover.

Study Area and Scope

The study was conducted in Uganda, because it is one of the many countries that have carried out extensive public enterprise reforms and privatisation as a means to improving efficiency in the parastatals and development of the private sector to enhance economic growth and development. Only organisations in Kampala and Jinja were contacted during the preliminary stages, before selecting the final organisations. The study investigated a few target organisations rather than studying all the possible organisations. A case study approach was taken to make it possible for detailed data on each organisation to be collected. This was to get an indication as to whether there is a difference in the HRM practices in the two sectors and if there are, what they are and what implications they have for efficiency in the organisations.

Although an attempt was made to collect performance data that would measure the effectiveness of the policy of privatisation, it was not possible to make a meaningful analysis of HRM effectiveness using these performance measures for comparison because it was not possible to obtain some of the required information from all the organisations. The analysis is therefore mainly on the three HRM practices and attitudes of employees as well as that of the perception of human resource managers. This study is not a representative analysis of the effects of privatisation on performance, but it offers an insight on the human resource management practices that are currently being implemented in some of the public and private enterprises in Uganda in the context of privatisation. It highlights their similarities and differences and what possible impact this may have on their effectiveness and that of the policy of the public sector reform policy of privatisation.

The three HRM activities of recruitment, selection, human resource development and compensation were examined because previous research has shown positive relationships between those variables and improved firm performance (Huselid 1995). Most of these studies however were done in developed countries but some which have been done in Africa suggest that these practices have positive outcomes for organisations (Ekpo-Ufot 1986). This study attempted to find out the way these human resource management activities are being carried out in Ugandan parastatals and private firms and what impact this has on their employees' attitudes and performance and that of the firms. This proffered answers to questions of what is the basis for recruitment, selection, training and compensation and whether these are done differently depending on whether the organisation is public or privately owned.

Methodology and Study Population

The study used a mix of qualitative and quantitative methods and relied on the use of questionnaires and in-depth interviews as the main methods for collecting data. These methods were used for collecting data about each organisation, its performance and its stated policies regarding human resource management practices and the perceptions of employees about the practices. Data was collected from three parastatals, two privately owned organisations and two former SOEs (privatised) which had employee populations of 100 or more. To differentiate between the organisations in the private sector, those that have always been in the private sector are referred to as private while former SOEs are cited as either former SOEs or privatised organisations. The methods used and the rationale for their use are detailed further in Chapter Five.

Thesis Organisation

The thesis is organised in eleven chapters. Chapter Two reviews the literature on public sector reforms, detailing some of its origins and its implementation in developing countries while Chapter Three reviews literature on human resource management and its relevance to organisational performance. Chapter Four features the economic background of the public sector reforms policy in Uganda and Chapter Five presents the methodology that was used for collecting data. Chapters Six, Seven, Eight, Nine and Ten present the results of the study and a discussion of their implications in view of the literature reviewed. Chapter 11 consists of conclusions and suggestions for further study.

This chapter introduced the thesis, which used human resources management ideas of efficiency to analyse the development strategy of public sector reforms. It outlines the background of the public sector reforms, and highlights the reason why it was necessary to focus on the question of management of human resources in the debate of public enterprise reform and privatisation. It also outlined the scope of the study and the methods used to gather information to answer the study questions. The following chapter reviews literature on the development policy of public sector reforms and privatisation, its background, and how it was integrated in the policies of developing nations' development strategies.

Chapter 2

PUBLIC SECTOR REFORMS

Introduction

Public sector reform is part of a broad set of economic policy changes that have come out of the change in economic thinking with regards to the role of the state in the economy. This change was mainly influenced by the resurgence of neo-liberal thought that emerged in the wake of the collapse of the Keynesian (state interventionist) consensus and a return to the neo-classical economic perspective. Whereas the Keynesian consensus advocated the necessity for states to intervene in their economies and to invest in public ventures, the neo-classical economic perspective champions the case for markets and private ownership, based on their perceived capacity to allocate resources more efficiently than governments. Those who espouse the neo-classical view believe that state intervention hinders the efficiency of the market and therefore recommend minimal roles for the state in an economy. The paradigm shift to a neo-classical view is what lay behind the notion of the 'Washington Consensus' in the 1990s, which consisted of a set of measures that the international community agreed upon as being necessary for attaining economic advancement, and these included fiscal reforms, market liberalisation and deregulation, devaluation, fiscal adjustments and privatisation (Demery 1994). It was preceded by a shift to the right in political opinion in the industrialised societies, globalisation and poor economic performance of the world economy. At this point in time, the maxim of the economic policy reforms of Western developed countries was the reduction of state expenditure, the importance of incentives and of getting prices right (Colclough 1991).

The objective of this chapter is to review some of the literature on the public sector reform policy of public enterprise reform and privatisation in a development context. It highlights the advent of public sector reforms and the events leading to the change in development thinking from state interventionism to free market reforms. It also details the reasons why state enterprises were seen as necessary in the first place, particularly, in less developed countries (LDCs) and the arguments that have since been raised against state ownership. It further examines the integration of the public sector reform policies in the poor countries through the programmes of structural adjustment advocated by the World Bank and the International Monetary Fund (IMF). Finally, it discusses the policy of privatisation and analyses its implementation in the international economy.

Changing View of the Role of the State in the Economy

Traditionally, states were seen as having a necessary but limited role to play in a nation's economic development. The classical view considered the role of the state as being the provision of public services such as law and order, defence and protection of property rights. States were not expected to play an active role in the economy, but were to leave the market to allocate resources in the most efficient way. This view changed after the Second World War, with the public sector gaining ground based on the Keynesian thinking that influenced policies at the time. Keynesian theory maintained that in order to achieve economic stability, governments operate budget surpluses when there was economic upturn, in order to suppress aggregate demand and inflation and run budget deficits when there was a downturn in business, in order to encourage spending. Governments in the industrialised countries adopted this stance and so did those in developing countries but the economic crises of the 1970s led to this wisdom being questioned.

The oil crises in 1973 and 1979 were followed by account imbalances in many nations and there was a build up of international debt that resulted from this. Countries whose economies depended on raw material exports experienced a loss of income, experiencing balance of payments deficits. Meanwhile, OPEC nations with a huge surplus deposited most of it in Euro-dollar markets, increasing the lending capacity of Euro-banks which were eager to lend it to get a return. Many poor oil-importing countries looking for foreign currency to pay for the expensive oil and other imports found it easy to borrow from the Euro-banks to finance their deficits. This led to a rapid build up of debt in developing countries and by 1983, some African countries such as Tanzania, the Sudan and Zambia were spending more than 100 percent of their export income for servicing their debts (McMichael 1996: 129). Latin American countries such as Brazil and Argentina also run up huge debts in international finance markets. A sharp increase in interest rates in world money markets, coupled with falling exports due to world recession, put constraints on poor countries' ability to service their debts most of which were short term, leading to the debt crises in the LDCs in the 1980s (Dunn and Mutti 2000). The monetarist view of balance of payments which "...emphasises excess demands for, or supplies of, money as causes of exchange market disequilibria" (Dunn and Mutti 2000: 581) was used to explain the debt crisis and policies recommended efforts to bring about an end to the disequilibria in the foreign markets.

During this time, there was a shift in the larger economic and development theory supported by the views of public choice theorists who argued that a state is not a single entity that looks after the common good. Instead, the state is one of the many stakeholders involved in the economy, and at the same level or of the same importance as the other institutions in the economy. Consequently, as one of the many institutions, it also looks after its own interests and, in the process of safeguarding its interests, generates economic policy that is biased towards areas that reward its supporters (Toye 1992; Feigenbaum et. al. 1999). The failures of the development strategies of the period before the 1980s are therefore attributed to excessive intervention of governments in the economy and inappropriate economic policies that resulted in resources being allocated unsuitably (Colclough 1991; Todaro 1997). This, it follows, is what led to poor economic performance.

The fruits of development that were expected in most countries as a result of state intervention in the economy did not materialise. Instead, it was argued, governments engaged in activities that were of no economic value and private investors, because they did not trust governments to put in place the necessary public policies, were unwilling to invest in the economy (World Bank 1997). There was therefore a call for reforms to reduce the role of the state in the economy. Industrialised countries started the reform process and some of the countries that effected liberalisation policies experienced growth and prosperity of their economies. This partly led to calls for policy reforms, which include "...sharp downsizing of the state, extensive deregulation and rapid privatisation of state assets" (Cornia 1998:33). Market-led growth and private sector development are the objectives of the reforms and the state facilitates this growth by building and strengthening institutions.

The state was no longer considered the appropriate channel for organising development, rather, a global market managed by international financial institutions became the focus of development and the ability of a country to develop hinged on its becoming fully integrated in the world market (McMichael 1996; Mkandawire and Soludo 1999). Nations were therefore expected to implement policies that would help their economies to become integrated in the world market and which would make them competitive in the global market. Indebted countries lost power to make policies that are aimed at achieving national goals. Instead, they are constrained by conditions imposed on them by their creditors to implement policies and restructure their economies in order to maintain credit-worthiness in the global market. Freeing the markets is an important element of this and so is reducing the role of the state.

However, relieving the state of all those activities that it fails to effectively manage and leaving it in the hands of the market does not necessarily ensure that there will be successful development, particularly in regions where there are weak markets. In fact, in those places where states are weak, markets also tend to be weak (Cornia 1998). Consequently, divesting the provision of some services to the private sector may be beneficial only where the private sector providers are efficient, there is competition in the product market and the state has developed institutions to regulate and control them. The efficient provision by the private sector has not always been the case, even in developed economies. The situation is worse in developing economies where the markets are weaker than the states (Stiglitz 1989). For example, there tends to be very few competitive markets in developing countries because of their contexts (institutional, cultural and historical). Because of this, the markets tend to be poor at allocating resources and there are price distortions in the absence of state regulation meaning that developing nations may not benefit from free markets in the long term.

For markets to be efficient, there is a need for the existence of markets for everything and free flow of information to all who participate in the market. This gives consumers power, as they are able to choose what they buy. The market situation in the developing nations however is such that consumers are not "...sovereign about anything, let alone about what goods and services are to be produced, in what quantities and for whom. Information is limited, markets are fragmented and much of the economy is still non monetised...producers, private and public have greater power in determining market prices and quantities sold" (Todaro 1997:89). In the absence of state institutions that regulate and control the private sector, a situation common in countries with weak states, the presence of weak markets is likely to counteract the benefits of the increased role of the market since this situation would not encourage the efficient use and allocation of resources.

It is in recognition of this that the World Bank's 1980s view of a minimalist state in the developing countries started changing in the early 1990s. There was a realisation of a need for an effective state for efficient operation of the markets and an effective state seen as important for sustainable development (Gore 2000). The Bank defined state effectiveness as a situation where government is not directly involved in activities that can be taken care of by the markets (World Bank 1997). Nevertheless, the envisaged role of the state is a much-reduced one. The state is supposed to act only as a facilitator to the market, providing institutions and rules that facilitate the markets in their activities that lead to growth (Todaro 1997; Hirschmann 1999). The state is needed only for regulatory purposes to ensure that the rules are adhered to but is not to participate actively in economic activities (World Bank 1997). The World Bank still asserts that the state should not be involved in the provision of collective goods and services because governments have been ineffective in this area. Only a few collective goods should remain the responsibility of the state. These collective goods include law and order, provision of infrastructure that facilitates movement of goods and services for use by the private organisations, maintaining a policy environment that reduces distortion, investing in the delivery of basic services and protecting vulnerable groups in the society and the environment. The rest should be left to the market through private firms, which would meet the needs of the public more efficiently (World Bank 1997; World Bank 1998).

Public Sector Enterprises

One of the ways that governments attempted to perform their role of distribution was through the establishment of public enterprises otherwise known as state owned enterprises

(SOEs) or parastatals. SOEs include those enterprises that are directly operated by a government department or where the government is a major shareholder. They also include those enterprises where the state is not a major shareholder but where it controls how the other shares are distributed. It excludes government activity such as education, health services and road construction and maintenance, which get most of their operational funds from government general revenue (World Bank 1995a). Public enterprises usually contain elements of public entities i.e., the entrepreneurial and operational decision-making is done by government agencies and the basis for these decisions is not limited entirely to the financial aspects of the organisation. The element of public support for the decisions affects the criteria on which decisions are based. The benefits from the operations of a public enterprise are enjoyed not by private groups but by the public because the equity belongs to the government or to government owned organisations and the organisation is supposed to be accountable to the public (Ramanadham 1991).

Case for State Ownership

One of the major reasons why governments ever got involved in business was the assumption that state owned enterprises could correct for market failures like natural monopolies, externalities and merit goods (World Bank 1995a). Market failure arises out of the inability of markets to allocate economic resources efficiently. Often times, the provision of some goods, particularly public/merit goods, cannot be guaranteed or funded by private individuals in the absence of a viable market for them. Furthermore, where there is a need for high investment, the private sector may not find it profitable and would not be interested in investing in such areas. Since private enterprise seeks profit maximisation and cost minimisation, it is less likely to invest in ventures, which though important for the community, may clash with its interests. It would therefore be inappropriate to bestow to the market forces the decision on how the scarce resources would be allocated, since some of the services and goods that may be necessary for the community would not inevitably be beneficial to a profit maximising private sector. If however one private enterprise were to invest in such ventures, they would likely be the only business providing the goods or services, thereby giving it a monopoly position. The likelihood of the existence of multiple suppliers of public utilities in developing countries is negligible because the internal market is not big enough to attract large numbers of producers for goods and services for private consumption let alone those for public goods.

Hence, intervention becomes necessary in order to "...control private monopoly of power, to cross-subsidise to offset the tendency to concentration and to protect employment and maintain macro-balance" (Brett 1988:56). This is based on the premise that government is omniscient and a generous social custodian. Governments have the capacity to correct market failures because they have characteristics that are different from individuals. For example, everyone in a country is a member of the state and governments have the mandate to enforce regulations. As a result, governments are able to do things that private individuals cannot do, such as compel people to pay taxes, and put in place and enforce regulations (Middleton 1996).

The state can ensure that the results of market failure are minimised either by owning the means of production or by use of regulation. Ownership would enable states to invest in those areas which are shunned by private enterprises or those which would give one private enterprise a monopoly. Government in this case corrects for market failures through the provision of public non-market goods such as defence, justice, security etc. and merit goods like health, education, housing and ownership of business enterprises (Giersch 1997; World Bank 1997).

Governments' involvement in business was also based on the belief that their active role helps to increase demand and stimulate economic activity. State intervention through public investment was supposed to increase aggregate demand thus stimulating economic activity to produce goods and services to meet the increasing demand. It also hoped to attain distributional goals, through creation of employment. Governments also invested in businesses for strategic reasons, for example, because of the economic importance of transport and telecommunications, governments tended to invest in these sectors.

Reasons for Creation of SOEs in LDCs

The state has been a dominant player in economic development in LDCs, and in an effort to stimulate industry, the public sector became involved in areas that were associated with stimulating industrialisation (Cook and Kirkpatrick 1988). Most developing countries in Africa attained their independence during the period when state intervention was regarded as a necessary condition to economic development. They therefore adopted the economic planning model based on the predominant Keynesian theory, and concerns about income distribution and poverty alleviation encouraged support for state intervention in the economy to stimulate economic activity and increase demand (Mkandawire and Soludo 1999).

Public enterprises were assigned a big role in the economic development process. They had a wide range of objectives including the control of the private sectors' business practices like monopolism, increasing investment, and controlling inflation. These were supported by the ideology of the time- public role was considered important for economic development. They also wished to have control of strategic industries to help direct the economy and overcome obstacles to development. Additionally, issues of national security, lack of enough local private entrepreneurs, creation of employment and development and training of human capital and a desire to distribute development to regions that are not attractive to private companies and in sectors where the private sector was not involved also contributed to support for the creation of public enterprises (van de Walle 1989; Plane 1997). Although state enterprises were involved in all areas of the economy, traditionally, they were concentrated in public utilities and manufacturing in most countries.

Control of Negative Impact of Private Provision

Many of the developing nations' governments set up SOEs to encourage competition and decrease monopoly power in some business sectors with the aim of controlling against undue influence of private economic power. This would ensure that private owners would not sell goods at prices that are higher than the marginal costs for producing them, thereby putting the goods out of reach for the ordinary people. Governments also wanted to make sure that the goods which have a high social benefit could be made accessible to as great a number of people as possible and therefore set up businesses to produce such goods and sell them at subsidised prices or provide them freely. This would ensure that low income consumers could afford to buy them or those with no income at all could have access to them. Obviously, the private sector would have no incentive to provide such goods at no profit so the government had to provide them. Governments also set up businesses to strengthen the economic position of some groups of people or region (Todaro 1997).

Mobilisation of Resources for Investment

Inadequate savings also meant that only the public sector had the resources needed to invest in some areas. Most LDCs did not have sufficient private savings to invest. The investment by governments was therefore driven by the desire to contribute to capital formation. Governments set up SOEs hoping that they would use the surpluses from their revenues for further investment. These SOEs remained necessary later on because no private investors set up any competing firms, partly due to regulation, but also due to the fact that it required massive funds to set up investments to compete with these SOEs (Todaro 1997). In fact, even in these days of deregulation and privatisation, not many private investors are eager to invest in these areas, and a few who decide to invest try to get the governments to guarantee their investment. For example in Uganda, a prospecting private investor in the electricity sector wanted the Ugandan government to guarantee payment for power generated by them during the negotiations for construction of an electricity generation plant. Private investors particularly foreign ones have little incentive to participate in economic activities in LDCs because of the uncertainties associated with the economies of those countries. There is no guarantee that their products would be sold given the demand capacity of the domestic market, which consists of mainly poor people. The sources of supply of factors of production such as labour and capital are also unreliable and these combined to discourage private investment, forcing governments to set up public enterprises (Todaro 1997).

Employment and Redistribution

Other reasons for state ownership included the desire to expand employment. Public enterprises were set up to provide employment opportunities to citizens as well as make provision for training the nations' labour force. In addition, governments sought to enhance access to income for those people in some regions that are not attractive to the private sector so as to reduce unequal income distribution. Furthermore, some governments wanted to have control over some sectors in the economy that are considered strategic to the country so that they do not remain or be under the control of foreign owners, who may have different priorities from those of the country (Price 1994).

By the end of the 1970s, the state enterprise sector in LDCs had expanded and in some countries contributed as much as 10% of their GDP although there were differences that existed among different countries. For example, although SOEs contributed 3% to the GDPs of Paraguay and Nepal, their contribution was as high as 38% in the African countries of Ghana and Zambia (Cook and Kirkpatrick 1988: 5).

Case Against Government Ownership

The change in view on the role of the state in the economy, from a Keynesian perspective, has led to public enterprises being viewed differently. As a result of capital mobility, nations have had to compete for the mobile international capital, particularly direct investments, for creation of employment and technological advancement (Giersch 1997). This has led to concerns about efficient utilisation of capital and SOEs are seen as centres of inefficiency in this respect (Todaro 1997). It is argued that private enterprises are more efficient than public enterprises in situations where markets operate efficiently and when governments are committed to guaranteeing private property rights. It is also claimed that factories owned by governments pollute the environment more than those owned by the private sector (World Bank 1995a).

Critics of government ownership argue that despite the presence of market failures, which prompt the need for state owned enterprises, the risk of government failure is greater, because government ownership encourages inefficiency due to being answerable to many stakeholders (World Bank 1995a). SOEs are said to be inefficient, incurring high costs translating into high prices for their products, and consumers have to pay more than they should. SOEs are also said to incur high losses which have to be paid for by the money raised by governments through taxes, becoming a burden on the taxpayers. Their products and services are also said to be of poor quality. The inefficiency inherent in this leads to resources being poorly allocated meaning that there is a net loss to the economy, with lower average incomes than what a more efficient mechanism might have produced. The special privileges accorded to the state enterprises make it difficult for the private sector enterprises to compete with them. The solution would therefore be to sell the SOEs to a more efficient private sector (Griffin 1999).

Several factors have been advanced as to the reasons why the performance of SOEs in terms of profitability and efficiency is low, the major one being the fact that they are supposed to achieve both commercial and social goals. The objectives of provision of employment and redistribution of income interfere with that of profit making. SOEs therefore, due to the nature of their mandate, (i.e. trying to achieve several goals, which are sometimes conflicting) end up becoming inefficient. At the same time, they face many constraints imposed on them by different interest groups e.g. restrictions on who can be laid off and why, whom to buy materials from, where to sell their products and at what price. These lead to increased costs of transactions and act as disincentives for managers of these firms leading to lower managerial effort (World Bank 1995a; Todaro 1997).

Another factor advanced is that SOEs, because of their status, are said to have no fear of bankruptcy since they can get subsidies and transfers from government and get government guaranteed loans. This results in a situation where there are no checks on inefficiency in the management of these enterprises. The market environment of parastatals, because of how they evolved in the past, consists of no competitors since they are often in a monopolistic situation within the country. On the other hand, they do not have foreign competition because of the high tariffs and quantity restrictions imposed on foreign imports by government (World Bank 1994). Managers of these parastatals therefore lack incentives for rigorous supervision of their subordinates and choose to exert little effort. At the same time, they lack external pressure. Customers do not exert pressure on the company because they have no other alternatives, and the owners (government) exert little pressure because they are less demanding than private owners (Van de Walle 1989; Plane 1997). Since parastatals do not belong to an individual, there is no clarity on who actually benefits from SOE returns, and this means that no one has the motivation or responsibility for ensuring that clear performance goals are put in place and achieved (World Bank 1995a).

Another reason advanced is that within public firms, it is difficult to promote and sustain incentives, co-ordination and information exchange. Parastatals, it is claimed, are not willing to change organisational form since they employ risk-averse people. This is because of the special conditions enjoyed by public servants employed in these organisations. Their status is said to be "generally close to that of civil servants" (Plane 1997:34-5). They are assured long tenures on their jobs and receive promotions irrespective of whether they are contributing to the organisation's performance. The terms of employment in SOEs therefore attract people who are apt to avoid making risky decisions and also predispose employees to behave in ways that seek to promote their individual interests and be less willing to share information with their colleagues (Plane 1997).

It is therefore concluded that parastatals are not as technically efficient as private organisations, and have failed to fulfil one of the major economic reasons for their establishment, (namely correction for market failures in resource allocation). Instead, they are inefficient, depend on the state for subsidies, and count on being bailed out by the state when they make losses. The ability to obtain credit on preferential terms also increases their incentives for inefficiency. This leads to calls in favour of private sector enterprise, with expectations that private enterprises reduce inefficiency in resource allocation. It is argued that the market environment of a private firm makes it efficient because of competition between its managers and managers of other firms and threats of take-overs or fear of bankruptcy (World Bank 1995a).

Thus a consensus has emerged that argues that in many economic activities, the private sector is able to perform better than governments yet in many countries, especially LDCs, bureaucrats are still operating business enterprises (World Bank 1995a). The SOEs' inefficiency is seen to be a hindrance to economic growth because of the deficits they incur and this translates into difficulties for those programmes that seek to eradicate poverty (World Bank 1995a). SOEs are said to consume lots of funds which could otherwise have been spent on social services. For example, the World Bank in 1995 argued that Tanzania spent on SOEs an equivalent of 72% and 150% of what it spent on education and health respectively (World Bank 1995a:1). SOEs also take a share of credit that is larger than their contribution to the national accounts, making it difficult for the private investors to have access to funds for borrowing. For example, Bangladesh SOEs used 20% of domestic credit while producing less than 3% of GDP in 1995 (World Bank 1995a: 1).

Since lack of incentives due to lack of competition is one of the reasons why SOEs are inefficiently managed, one would argue that instead of selling off the monopolistic SOEs, reforms should instead seek to increase competition. However, those who support privatisation argue that this is not practical in the absence of property rights distribution because SOE workers and managers collaborate to minimise competitive pressures since they benefit from the status quo. They therefore collude to resist competition and make it difficult for governments to introduce competition when the public enterprises are intact. Governments on the other hand, knowing the difficulties involved in improving and implementing reforms in the parastatals as well as sustaining them, chose to privatise rather than reform them (Plane 1997).

Reforms in Africa

In the late 1970s and 1980s, developing countries found it difficult to raise investment funds from external sources and their efforts at reforming the management of their economies were largely unsuccessful. Many African nations experienced government budget deficits and balance of payment problems due to deteriorating terms of trade. They therefore approached the World Bank and IMF for help with their balance of payment problems. However, the 1980s were a period of adjustment in world economies in favour of the neo-liberal consensus. Financial institutions, too, changed the way they addressed the problems in less developed economies (Green 1998). Governments in Africa were accused of meddling too much in the economy thus hampering market forces and private sector activities as well as being too bureaucratic and too large. They were also seen to be unduly influenced by those who live in urban areas and therefore catering to their needs at the expense of those who live in the rural areas. The states were also said to be too centralised in their development strategies a situation which was said to discourage private initiative (Mkandawire and Soludo 1999). It was reasoned that governments failed to attain macroeconomic stability because they lacked financial discipline and placed excessive regulations on economic activities. There was a notion that what is good economics in the more developed economies could also be applied to developing countries and therefore the changes that were implemented in the developed world also needed to be implemented by the low-income countries.

This has become the dominant view and disregards the structuralist approach that recommended that countries be treated differently because of the different set of circumstances that prevail in each country, particularly in the case of developing countries (Demery 1994). The arguments for government involvement in order to protect society from market failures have been supplanted by the counter arguments that portray the state as a centre of corruption, bureaucratic inefficiency and rent seeking behaviour. These government failures are depicted as more risky than market failures and in some cases market failure is blamed on state intervention. Instead of the state intervening to correct for market failure, it is claimed that it makes it worse and should therefore be restricted (Colclough 1991). It is in this context that the International Financial Institutions (IFIs) started tying their financial lending to conditions and programs that were in line with the approach of reduced government role and an increased market role in the growth of the economy in the 1980s (Colclough 1991; Taylor 1993).

The IFIs took up the role of ensuring good governance, assigning themselves the duty of deciding which countries had good governance and which ones did not. They (IFIs) used financial conditionalities to make governments implement good governance through policies that they recommended. As a result, governments that approached IFIs for financial assistance to support the development of their economies were subjected to conditions of structural adjustment lending which were used as a tool for encouraging them to change their policies (Demery 1994; Singer, 1994; Zahra et. al. 2000).

Background to Structural Adjustment Policies

The setbacks in the economic performance of LDCs were inevitable owing to two factors namely external shocks and inappropriate internal economic management. One of the major external factors responsible for this situation was the oil price increase of 1973 and 1979. Most LDCs are oil importers, which meant that their import bills were going up while at the same time they were getting little from their external trade (Martin 1993; Demery 1994). Several African countries economies were badly affected by world recession that ensued after the 1973 and 1979 oil crises. Most of their traditional export markets are the former colonial powers and they mainly export raw materials. When these developed countries experienced recession in their economies, their demand for these materials was curtailed, leading to deficits on African countries' current accounts. However, the loss in income was not matched by a reduction in expenditure mainly because the fashion then was for government to stimulate investment by increased spending. The shortages were therefore covered through borrowing, and although most African countries (except Cote d'Ivoire and Zaire) were initially reluctant to borrow in the international finance markets, with encouragement from international institutions many of them reluctantly embraced borrowing to cover the deficits. However, their debt levels became unsustainable and many commercial lenders quickly froze them out of the money markets (Mkandawire and Soludo 1999).

However, there are some indications that internal factors were also responsible for the economic situations in African developing countries. For example, although other developing countries faced the same external shocks of losses in terms of trade, their decline in GDP and export growth was not as bad as Africa's. There was a reduction in the amounts of exports from Africa in many international markets, and it experienced a fall in its share of world agricultural commodity exports to 8% in 1990, less than half of their 1960's share (World Bank 1994: 18; McMichael 1996: 196). This suggests that domestic factors were also to blame for the poor economic performance in these countries. African governments are said to have spent excessively causing deficits and inflation, overvalued currencies, higher imports, and neglect of the supply side of the economy. There was heavy reliance on one or two export commodities particularly of primary agricultural products unlike other developing countries which diversified their export base (World Bank 1994).

In view of the setbacks, the African countries' economies were said to be in need of major economic policy reform to move away from the economic situation into which they had slid. They had to make essential changes in their economic policies and the way their economies were being managed. These changes required longer time frames, and involved moving from the planning model that was in favour of government intervention in the economy to one that supported free markets (Demery 1994). The institutions that operated in the economy were also said to need changes and both the IMF and the World Bank supported this view. Countries would receive structural adjustment loans only if they agreed to reform their economies, which reforms call for reduced government and freer markets. Structural adjustment was a major policy change for the World Bank, which felt that project financing was constrained by price distortions that were caused by government intervention and controls.

Conditionality and Structural Adjustment Programmes

After the Mexican debt crisis in 1982, the IFIs established structural adjustment lending programmes as a measure for minimising the external vulnerability of poor countries (Van Der Hoeven and Taylor 2000). The term structural adjustment originated from the World Bank and is associated with "...an instrument defined as quick disbursing, exceptional balance of payments financing, based on economy-wide conditionality" (Demery 1994: 29). The structural adjustment loans aim at supporting policy and institutional modifications needed to bring about changes in the way a country's economy is structured. This is for the purpose of achieving sustainable growth and balance of payments stability (World Bank 1995a).

The IMF is more concerned with the demand side while the World Bank is concerned with the supply side of the economy. The conditions of IMF aim at reducing pressures that lead to inflation in the economy and to restore its economic growth (Fischer 1998). This is done by encouraging reduced government expenditure, increased taxation, promotion of savings, financial discipline, liberalisation and liberal foreign exchange policies. World Bank conditions on the other hand, promote the policies of privatisation, trade liberalisation, increased competition, high investment and flexible labour markets (Taylor 1993; Singer 1994).

However, some of their conditionalities overlap, although the IMF conditions are aimed at short-term reforms to stabilise the economy and the conditions of the WB are aimed at more long-term changes. There is also the issue of cross conditionality where the conditions of both institutions come as a package particularly in LDCs where coordination between the two is required in the area of Enhanced Structural Adjustment Facility (ESAF) (Mussa and Savastano 1999). For a country to qualify for World Bank financial support for the structural adjustment programme, it has to have already qualified for IMF stabilisation support, meaning that they have satisfied its conditions. The other way round is possible, but usually the IMF stabilisation programmes precede the World Bank structural adjustment programmes because of their nature; they are quicker to implement, for example cutting back government expenditure is easier to do than selling off parastatals. The initiative usually comes from the IMF which is the leading actor in the area of conditionality (Singer 1994).

Cross conditionality also exists with regard to bilateral aid and private investment. Governments in developed countries are often only willing to give bilateral aid to countries where IMF and World Bank are lending to and therefore have approved their policies. Private businesses also invest in the countries where the IFIs are operational. Countries where the two financial institutions pull out of, also end up with bilateral aid being cut off and having private investors reluctant to invest their money. The loans given by the two institutions are supposed to act as a catalyst for mobilising bilateral and private investment funding. The term 'structural adjustment' is now widely used to refer to the policies that are advocated by both the IMF and the World Bank.

It has been suggested that the World Bank started structural adjustment lending because of its dissatisfaction with the pace at which financial aid could be disbursed using project financing. The disbursement of project funding was too slow to alleviate the balance of payments crisis, which the LDCs were experiencing (Demery 1994). Others, though, argue that the changes to conditionality and program funding occurred because projects are time consuming and labour intensive (Singer 1994). Projects can be delayed because of construction, spend more than was planned, and in the end, there is not much to show for the considerable amount of money spent on them. Frustrated by these limitations, the World Bank used the 'fungibility' theory to change the funding process. Fungibility is the condition whereby governments are said to spend money on areas considered as non-priorities, such as spending on luxury lifestyle for government ministers, since project funding is available for project areas (Singer 1994).

Getting the prices right is a major theme in the new political economy. It is argued that market prices for factors of production and products should reflect the relative scarcity of resources needed for their production. So, instead of using the computed shadow prices and relying on indirect approaches such as moral persuasion to encourage rational economic policies for evaluating the success of projects, which used to be the case under project funding, the strategy of structural adjustment lending now seeks to align real prices to shadow prices and use a direct approach. To remove price distortions, three policy instruments are used, namely, adjusting the nominal exchange rate, trade liberalisation and financial sector reforms. Adjusting the nominal exchange rate would lead to a depreciation of real exchange rate. Trade liberalisation aims at removing controls on imports and having lower and uniform tariffs. The argument is that the open economy encourages growth since it fosters development of the export sector in cases where exchange rates encourage exports. However, this does not take into account cases where the demand for a country's exports is inelastic.

Financial sector reforms are "...generally aimed at improving the functioning of the domestic financial market, removing distortions and controls, and allowing interest rates to respond freely to market forces" (Demery 1994: 32). A financial sector that is performing well encourages high and efficient investment levels necessary for economic growth. It is argued that the financial sector faced hard times because of fiscal deficits, reliance of parastatals on domestic finances and increasing occurrence of bad debts. Sometimes the government interfered in the credit process for political purposes and not economic reasons. SAPs aim at reducing financial repression by freeing interest rates, and re-establishing the system's ability to pay debts (Demery 1994).

Structural Adjustment Programme in Africa

The major objective of the international financial institutions is to get the countries concerned to attain macro-economic stability through stabilisation and structural adjustment policies. Stabilisation is a short-term IMF policy objective aimed at aligning aggregate demand with available resources, both external and internal. Stabilisation policies are based on the assumption that the disparities between demand and resources are caused by temporary and reversible shock and therefore aim at bringing the economy into the equilibrium that existed before the shock and are therefore demand oriented. Structural adjustment policies on the other hand aim at changing the equilibrium in order to encourage efficient allocation and mobilisation of resources leading to increased growth of the economy. Ideally, stabilisation should happen before structural adjustment policies are implemented (Demery 1994).

Stabilisation

"Stabilisation refers to the correction of imbalances which are held to be unsustainable" (Green and Faber 1994: 2). It aims at reducing the imbalances at two levels; international and domestic. At the international level, the IMF is concerned with imbalances that are not sustainable, whereby a country spends more on imports than it earns on exports for a prolonged period. Such imbalances cannot be sustained if there are no foreign investors willing to finance the deficit. The IMF is therefore mandated to help governments to finance the external deficit to sustainable levels (Mussa and Savastano 1999). Originally, it was expected to be a short-term measure for correcting temporary imbalances in the countries of the developed world and governments were expected to repay the loans and interest on the loan once the situation normalised. However, because in some countries, the causes of imbalances in the balance of payments are said to be structural, a situation prevalent in many African countries, longer-term interventions necessitating structural reforms become imperative.

At the domestic level, stabilisation programmes are concerned with reducing aggregate demand using fiscal and monetary instruments. Mainly, it targets the country's budget and domestic savings deficits. Budget deficits arise when governments spend more than they collect from their revenues and domestic savings deficits result from insufficient private savings mobilised for financing the necessary investment. More consumption and less savings therefore mean less domestic investment and less output. The fiscal and domestic savings deficit may lead to excessive credit being created by the central bank to finance them thereby enhancing inflation in the country while making the domestic currency drop its value (Green and Faber 1994). Stabilisation policies and measures in Africa aim at checking the above imbalances in the country and these include:

1. Devaluation of the country's currency to make its exports competitive on the world market and restore external balance. It also seeks the country's commitment to more devaluations in future so that the prices of its exports remain competitive.

2. Credit control whereby there is restriction placed on the growth of credit, in particular, that caused by public sector borrowing. Efforts are made to limit the expansion of domestic credit, with the private sector having a different ceiling on its credit growth than the government. Governments are discouraged from borrowing while the private sector is encouraged to borrow. These are also supplemented by policies that seek to make interest rates positive. The aim is to make the real interest outstrip the inflation rate in the country which is expected to promote private savings, leading to investment and economic growth (Green and Faber 1994; Griffin 1999).

3. Fiscal policies include the requirement for governments to put in place taxation measures that improve revenues for governments while reducing private consumption. This is done to encourage private saving and increase the saving ratio and capital

formation. Governments are also required to reduce their expenses and discouraged from spending in those areas which are not seen as priority.

4. Deregulation- The stabilisation policy requires governments to deregulate prices so that goods and services are sold at their market value, ensuring that producers get improved prices for their produce.

5. Countries are also restricted from acquiring new foreign debt and encouraged to reduce their debt and to get rid of their external payment arrears. They are also required to set a target to have a set amount of foreign exchange reserves (Green and Faber 1994; Mussa and Savastano 1999).

Adjustment

Adjustment operates on the supply side of the economy and is sectoral focused. Some of the policies and instruments of adjustment are similar to those of stabilisation, for example, exchange rate policies and government expenditure reforms (World Bank 1995b). Both the IMF and the World Bank reforms target the government budget and the financial sector. Additionally however, governments that are required to adjust are expected to commit themselves to the following:

1. Creation of a favourable climate to attract foreign direct investment and backing of domestic capital markets. This is to enhance resource mobilisation in the economy.

2. It also seeks to bring about changes in the way the mobilised resources are allocated and used, by altering industry incentives, to encourage investments in sectors that are profitable and also changing priority areas for public investment.

3. Another policy instrument is trade liberalisation. The policies recommend the use of uniform tariffs which would be a source of revenue that is less costly to administer and reduce distortions in resource allocations.

4. The policy of structural adjustment also aims at introducing institutional reforms. These include reforms in the civil service through size reduction, improving the capacity for service delivery and improving assistance to the agricultural sector. It also encourages governments to remove the monopoly of state owned enterprises, encourage competition among domestic manufacturers and make state owned enterprises more efficient by requiring them to be managed on a commercial basis, disregarding the social objectives and closing down or selling off those which lack the capacity to attain efficiency and profitability (Green and Faber 1994).

5. Lastly the policy has as one of its objectives having in place measures to protect groups which are vulnerable e.g. the employees who get retrenched, and the poor whose livelihood may be affected negatively by the proposed changes (World Bank 1995b; Green and Faber 1994).

There have been criticisms levelled at these conditions attached to the structural adjustment loans of the IMF and World Bank. Firstly, there is the issue of ownership of policies. Although the IFIs claim that the conditionality programmes are owned by governments and are freely negotiated by governments and IFIs under equal partnership, this is not the case, particularly for Africa and other poorer countries (Green 1998). The governments which approach these financial institutions for loans "...are under extreme pressure, with pressing debt obligations, no foreign exchange reserves, and unsustainable budget and balance of payments deficits" (Singer 1994:6). They have no ground for bargaining and if the institutions with money to rescue them from the tight situation demand that they make changes in their economic policy, they are in no position to object since they have no alternatives. Because they cannot go anywhere else for funding (e.g. other private financial institutions or government bilateral aid), since these are only willing to lend if the IFIs have given a go ahead, they are more likely to be forced to submit to those conditions that are unilaterally imposed on them (Stokke 1995).

Although this may not be the case for all countries, for example the more prosperous nations which have other alternatives may decline to participate in the programs (such as

Malaysia did during the Asian Crisis [Dunn and Mutti 2000]), the poorer nations facing economic crises have no option. Where governments are forced to accept conditions that they consider to be against their understanding of what is best for their countries, they end up never fully implementing the programmes and not meeting the conditions. In Uganda for example, the government was forced to decrease expenditure on the military by decreasing the number of soldiers but in spite of the public sector reform programme of army demobilisation, military expenditure has been increasing in spite of IMF objections. What the government considers a priority, i.e. security considerations in this case, is different from what IMF considers priority. The failure of programmes because of arguments as to who initiated the programme, leads to blame and counter blame when the outcome is different from the expected. Governments will blame IFIs for failure, claiming that the conditions that were imposed on them were unrealistic and could not be fulfilled. They may further argue that the programmes were not their idea but were imposed on them against their will. The IFIs counter argue that the failure was not because their programmes and conditions were faulty, but because governments lacked the political will to carry them through (Singer 1994). The World Bank for example argues that the countries which had failed to reduce inflation during the structural adjustment periods were those that lacked political commitment (World Bank 1995b).

Another criticism is that SAPs were based on a common ideology of the "Washington consensus" and market based policies that are seen to be promoting neo-classical ideology. As a result of this, they did not take into account the differences that existed between countries, their culture and their systems. Negotiators from IFIs do not stay long enough to understand the conditions of the country to which they give the conditionality (Singer 1994). IFIs argue that they have found that there are a number of common policies and measures necessary for 'sound economic policies' that can be applied to all situations. The trouble with the sound economic policies is that they were initially dominated by the neo-classical school of thought and did not therefore take into account the peculiarities of the different structure of the economies to which they are being applied. However, there has been a change in stance and compromise and the IFIs allow the recipient governments to play a more active role in the preparation stages, although the end product is still strongly influenced by the financial institutions (Singer 1994).

Despite the fact that countries are bundled together and given similar 'cures', there is also criticism that the policies are too country specific. Each country has its team that looks at it in isolation. Policies do not take into account the other policies being encouraged in neighbouring countries. There is no co-ordination among different country missions. For example, export promotion in many countries producing a similar product e.g. coffee, and exporting to the same markets leads to surplus on the world market leading to decreased prices and deterioration in terms of trade as ~~what~~ happened in the 1980s in West Africa where expansion of cocoa exports led to a 33 percent reduction in world prices after countries increasing their exports by 25 percent (McMichael 1996:153). The IFI will treat this as external shock to which the countries should adjust yet it has been a result of internal policies that aim at stimulating export (Singer 1994).

There is also a narrow focus on the financial aspects. This is especially true in case of the IMF stabilisation programmes. They are negotiated by financial and monetary specialists on both sides i.e. IMF and government and therefore make decisions that are financially biased yet these have an impact on other sectors, such as employment, health and agriculture. A decrease in government expenditure, one of the recommended actions, affects the health, education and social welfare of the larger population, not just government workers, depending on where governments decide to have a cut in expenditure. For example, the retrenchment of public servants in Uganda was done on the assumption that the retired servants would be absorbed in the agricultural sector and in the informal urban sectors presuming that they had the skills to participate in these sectors, which was not the case. The retrenched workers lost their livelihood and most were not able to be integrated in other sectors, and because there is no social welfare system to cater for the unemployed, the loss of employment has caused hardship, not only on the people retrenched, but also on those in their extended families whose livelihood depended on them. There is a focus on the economy and the use of economic indicators to measure failure or success of programmes to the neglect of such issues as poverty, income inequalities and unemployment. Although the World Bank has since the early 1990s addressed this issue of poverty in its policy pronouncements the emphasis of the reforms is still largely on the achievement of economic growth.

The Strategy of Privatisation

The development of a strong private sector is one of the main long-term goals of the structural adjustment programmes. During the 1970s, the World Bank and the IMF were reluctant to reassess the role of parastatals because they supported government intervention in the economy. Privatisation which was then regarded as politically risky and unnecessary is now central to the economic reform policies in sub-Saharan Africa and seen as instrumental for achieving economic efficiency (Plane 1997). Privatisation is believed to lead to efficiency and improved productivity with low costs. It is also seen as a way of increasing the number of people who participate in the economy through ownership of investment, giving individuals the feeling that they have a claim on what is happening in the economy (Todaro 1997). The focal point of privatisation is the neo-classical thesis which contends that ownership by individuals as opposed to governments, facilitates efficiency and rapid growth. Governments aspire through privatisation to reduce government control, increase competition, increase productivity and bring about market centred efficiency (Zahra et. al. 2000). Several institutional reforms have been put in place to change the balance of public and private ownership.

Privatisation is a construct with many dimensions and it can be defined narrowly or broadly. Broadly, "...privatisation is any action that increases the role of the private sector in the economy" (Zahra et. al. 2000: 511). In this sense, it would include activities such as liberalisation or deregulation of entry into activities previously restricted to public sector enterprises. It would also include the transfer of provision of a good or service from the public to the private sector while the government retains the responsibility for its provision, (e.g., prisons being managed by private companies). It also includes the introduction of user fees in those sectors which cannot be privatised such as education and health, as well as deregulating the markets to open these sectors to competition, use of civil society organisations such as NGOs and churches to handle the issues of poverty and cuts in taxes on the basis of the negative impact high taxes have on the economy. Cuts in taxes are also accompanied by cuts in public expenditure. It also includes removal or reduction of subsidies and setting up of joint ventures between private and public owners (Cornia 1998; Zahra et. al. 2000).

In a narrow sense, privatisation is the process of transferring either part or all of a parastatal's ownership or control to an individual or a group of private individuals (Benell 1996; Zahra et. al. 2000). There are two important elements in this definition of privatisation: who takes the profits and who has ownership rights. The most common usage of privatisation is when an enterprise ceases to be a public entity and is owned either by a sole entrepreneur or a group of private individuals (Cook and Kirkpatrick 1988). There are different ways in which it is done, but the end result is that it leads to changes in who controls the organisation and the systems. The profits made by the organisation and control of the rights to make decisions is in the hands of the private sector. It also includes divestiture, which entails the sale of equity or assets of parastatals and liquidation. It can occur through sale of all or part of an enterprise's equity (Zahra et. al. 2000).

Andrews and Dowling (1998:601) assert that the process of privatisation has "...become one of the most important business phenomena of the last 15 years". World-wide, between 1980-1995, state enterprises' shares worth 85 billion US dollars were sold to the public and others worth more than this were sold through auctions and private placements (Andrews and Dowling 1998:601). Furthermore, by the year 2000, 700 billion US dollars worth of public assets had been privatised world wide and about 40% of the privatisations took place in developing countries. Brazil is expected to privatise assets worth $50 billion by the end of its privatisation drive. The strategy of privatisation as an instrument for accelerating economic growth is being used by a range of countries from Africa, Asia, Latin America and Europe (Zahra et. al. 2000: 509).

The changes from public to private ownership are currently taking place in all the world economies "...making privatisation an integral part of emerging, developing and developed countries' 21st century's strategic agendas" (Zahra et. al. 2000: 510). The main objective of this process is to promote economic development for all countries irrespective of their stages of development. However, because each economy is structured differently and has unique attributes, which influence its markets and their rules of exchange significantly, the outcomes of privatisation for different countries will vary according to the structure of the country or company. Privatisation is preferred because it is assumed that by removing the means of production from the state and giving ownership and control to the private sector, it gives the market forces freedom to operate unfettered by government restrictions and the result is improved efficiency (Zahra et. al. 2000). The introduction of entrepreneurial spirit through private ownership is expected, through the forces of the free market, to potentially change economies and organisations.

The perceived economic importance of an SOE determines whether it is privatised. If it is considered to be of national importance in terms of national sovereignty, then there will be resistance against its sale. Another factor considered before privatising an SOE is how much it costs to run it, whether it is solvent, and whether it has made any profits in the past (Zahra et. al. 2000). Usually the poor performers get sold off first so as to contain their drain on national coffers being subsidised by taxpayers' money. Another important consideration is the availability of competent managers who can steer the organisation through the transformation process.

Efficiency is at the core of the privatisation discourse and there are two main aspects of efficiency. Allocative efficiency where an organisation is able to produce the maximum quantity and quality of output at the lowest cost of production possible; and technical efficiency where firms produce the maximum output possible using the available inputs and the most efficient technology available. According to studies carried out in LDCs, the gains from efficiency that were expected as an outcome of privatisation have not been forthcoming (Jackson and Price 1994). Some of the reasons for this may be because of the way privatisation was conducted. In some cases, the governments sold the organisations to their previous owners yet the new owners may have lacked the skills required to manage them. This has been true for some Ugandan SOEs that were returned to their Asian owners and have now closed or are facing bankruptcy since they were privatised. Those which are still operational have been lobbying government for the same protection that was accorded to the organisations when they were still state owned, while others ask for government subsidies and licences that put them in a monopoly position. The private owners thus get monopoly profits because of government regulation instead of putting efforts in enhancing their organisations' capacity and efficiency. This highlights the need for privatisation to take place in an environment where there are well-established competitive markets and means for distributing gains and stabilising the economy. If this is not achieved, the private sector will benefit at the expense of the rest of society (Jackson and Price 1994). It also highlights the need for effective management of privatised organisations, if they are to compete favourably.

There appears to be no clear relationship between change in ownership from the state to the private sector, and increased productivity and performance (Jackson and Price 1994). Consequently, it may not be adequate or necessary to privatise organisations, because the managerial culture in SOEs has changed and is similar to the private ones, at least in developed countries. In developed and middle-income countries, studies show that there has been increased efficiency and higher productivity as a result of privatisation (Jackson and Price 1994). Nevertheless, all firms irrespective of ownership now put emphasis on the establishment of clear commercial objectives, they measure performance by output instead of inputs, there is a move to improve management information systems so that managers make informed decisions, there has been introduction of mechanisms to control costs and reward systems are aligned to the objectives of the organisations. Therefore, what is important as far as economic performance is concerned is the way incentives are structured. Consequently, improvements in efficiency are stimulated mainly by competition and not merely by privatisation (Jackson and Price 1994).

Privatisation in developing countries has produced mixed results, some positive and some negative. Although it is early days yet, and there is not much detailed data, it is likely that privatisation will lead to an increase in unequal income distribution, with the poor getting poorer and the rich getting richer. This is because only a few rich people (local industrialists and international financiers) can afford to buy the privatised assets. For example, in Latin America, most of the privatised organisations were sold without competitive bidding, mostly at low prices. Most were bought by those investors who had connections with the government. As a result, private monopolies have taken the place of SOEs that were sole providers. The monopoly profits, which had previously been enjoyed by the state and benefited more people are now enjoyed by a few individuals (Jackson and Price 1994; Todaro 1997). If the privatised SOEs are sold to private owners who remain monopolistic, there is no guarantee that the firms will be any more efficient at resource allocation than they were when they were state owned. Moreover, the possibility of the parastatals being bought by nationals is very unlikely given the absence of a large number of potential local investors. It therefore means that most of the firms are bought by foreign investors who may use their monopoly position to extend their power and influence (Brett 1988). It is also difficult to achieve privatisation of state owned enterprises without causing unemployment and other social disruptions associated with unemployment as was the case of the retrenched workers in Uganda mentioned earlier.

Studies have shown that in markets where there is no competition, there are not many differences observed in organisational performance after privatisation and the same is true in markets where there are no regulatory reforms (Ramamurti 2000). However, privatisation combined with competition and regulatory reforms produces performance enhancement. For example, studies in the UK have concluded that when organisations in competitive industries were privatised, there was increased efficiency (Vickers and Yarrow 1988). Privatisation in rich countries has been successful partly as a result of the presence of institutional frameworks that encourage efficient corporate governance such as the existence of incentives and monitoring devices like internal control mechanisms e.g. boards of directors and external control mechanisms such as stock prices, takeovers and relation based controls.

However, most countries in LDCs do not have such frameworks that encourage efficient corporate governance (Ozkaya and Askari 1999). Most have inefficient financial markets while at the same time they lack markets for corporate control and professional managers. Because of this, when SOEs in these countries are privatised, they retain the managers that were previously in charge of the corporation, missing the opportunities to put in place strategies aimed at transforming the company. Rather than employing management strategies for improving resource utilisation, managers instead have tended to implement retrenchment policies and those that seek to increase sales as a way to making privatised companies profitable (Ozkaya and Askari 1999). At the same time, the private companies in less developed countries tend to have in place practices that are not in tandem with efficient corporate governance.

A change in entrepreneurial spirit leading to "...increased entrepreneurial activities, risk taking and innovation, is key to an organisation's transition from what is often a state owned status to one of competing in a market based economy" (Zahra et. al. 2000: 510). Achieving entrepreneurial transformation is harder in emerging economies than it is in developed economies. There are insufficient resources and capabilities in former SOEs to sustain the managerial changes that are required. Because of this, such firms when privatised have often resorted to form joint ventures with rich companies in efforts to take advantage of their superior financial, technological and managerial resources and capabilities (Zahra et. al. 2000). Even when financial and technological resources are mobilised by the governments with the help of IMF and World Bank loans, the developing countries still have to contend with the issue of inadequate managerial and administrative resources. This is a result of lack of training and experience of the labour force in managerial skills (Todaro 1997).

One of the reasons why the state played an active role in the economies of African countries was because of the weak and small private sector, which did not have the capacity to play a leading role in development. As the role of the state is reduced, it is based on the premise that the private sector will efficiently manage organisations that were formerly state owned. For the policy of privatisation to be effective, there is a need for the presence of sufficient numbers of effectively managed organisations both in the public and private sector. In spite of the validity of the argument for reduced government role in business, because of its bureaucracy and resistance to change, there is not much evidence to show that the private sector in Africa has better capacity to act as a catalyst for development and change (Blunt and Jones 1992). In fact research in Southern African countries, which set out to study the hypothesis that private sector organisations were 'small, unimportant and administratively superior' revealed that whereas the private sector organisations were indeed small and unimportant, they were not administratively superior. According to Blunt and Jones (1992), there was no evidence to demonstrate that the private sector used more rationality in making decisions about their goals. The evidence instead contradicted the popular belief that there is a big difference in the way private sector managers and those in the public sector conduct themselves. The styles and skills of private sector and public managers turned out to be quite similar.

There is little research undertaken in other African countries to find out whether this applies elsewhere although the privatisation of SOEs is now a common feature in the development strategies of many African nations. Most of the past research that looks at privatisation is concerned with creation of wealth and the unit of analysis is at the macro-economic level. The studies also look at the factors that influence decisions on which privatisation strategy to take and most of them approach the subject from an economic or financial viewpoint. This has meant that important organisational issues are only accorded a cursory examination.

As discussed earlier, privatisation per se has not always been accompanied by increased productivity and performance of enterprises in developed nations, but more so in developing countries. One of the reasons advanced for the unsatisfactory result is that improvement may require more than just change in ownership. It is generally agreed that privatisation alone cannot affect performance, but that other elements associated with the private sector contribute to changes in a firm's performance and these include capital markets regulations, changes in competition and changes in managerial incentives. The managerial incentives affect the way management administers an organisation's financial, technical and human resources. The privatisation literature though has mainly focused on the market environment of the organisation in terms of regulations and competition and organisation's internal mechanisms have not drawn much attention. Specifically, human resource management has not been given much prominence except in terms of labour reduction.

Public sector reform and private sector development through increased production in the parastatals and privatisation of public enterprises is one of the major strategies of the economic recovery programme on which the Ugandan government is basing its future economic development. The success of this programme will be influenced by the performance of organisations in the public and private sector. The question of human resources management and employee attitudes has not been examined in relation to the performance of these enterprises. The only sector that has addressed human resources is the civil service through the civil service reform and references to labour issues in public enterprises are mainly concerned with termination issues. For example, the privatisation unit is developing a labour policy for employees in public enterprises whose main objective is "...to guarantee due payment of terminal benefits and pension obligations, and to provide a social safety net for affected workers" (PriceWaterhouse Coopers 2000: 3-4). A lot has been written about the civil service restructuring and reform in Uganda (Langseth 1996; Mugaju 1999). However, not much is known about the area of HRM in the parastatal and private sectors. This study will fill the gap by looking at the organisational management issue of a human resource management, to highlight its role in public sector reforms. This is done by examining and comparing the HRM practices of public and private enterprises in Uganda, specifically staffing, training and reward management.

Conclusion

In this chapter, literature on the advent and growth of the development strategy of public sector reforms was reviewed. The chapter charted the path of the changes in the development thinking that arose out of the demise of Keynesian consensus and the revival of neo-liberalism, which ideology influenced the development thinking in the 1980s and encouraged a reduction of the state in the economy. Starting in the developed nations, the thinking was introduced in LDCs by the multilateral finance institutions through their structural lending programmes. The move from state interventionism to free markets and the content of structural adjustment programmes in Africa were discussed and so was the strategy of privatisation, one of the means being used to increase the role of the markets in the economies of LDCs. It identified the gap in literature with regard to whether enterprises in the private sector, particularly those in Uganda differ from public enterprises in managerial incentives that make them more efficient. The management of workers is an important subject that needs to be addressed in the search for improved performance in organisations. The following chapter looks at the topic of human resource management and its relevance to organisational performance and why it is deemed as a useful tool for analysing the strategy of privatisation in this study.

Chapter 3

HUMAN RESOURCE MANAGEMENT AND PRIVATISATION

Introduction

The strategy of privatisation is based on the premise that the private sector is more efficient than the public sector in managing organisations. There is expectation that changes in ownership will lead to institutional transformation that will affect the way the privatised firm is organised, governed and managed, encouraging efficient utilisation of its resources and improved performance (Vickers and Yarrow 1988). The efficiency of an organisation and its performance depend on how well its technical, physical, financial and human resources are used and these are closely linked with the people employed in these activities, the way they are managed, and their perception about management practices, the domain of human resources management (HRM). This implies that HRM could play an important role in a strategy like privatisation which seeks to improve efficiency and performance in organisations. HRM is concerned with the management of the relationship between workers and organisations and involves all decisions by management that influence the nature of this relationship (Beer and Spector 1985; Graham and Bennett 1998).

The management of human resources is important because HRM practices influence employees' knowledge, abilities and skills and their job satisfaction and expectations, which in turn affect their turnover and productivity. There is evidence to indicate that human resources management activities are positively associated with valued firm level measures of performance because of the impact that they have on employees' skills and ability, their motivation and productivity (Huselid 1995; Delaney and Huselid 1996). This chapter briefly discusses the concept of human resources management and its influence on firm performance. Specifically, attention is paid to the HRM activities of staffing, training and development, employee attitudes and reward management. How the practice of management of human resources in Ugandan organisations might affect the strategy of privatisation is also discussed.

Human Resources Management

Although there is no agreed definition of HRM, there is agreement on what it involves. It involves the design and implementation of policies and practices aimed at ensuring that an organisation's employees work towards the achievement of its objectives. HRM aims at attaining maximum co-operation from employees for the mutual benefit of both the organisation and the employee. The task of HRM is

> ... to ensure that the employees of a company, i.e. its human resources, are used in such a way that the employer obtains the greatest possible benefit from their abilities and the employees obtain both material and psychological rewards from their work (Graham and Bennett 1998:3).

For purposes of this study, Robbins' definition of HRM will be used. He defines HRM as the "...process consisting of the acquisition, development, motivation and maintenance of human resources" (Robbins 1982:505). This process of acquiring employees' services, developing their skills and motivating them to perform to their best and retaining them is vital if an organisation is to attain its objectives. The quality of and the activities of this process have a bearing on the efficiency of an organisation. HRM comprises a range of activities including recruitment and selection, human resource planning, motivation, training, performance appraisal, industrial relations, job analysis, management of compensation and benefits, team based job designs, flexible workforce, quality improvement practices, strategic need study, management development and employee empowerment (Huselid et al. 1997).

Perspectives of HRM

Organisations differ in the importance they attach to the role workers play in organisational performance and this affects their view of how they should be managed. Their policies and practices for human resources will therefore be a reflection of their view. A review of HRM literature portrays the different approaches to HRM that have emerged from the study of organisations. They differ according to whether they promote policies that are designed in ways that result in HRM attaining organisational, policy, functional and process integration (Guest 1989). Organisational integration is concerned with the existence and location of the HR strategy. Ideally, it should be central to the organisation along with the overall strategy (Tichy et. al. 1984; Guest 1987; Williams 1993; Huselid 1995). It emphasises the need to integrate human resource management issues with organisational goals in order to attain strategic importance, instead of being regarded as peripheral. Based on this need for strategic integration is built the contingency view. Otherwise known as the external fit, it suggests that no particular HRM policy exists that can produce valued firm level outcomes, but that practices depend on a firm's strategic and environmental circumstances (Golden and Ramanujam 1985; Butler et. al. 1991; Huselid 1995). Consequently, this view contends that no particular HRM system can be applied generally in all organisations, but that depending on an organisation's business strategy, specific sets of behaviours and attitudes are needed for its successful implementation.

Policy integration on the other hand relates to what is included in the HR strategy and whether the different policies that are derived from the strategy are consistent with each other and the degree to which they do. Its emphasis is on an organisation achieving a set of compatible HR policies and practices for attaining a workforce that is of high quality and dedicated to its work. According to this perspective, all the human resource activities should be accorded the same degree of importance and be consistent with each other. The HRM policies must also match with those of the other business activities (Guest 1987; Williams 1993; Guest and Peccei 1994). Based on this is the internal fit or best practices model which suggests that there are a set of HRM practices, which when applied together ensure that a firm improves its performance (Legge 1989; Terpstra and Rozell 1993; Huselid 1995). The best practice or universal model argues that HRM policies have a universal impact on a firm's effectiveness irrespective of its characteristics and business strategy. The conclusions derived from this therefore are that "...there are always human resource management activities that are better than others" and that their adoption will result in organisations' attaining improved performance when other things are held constant (Harel and Tzafrir 1999: 185-6). This requires firms to identify those practices which when adopted can produce valued firm level outcomes such as increased productivity and profitability. Pfeffer (1998) highlights seven dimensions which studies in HRM show have the capacity to enhance organisational performance. These include employment security, selective hiring of new employees, structuring an organisation on the basis of decentralised decision making, self managed teams, comparatively high pay levels dependent on performance of the firm, extensive training, reduced status distinctions and barriers and extensive sharing of financial and performance information of all in the organisation.

Functional integration is concerned with the location of a personnel department in the organisation and the role of the personnel manager. It is suggested that the staff in the HRM function should have capabilities appropriate for developing and implementing HRM practices. These appropriate competencies include having professional HRM skills and knowledge (technical) as well as being able to understand business related activities (Williams 1993; Guest and Peccei 1994; Huselid et. al. 1997). Process integration is related to the personnel process itself and how efficiently it is run (Guest and Peccei 1994). Efficiency in the pursuit of the personnel function goals is expected to result in high effectiveness in goal achievement.

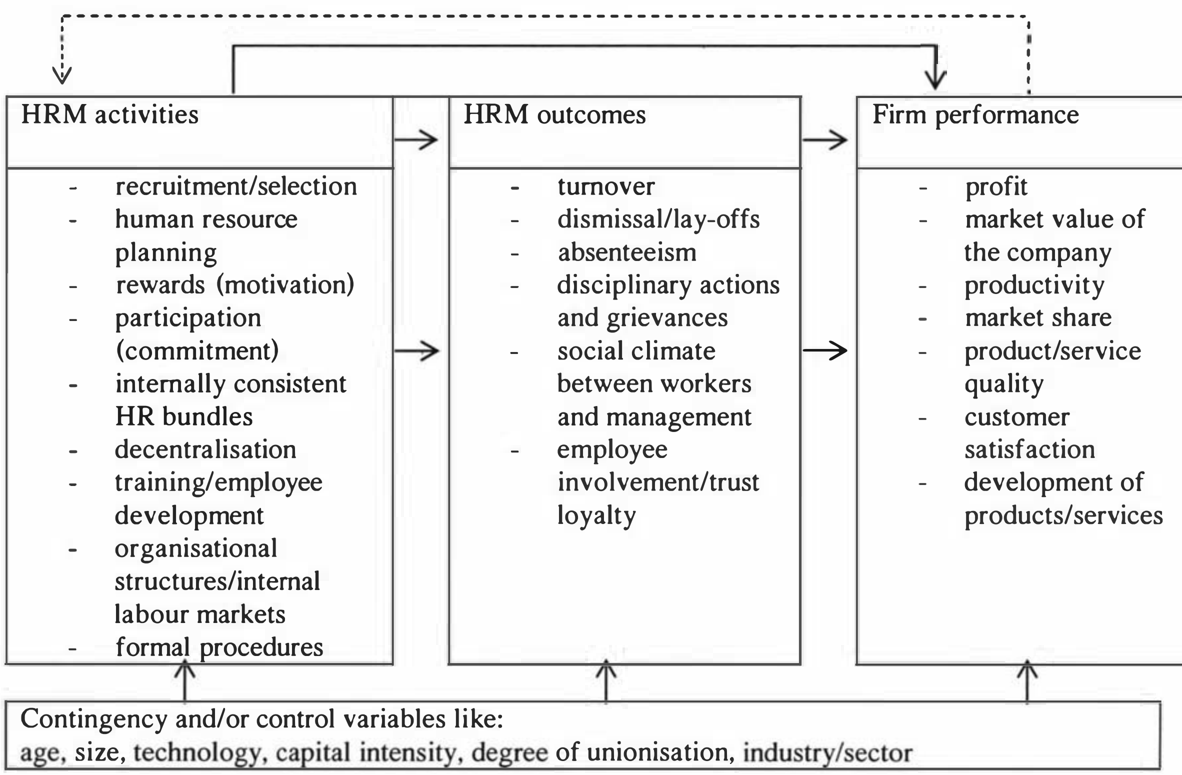
Although there is still debate on which of these perspectives is best suited for enhancing firm performance, the view taken in this thesis is that there are HRM practices which when applied would benefit organisations irrespective of their strategy and location. However, there is still a need to take into account the context of the organisation in which they are being implemented so that they can be adapted to suit the given situation. In general, organisations need a strategy for human resources for all levels of employees, ranging from top management to the lowest level employees. At the very least, there ought to be HR policies and practices aimed at ensuring that quality employees are recruited, those already in the organisation are given opportunity to enhance their skills and are given rewards commensurate with their contribution to the enterprise. Accordingly, this view of HRM will be used in this thesis as a tool for analysing the strategy of improving efficiency through privatisation in Uganda. As well as examining three specific HRM practices and their impact on employee attitudes, some strategic aspects of HRM will also be examined, namely, the importance attached to HRM function by the senior executives, and the design of HRM practices, since these two affect HRM effectiveness and in turn affect its contribution to organisational performance.

Human Resources Management Practices and Firm Performance

Central to the HRM argument is the major assumption that there is a link between effective HRM and a firm's performance because of the impact that HRM activities have on labour productivity (Huselid 1995; MacDuffie 1995). If the organisations' HR activities are effective, it develops human resources that give it a competitive edge. For example, it is argued that if a firm has a comprehensive recruitment and selection tradition, pays its employees on the basis of performance, involves its employees in decisions about their work, provides them training, its ability to acquire, develop and retain employees who are best equipped to fulfil their roles is enhanced (Guest and Peccei 1994; Huselid 1995; Huselid et. al. 1997). The HRM approach argues that as a firm develops and executes its overall strategic plan, the question of current and prospective workers should be of paramount importance. There is general agreement among theorists and practitioners in the field of HRM that if a firm has suitably configured HR policies, the outcome of these policies would be significantly beneficial to the performance of the firm directly (Huselid 1995; Harel and Tzafrir 1999). HRM activities deliver important outcomes that are valued at enterprise level. Such valued outcomes include high employee productivity, low employee turnover and improved corporate financial performance.

The model of HRM that arises from this viewpoint is summarised in Figure 3.1. The outcomes of HRM activities affect an organisations' performance and this relationship is indicated by the arrows in the middle. The upper arrow represents cases when HRM activities directly influence the performance of an organisation while the dotted reverse arrow represents the view that sometimes a firm's performance influences the manner in which human resource management is conducted. Studies that have been done to determine what impact HRM practices have on overall performance of an organisation have demonstrated that human resource management systems have the potential to contribute significant benefits to the financial position of the firm (Delaney and Huselid 1996). Those studies that have looked at the impact of specific HRM practices show a positive association between those practices and valued firm level outcomes. Although there is still debate about the importance of specific activities and about appropriate methodology, the ability of specific work practices to improve employee performance as well as organisational performance is generally acknowledged and results of HRM research suggest that increased investment in particular HRM practices can lead to substantial financial returns for an organisation (Bartel 1994; Huselid 1995; Delaney and Huselid 1996).

Figure 3.1: A Synthesis of Empirically Based Research in the Area of HRM and Performance



Source: Paauwe and Richardson (1997:260)

Management systems that encourage employee co-operation have been linked to decreased costs, less scrap and higher productivity. Innovative work practices and use of management labour teams, quality of work life (QWL) and quality circles have also shown a positive relationship with increased productivity. Organisations with effective industrial systems have lower grievances, fewer cases of disciplinary action and low employee absenteeism as well as increased labour efficiency and productivity (Huselid 1995). Research has also been done to explore the relationship between individual HRM practices and corporate financial performance. Results indicate that increased productivity, decreased turnover and corporate financial outcomes are closely linked with HRM practices like recruitment, selection, training procedures, promotion, performance appraisals, performance based pay, information sharing on a formal basis, assessing employee attitudes and labour management participation (Cutcher-Gershenfeld 1991; Huselid 1995; Harel and Tzafrir 1999).

Directly, HRM activities have impact on performance through their influence on employee skills and quality (selection and training) and indirectly, they influence employee motivation through use of incentives and internal job market. Research indicates that there exists a relationship between HR practice, employee attitudes and productivity (Delaney and Huselid 1996). This relationship has an effect on organisational efficiency and effectiveness, irrespective of status of ownership. The criteria used for employee recruitment and selection, the levels of human resource development (HRD) and compensation and the extent to which employees view them as fair and equitable have an impact on employee behaviour at work and will affect their performance. According to Armstrong (1988:70), "...the level of ability will affect not only performance but also job satisfaction and the desire to stay on the job". Selection and HRD systems are important because they affect employee's attitudes to their work since they determine their quality and ability.

Generally, there is a positive relationship between income and overall job satisfaction. Pay determines employee satisfaction depending on amount expected and amount received and the amount paid to others in similar responsibilities. Motivation by use of rewards has also been shown to be associated with increased labour productivity (Arthur 1994; Huselid 1995). The following section discusses the HRM areas of recruitment and selection, training and development, compensation and employee attitudes.

Recruitment

Biles and Schuler (1986: 27) define recruitment as the process of "...searching for and obtaining potential job candidates in sufficient numbers and quality so that the organisation can select the most appropriate people to fill its job needs". The purpose of recruitment is to find potential sources of labour supply, make the availability of a job opportunity known and attract interest in the job posts. An important task in this process is job analysis, where the job is examined in detail to determine the kind of skills, abilities and knowledge needed to do it. It also examines the type of person required to undertake the tasks, duties and responsibilities associated with the job. Job analysis ensures that organisations recruit and select people who are best suited for the available job.

Recruitment also involves labour market analysis, which requires taking into account possible sources of prospective employees to decide on which source is appropriate to use for attracting the candidates. This is done by use of follow up studies, to predict recruiting sources and methods that are most effective in providing employees who perform well. Firms have internal and external labour sources. The internal labour market consists of employees already working for the organisation. Organisations benefit from its use because it gives its employees opportunities for promotion, which improves their morale and their commitment to the organisation. It is also advantageous to organisations because it has more knowledge about its current employees than it can hope to get about employees from outside. The use of internal labour market therefore aids the decision making process (Robbins 1982; Flippo 1984; Graham and Bennett 1998). The external labour market consists of people outside the company and to attract external applicants, the organisation has several sources available such as advertisement, employment agencies, recommendations from current and previous workers, schools and universities, labour unions, casual applicants, nepotism and leasing (Robbins 1982; Flippo 1984; Bolton 1997). External sources are useful for bringing fresh ideas into the organisation. They are also useful when there is a need for filling lower entry jobs and also if a firm is expanding and cannot fill upper level positions using the current stock of employees. Each of these sources has advantages and limitations and an employer needs to be aware of them during the recruitment process. Employers can then use those sources which they consider as successful in terms of those that enable them to attract and retain good employees (Flippo 1984; Cumming 1989).

A good recruitment process demands that the person who recruits should have a good knowledge of the specifications required to perform the job and of the labour market (Bolton 1997). There is also a need to make the recruitment process systematic and closely managed so as to ensure that the procedures are fair, legal and valid. The recruitment policies also need to meet basic criteria such as being cost effective and maintaining a good public image of the organisation. Care has to be taken that the policies do not discriminate according to people's sex, race, age, marital status, physical disability or religion (Bolton 1997). Most importantly, a good recruitment system should be able to attract candidates who possess the required qualities and who are likely to stay with the organisation once they are hired.

Selection

Selection has been defined by Devanna et. al. (1984) as the process for matching available applicants to jobs in an enterprise. It is the process whereby the organisation decides which of the applicants is suitable for the vacant job. It is important for determining which of the prospective candidates fit the job specifications of the vacant positions. Several methods are used to select candidates for hiring and these include interviews, selection tests, references, physical examination and application forms (Cumming 1989). An organisation needs to take into account issues of equal opportunities and merit in the choice of methods to use to ensure that they are free of discrimination. Other important issues include analysing the job so that the person is selected on the basis of job needs. There is need to "...assess applicants against criteria established in job analysis in order to predict which job applicants will be successful" (Robbins 1982:120). Some selection methods which are said to produce valid assessments are; use structured and standard interviews for selection, use of methods of selection which test people’s aptitude and ability and those that solicit for biographical information from applicants (Cumming 1989).

Effective Staffing Process

An organisation increases its ability to predict which of the candidates for a job are most likely to succeed if it evaluates them according to the criteria that is set during job analysis (Robbins 1982; Pfeffer 1998). There is also a need for evaluating recruitment and selection methods in order to determine which recruitment methods produce sufficient numbers of potential candidates and which selection methods provide valid assessments of prospective employees. Tools used in selection ought to be able to predict a candidate's ability to perform the job effectively (Bolton 1997). The use of selection procedures which are rigorous ensures that the firm selects the best possible candidates and also gives the new employees a sense of commitment to an organisation after going through such a selection procedure (Pfeffer 1998). An effective staffing process should be able to provide an organisation with employees who can best work for it, have the capacity to learn and develop and work independently. The people involved in recruiting also need to have a good knowledge of the specifications required to perform the job and of the labour market and the process should be one that ensures fairness and should be valid.

Training and Development

Training is "...a planned effort by a company to facilitate the learning of job-related knowledge, skills or behaviour by employees" (Noe et. al. 1997: 341). Development on the other hand seeks to enhance employees' knowledge, skills and behaviour that prepare them to meet the demands of various current and future jobs (Noe et. al. 1997). Training and development of employees aims at influencing their skills and abilities for meeting organisations' present and future requirements. It involves the identification of the skills and knowledge that will be needed in order for employees to effectively perform their tasks and then organising the learning process in a way that links the acquired skills to the strategies of the firm (Hall 1984). It also involves selection of training and development programmes that will improve the quality of organisations' employees by imparting those skills and abilities that will contribute to the achievement of its goals. Training is important because it enables employees to fill the gaps between the abilities their jobs require of them and those that they have, and investment in training has been shown to produce outcomes that are beneficial for the entire organisation (Armstrong 1988; Bartel 1994).

To Train or Not To Train?

An organisation needs employees who have the requisite knowledge, skills, abilities and experience needed for achieving its objectives. In pursuing its goals, it has the option of attaining these qualities amongst its employees either by training and developing its existing stock of employees or by buying them from other organisations. Organisations may choose between buying and growing the necessary qualities depending on factors like the cost effectiveness of the choice, how urgently the skills are needed and what impact the choice made will have on staff motivation. The decision on whether to buy or grow the qualities is also influenced by political, cultural and historical factors; for example organisations which prefer the use of the internal labour market will have in place systems to develop its employees while ones that use the external labour market do not invest in skill enhancement, rather, they acquire staff who already have the expertise they need (Price 1997).

Some employers are reluctant to train their employees because of the tendency for other organisations which do not provide training, to poach them. Others want to avoid the cost involved in training in terms of loss in time when the employees and those who train them are involved in training, as well as the financial cost. Another reason could be a result of lack of interest on the part of employees. If employees' perception is that there is no link between training and increased income, with income differences in skill being small or non-existent, they may not be inclined to go for training. If promotions are not based on skill enhancement but on job performance and selectors view of employees' potential, employees may not be keen to pursue further training. That aside, training and development of employees both formal and non-formal, will determine the type of skills and knowledge that an organisation has available to meet its strategic objectives. This is because training and development have a considerable impact on employees' skills and the organisation's performance (Price 1997).

Importance of Training and Development

Training and development programmes aim at supplying the organisation with employees who have the skills, attitudes and knowledge required to effectively perform their tasks. Its principle aim is to make it possible for employees to attain acceptable levels of performance in their jobs. It adds on the person's initial skills by enabling them to improve their skills and knowledge, which in turn improves their level of performance in their present job. Additionally, improvement in skills gives employees competency to handle increased responsibility in future. These aims can be achieved through assessment of the required knowledge and skills and managing employee learning in ways that will ensure that the acquired knowledge and skills have relevance for the future business strategies. Training and development can also be conducted to bring about desirable changes in employee behaviour and attitudes (Armstrong 1988). Training and development enhances an employee's strengths while enabling them to deal with their weaknesses so that an organisation achieves the level of expertise necessary for achieving its goals. It occurs at all levels in the organisation through the provision of relevant and timely training to the employees and broadens their expertise and abilities through practical experience. Some of the activities that an organisation can employ in enhancing its employee's skills and abilities include career planning, training, targeted development, assessment centres and mentoring (Butler et. al. 1991).

The capacity of an organisation to enhance its employees' skills and expertise required for attaining strategic goals is augmented by the existence of systematic staff training and development (Armstrong 1988; Graham and Bennett 1998). If new employees are trained at the beginning of their employment, the amount of time they require to learn the skills they need to perform their tasks is shortened. This enables them to attain the required level of performance and be effective in a short time. This is economically beneficial to the company and ensures that employees begin to contribute to an organisation's profits earlier than those who do not receive any training (Robbins 1982; Armstrong 1988). Training of the existing employees on the other hand increases their efficiency as they acquire the additional skills to perform their tasks efficiently. It helps employees to develop their natural abilities, enabling an organisation to attain the quality and number of employees it needs in future. Management development for example enables an organisation to have available a pool of employees who can fill management roles that have been vacated either due to promotion or turnover. Some of the factors that affect the success of training and development include promotion from within, employment security, cross-functional training and successor training (Butler et. al. 1991).

Basic Elements of Training and Development

One of the basic elements is training needs assessment (TNA), and it involves organisational, job and person analysis. It is important to identify training needs in order to avoid irrelevance of training. Organisation analysis is done to ensure that the training system is designed in such a way that its outcomes are those that advance its goals. By doing organisational analysis, the organisation is able to identify the quality and quantity of human resources it has and whether it is sufficient for achieving its business strategies. Job analysis looks at what each job entails, how it is related to others in the organisation and what is to be achieved in the job. During job analysis, the organisation is able to know the duties and requirements of each job and the required educational qualification as well as the skill and experience which a person who is to perform that job needs to have. Person analysis examines the knowledge and skills that employees need if they are to achieve the level of performance their duties in their jobs demand of them. As part of this exercise, information about an employee's job, skill, abilities and experience and the level of performance is collected. An employee's job performance is supposed to be collected routinely as part of the employee management process and this enables the organisation to tell their employees' strengths and weaknesses- and on this basis determine the gaps in the performance that can be enhanced by training and development (Kiggundu 1989; Butler et. al. 1991). One of the important issues for effective training is for employees being trained to know what is expected of them in their jobs and how their performance is measured. It is also important to ensure that employees are offered opportunities to enhance their skills irrespective of their gender, race, ethnicity or religious background.

Once training needs analysis is done, there is a need to design a training programme with the aim of filling the gap between the organisation's current and future human resource needs and what it has available. This involves the definition of quantifiable, clear and specific objectives before the training takes place. The outcome of training can then be measured in relation to the objectives established at the outset. Plans of how the training objectives are to be achieved can then be prepared. This consists of measuring the costs and benefits of the programs as well as consideration of the methodological and practical aspects such as methods to be used, how it is to be delivered, materials required, how to test competence, whether it will be located on or off the job, choice of trainers and trainees, how long it would take and how to motivate trainees to go through with the training (Kiggundu 1989).

There then follows the implementation of the training programme. Different methods of training can be used depending on the training needs and these include job instruction, coaching, lecturing, action learning, participatory training exercises, computer based training, etc. (Robbins 1982; Armstrong 1988; Graham and Bennett 1998). The content of the training courses ought to be relevant to the training needs of the participants. The methods need to be in line with the plan and trainers used should be well motivated and competent (Kiggundu 1989).

Lastly, there is evaluation and impact assessment of the training programme. During evaluation, the training programme is rated in terms of how well it is run and how appropriate it is as a tool for passing on new skills and abilities to the trainees. This is best done soon after the training has been completed and its focus is on the extent to which knowledge has been imparted to the employees and also assesses the training methods and trainers. With impact assessment, the focus is on whether the training received by the employees has brought about change in their work related attitudes, values, skills, behaviour or job performance and the degree to which those changes have occurred. Impact assessment measures whether there has been any transfer of skills and knowledge and is done when the employee has been back on their job and had time to put in practice what they learned during training. It is assessed in comparison to training goals and objectives that were established prior to the implementation of the programme. The results of evaluation are then fed back to the training department so that they can be incorporated in the future training programmes, particularly where there is a need for improvement (Kiggundu 1989).

Compensation/Reward Management

The ability of an organisation to operate successfully depends on the willingness of its members to perform their roles, and in order to get employees to participate in the productive role, business organisations have to induce them with rewards that employees regard as worthwhile. This process of exchange is of essence to the employment relationship and central to this exchange are decisions about reward management and compensation. Compensation is "...a pattern of rewards, both monetary and non-monetary, provided by the organisation to elicit behaviours consistent with the goals of the organisation" (Butler et. al. 1991: 113).

Role of Reward System

A reward system affects organisational effectiveness through its impact on employee attraction, motivation and retention. It determines who is attracted to apply for a job in an organisation and once employed, who will continue to work. Organisations with the best reward systems attract the most people, giving them the opportunity to choose the best people. Compensation is also one of the sources of motivation and dissatisfaction and its management is therefore important. People tend to behave in ways they perceive lead to rewards they value. Compensation reinforces and defines employee behaviour and attitudes at work (Lawler III 1984; Biles and Schuler 1986). It also determines which employees will stay in an organisation. Effective reward management is essential because rewards often constitute the single largest cost of an organisation, especially those that are labour intensive. Usually, it accounts for 10-50% of organisations' total operating costs and in the case of some labour intensive organisations; the proportion of rewards to the total operating costs can be up to 90% or more (Gerhart and Milkovich 1992: 482).

Elements of Reward Management Systems

It has been noted that for a reward system to be effective, it ought to combine some of the elements summarised in Table 3.1. The important elements as shown in the table involve the organisation making policy decisions on its compensation philosophy, base pay, whether to pay for performance or not, incentive structures, and the types of benefits and rewards to be given.

Table 3.1: The Fundamental Elements of a Total Compensation System

Compensation Philosophy	Identifies target market position for competitive pay levels and articulates the company's commitment to motivating and rewarding employee contribution and performance through the various elements of the company's total pay system.
Base Pay	Pays for standard job duties, skills and results. Should be designed to reflect competitive rates for comparable jobs within identified marketplace
Performance Based Variable Pay	Designed to reward achievement of specific company and/or individual performance objectives. Payouts vary based on company and/or individual achievement. Types of variable pay plans include: • Skill pay • Incentive pay/bonus plans • Commission Gain sharing/results sharing
Long-Term Incentive Compensation	Designed to reward long-term company performance. Individual job level/performance may impact eligibility to participate. Can be an effective retention tool
Benefits	Broad range of practices including health insurance, vacation, leave policies, and retirement and savings plans. Designed to address health and welfare needs of employees. Can send strong messages about company culture and values
Perks and Non-Cash Rewards	Used to recognize exceptional contribution, performance, commitment to culture and values. Variety of methods including additional time off, tickets to events, trips, dinners, public recognition, etc
Intrinsic Rewards • Performance Feedback Management • Development Opportunities • Work Environment	Processes used to communicate and align employee behaviors with business priorities and company values to achieve desired results. Play a significant role in successfully engaging full scope of skills and abilities within the workforce. Critical in retaining key talent

Source: Williams and Grimaldi (1999: 72)

Determinants of Rewards

Traditionally, business organisations have based their pay on the type of job that a person holds. The underlying assumption is that the person holding a job position is worth as much as what that job contributes to the organisation. This requires job evaluation to determine a job's worth and ranking the various jobs in the order of their worth. This then leads to assigning salaries and establishing salary structures with pay ranges that determine the maximum and minimum pay, based on managerial decisions that are influenced by external and internal factors (Butler et. al. 1991). This is the most common basis for determining people's pay in many organisations (Lawler III 1984; Gomez-Mejia and Wellbourne 1988). Another criterion for determining pay levels is skill. In this instance, individuals are paid for the skills that they have. Rather than rewarding people for moving up the hierarchy, in this instance organisations reward them for enhancing their skills and developing themselves (Gomez-Mejia and Wellbourne 1988). This pay system is more likely to be used in non-traditional settings where there is job flexibility and increased employee participation.

Another criterion used by organisations for determining pay is performance (Lawler III 1984; Gomez-Mejia and Wellbourne 1988; Butler et. al. 1991). In this case, employee pay levels are based on their individual performance or that of their team or unit. This system works well in instances where it is possible to measure performance and offer rewards that match with performance. A system with these qualities ensures that employees will view it as fair and elicits and strengthens desirable behaviours. Otherwise, the system of performance contingent based compensation can become counterproductive to the smooth running of the organisations if employees view it as unfair. It is important to pay for performance because if people do not receive compensation that is commensurate with enhanced performance that results from exerting more effort and ingenuity, they are likely to be disillusioned and reduce their effort. Additionally, pay contingent on performance motivates people to increase their effort because they know that they will share in the benefits of improved company performance. Examples of pay for performance include profit sharing, stock options, gain sharing, pay for skill, individual and team incentives and bonuses. In the absence of measurable performance indices, organisations use seniority as a basis for payment. This rewards people according to their position on the organisational hierarchy, the higher the position in the hierarchy, the higher the salary the person who holds the position gets.

Pay Levels

One of the important issues in an organisation's reward management system is its decision on pay level. Pay level is the "...average compensation paid by a firm relative to that paid by its competitors" (Gerhart and Milkovich 1992: 484). Some of the factors that influence pay levels are product market, labour market and pay surveys. How much competitors of a product pay their workers affect an organisation's pay because it may not afford to pay more and be competitive. The higher labour costs may push its products up making it less competitive. Pressures from this market can affect the maximum that an employer is willing to pay employees. With regards to labour market, organisations have to compete for the same labour with similar organisations and even those which are dissimilar, but who use similar employees e.g. human resource managers, engineers, lawyers etc. In order to attract and retain sufficient numbers of good quality staff, they have to compete favourably with those who would use them. In this case, the pressure from the labour market has an effect on the minimum amount that an organisation can afford to pay and still be competitive. If it does not pay within the range of the labour market, employees will leave for better pay elsewhere. Pay surveys on the other hand enable organisations to know what its key competitors are paying. Organisations have to decide which are its key competitors in the labour and product market and which of the markets to give more weight. The level of pay that employees receive affects the quality of people that an organisation is able to attract. This is because employees gauge their value to the employer by the level of pay that they are given. If people are well paid, they will focus their attention on improving their performance rather than spend time and effort worrying or complaining about their pay or looking for better paying jobs or finding other ways to supplement their low pay (Pfeffer 1994).

Pay Plans

Organisations can implement pay plans that match with their objectives. There are two types of pay plans, incentive and merit pay plans. How much of a link there is between performance and pay and what is used to measure performance differentiates the two. Incentive pay plans are more closely linked to performance, there are specific indicators for measuring performance and they have a big influence on the total pay that the individual or group gets. Merit pay plans on the other hand are not so closely linked to performance, and measurement of performance has a lesser impact on the total compensation package of the individual or group. Merit plans typically affect a small percentage of an individual's total salary and generally are used only to move an individual's compensation within a specific rate range, usually on an annual basis. Most of the total compensation is based on job evaluation and employees are paid according to the range of pay in which their job falls (Biles and Schuler 1986). It is argued that rewards that work are those which are allocated on the basis of how well people are performing after their performance has been evaluated. Performance based pay is mainly used with the purpose of increasing the "...productivity of individuals, groups, and organisations by using pre-determined incentives to compensate employees for on the job efforts" (Biles and Schuler 1986: 151). For an incentive system to be viewed as equitable, it should be linked directly to work output.

Types of Rewards

An organisation's total compensation package consists of extrinsic, monetary and non-monetary rewards and intrinsic rewards. Examples of intrinsic rewards are social rewards such as praise, evaluative feedback, compliments, and informal recognition, which meet employees' needs for affirmation. Examples of extrinsic rewards are basic wages and performance-based pay, and indirect compensation, which cover most employee benefits (Biles and Schuler 1986). Table 3.2 summarises a range of rewards that can be found in formal establishments, which are provided to their employees.

Effective Reward Management Systems

A good reward management system enables an organisation to retain and motivate good quality employees (Armstrong 1988). This occurs if the system is perceived as being externally competitive and internally equitable i.e. it should be fair and employees should view it as fair. Competitive and equitable pay levels and structures need to be in place if an organisation is to achieve optimal performance from its employees. People are likely to reduce their efforts if they think that other employees doing the same job or one that has less responsibility and requires less skills and knowledge than theirs are paid more than they are.

Table 3.2: Types/Forms of Rewards

Monetary Compensation	Benefits	Status Rewards	Social Rewards
Salaries or wages	Stock options	Formal awards	Praise
Commission	Training	Plaques	Smile
Pay rise	Insurance coverage	Office decorations	Evaluative feedback
Performance bonuses	Company vehicle	Location of office	Compliments
Christmas bonuses	Product discounts	Size of office	Informal recognition
Deferred compensation	Tickets to local events	Jewellery	Friendly greetings
Vacation pay	Recreation facilities	Perquisites	Nonverbal signals
Pensions or retirement	Club dues and memberships	Public recognition	Pat on the back
Profit sharing	Moving expenses paid		Dinner invitations
Unemployment compensation	Employee assistance plans		Social gatherings
Worker's compensation	Day care facilities		
Holiday pay	Parking		
Paid sick leave	Meals		
Personal loans at favourable rates	Trips		
	Work breaks		
	Sabbatical leave		
	Free legal advice		
	Free personal financial advice		
	Free home protection and theft insurance		
	Burglar alarms and personal protection		

Adapted from Biles and Schuler (1986: 141) and Butler et. al. (1991: 117)

The pay system should also be able to reward employees in proportion to their contribution to the organisation and their performance. An organisation therefore needs to evaluate the jobs within its structure and the performance of employees so that its pay levels reflect the importance of the contribution of each employee's job to the organisation. Job analysis and performance management are important inputs for determining compensation levels of employees in this respect (Armstrong 1988).

For it to be effective, the pay system also has to be perceived as being externally competitive. If an organisation pays competitively, it will be able to retain its good employees. In order to do this, an organisation has to be in position to obtain reliable information regarding the pay levels of its competitors in the labour market (Armstrong

1988). Equitable pay means that employees are satisfied if they think they are treated fairly and equitably. Inequitable pay leads to discontent and desire to transfer to other departments or other organisations that pay better. A poor reward system may therefore lead to an organisation losing good performers and retaining poor performers.

The ability of compensation to attract, retain and motivate an individual however depends on how much importance that individual attaches to money and this differs from one person to another. An organisation does not necessarily have to pay the most competitive pay levels in order to be able to attract and retain the best employees, because there are other factors that influence people's job decisions. People will often join and work for an organisation for reasons other than money, for example employees may join an organisation because of its location, its reputation as a place to work, friends opinions of its reputation, the job itself as well as the compensation attached to the job and be motivated to work hard through the use of non-monetary rewards (Biles and Schuler 1986). Nevertheless, compensation decisions are important because for most employees, the pay received because of their work composes their main source of income and employee benefits like medical allowance and social security determine their well being and financial security and that of their dependants (Gerhart and Milkovich 1992). This is part of the reason why employees seek to influence decisions about compensation through unions, governments and courts. It is therefore necessary to understand the effects of different compensation decisions on individuals and their response to them. Some of the important issues that influence decisions on compensation include pay level and its determinants, pay structures, individual differences in pay and benefits.

Equal Employment Opportunity

It is important that organisations' systems of staffing, training and reward management are fair and do not promote inequity in employment opportunities. This can be done if the organisation's employment programme has elements of equal employment opportunity (EEO). Equal employment opportunity "...refers to the government's attempt to ensure that all individuals have an equal chance for employment, regardless of race, colour, religion, sex or national origin" (Noe et. al. 1997: 106). In some countries, governments have enacted legislation that seeks to ascertain that all individuals in society are not discriminated against on the basis of their race, colour, religion, sex or national origin in the labour market. The equal employment strategies were created in the developed countries as a response to the inequalities that existed among women and minorities. They sought to remedy the social inequalities that existed as a result of these groups being marginalised in these societies. The initial objective was to eliminate the differences that existed between men and women in terms of work, wages and access to educational and employment opportunities. For example, legislation to remedy this in New Zealand has included the Equal Pay Act 1971, Apprenticeship Act 1974, Human Rights Commission Act 1977, Factories and Commercial Premises Act 1981, State Sector Act 1988, Employment Equity Act 1991 and the Race Relations Act 1972 (Barney 1994). In the United States similar EEO laws and Regulations have been enacted to ensure that employers do not discriminate against individuals on the basis of their race, colour, religion, sex or national origin. While some of the laws aim at discouraging discrimination, some of them specifically focus on achieving affirmative action to ensure that jobs and power are distributed fairly among men and women and minorities (Noe et. al. 1997).

Employee Attitudes

An organisation's HRM activities determine the nature of employees' jobs, their workload and how much responsibility they have. Their opportunities for promotion, how much they are paid and the conditions of their work are also determined by the policies that an organisation adopts. These in turn affect an employee's attitude to their work. "Attitudes are the feelings and beliefs that largely determine how employees will perceive their environment, commit themselves to intended actions and ultimately how they behave" (Newstrom and Davis 1997: 255). Employee attitudes have an impact on employee behaviours such as turnover; extended breaks, work slow downs, early departures, tardiness, theft, violence, performance and absenteeism. Positive attitudes are associated with desirable behaviour such as lower turnover rates; less absenteeism and willingness to adhere to firm policies while negative attitudes are associated with undesirable behaviour. It is therefore important to monitor, understand and manage employee attitudes because they play an important role in determining employees' actions at work.

There are three key employee attitudes that are important in management and these are job satisfaction, job involvement and organisational commitment (Locke 1983). The level of employees' attitudes has an effect on how they behave at work and according to Clarke (1998:5) "...workers' decisions about whether to work or not, what kind of job to accept or stay in and how hard to work are all likely to depend in part upon the worker's subjective evaluation of their work, in other words on their job satisfaction". Employees' involvement in their jobs and their commitment to the organisation also affect their behaviour at work and are therefore important. Although employee attitudes do not directly affect performance, they affect important HRM outcomes such as turnover, dismissal and absenteeism, ultimately influencing their productivity and that of their organisations. Because they are partly influenced by an organisation's HRM practices, employee attitudes can therefore be important indicators of the impact of HRM activities.

Job satisfaction is a set of feelings and emotions that employees have towards their work. They may be positive or negative and relate to how employees feel about their jobs e.g. whether they enjoy doing the tasks involved in the job or not. The way employees feel about their job is determined by their ability to perform the job and how enriching the job is and these are influenced by the HRM decisions on job content and context, recruitment, training and compensation. Two elements of job satisfaction are particularly important, the content of the job and its context. Content issues include the nature of the job, while context issues include supervision, co-workers and the organisation itself. These two i.e. content and context can elicit different attitudes in workers.

Job involvement refers to how much or the extent to which employees get immersed in their jobs, the amount of time and energy they invest in their jobs and the extent of their view of work as being central to their lives. Employees who are highly involved in their jobs are likely to work long hours and attempt to improve their performance. An employee's degree of involvement with their job is also affected by their view of their job (Newstrom and Davis 1997). Organisational commitment refers to the extent to which employees identify with their firm and wish to continue to actively participate in it. It measures employees' willingness to be employed by the organisation in future. All these are outcomes of the various HRM activities of a firm. The result of having committed employees is that the organisation experiences lower absenteeism, lower turnover rates and workers with willingness to exert effort to achieve the objectives of a firm.

Factors that Influence Employee Attitudes

Research has shown that workers rank the following aspects of work as very important; job security, an interesting job, promotion opportunities, independence, pay and hours of work (Clarke 1998). Job satisfaction has been shown to be related to job content characteristics such as a chance to use valued skills and to learn new ones, variety, creativity, difficulty, scope of work, autonomy, work over which the employee has control in the way it is done and job enrichment. Whereas job content is concerned with the job at a particular point in time, the aspect of future prospects which looks at how the job will be like in the future and whether the job holder is likely to have this job in future is also significant (Clarke 1998). Workers will be satisfied with promotion depending on how often it is done in comparison to how often they expect to be promoted and how important they think it is. Equity considerations play an important role in determining attitudes of employees although what is viewed as equity differs among individual employees. Some employees see merit and ability to do the job as what ought to be the basis for promotion, while others think it should be based on seniority and passing exams (Locke 1983). As well as equity considerations in promotion, employees' attitudes are also influenced by other factors. For example, some people may think their firms' promotion policy is fair yet may at the same time be dissatisfied with their personal promotion prospects if there are no jobs above their current job level. Others may not want to be promoted if it means that they have to take on more challenging work (if they have low self esteem). The promotion policy of an organisation, one of the HRM activities therefore affects employee attitudes.

Job context issues such as supervision, fellow co-workers and pay too can influence workers' attitudes. Pay determines employee attitudes depending on amount expected/valued and amount received (discrepancy theory/level) as well as the amount paid to others with similar responsibilities (equity theory/level) (Locke 1983). Generally, there is a positive relationship between income and overall job satisfaction. Factors at equity level that are of importance include individual traits e.g. age, seniority, education and experience; individual actions e.g. how much effort is required to do the job, how much output a person produces, quality of performance and if it leads to innovations, and job attributes e.g. how challenging the job is, how much responsibility it entails. Research shows that workers who feel others in similar jobs and with similar characteristics are paid better than them are likely to become dissatisfied with their pay (Clarke 1998). In addition to the above factors, the value that individuals place on pay plays an important role in their attitudes at work. These values on pay are affected by an individual's financial responsibilities, economic goals and how much they were getting before. The amount of pay is an important factor that affects employees' attitudes across all occupational groups (Locke 1983).

Credit or criticism for the way an employee accomplishes their tasks is another important context aspect. Praise for work done is regarded as important by all employees especially when it comes from colleagues and supervisors whom they respect and recognition gets most often mentioned as a cause of job satisfaction or lack of it (Locke 1983). Recognition enables an employee to get feedback about his or her competence in doing a job, with praise indicating that the employee has done their job properly in accordance with performance standards while criticisms indicate the opposite.

Intervening Factors

There are other intervening variables that affect people's attitudes and these include age, occupational level, a person's performance and organisational size. Research has shown that age, occupational levels and size of the organisation influence levels of job satisfaction. Older employees are more likely to be more satisfied than younger ones as they adjust their expectations to the situations of their work. However, as they grow older and expect less promotion and approach their retirement, their satisfaction levels begin to decline. With regard to levels of occupation, employees in higher levels of occupation have higher levels of satisfaction because they usually have better working conditions and their jobs provide them with opportunities to realise their potential and utilise their abilities and skills more (Herzberg et. al. 1987; Newstrom and Davis 1997). With regard to organisational size, evidence suggests that employees in smaller organisational units have higher satisfaction levels than those in larger ones where there is less personal closeness and friendships that many people consider as important aspects of a job. It has also been shown in a study that employees working in small companies (less than 70), because of their feeling of obligation to their employers and fellow workers are less likely to be absent at a level of satisfaction that would lead to more absence among workers in big companies (more than 3000) whose main motivation to work is to get money and not the relationships at work. Although research has shown a consistent and significant relationship between degree of satisfaction and absenteeism or turnover, the correlation is not high because most employees' behaviour is not only determined by how they feel. Research on the influence of an employees' sex on their job satisfaction has produced mixed results (Locke 1983). Although aware of these other elements that affect employee attitudes, for the purposes of this study these will be taken as a constant. It is assumed that all organisations would have people at different levels of occupation and different ages and therefore their impact will cancel out.

Outcomes of Employee Attitudes

Attitudes can predict the behaviour of employees as they provide clues on how employees intend to behave or act. Evidence shows that employee attitudes affect "...employee performance, turnover, tardiness, theft, violence and other behaviours" (Newstrom and Davis 1997: 260). Positive job attitudes predict positive behaviours while negative ones can predict undesirable ones. Dissatisfied employees are more likely to engage in undesirable behaviour at work especially if the feelings of dissatisfaction are strong and persistent. The actions resulting from employee attitudes are affected by factors like "...values, beliefs, and methods of thinking; the constraints and opportunities offered or presented by a situation" (Locke 1983:1330). As a result, some behaviours are modified by the above factors and may not necessarily match with attitudes.

Effect on Attitudes and Health

A person's attitude towards family, co-workers and self are affected by their attitude to their job. Research also shows a significant relationship between job satisfaction and things like headache, fatigue, shortness of breath and ill health. Mentally, being in a dissatisfying job brings conflict since a person is doing a job they would rather not be doing, which may affect their anxiety levels, tension and self-esteem (Locke 1983).

Effect on Absence and Turnover

Job satisfaction would make a person approach and repeat the source of satisfaction while dissatisfaction would lead them to avoid the situations. In work situations, the action taken if dissatisfied would be absenteeism, termination and lateness, complaints, extended breaks, work slow downs and early departures and there is documented evidence that shows that the relationships between job dissatisfaction and absenteeism and turnover is significant (Locke 1983). Employees with high job satisfaction are less likely to leave an organisation and are therefore more likely to work in the organisation for a longer time than those who are dissatisfied who will go through the process of thinking about quitting, search for a job and evaluate their alternatives. Decisions to be absent or leave a job would be affected by other factors such as feeling personally responsible to the employer, the need to earn an income and the ease with which it is possible to get another job (Locke 1983).

Turnover of employees who are valuable to the organisation has negative consequences for a firm especially if it is high because they are difficult to replace and the replacement exercise is expensive. Loss of valued co-workers may lead to decreased morale for the remaining workers while at the same time the reputation of the organisation in the community is negatively affected. Turnover though has some positive functional effects such as providing people within the organisation an opportunity for promotion or if the job is filled from outside, providing a firm with an infusion of new expertise. Turnover of valued employees can be prevented at the hiring stage by hiring people who are likely to stay and who match the job descriptions derived from job analysis, because if they are, they will have high satisfaction levels, since they will be able to perform well at their jobs. If there has been a mistake at the hiring stage, training can be used to rectify this. Once the organisation realises that the employee skills do not match those required by the job, it could enhance those skills through provision of training.

Theft and Violence

Dissatisfied workers often steal products or company services or time. This especially happens when they perceive their rewards as being inequitable, or feel exploited, overworked or treated impersonally. This could be minimised by having a compensation system that is perceived by employees as being fair and equitable and having pay levels that meet most of the employees' basic needs. Violence is one of the extreme results of employee dissatisfaction. Employees who are dissatisfied are likely to exhibit forms of aggression both physical and verbal.

Effect on Productivity

Job satisfaction is one of the factors that determine what an individual decides to do in a work situation and therefore affects their productivity. However, the relationship between satisfaction and performance is not straightforward. Because of this, it has been argued that it is productivity that affects job satisfaction (Locke 1983; Newstrom and Davis 1997). This is based on the premise that high performance may lead to valued outcomes like promotion, pay etc, if these rewards are based on the person's performance. If employees are given economic, sociological and psychological rewards that match their performance, they are then likely to get high satisfaction. If on the other hand, the rewards they get from their high performance are not deemed as fair and equitable, they are likely to be dissatisfied (Herzberg et. al. 1987; Newstrom and Davis 1997). High satisfaction will lead to increased commitment that affects effort and affects performance. This results in a continuous loop of performance-satisfaction-effort and therefore implies that management needs to devote efforts to helping employees improve their performance which may result in satisfaction (Newstrom and Davis 1997). Alternatively, if performance is low and leads to rewards that are less than those expected by employees, it would result in dissatisfaction that may result in one or more undesirable employee behaviours e.g. turnover, absenteeism, tardiness, theft, violence etc.

HRM in Africa

Most of the conclusions regarding HRM and performance have been drawn from the study of Western country organisations, but a few studies have shown that HRM interventions can be effective and useful in different cultural contexts to produce desired organisational outcome and that those developed in particular cultures can be generalised to others (Tung 1983; Ekpo-Ufot 1986; Harel and Tzafrir 1999). A study of Nigerian organisations by Ekpo-Ufot (1986) demonstrated a relationship between personnel functions undertaken in an organisation in terms of the number of practices and their importance, and the expansion of organisations in terms of growth in investment and fixed assets. In turn, these larger organisations are able to retain their employees, and have low labour turnover compared to small ones (Ekpo-Ufot 1986). On the other hand, organisations that have ineffective HRM systems have low employee morale, low retention levels for quality employees, and low productivity (Akinnusi 1991). Such personnel systems include use of particularistic criteria whereby relationships among employees are based on ethnic or tribal affiliation, regular intervention in the management of the business by politicians and inefficient management of human resources. Akinnusi claims that paternalism is rampant in many small and medium sized businesses in Africa and their management style is:

> ...largely or exclusively authoritarian and is normally associated with the traditional master-servant relationship and with a social system that gives workers a low social status and demands from them unquestioning personal allegiance to the employer or manager and their complete subservience to his will and judgement...in these circumstances therefore the employees especially at the lower levels suffer a great deal of alienation and exploitation which they have to endure due to the scarcity of job opportunities (1991: 166-7).

Alienation causes motivational problems among employees leading to negative attitudes and a desire to look for other jobs, absenteeism and tardiness, and deliberate reduction of effort and output (Kiggundu 1989). Other research in African countries has revealed that the following factors negatively affect employee attitudes: working conditions, pay, supervision, tribalism, interpersonal relations, nature of job, cultural background, unmet needs, lack of respect, lack of promotion opportunities and unfair selection patterns (Blunt and Jones 1992).

Cultural practices have been identified as being influential in human resource decision making in African organisations (Beugre and Offodile 2001; Anakwe 2002; Nyambegera 2002). For example it has been suggested that cultural practices such as respect for tradition cause some African managers to be reluctant to change because they are attached to the old practices and therefore resistant to new practices, making them ill-equipped to adapt to changes. Because of this, they rarely introduce new management techniques (e.g. total quality management, just in time etc.). Another cultural practice that affects management in Africa is the importance attached to extended families. This is said to lead to nepotism hence creating a tendency for managers to employ people from their ethnic groups (Beugre and Offodile 2001). For example research in Kenya showed cases where people from one ethnic group comprised the majority of all employees in some organisations' departments. This arises from recruitment practices that use recommendations of existing employees as sources of new employees. Existing employees who refer new ones are more likely to recommend their relatives or people from the same kinship groups (Nyambegera 2002). However such practices are likely to produce negative attitudes among the employees in the minority groups who end up "...feeling unappreciated or resenting the majority. Consequently, this affects team spirit within an organisation" (Nyambegera 2002: 1083) and is likely to affect their performance

Apart from cultural values, other factors affect management such as shortages of skills. Beugre and Offodile (2001) argue that African organisations have not developed and implemented modern HRM practices because they do not have human resource managers who have the necessary competency and knowledge. Because of this, decisions on human resource management activities such as performance appraisal are made on the basis of nepotism and other personal considerations rather than on measured performance. If the outcomes of such appraisals are then used to make decisions on reward, training and promotion, this is likely to have adverse effects on these other human resource management activities.

Although African managers tend to practice these particularistic management activities, and African employees have cultural values such as respect for elders, importance of extended family, collectivism and deference to power and authority, employees' preferences for human resource management do not support use of personal criteria for human resource decisions. For example research by Nyambegera et. al. (2000) showed that employees in

Kenyan organisations preferred some degree of involvement and participation in some policy matters, they prefer to know the criteria used for hiring individuals, and prefer systematic training policies in their places of work. They also prefer competence and performance based pay to that based on loyalty and seniority. The dissonance between managers' practices and employees' preferences is likely to give rise to inefficiency and poor performance. It has been suggested that the negative aspects of cultural practices on management could be reduced by the adoption of a culture-fit model, one that adapts modern management techniques to fit with African cultures. The view acknowledges the need for African managers to adapt the modern management practices but also to take account of the culture in which they are being implemented in order to enhance performance (Beugre and Offodile 2001; Anakwe 2002). This view recognises the need for modern human resource management practices to be adopted by organisations if they are to successfully compete in the world markets.

Privatisation and HRM

Privatisation aims at improving allocative and technical efficiency of organisations for improved performance. There is a general assumption that private sector enterprises are naturally more efficient than public enterprises. Oftentimes organisations put an enormous amount of time, care and effort to ensure that money is effectively used. In order to get the highest return on invested capital, organisations apply the most current ideas and methods. Strategic planning models and processes are used to develop alternatives of strategic importance. Yet, for these carefully developed plans to be implemented, the organisation needs employees who have the necessary commitment, concern and competency (Beer and Spector 1985). The capacity and willingness of employees therefore plays an important role in an organisation and it is here that the role of HRM in the process is of the essence. An organisation's policies for human resource management can affect the success of its chosen strategy and therefore organisations need a strategy for HRM that will make the most effective and productive use of its workers. This requires elevating personnel concerns to the strategic level and implies a need to recognise the contribution of employees in attaining organisational goals, and having a strategy for managing employees in ways that improve their capacity and make them willing to do their jobs effectively (Hess 1996).

HRM writers have asserted that in western countries, HRM was instigated by the need for firms to gain competitive advantage in the face of increasing international competition and globalisation (Williams 1993; Legge 1995). Companies whose survival was threatened by competition sought to excel in their fields, and the changes in organisational environment required the use of information technology, and changes in the labour force while at the same time consumers demanded quality added goods and services. The emphasis shifted from strategies that aimed at attaining competitive advantage through the use of traditional approaches like product technology, production process, market regulation and access to capital as these could comparatively be easily obtained by others. Instead, there has been a move to make use of HRM with the expectation that if organisations have in place a system of HRM that produces the requisite human capacity, their performance would be enhanced and there would be continuous competitive advantage (Anakwe 2002).

Poor managerial systems are said to be responsible for some of the ills that beset public sector enterprises. However, privatisation alone cannot change managerial behaviour in the absence of changes in the competitive environment and the regulatory framework in which an organisation operates (Ramamurti 2000). It is therefore imperative that in less developed countries, where competition and regulation is weak or absent, other determinants of managerial performance are given prominence alongside the strategy of privatisation. Since the management of human resources has considerable influence on organisational performance, strategies which seek to improve efficiency and performance such as privatisation may need to pay attention to the managerial aspect of firms, particularly in developing countries where competition and regulation is weak. The design and implementation of HRM practices give organisations competitive advantage through improved efficiency and enhanced performance. Firms that have a strategy for HRM policies, and implement HRM activities associated with improved employee productivity are the ones likely to have enhanced performance. Whereas the assumption that private sector enterprises are more efficient than public enterprises may be true in developed industrialised countries, no research has been done to show that this is true in the less developed countries in Africa which are implementing the privatisation policies based on this assumption. The limited research available suggests that the organisations in African countries are practicing managerial and leadership styles that puts emphasis on "...control mechanisms, rather than organisational performance" (Beugre and Offodile 2001: 540). African organisations cannot continue to operate like they did in the past when they did not have to compete in the international market because of government regulations that gave them protection from competition. If they are to successfully compete in the globalised economy, they need to adapt new management techniques to their particular culture to reduce the production inefficiencies and costly systems.

This study attempted to find out the HRM practices that have been adopted and are operational in the Ugandan private sector to find out whether private enterprises have effective HRM practices because if they do not, transferring state owned enterprises to the private sector will not automatically mean that they are going to be efficiently managed. It is hoped that the results of this study will help to bring the issue of management of employees in discussions on public enterprise reform and privatisation on a broader level than just their retrenchment.

Conclusion

This chapter reviewed literature on the theory and practice of HRM and its association with firm performance. Individual HRM practices of staffing, training and compensation were examined and elements that have an impact on organisational effectiveness discussed. The topic of employee attitudes, one of the outcomes of HRM was also examined, looking at its determinants and how attitudes affect people's behaviour at work. It also briefly examined literature on the practice of HRM in Africa. Finally, the strategic importance of HRM for an organisation and the reason why it was regarded as a topic of concern in the context of the strategy of privatisation was highlighted. Chapter Two examined the topic of public sector reforms in less developed countries, while this chapter highlighted the potential role that HRM could play in the reform strategies.

The process of privatisation assumes that the inefficiency in the SOEs is a result of lack of competition and government ownership. However, research in African countries shows that other factors apart from government ownership have been at play leading to inefficiency in organisations, for example, poor pay, lack of meaning, poor supervision, perceived unethical behaviour of executive, poor social relations at work, lack of job challenge, cultural factors, unmet needs, lack of respect, poor working conditions, lack of promotion opportunities and unfair selection patterns (Blunt and Jones 1992). These lead to low employee commitment and low motivation and are affected by the HR practices in a firm. A review of literature in HRM shows that an organisation's performance can be affected either positively or negatively by the way its employees are managed. Research has shown positive associations between firm level measures of human resource management systems and performance of organisations (Huselid 1995). This is because these practices have an impact on employees' skills and ability and their motivation. For example, through selection, organisations can ensure that the quality of employees is improved. This is done using selection procedures that screen out those that are potentially poor employees and selection of the ones who are the best potential candidates. For employees already in the organisation, training and development programmes can be adopted which will improve the quality of employees by imparting more skills and abilities. Investment in training has been shown to produce outcomes that are beneficial at the organisation wide level (Delaney and Huselid 1996).

This thesis attempted to investigate the prevalence of human resource management in the study organisations, comparing the practices of staffing, training, reward management and work attitudes of employees in the Ugandan public and private sector with the view to understanding whether they differ and if they do, whether private sector organisations had practices that promote efficiency. The following chapter will examine the process of public sector reforms and privatisation in Uganda, a country which is trying to improve its economic performance through this strategy. It will portray the political and economic context in which the policies of public sector reforms and privatisation are taking place in Uganda.

Chapter 4

PUBLIC SECTOR REFORMS IN UGANDA

Introduction

Uganda is a British colonial creation that is inhabited by people of diverse languages, cultures and traditions. The current boundaries took shape between 1890 and 1926 and contain fifty-six distinct communities (Mugaju 1999: 11). It borders to the East with Kenya, South with Tanzania and Rwanda, West with the Democratic Republic of Congo and to the North with Sudan. It lies across the Equator, has good fertile soils and sufficient rainfall, giving it a comparative advantage in agriculture and forestry. The preliminary results of the 2002 population and housing census released late in 2002 indicate that Uganda's population in 2002 is 24.6 million people (Uganda Bureau of Statistics 2002). Figure 4.1 shows the map of Uganda showing all the districts and the location of research (Kampala and Jinja).

The state has always played a dominant role in Uganda's economy since the colonial era but more so after independence. Post-independence governments invested extensively in public infrastructure, and public investment played a significant role in economic development plans (Clark 1968; Sepehri 1993). The high rate of state involvement in the economy meant that the country's economic development and growth were largely dependent on the success and capacity of public institutions responsible for generating and implementing policy. Public sector enterprises participated in various economic activities such as manufacturing, marketing, hotel industry, banking, mining and communication. For years, the public sector was the single largest employer in the formal sector and by 1989, public enterprises' employees accounted for more than 67% of wage earners in formal establishments (BMB Management Consulting for Development B.V and Community Management Services [BMB and CMS] 1990:14). It was expected that heavy public investment would in turn encourage the rate of private investment.

Uganda's unstable political conditions and civil unrest since its independence have had a major impact on the economy. The economic policies pursued by one government have often been reversed by its successor and successes of one period of governance become marred by poor management in another or by war. This has been a repeated occurrence up to the late 1980s and has led to economic decline and poor economic performance. In an attempt to reverse the economic decline, the current government has embraced the IMF and World Banks' policies of structural adjustment. This chapter gives an overview of Uganda's economy, its geo-political situation, its political history and its impact on the economy, the process of structural adjustment, public sector reforms and privatisation.

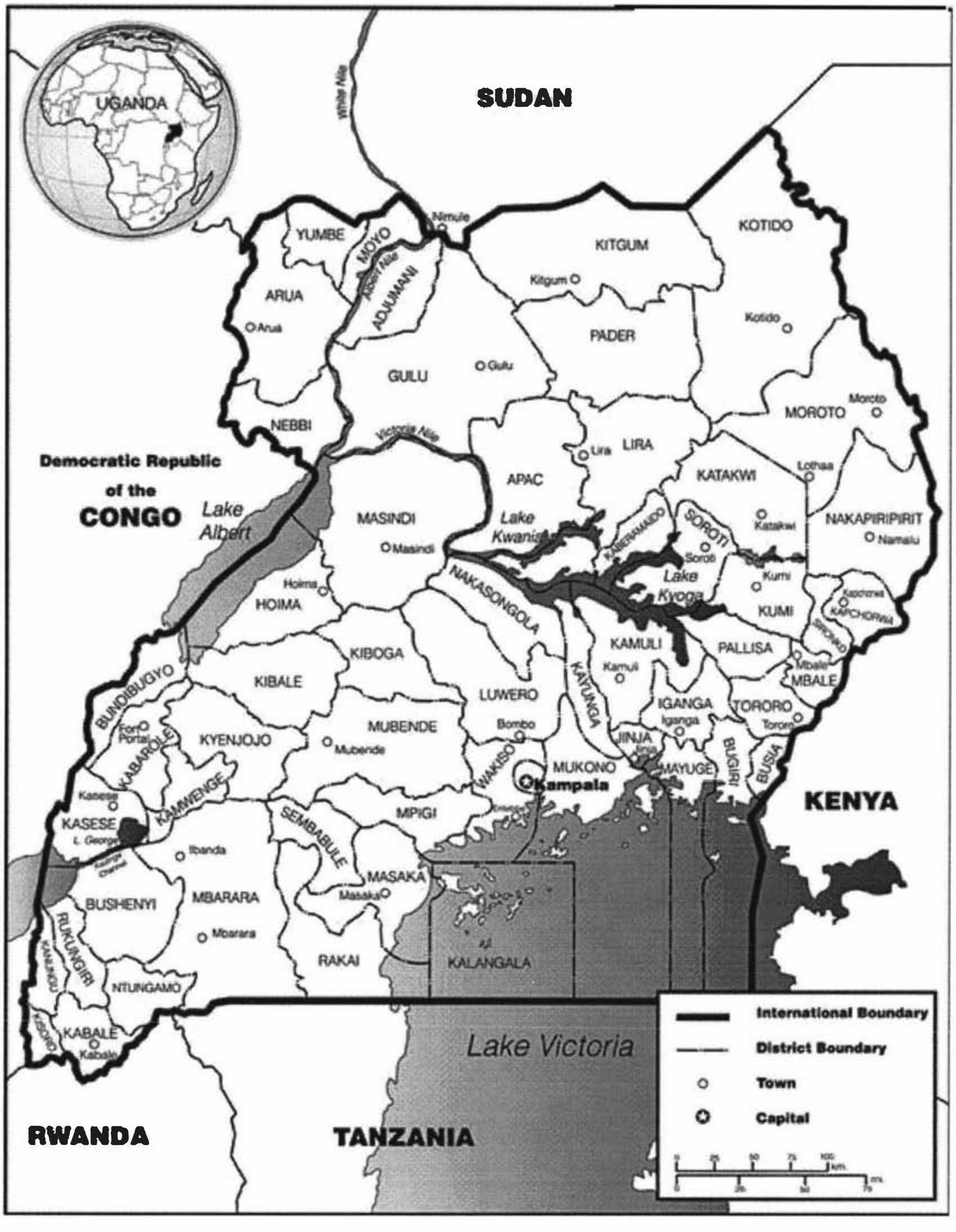
Political Background

Uganda attained independence in 1962 and since then, has had nine governments, most of which assumed power through military means. In 1966, the first President (Muteesa), the King of Buganda, one of several Ugandan pre-colonial kingdoms, was deposed by his Prime Minister, Milton Obote, who then suspended the constitution. Obote ruled until 1971 when he was overthrown by a military coup led by Idi Amin (Mugaju 1999:21). Amin was overthrown from power in 1979 with the help of Tanzanian forces and between that time and 1980, when elections were held, there were two changes of presidents. They were both forcibly removed from power and the country was ruled by a Military Council until the disputed 1980 elections which returned Milton Obote into power. Obote was in power up to 1985 when his government was overthrown by a military junta which ruled until January 1986 when the present government came to power.

Geo-Political Situation

Uganda is located in the area known as the Great Lakes Region (GRL), which has in recent years been involved in civil conflicts which are said to be ethnically based (Mbabazi 2001). These countries include the Sudan, Democratic Republic of Congo, Rwanda and Burundi. Uganda's economy and politics have been influenced by what is happening in these countries.

Figure 4.1: Map of Uganda



Source: African Centre for the Constructive Resolution of Disputes (2001)

Uganda has been host to hundreds of refugees from these countries and at times it has reportedly supported some of the rebels fighting the neighbouring governments. For example, Uganda is said to have supported the Rwanda Patriotic Front in Rwanda in the early 1990s and in the ongoing war in the Democratic Republic of Congo, Uganda is one of the countries supporting one of the rebel groups (Mbabazi 2001; Omari 2001).

Uganda's involvement in these conflicts has had an impact on its economy as well as its politics. The military expenditure has been a source of bone of contention with the multilateral agencies, which have at times withheld loans because they felt that the government was spending more on military expenditure than had been agreed on in the policy framework papers. At the political level, the Sudanese government has been actively supporting Ugandan rebels leading to the longest running civil war in Northern Uganda, because of the belief that Uganda gives support to the Sudanese People's Liberation Army (Mbabazi 2001).

Economy

Agriculture is the backbone of the economy, and contributed 56.6% to GDP in 1990 but its contribution to GDP has been declining over time to 45.1% in 1996 and 42.5% in 2000 (Uganda Bureau of Statistics 2001b: 70). The country is self sufficient in food production, and agriculture employed over 80% of the working population by the end of the 1990s (Ministry of Finance, Planning and Economic Development 1998:9). Coffee is the main foreign exchange earner and the main source of income for rural households. The other major exports are tobacco, tea, fish and cotton. Most agricultural activities take place on smallholder farms, with tea and sugar being the only crops grown on large farms. Uganda has a small manufacturing sector, whose share of GDP in 2000 was 9.1% (World Bank 2002). It is mainly concentrated in the processing of agricultural products on a small scale. Larger industries consist of those that manufacture textiles, tobacco, beverages, wood, paper products, construction materials and chemicals. Until 1993 when government initiated the privatisation policy, most of the large-scale industries were state owned. Small-scale industries consist of the clothing industry, sugar and maize mills, furniture making and general workshops (Ministry of Finance, Planning and Economic Development 1998).

Economic Background

In the 1960s, Uganda like many other developing nations at that time, pursued an economic development strategy that promoted the export of a few major crops while producing basic consumer and intermediate goods for local consumption. Public sector led development was taken as a norm (Mugume and Obwona 1998).

The economy during this time progressed at a reasonable pace and Uganda is said to have been one of the most prosperous countries in sub-Saharan Africa (Sepehri 1993). It was experiencing relatively high rates of economic growth, and although there was instability following the removal of Muteesa from power, it was more or less confined to the political sphere and did not impact much on the economy. Because of the country's abundant fertile land and rainfall, the rural subsistence farmers were able to produce enough food to cater for their consumption and have excess that could be sold in the urban areas. There was little need to import food for meeting the nation's requirements and the country's balance of payments situation was strong. Between 1963 and 1970, the average rate of growth of real GDP stood at 4.8% per annum while GDP per capita grew at an average of about 3% every year. The national saving rate of 13.4% of GDP was adequate for supporting investment (Sepehri 1993: 365; Ministry of Finance, Planning and Economic Development 1998: 3).

Government participation in the economy heightened in the 1970s (Wabwire 1995). When Amin came into power, he embarked on the policy of direct state intervention in the economy. In August 1972, his government introduced the economic war, leading to the expulsion of about 50,000 Ugandan Asians and foreigners with the government taking over their businesses (Kaberuka 1990:253-4). The Ugandan Asian and foreign business community's enterprises were some of the country's most economically significant players and had great influence on the industrial and commercial sectors. The government set up a departed Asians Custodian Board to care take the properties that had been left behind by the Asians. The large and complex ones were transformed into state owned enterprises, while the smaller ones were given to religious institutions and individuals in the military and government. The British firms were also nationalized and converted into state owned enterprises and this resulted in the dominance of the public sector in most economic activities (Sepehri 1993; Mugaju 1996). At the same time, government policies encouraged protectionist strategies for local industries. Government control over the economy was further increased through a Land Decree of 1975 that removed the ownership of land from customary owners, investing ownership of all the land that had been communally owned to government (Sepehri 1993). The break-up of the East African Community (EAC) in 1977 increased government ownership of enterprises as all the services that had been provided by the EAC were taken up by the individual nations. By the beginning of the 1980s, most of the large and medium enterprises in the manufacturing, trade, hotels, transport and communications, and utilities sectors were publicly owned.

The expulsion of foreign owners of private enterprises on short notice and the arbitrary distribution of their businesses led to decreased production because when they left, the country lost technical and managerial expertise that could not be immediately replaced by the existing human capital (Himbara and Sultan 1995). At the same time, the government practised state repression that induced many educated people to flee the country. The expropriated businesses were taken over by new owners and managed by employees who lacked the relevant skills and experience. The assets were not properly maintained and the new owners engaged in speculative and rent seeking activities instead of investment for long-term production. This period of mismanagement in the private sector and public enterprises led to a decline in aggregate output (Jamal 1987; Sepehri 1993).

The impact of Amin's economic war plus external shocks, such as the break up of the EAC, were such that in the seven years following Amin's ascent to power, GDP was declining at a rate of 0.2% per year while inflation was growing at a rate of 40.4% a year (Sepehri 1993: 368). The only sector that was not immensely affected by these disruptions was the subsistence sector, which grew at about 3.4% per annum. Most productive activities in the formal sector came to a standstill, affecting both exports and imports whose quantity deteriorated during this time. There was a switch in economic activities most withdrawing from the open to the parallel economy, making it difficult for government to raise revenue from the domestic economy and compelling it to run big deficits. Government revenue was down on the 1960's one, falling from 14.6% of GDP to 9.7% yet its expenditure decreased at a relatively smaller rate, from 17.5% of GDP to 15.5% (Sepehri 1993: 368). Most government expenditures also went into defence and internal security and prisons, the three of which accounted for over 40% of the government budget. Farmers, who constituted the majority of export producers, diverted the use of land to producing food crops and the few cash crops that were produced were sold on the black market or smuggled out of the country, leading to a fall in exports from 25% of GDP (1960s) to 12% (Sepehri 1993: 368). Cotton and tea production, which with coffee were the leading exports in the 1960s fell from 80,000 tonnes and 21,000 tonnes to 5,000 and 3,000 tonnes respectively. Coffee continued to be a leading export crop with its share of exports rising from 50% to 95% mainly because of the low costs associated with its production after the initial investment in tree planting (Prakash 1997). The instability in the country also led to a fall in the tourism activities, a major foreign exchange earner in the 1960s. These combined to create shortages in foreign exchange, which meant that the country could only afford fewer imports, which fell to 11.9% from 22.9% of the 1960s GDP (Sepehri 1993: 368).

Due to the worsening balance of payment and fiscal situations, inappropriate macro economic policies were pursued by the government. Such policies included excessive borrowing by the government from the banking sector to cover budgetary deficits. These led to increased domestic credit expansion and increased money supply in the economy (Mugume and Obwona 1998). At the same time, a combination of neglect of the productive sectors, and an over valued shilling led to high annual inflation rates. An increased growth in the money supply coupled with expansionary fiscal policies in the late 1970s worsened rates of inflation to 70% (Sharer and McDonald 1996: 71).

Although they played a major role, the imbalances that were experienced in the economy cannot be attributed to inappropriate government policies alone. The country's economy was also affected by poor terms of trade between 1974-79. High prices for petroleum products, a major import, and lower export prices for coffee, Uganda's major export, caused the country to experience trade deficits in 1975 (Jamal 1987; Sepehri 1993). Although higher international coffee prices in 1976-77 improved the terms of trade, the trend was not sustainable and beginning with 1978, they deteriorated again and never recovered. The unfavourable terms of trade and exchange policies that overvalued the Ugandan shilling, combined with price controls, budgetary deficits and increases in money supply to worsen the balance of payment position of the country further. By 1979, the country was financing the balance of payment deficits by accumulating external arrears (Sharer and McDonald 1996).

Between 1970-80, some parts of the country's economy stagnated while others contracted and there was a widening of the gap between actual and expected output. Average real GDP growth was 0.2% for the period 1971-75 and between 1976-80, it regressed to minus 3.5% (Sharer and McDonald 1996:70). The ratio of investment to GDP also declined by half and evidence suggests that was a result of reduced real aggregate demand (Sharer and McDonald 1996). Reductions in public expenditures on development projects because of reduced foreign earnings and use of government funds to meet military expenditure also contributed to the output gap. GDP per capita during this period decreased by 40%, accompanied by a fall in the standards of living (Sepehri 1993:368). The situation was worsened by the disruption and uncertainty that arose out of war that dislodged the Amin regime.

Public Sector Management in Uganda

Uganda's public sector, established in the colonial period, was initially set up on principles aimed at ensuring its efficiency. Based on the Westminster model, a civil service was set up to analyse, recommend, implement and evaluate public policy. The success of economic development therefore greatly hinged on the success of the civil service since it depended on the ability of the civil servants to implement policies quickly and efficiently. The performance of the civil service affected the performance of sectors like agriculture, manufacturing and commercial business and affected the environment in which the government sought to encourage development. The management of the civil service was handled by an independent Public Service Commission and its task was to set, monitor and review performance standards, to recruit, promote, demote and discipline civil servants and to formulate the terms and conditions of civil servants. The above were expected to be done on the principle of merit, whereby human resources management decisions were based on competition, regardless of class, ethnicity, race, sex or religion (Mugaju 1996).

It is improbable that the colonial government followed the principles of equal opportunity regardless of race, ethnicity and class. During the colonial time, all senior and middle management civil servants were non-African, mostly British and Asian. Only one African held a senior position by 1954. Even after protests from Africans, there were only 1,000 African civil servants in senior and middle positions by 1960 (Kaberuka 1990: 147). The post-independence civil service also did not follow the principles and practices of neutrality, integrity and meritocracy due to lack of a viable civil service culture, as well as administrative inexperience, political interference and sectarianism. The Public Service Commission was divested of its role of making human resource management decisions and was turned into an advisory body whose decisions were no longer binding on the Prime Minister. In an attempt to ensure that Africans were in charge, merit ceased to be the basis of the human resource decisions. Recruitment, promotion and discipline of civil servants were done based on racial, ethnic, religious and regional considerations for political expediency. This meant that some people gained positions for which they lacked skills and experience. This led to poor performance while political interference made many of the employees with skills and experience leave the service.

Whereas the principles and practices of merit and neutrality were disregarded in the 1960s, there were some sections of the civil service that had not been affected by the changes. The coming into power of the military dictatorship in 1971 hastened the breakdown of government institutions including the civil service. By the time the military government was removed in 1979, there was a marked decline in the performance of the civil service that persisted into the early 1990s when reforms in the civil service were initiated (Mugaju 1996). By this time, the public service had allegedly "...become bloated, inefficient, unproductive, unresponsive to national needs, utterly demoralised and generally incapable of delivering the services or performing the functions that it had been set up to achieve" (Harvey and Robinson 1995:27). The numbers of public servants continued to grow in the late 1980s, from 298,000 in January 1988 to 320,000 in 1990 and by 1992, traditional civil servants numbered 97,850 (Harvey and Robinson 1995: 27).

Labour Situation in Uganda

Of the estimated 21.4 million people in the year 2000, only eight million people (38%) were economically occupied. Table 4.1 shows the breakdown of the working population in Uganda in 2000 and the activities in which they were employed. As the data in Table 4.1 shows, the majority of employees are self employed, most of them engaged in rural agricultural production where more than 80% of the Ugandan population lives (Uganda Bureau of Statistics 2001b). Only a small percentage of people in Uganda are employed in formal establishments i.e. those who belong to the category of government and private employees in Table 4.1 (4.9%).

Table 4.1: Household Population by Main Activity (1999/2000)

	Male		**Female**		**Total**	
Main Activity	('000)	(%)	('000)	(%)	('000)	(%)
Total	**10,532**	**100**	**10,892**	**100**	**21,424**	**100**
Engaged in Economic Activity						
Self-employed*	2,429	23.0	1,610	14.8	4,038	18.8
Unpaid family worker	595	5.6	2,356	21.6	2,952	13.8
Government employees	194	1.8	63	0.6	257	1.2
Private employees	599	5.7	184	1.7	783	3.7
Total	3,817	36.1	4,213	38.7	8,030	37.5

*The self-employed category includes Employers and own account workers, however, employers contribute less than 1 percent of the self-employed.
Source: Uganda Bureau of Statistics (2001b:26).

In Table 4.2, the different industries in which all the economically active people were employed in 1999/2000 are specified. The majority of men and women as indicated in Table 4.2 are employed in crop farming and other agriculture (79%). Crop farming is the only activity where women outnumber the men; other employment activities are dominated by men.

Table 4.2: Classification by Industry (1999/2000)

Industry	Percentages		
	Male	**Female**	**Total**
Crop farming	65.6	85.4	76.0
Other agriculture	6.6	0.7	3.5
Mining and quarrying	0.4	0.4	0.4
Manufacturing	3.5	1.8	2.6
Electricity, gas and water supply	0.3	0.0	0.1
Construction	2.2	0.0	1.1
Trade, hotels, etc.	8.6	7.5	8.0
Transport storage and communication	3.0	0.1	1.5
All other services	9.8	4.0	6.8
Total	**100**	**100**	**100**

Source: Uganda Bureau of Statistics (2001b: 31)

The working population of Uganda engaged in formal establishments was classified by the High Level Manpower Survey of 1967 which subdivided waged workers into eight groups, seven of which were defined as high level manpower (HLM). The seven high level manpower groups were top managers (1200), junior managers (3840), professionals (3610), technicians (7840), craftsmen (9420), clerical workers and office executives (10,100) and others including primary teachers (14,900). At that time, it was estimated that there were 257,000 waged earners in the country and 20% of total wage employment consisted of the workers in the high-level manpower groups, most of them foreign expatriates and Ugandans of Asian origins. Africans comprised the majority of semi-skilled and unskilled workers representing 80% of the total waged employees (Banugire 1987: 141).

Prior to 1973, the private formal establishments employed more people than the public sector did, but after that period, this trend reversed, with the public sector estimated to have been employing 56.6% of the total wage employment by the end of the 1970s (Banugire 1987). This trend was a result of the decline of the formal private sector and a movement towards excessive employment in the public sector. Although the public sector employed fewer workers than the private sector in the 1960s and early 1970s, it had higher representation of employees in the HLM groups (67%) (Banugire 1987: 141). With the disintegration of the economy in the 1970s and early 1980s, the number of people with high-level skills decreased significantly while the number of those with semi-skilled and unskilled workers increased. Most of the employees with high-level skills withdrew from the public sector and either left the country or went into self-employment. There was a shift in employment with the high level skilled people going into public enterprises sector while the unskilled workers went into informal markets in both urban and rural areas (Banugire 1987). The trends seem to be reversing again as seen in Table 4.1 where there are a larger proportion of waged employees in the private sector than that in government employment.

A pilot labour force survey done in Uganda in 1997 showed that the country's unemployment rate stood at about 7.4 percent (or 668,000 of the 9 million of the economically active persons) (Uganda Bureau of Statistics 1997). When disaggregated into areas, the results indicate that most of the unemployment is found in urban areas, with the following percentages: 21.7% in urban areas (including 31.1% in Kampala), and 5.1% in rural areas (Uganda Bureau of Statistics 1997).

Trade Unionism

Trade unions in Uganda started during the colonial era for the purpose of enabling workers to negotiate favourable terms and conditions of their employment. However, because most employees were either not well informed about their usefulness or because most of them still had strong attachments to their rural origins, the trade union movement was not strong (Nicol 1979). The social, economic and political decline in the country of the 1970s and 80s led to further undermining of the trade union movement in Uganda. There was a decline of trade unions both in terms of finances and members and this constrained the trade unions' ability to organise politically or even negotiate. The trade union leaders who pursued their own interests at the expense of their members made this worse (Nicol 1979). Political repression and declining earnings coupled by increased costs of living led to workers losing interest in being part of the trade union movement and this served to further weaken the trade unions (Banugire 1987). The government in the early 1980s added to this decline through its interference in the work of trade unions by establishing workers councils in the large establishments and state owned enterprises. Critics of the current government have also alleged that it has repressed the activities of worker's unions (Oloka-Onyango 1997). As a result, the trade union movement in Uganda does not have a strong voice in many establishments although some industry based ones have been able to remain active throughout the years.

State Owned Enterprises in Uganda

The history of the State Owned Enterprise (SOE) sector is closely linked to the country's socio-political development. The sector began during the colonial time, with a government's policy aimed at fostering industrialisation by setting up the Uganda Development Corporation (UDC) and its subsidiaries in 1952. It expanded in the first post-colonial period with more SOEs being set up for the following reasons:

- the maintenance of control over strategic sectors
- mobilisation of resources
- an unwillingness or inability of private companies to undertake certain large investments otherwise essential to the economy;
- the promotion and development of its nascent entrepreneurs;
- internal growth and diversification;
- political and ideological considerations, which led to the takeover of private companies (BMB and CMS 1990: 4).

The first post independence government established several manufacturing firms under the UDC joint venture and by 1971, government through UDC, owned majority shares of 23 organisations and minority shares in 14 others. The major aim of establishing these enterprises was mobilisation of resources. Examples of public enterprises established by 1970 include the Produce Marketing Board, National Housing and Construction Corporation, National Insurance Corporation and Uganda Dairy Corporation. In spite of increased state expansion, however, key sectors of the economy were mostly under the control of foreign private business enterprise for most of the 1960s and the government and African entrepreneurs' influence in those sectors was minimal (Kaberuka 1990). Coffee and cotton, two of the country's major export crops, were produced by peasant farmers while tobacco and tea were produced on both peasant small holder farms and large foreign owned plantations. Foreign companies controlled foreign trade, mining, finance and manufacturing, whilst internal trade was controlled by Ugandans of Asian origin. In May 1970, in an effort to increase African control over the economy, the government of Obote announced the policy of partial nationalisation that aimed at giving government ownership 60% of 85 foreign owned enterprises' shares. Before it was implemented however, his government was taken over by Idi Amin in a military coup in January 1971 (Sepehri 1993: 367; Mugaju 1999: 25).

In the 1960s and early 70s, SOEs in Uganda were instrumental in engendering economic growth. However, thereafter, poor management coupled by excessive government intervention, caused them to become less profitable and more burdensome to the economy, as they required government subsidies to prop them up. Those that were run down eventually collapsed. Most of the industrial SOEs operated at less than 33% of their maximum working capacity by 1989 (BMB and CMS 1990). Only three companies were operating at levels of half or more of their maximum capacity. The three were, Cable Corporation Ltd, Lake Victoria Bottling Company Ltd, and Uganda Fishnet Manufacturers Ltd. The rest in sectors like tea curing, metal and paper production were operating at less than 10% of their maximum capacity, while the textile sub sector operated at between 10% and 30% capacity (BMB and CMS 1990: 12-3). By the time the government policy of privatisation was implemented, a number of them were only suitable for liquidation, while others owed government large sums of money (Wabwire 1995).

Structural Adjustment Policies in Uganda

The 1979 war that led to Amin's descent from power caused massive destruction of infrastructure and business properties. Those properties that were not destroyed had most of the movable assets looted by the fleeing army and the incoming one. The economic situation was such that by 1980, the production capacity in the formal sector was operating at 60% of its 1971 levels (Sepehri 1993: 368). The war was followed by a period of political instability, with three changes of government leaders in a period of one year, making it impossible for the changing governments to put in place a coherent economic strategy until the 1980 elections when Obote again became President.

Between 1981-84, attempts were made to stabilise and revive the economy with the help of IMF and World Bank (IBRD) loans. It was mostly a period of rehabilitation as most of the institutions and structures had been destroyed. The main objectives of the economic programme during the recovery period were to rehabilitate the export and manufacturing sectors, the physical infrastructure and to encourage tight control on government budget. The strategy was partially successful, leading to increased total output and growth of real GDP (Sepehri 1993; Ministry of Finance, Planning and Economic Development 1998). Production in the manufacturing sector recovered initially, but later stagnated and that in the agricultural sector grew too although the growth was concentrated in coffee production, while the other export crops did not recover.

In 1980, the Ugandan government was required by the lending institutions to return those properties that had been forcibly taken away from their foreign owners, mainly Asians who had not received compensation for them. The Expropriated Properties Act 1982 was enacted to enable the return of properties to their original owners. Some of the big enterprises that had been taken over from Asians were given back to their owners as well as the multinational and British companies. The state retained ownership of those enterprises that had originally been established by government, or whose owners failed to turn up to claim ownership (Wabwire 1995).

Economic recovery was stalled by political instability and the outbreak of a civil war in 1982 which intensified in 1984. Consequently, the government was not able to keep its commitment to the international lenders to control its expenditures, because of the increased defence costs, and the international finance institutions withdrew their funding in 1984 (Opio 1997; Holmgren et. al. 1999). The gains of the previous three years started to unravel, real GDP declined by 10% between 1984-85, the rate of inflation increased and coffee once again became the only foreign exchange earner. Although Gross Domestic

Investment had grown to 9.6% of GDP between 1978-83, all efforts at stabilisation were halted by the spread of the civil war to many parts of the country (Sharer and McDonald 1996:72). The second Obote-led government was overthrown in 1985 by the military, which ruled the country until January 1986. The economy contracted and was in disarray during this period as most of the country was once again embroiled in war. What was remaining of the infrastructure and what had been rehabilitated was destroyed and inflation levels increased to a rate of 296% per annum (Holmgren et. al. 1999: 16). By 1986, the economy had been shattered by the civil war and the facilities for transport, power and water were barely functional. Most factories had either closed down or were under-utilised and because of poor terms of trade, the agricultural sector reverted to subsistence production (Sepehri 1993).

Second Phase of Structural Adjustment Programme in Uganda

When the current government took over power in January 1986, it articulated as its program the intention to restore democracy and ensure security of persons and their property as well as consolidating national unity. It also sought to restore law and order, rehabilitate and restore social services, reform public service institutions and attain co-operation with the country's neighbours. There was a need for major economic policy reforms to reposition the country's economy and get it out of the dire situation into which it had slid. The new governments' strategy for economic development was not different from that of its predecessors. The ten-point programme, which articulated its future intentions, viewed extensive government intervention in a mixed economy as acceptable and necessary. Its aim was to achieve an integrated, self-sustaining economy (Museveni 1985).

The first two years of the new government were focused on the restoration of law and order, achieving balances in the composition of government on regional, ethnic and religious basis and the provision of relief and aid to those whose sources of livelihood had been destroyed in the war. It also implemented a macroeconomic management model that laid emphasis on government control and regulation of the markets and revalued the currency. These reforms, however, were short term and did not yield the hoped for results, but led to worsening balance of payment position. By June 1987, inflation stood at 240%

per annum (Ngororamo 1997: 45). An over-valued currency reduced the country's competitiveness on international markets and there was a gap between official and parallel market rates of foreign exchange, leading to foreign exchange shortages and increased arrears. The collapse of the International Coffee Agreement served to worsen the already deteriorated terms of trade (Sharer and McDonald 1996). The government felt it imperative to launch a long-term economic policy, the Economic Recovery Programme (ERP) in 1987 whose aims were:

> to rehabilitate the economy and enhance economic growth, to stabilize the economy and reduce inflation and to minimize the potential for a balance of payment crisis (Ministry of Finance, Planning and Economic Development 1998: 6).

The ERP had the following specific aims:

- Attaining and maintaining a rate of economic growth of about 5% every year
- Restoration of fiscal and monetary discipline for the purpose of reducing and controlling inflation to rates of less than 10%
- Addressing the balance of payments problems so as to reduce deficits while building up foreign reserves of more than four months' worth of imports
- Rehabilitation of key sectors of the economy
- Making available resources that would adequately enable the priority objectives to be attained.

In many ways, the proposed reforms were similar to those pursued in the early 1980s except that these were preceded by major currency and tax reforms. Furthermore, to ensure that scarce foreign exchange was not used for importing non-essential consumer goods as in the past, there was targeted allocation of foreign exchange to priority sectors and projects. The government also decided to use grants and concessional loans. By late 1988, the economy was performing better and increases in the economic activities were apparent. However, reconstruction did not move at the pace that had been envisaged because the country's foreign exchange needs were not being adequately met by the existing funding sources. As a condition for securing increased funding from the IMF and World Bank, Uganda was required to initiate a Structural Adjustment Programme and at their urging, the government gradually was compelled to change its strategy and to implement major economic reforms (Sepehri 1993). The economic recovery programme (ERP) got a three-year extension and instead of a one-year structural adjustment programme, a three year Extended Adjustment Facility (ESAF) was initiated. The same goals of maintaining GDP growth rate at 5%, decreasing inflation to less than 10% etc. were maintained. However, the strategy for attaining them was different and consisted of devaluation, budget cuts and increased tax, reform of public sector, foreign exchange liberalisation, price liberalisation, reforms in the financial sector and deregulation, constitutional reform, decentralisation and army demobilisation (Sepehri 1993; Langseth 1996; Sharer and McDonald 1996). Most of the above mentioned programmes have been implemented to varying degrees since the beginning of 1990. The outcome of these programmes has been reduced customs tariffs, removal of price controls, deregulation of the foreign exchange markets, financial sector reforms, privatisation of parastatals and civil service reforms (Danish Ministry of Foreign Affairs 1996). The following sections briefly examine some of the reforms in the Ugandan public sector that have resulted from implementing the ERP.

Public Sector Reforms and Private Sector Development

The implementation of the ERP under the structural adjustment programme has led to changes in Uganda’s economic planning. Unlike the period before 1990, when the country's development plans stressed the importance of public investment as the foundation for economic development, the current plans promote a reduced role of the state and expect private sector development to spearhead economic development. Institutional reforms have been implemented with the purpose of increasing the effectiveness of the private sector and these consist of civil service reforms, public sector reforms and deregulation of prices of productive resources. Institutional frameworks that encourage private domestic and foreign investors to invest in the economy have been set up (Holmgren et. al. 1999). There has been sustained effort to reform the financial sector and the public enterprises and one of the expected outcomes of these reforms is private sector development. Proponents argued that if the Ugandan government did not reform and privatise parastatals, they would drain the state treasury while stifling the development of the private sector (Harvey and Robinson 1995; World Bank 1996a). It is believed that the development of the private sector is a necessary pre-requisite to economic growth and development. Hence, the government hopes to encourage the growth of private investment through privatisation of state and semi-public companies as well as creating a conducive environment to attract foreign investors through legislation that is favourable for private entrepreneurs.

Civil Service Reform

In 1990 a Public Service Review and Reorganisation Commission (PSRRC) was put in place to formulate a policy framework for public service reform. The public service includes the traditional civil service, judicial service, teaching, police and prison services and local government employees. The purpose of the PSRRC was to recommend how individual public servants ought to be deployed according to their academic qualifications, experience, effectiveness and integrity. It was also expected to make recommendations on the following issues in the public service: work methods and procedures, integrity, accountability, value for money, corruption and personnel management (Harvey and Robinson 1995). The Commission submitted a report to government in 1990 which was discussed and endorsed in 1992 by the then National Assembly.

A series of reforms at the institutional level were put in place to enhance the capacity of the civil service to effectively formulate and implement policy. Reforms in the civil service have been mainly targeted at reducing the number of civil servants in the public service and streamlining the structure of the civil service. The aim of reforms in the civil service was to:

> achieve sustained macro-economic stability, improve general service delivery to the public, improve financial viability in the short- and medium-term, strengthen capacity, and reverse the progressive decline in the public service efficiency and effectiveness, thereby building public respect and confidence (Langseth 1996:54).

Its key elements were to restructure and reduce the number of government ministries and agencies, reduce the number of civil servants through retrenchment and voluntary redundancies, improve the civil service reward systems, introduce better personnel management systems and strengthen the capacity of the government to implement the reforms. The outcome of the reforms was the reduction of the number of government ministries through merging of several ministries. The number of ministries reduced from 38 in 1989 to 21 in 1994. The number of public servants also decreased from 320,000 in 1990 to 147,799 in 1996 (Harvey and Robinson 1995: 27; Langseth 1996:55). There has been an increase of civil servants in the late 1990s and by 2000, the total number of public servants was 178,800 (Uganda Bureau of Statistics 2001a:36) (see Table 4.3). The fringe benefits that civil servants used to get have now been monetised, leading to improved salaries, although their levels are still low relative to the cost of living and in comparison to those paid by the private sector. Table 4.3 shows the trend of civil service employees in the years between 1996-2000.

Table 4.3: Size of Uganda Civil Service: 1996-2000

	National level					Universities	**Decentralised Districts**			
Annual Average	Traditional civil service	Teaching service	PP	GE	Sub total		EST	GE	Sub total	Grand total
1996	11,651	90,768	18,642	10,089	131,075	5,300	9,584	1,876	12,376	147,799
1997	11,206	91,434	18,659	7,601	130,024	5,182	13,223	2,414	15,637	149,782
1998	10,206	97,334	18,073	5,914	131,526	5,122	14,432	3,139	17,570	154,219
1999	9,491	104,283	18,221	5,384	137,380	5,091	18,699	5,291	23,989	166,460
2000	10,307	106,823	17,996	4,802	139,928	5,203	25,330	7,619	32,949	178,080

Key
EST – Established
GE – Group employees
PP – Police and prisons

Source: Uganda Bureau of Statistics (2001a: 36).

Public Enterprise Reforms and Privatisation

The problems with poor management practices discussed in an earlier section were not confined to the civil service. The culture of tribalism, nepotism and sectarianism in human resource decisions pervaded other formal sectors too. What was happening in the civil service also influenced the way other institutions were being run, since most of them especially the parastatals, were also directly influenced by the government in charge. Most appointments and promotions were based on nepotism and sectarianism and like the civil service, the standards of performance in public enterprises suffered (Sepehri 1993; Wabwire 1995). The Boards of Directors for these institutions were, and still are, political appointments as were the chief executives and other high-ranking officers. The principles of merit were disregarded in considering people to head these organisations. As a result, the people appointed into these positions, instead of working for the interests of the organisations, were more likely to work for the interests of their political patrons as these could determine whether or not they could retain their jobs (Sepehri 1993). This affected the performance of the organisations and instead of being profit-making, they became dependent on government subsidies to keep them afloat and this contributed to the country's budget deficits. According to Sepehri, "...subsidies and subventions to these enterprises in 1986 amounted to over 14 billion Ugandan Shillings" (1993:377). This had risen to 208 billion shillings by 1994, an equivalent of 8% of GDP, five times and two times of what the government spent on health and education respectively in that year (Kiyingi 1999: 32).

Public enterprise reform is meant to strengthen and rationalise the performance of parastatals. The reform policy consists of: total or partial selling off of government shares in some companies; auction; debt/equity swap; joint ventures; management contracts; and the return of properties to their Asian owners. Privatisation is one of the strategies for achieving private sector development and fostering industrial efficiency. Proponents argued that the sale of some of these parastatals would also free the government treasury of the extra burden of subsidising them and they would in turn be better managed by the private sector (Public Enterprise Reform and Divestiture [PERD] 1997).

A privatisation secretariat, which was established 1989 commenced its activities in 1990 to study the parastatals and make decisions on which ones should be liquidated, sold off or kept. This was followed in 1993 by the enactment of the PERD statute whose objectives were to:

> reduce the direct role of government in the Ugandan economy and to promote a correspondingly greater role for the private sector; and to improve the efficiency and overall performance of those public enterprises that for the shorter or longer term...will remain under government ownership, possession and control (PERD 1993: 3)

A PERD secretariat to implement the decisions that arose out of the objectives was established. PERD secretariat was divided into two units. The privatisation unit, charged with the responsibility of dealing with divestiture of those parastatals that were earmarked for divestiture and the Parastatal Monitoring unit to monitor funds invested in those parastatals remaining under government control. An appointed minister of state was put in charge of the privatisation process.

At this time, it was not possible to establish the exact number of public enterprises, due to the absence of a central registry. It was estimated that the government held shares in at least 146 enterprises in the country excepting banks, and had a controlling interest in 95% of them by virtue of being the largest shareholder (BMB and CMS 1990:6). The government also had direct and indirect majority controlling interest in nine joint ventures with private foreign enterprises and indirect controlling interest in one, and it had negotiated management contracts with foreign partners for nine enterprises. In total therefore, the government had majority holding in 157 enterprises most of which were commercial enterprises- over 80%. A number of them (20) were non operational and insolvent while many operated below capacity. Table 4.4 shows a summary of state owned enterprises (SOEs) in Uganda and type of government ownership in 1990. At the same time, a decision was made to wind up those that did not have the capacity to sustain themselves and grow and to sell off all the commercial enterprises to private entrepreneurs or private concerns (BMB and CMS 1990).

Table 4.4: Ownership of Public Enterprises in Uganda by 1990

Type of Ownership	**Number**	**Joint Venture**	**Mgmt Contract**	**Ownership Issues**
Govt direct majority holding	86	9	8	6
Govt indirect majority holding	44	-	-	8
Govt direct/indirect majority holding	8	1	1	3
Sub-total	**138**	**10**	**9**	**17**
Govt direct minority holding	3	1	-	-
Govt indirect minority holding	5	1	-	2
Total	**146**	**12**	**9**	**19**

Source: BMB and CMS (1990:7)

The SOEs were grouped into five categories ranging from those that were to be reformed and remain under government control to those that were to be sold off or liquidated. Table 4.5 shows the categories in the 1993 schedule. The Minister of Finance however retained the leeway to decide whether an SOE remained in one category or moved to another (Harvey and Robinson 1995:33). For example some SOEs which had initially been scheduled to remain under government ownership have now been privatised, e.g. Uganda Posts and Telecommunications.

Table 4.5: Classification of Ugandan SOEs in 1993

Class	Shareholding	Number of SOEs	Action
I	100%	10	Retain
II	> 50%	17	Majority Shares
III	< 50%	20	Minority Shares
IV	0	43	Fully Divest
V	0	17	Liquidate
Total		**107**	

Source: Tukahebwa (1998: 63).

The process had several delays because of opposition from both within and without the government. Harvey and Robinson (1995) claim that those opposed to it were those who stood to lose including ministers, members of parliament, business people and senior civil servants. They argue that the opposition especially of the government strategy to encourage Asians to repossess their properties came from business people that were renting the properties cheaply. However, opposition also arose from people who felt that there were a few Ugandans capable of raising the capital needed to buy the parastatals. This meant that only foreigners had the capacity to buy shares of the parastatals which would lead to foreign domination. People were also concerned that the sale of utilities like Uganda Posts and Telecommunications Corporation, Uganda Commercial Bank and National Water and Sewerage Corporation would mean that, if bought by foreigners and private entrepreneurs, the new owners would not extend services to those parts of the country where there are few customers or rural areas where most poor people live. As a result of the opposition, there was a delay in implementing the process of privatisation which did not take off until 1994.

In 1994, class III was revoked by an Act of Parliament and those enterprises that had been thus categorised were placed in category IV (Government of Uganda 1997 various). By August 1994, 11 public enterprises had been sold off, 11 repossessed by the Asian owners, 9 liquidated and 16 advertised for sale. At the end of 1998, out of 127 parastatals that had been earmarked for divestiture (excluding utilities), 85 had already been privatised and PERD had already approved 23 more to be sold (Privatisation Public Education Programme 1998: 3). By June 1999, the number of divested parastatals amounted to 90 (Enterprise Development Project 2000: 21). Table 4.6 shows the classification of the remaining parastatals in June 1999.

Table 4.6: Classification of SOEs by June 1999

Class	**Shareholding**	**Number of SOEs**	**Action**
I	100%	9	Retain
II	> 50%	7	Majority Shares
IV	Nil	27	Fully Divest
Total		**43**	

Source: Enterprise Development Project 2000: 32-3

Outcomes of the Reform Programme

Following the initiation of the Economy Recovery Programme, the Ugandan economy has substantially stabilised and liberalised. There has been an increase in investment with real GDP growing at a rate of about 7.6% a year in 1995. Unfavourable terms of trade and international oil price hikes however reduced the growth to 5% a year in 2000 (Ministry of Finance, Planning and Economic Development 2001). Inflation has declined over the years to rates of less than 10% a year and there has been an improvement in the current account balance of payments mainly due to appreciation of the real exchange rate because of good coffee prices in 1994-95 and also because of the increase in aid flows from multilateral and bilateral donors (Okurut 1997: 30). The country's foreign exchange reserves have grown to an equivalent of five months' worth of imports (Belshaw et. al. 1999: 673; Holmgren et. al. 1999: 21). The availability of foreign exchange through aid has contributed to growth through increasing importation of equipment needed for production and closed the domestic savings gap enabling investment to increase. Gross domestic investment increased between 1986 and 1994, most of it in the public sector from 2.6% of GDP in 1986-7 to 7.6% in 1992-3. Investment as a percentage of GDP in the private sector also grew from 6.6% to 8.8% (Mungyereza 1997:2). Most investment, however, has been concentrated in construction rather than in purchase of machinery and equipment. The budget deficit has also decreased although it is still high: between 6% and 7.8% of GDP in 1993-97 (Dijkstra and Van Donge 2001: 848-9). However, it is comparatively smaller and unlike in the past when it was financed by borrowing from the central bank, leading to inflation, it is now financed through foreign loans thus controlling inflation.

The agricultural sector grew at 4% per year, in the period between 1991-1995 (Bisamaza 1999: 54). Coffee once again became a big earner in the 1994-5 financial year because of good international prices. The liberalisation of the marketing of coffee also led to increased coffee production as farmers were able to get good prices for their coffee because of the presence of many buyers in the market. Tea production also went up and exports grew, rising to 10,972 tonnes in 1994, up from 7,018 tonnes in 1991. The value of non-traditional exports also grew by 65% in 1994/5 from $81.6 million in 1993/4 to $134 million (Bisamaza 1999:54). Non traditional exports which the country has diversified into consist of hides and skins, sesame seeds, detergents, electricity, cocoa, hoes and hand tools, livestock, nuts, bananas and gold. There has also been growth in the production and export of fish products, cut flowers, fresh fruits, spices and vegetables.

Since 1987, the manufacturing sector has grown at a rate of about 12% per year and in 1994/95 grew at 17.7% annually (Bisamaza 1999: 55). Most of the growth took place in the areas producing beverages and tobacco, chemicals, soap, paint and steel products. Liberalisation has also brought back trans-national organisations such as Shell, Caltex, Pepsi and Unilever, who are re-establishing their presence in the country after many years of absence (Prakash 1997). Investor survey in 2000 indicated that 87,448 jobs had been created as a result of increased private investment and 60.5% of these were held by Ugandans. Most of the jobs (55,894) that have been created by the increased private sector investment have been for unskilled workers (Uganda Bureau of Statistics 2001a).

Some writers (Prakash 1997; Bisamaza 1999, Dijkstra and Van Donge 2001) have claimed that privatisation has led to higher yields of the privatised organisations and that it has stimulated other productive sectors. Prakash (1997) reports that the industrial production index grew since the privatisation initiative started, by over 16% per annum between 1988-95. Bisamaza also claims that the privatisation of public enterprises led to vibrancy in the industrial sector and to increased production. Prakash quotes local journalists as saying that Tororo town's economy has been revived as a result of the privatisation of the Tororo cement works that re-started production after being idle for many years. Bisamaza also cites the example of the Hima cement factory whose cement production increased from 80,000 tonnes to 600,000 tonnes a month after it had been sold off to the private sector (Bisamaza 1999: 55). It is however argued that the recovery has been slow mainly because most of the factories had outdated plant equipment and also because there are shortages of capital and spare parts. Efforts to encourage competition have also not had much success because of the resistance of the established businesses. For example, BAT, Uganda's second largest taxpayer after Shell, strongly resisted deregulation efforts in the tobacco sector for fear that it would undermine its market strength. The company has made large investments in the tobacco industry and employs a large number of workers. Due to its contribution to the government revenue through taxes, it has considerable influence and resisted deregulation of the tobacco industry for a long time (Prakash 1997).

Critics of the reform programme have argued that it is not a comprehensive development strategy, but that priorities are set in accordance with the pressures from different interest groups, mainly senior public officials and representatives of the World Bank and IMF (Himbara and Sultan 1995; Oloka-Onyango 1997; Belshaw et. al. 1999). They maintain that the programmes are run and implemented by donors with the country itself having not much say in the process (Himbara and Sultan 1995; Belshaw et. al. 1999). They argue that the current growth is not sustainable because it is largely dependent on donor funds and has led to increasing gaps in the country's balance of trade, with imports far outstripping exports and being bought using foreign aid, which has also increased the country's indebtedness to the foreign funding agencies. It is also alleged that there has been no response to the economic policies aimed at promotion of production for export in the economy on the supply side. Instead, the structural weaknesses that hampered economic development in the past have not been addressed and the growth cannot be sustained in the absence of foreign aid flows (Belshaw et. al. 1999). Those in favour of the reforms argue that the increased indebtedness and foreign trade imbalance do not necessarily mean that there are structural weaknesses in the Ugandan economy (Dijkstra and Van Donge 2001). They argue that foreign aid has had a positive impact on the economy's growth and its stability and that the growth of the economy will not be short lived. Instead, it is argued, economic stability and liberalisation of agricultural produce and foreign exchange markets have generated positive responses on the supply front.

The Ugandan government has sought to solve the problem of low domestic savings and private investment by encouraging foreign investors to invest in the economy. Some local entrepreneurs view the promotion of foreign investment as lack of support to domestic private investors by the government. Government in contrast argues that it has provided incentives to promote domestic investors through the creation of a conducive environment, enabling them to have access to foreign exchange and credit from financial institutions and looking to them as partners in development. They cite the example of the Uganda Manufacturers Association, which participates in the formulation of the economic policy through joint meetings with government and submission of written proposals (Prakash 1997). Government is seeking to support the private sector through the provision of improved infrastructure. But critics argue that in its efforts to promote foreign investment, the government has ignored workers, leading to suppressed wages, a situation rendering workers unable to meet their basic sustenance. At the same time, the activities of workers' unions have been constrained by government action (Oloka-Onyango 1997).

In spite of the agricultural sectors' economic importance, government has not given it much priority as far as resource allocation is concerned. Whereas it contributed 51% of GDP in 1991/92 and 47% of GDP in 1994/95, it only attracted 4.7% of the budget allocation in 1991/92 and only 3.0% in 1994/95 (Bisamaza 1999:55). This could be the reason why SAP reforms are viewed as a failure and having exacerbated the problem of poverty in the country. With the majority of the population living in rural areas and dependant on agriculture, the preoccupation with fiscal and external deficits ignores issues of poverty alleviation and quality of living. So, although there has been remarkable improvement in the overall economy, the economic performance has not benefited the poor, although evidence suggests that they are not worse off either (Opio 1996). The government has tried to rectify this by establishing a Plan for Modernization of Agriculture (PMA) to address the weaknesses in the agricultural sector whose implementation commenced in the year 2000 (Ministry of Finance, Planning and Economic Development 1999).

Conclusion

This chapter has reviewed Uganda's political and economic background and that of the public sector and the policies made by the Ugandan government to achieve macro-economic stability and development through Structural Adjustment Credit from the World Bank and IMF. The review looked at the strategies of public sector reforms and privatisation that have been put in place to achieve macro-economic recovery. It has also highlighted some of the debate for and against the economic reform policies. The debate for or against the reforms however and their impact has not paid attention to the issues at the institutional level. Since the private sector is taking up the role of spearheading economic development, it is imperative that it has in place the necessary institutional capacity to improve the performance of those organisations it is taking over and also to provide effective competition to increase efficiency and to do a better job than the public sector. If the private sector's capacity for this is weak, then the gains expected from reduced government role and increased private role in business may become elusive. No research has been carried out in Uganda to determine whether the private sector has better capacity to efficiently manage resources than the public enterprises as claimed by the proponents of the reform. The objective of this study was to make a contribution in this area by using HRM definitions of efficiency to explore the issue of institutional capacity of both sectors with a view to determining the extent to which the two were different in terms of efficiency in their management and utilisation of their human resources. The next chapters look at the methodology used in the study and results of a research carried out in seven Ugandan private and public enterprises.

Chapter 5

METHODS AND PROFILES OF STUDY PARTICIPANTS

Introduction

This is an exploratory study which used both qualitative and quantitative methods of data collection. A case study approach was used and a few organisations from the public and private sectors participated as sources of information. Privatisation aims at increasing the efficiency of organisations for improved performance. Because HRM is one of the determinants of performance, through its impact on labour productivity, this study used HRM indicators to determine what means are in place in Ugandan public and private organisations to sustain the public sector reform goal of efficiency. The study attempted to get answers to questions of what is the basis of recruitment, selection, training and reward and whether these are done differently depending on whether an organisation is publicly or privately owned. It was hoped that this would indicate whether there were differences in their approach to human resources that makes private enterprises more efficient than public enterprises. The study was conducted in Uganda, a country that has carried out extensive public enterprise reforms and privatisation, as a means to improving efficiency in public enterprises and development of the private sector to enhance economic growth and development.

This chapter presents the research methodology used for investigating this topic of human resource management practices in the context of public sector reform and privatisation, using Uganda as a case study. It presents the overall approach to the study, the methods used for collecting the desired information and how it was analysed. For purposes of distinguishing between the two groups of private organisations, the privatised organisations will be referred to as either former SOEs or privatised and those that have always been private will be the ones referred to as 'private'. It also presents an analysis of the profiles of the organisations and employees who participated in the study.

Research Methodology

This study used a mix of qualitative and quantitative methods in order to take advantage of the strengths of the data collection methods of the two research paradigms. In the quantitative research paradigm, reality is taken as objective, and the researcher who is detached from the participants in the study, collects value free and unbiased information, and records it using formal language. The overall process of the research methodology is deductive, with concepts, variables and hypotheses determined prior to commencement of data collection. The data collection techniques associated with the quantitative approach can include experiments, surveys, content analysis and existing statistics. Data is normally collected in the form of numbers (Neuman 1994). The qualitative paradigm, on the other hand, sees reality as being subjective, and the researcher interacts with the participants and includes his or her biases in the study, uses informal language and is inductive. It makes use of multiple and interconnected methods for data collection, enabling the researcher to gather the same data through different means thereby compensating for the limitations of each method (Creswell 1994). Data is collected in form of words or pictures and techniques include observations, interviews, documents and visual images.

A case study approach, that enables the exploration of a few entities in depth (Rossman and Rallis 1998), was chosen in order to make it possible for detailed data on each organisation to be collected. A cross sectional survey was used to enable generalisation from a sample of few employees to make inferences about their attitudes, and self administered questionnaires were used in the survey. Using a survey to gather information from employees enabled me to collect data from many people at the same time. It was easy to administer and the information thus collected was manageable and convenient to analyse. A qualitative approach, where in-depth interviews were used after the survey, enabled me to have face to face contact with the participants in the study during data collection. It also made it possible for me to gather large amounts of data rapidly and find out the subjective side of the processes in the organisations in the study. It was also possible to get clarification on the data collected during the survey. Data and methodological triangulation were also used to ensure internal validity. The study was conducted in Kampala and Jinja (see map in Chapter 4) the two main industrial towns of Uganda, due to time constraints and inability to get responses from organisations based in other areas in the time available. Seven organisations were investigated rather than all the possible organisations because of limitations imposed by time and financial constraints and difficulty in obtaining consent from more organisations. It is hoped that the information collected will generate questions for further research and inform decision making in the area of privatisation and private sector development.

The general objective of the study was to examine the view that private sector enterprises are more efficient than public enterprises because private sector companies employ different management practices that are superior, resulting in better performance. In order to answer the questions raised in Chapter One, the following specific HRM practices, and outcomes of the differently owned organisations and organisational performance were examined:

- Recruitment and selection (staffing)
- Training and Development
- Reward System/Compensation
- Employees' attitudes and productivity
- Organisations' labour turnover and performance.

Study Themes

The key themes in the study were chosen in view of the literature examined in Chapter Three which identified activities that research in HRM has found to be associated with enhanced performance (see Figure 3.1). However, because it would not be possible to examine all the HRM activities, a decision was made to look at a few of those that have been identified as being strategic and universalistic (Harel and Tzafrir 1999). These are the individual human resource management practices of recruitment and selection (staffing), compensation, training and development, and outcomes of HRM in terms of employee attitudes and firm performance. HRM practices affect the attitudes of employees and their performance, which in turn affects the organisation's performance. An employee's attitude plays an important role in determining the actions performed at work and the level of employees' job satisfaction has an effect on how they behave at work (Locke 1983).

Satisfaction affects performance and productivity and is one of the factors that determine what an individual decides to do in a work situation. Employees were therefore asked to rate the degree of agreement with statements related to their organisations' handling of human resource management issues.

These activities were measured using indicators that were identified in the review of theoretical literature on HRM for measuring the particular HRM activities (Bartel 1994; Guest and Peccei 1994; Huselid 1995; Delaney and Huselid 1996; Harel and Tzafrir 1999). Indicators for recruitment and selection included the number of candidates considered for recruitment, and the reliability and validity of methods used to attract, select and retain quality employees allowing for equal opportunities for everyone irrespective of gender, race, religion or tribe. Indicators for training and development included the validity and reliability of training procedures to enhance employee quality in terms of skills gained commensurate with their current and future jobs, the number of people who receive training during a year, and the criteria used to send people for training and the frequency of training. Compensation variables were measured in terms of the basis of pay, level of pay, basis of promotion and determinants of pay.

The study used performance measures that could be obtained from organisations and these included employees' attitudes, average rate of turnover for employees, net sales per employee or their productivity, and HR managers' personal perceptions of performance of the organisation in the past five years. How human resource management practices relate to employee attitudes in terms of employee satisfaction and, their impact on employee turnover and productivity were used as an indicator to their input to firm efficiency.

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Other indicators of performance included labour productivity measured in terms of net sales per employee, used as an indicator of efforts exerted by employees in the production process, which are not affected by changes in the product and capital markets. However, as a measure of firm performance, net sales per employee is deficient because it does not indicate how profitable the firm has been on the whole (Huselid et. al. 1997). For this reason, managers' views were sought to complement this. They were asked to state their perceptions on the quality of their organisations' products and services. They were also asked for their opinions on their organisations' performance in terms of profitability and labour productivity compared to other organisations doing the same kind of work in the past five years.

Selection of Organisations and Rationale

Initially, the sampling frame was to consist of all state owned, privatised and private enterprises and their employees in Uganda. Samples for organisations were to be drawn from the list of organisations in each category. From these, three organisations from each category, which had 100 or more employees, were to be randomly selected, depending on responses to the request for permission to conduct the study in the organisations. The decision to use three organisations from each category was based on the concern that it would not be possible to generalise findings from one organisation to the rest of the organisations in its category. This is because what may be happening in one organisation may not necessarily be happening in the others. So, a decision was made to collect data from at least three organisations from each category, which although it would require considerable time and effort, would generate data on which tentative generalisations could be made.

However, once in the field, it soon became apparent that it would be impossible to select these organisations based on statistical random sampling. Firstly, there is no central registry for all private organisations in Uganda. This meant that it was not possible to have a sampling frame that included all private enterprises that matched the criteria. The only available sources that could be used to compile a list of private organisations were the Uganda Manufacturers Association's business directory and the Yellow Pages. This meant that only those private organisations that were listed in these two directories could be contacted. Using this method also meant that it was not possible to know which organisations had 100 employees or more beforehand, which meant that letters were sent off to businesses which had less than the required employee population. Getting contact lists for public enterprises and former SOEs did not present any difficulties however.

Letters of introduction detailing the research and its purpose were written and sent to Chief Executive Officers (CEOs) of 99 organisations, with a request for permission to include their organisations in the research (Appendix 1). Once the letters were sent off, I waited a few weeks for responses to my request to carry out my study in the organisations. The responses were very slow and very few and far between. Seven public organisations, one privatised and two private had responded by the second month. The responses from the private organisations were regrets though. Only the public enterprise responses had organisations which fitted the criteria, and since I was running out of time, a decision was made to contact those which fitted the criteria. This meant that the decision on which organisation to include in the study was not based on statistical random sampling, because I did not get enough responses from organisations with the characteristics I needed i.e. with more than 100 employees and also because the chief executives who responded were mostly from the public enterprise category. Those from the private and privatised categories did not respond in numbers big enough to draw samples from and the few who did, had less than 100 employees. I therefore used convenience sampling to pick from those who responded.

Organisations which have an employee population of 100 or more were selected, because they are the ones which could be meaningfully compared and have the greatest potential to yield the required data. Private organisations with 100 or more employees are the ones most likely to have HRM departments and HR managers and can therefore be compared to parastatals. The difficulty in obtaining a comprehensive list of all private organisations in Uganda reflects the general lack of information in the country regarding private business enterprises. A visit to the registrar of companies proved futile, as the offices did not have a compiled list of all the registered businesses, nor were they able to give the number of businesses that are registered. The poor responses from organisations reflect the situation and business environment in Uganda where business organisations, are not accountable to the public, particularly the private organisations. State-owned enterprises, because of the public demands for their accountability have increasingly become more responsive to the public.

Selection of Individuals and Rationale

For individuals, the sampling population consisted of all employees in the organisations that agreed to let me conduct the research in their organisations. Care was taken to ensure that the different categories of workers, gender and level of job in the organisation were represented. Because it is not possible to know someone's ethnic identity or their region of origin before their participation, it was not possible to ascertain the representation of people from the different ethnicities. Questionnaires were distributed to all available employees from each department in the organisations. This ensured that each employee had a chance to participate in the study, but had a choice to decline and this would not affect the number of questionnaires distributed in each organisation. Two managers from each organisation were requested to participate in their capacities as managers (i.e. Chief Executives Officers and Human Resource Managers [HR managers]).

Guest and Peccei (1994: 224) have argued that "...the most sensible and the most important indicator of HRM effectiveness will be the judgements of key stakeholders". In view of this therefore, a decision was made to collect information about HRM practices from people who are closely affected by HRM practices, i.e. managers and employees themselves. Because there are no objective measures for employees' interpersonal relationships, job interests and job difficulty, a researcher can only get an idea of their level and distribution by asking the workers themselves. The advantage of getting information about a job from workers is that it enables a researcher to get information about workers' evaluation of the different aspects of their work that cannot be measured in ways that other aspects such as income and hours of work can be measured. The perceptions of employees about HRM practices and how this affects their attitudes is of importance in providing employees' meanings of their own experiences with these practices in their places of work (Miles and Huberman 1994). Of particular interest are their accounts of HRM practices, how they interpret their implementation and what effect it has on their attitudes.

The research also targeted managers because they are likely to be the most well informed people in the organisations and therefore the most useful source of knowledge information. CEOs and HR managers have the best overall view of HRM in their organisations since their work naturally involves employee issues. Both managers are able to report on their organisation's policies, past histories and future plans. They are also the best placed to provide information about labour productivity and the organisation's performance. The decision to collect information from three groups within each organisation was based on the desire to get different people's interpretations of what HRM practices are in place and to test for reliability and validity of the responses (Neuman 1994). Interviews with HR managers and employees provided a detailed picture HRM practices and their relevance as perceived by those people who are most directly affected by them.

Because it was not possible to obtain a sampling frame that comprised all organisations and individuals, statistical random sampling was not used for choosing participating organisations and individuals, hence the results from the study will not be used to infer to all organisations in Uganda, seeing as these are not representative, but tentative conclusions can be drawn about the efficiency and the role of HRM in public sector reforms in light of the findings from the seven organisations.

Data Collection Procedures

Objective and perceptual data was collected about HRM practices in the organisations using questionnaires and in-depth interviews. The goal was to collect information that would show what differences exist in private and public enterprises in their human resource management systems of recruitment, selection, training and development and reward management. The study relied on the use of questionnaires and in-depth interviews as the main methods for collecting data.

Questionnaires

Questionnaires were used for collecting data about the organisation, its performance and its stated policies regarding human resource management practices. Written questionnaires were used for collecting information from CEOs and human resource management specialists in these organisations regarding recruitment, selection, compensation and training and development in their organisations. A written questionnaire enabled the busy managers to complete them at their convenience thereby ensuring a higher response rate. It gave them chance to cross check with records if they needed to and also since these are knowledge questions, they are the people in best position to give the required information. However, open questions were used to ensure that adequate answers could be given and give the executives the freedom to answer creatively and not be limited by the options that are available in cases of closed questions (Neuman 1994). Closed questions were used for some of the questions that did not require much elaboration.

Information about organisational performance in terms of productivity and performance was collected from questionnaires from CEOs and HR managers. Information about the status of the organisation, union density, ownership of organisation, industry, size, was also collected using questionnaires and some publicly available documents.

A survey, using self-administered questionnaires was employed to gather information on the perceptions of employees about the practices and their attitudes. The use of a survey for collecting information from employees made it possible for me to get responses from as many employees as possible at a faster rate than would have been possible given the time available (Creswell 1994). Written questionnaires were distributed to 100 employees in each organisation to collect data on their perceptions on the HR practices and their attitudes. Those who were available and willing to participate in the study were the ones that received questionnaires.

HR Managers completed a four-part questionnaire (Appendix 9). Part One of their questionnaire consisted of questions on general information of the organisation and the second part, the structure of the organisation. The third part had questions relating to the three human resource management practices of recruitment and selection (staffing), training and development, and compensation and part four consisted of questions about the performance of the organisation. CEOs completed a two-part questionnaire (Appendix 10). The first part comprised of questions about the general information of the organisation and the value of the company, while the second part consisted of questions about the structure of the organisation and their view of the importance of human resource management for the future of the organisation.

Employees completed a three-part questionnaire (Appendix 11). Part One consisted of questions eliciting participants' biographical information, Part Two consisted of 23 items related to work and organisations and the third part asked for perceptions of workers on the recruitment, training and reward management policies of their organisations. Each questionnaire included an information sheet (Appendices 4 and 5), detailing the nature and purpose of the study and contained information assuring participants that their responses would be confidential and anonymous.

All the instruments used in this study were specifically developed for this study because there were none available that had been developed for studying the topic in the Ugandan context. The section on attitudes was adapted from a questionnaire by Toulson (1990) and it contained 23 item statements relating to their individual jobs, organisation and management practices, equal opportunities, and compensation practices. Each statement contained a five point Likert type scale (scored from one [strongly disagree] to five [strongly agree]). During analysis, each individual statement was analysed separately and no aggregation was attempted and because factor analysis revealed no identifiable patterns, no attempt was made to group them into factors either. A decision was made to aggregate responses, designating one to two point nine as disagree and representing negative attitudes while designating responses of three to five as agree and representing positive attitudes except in the case of negative statements where the relationship was reversed. All the instruments mentioned in this section are included in the appendix

Interviews

After completing questionnaires, participants were asked to indicate their willingness to participate in interviews by signing a form that was attached to the questionnaires (Appendix 7). Before participating in an interview, each participant was requested to sign a form indicating their consent to be interviewed (Appendix 8). Interviews were conducted with all human resource managers who gave consent. In-depth interviews were also conducted with some employees in each of the organisations studied for a detailed view of their experience with the human resource functions. In order to ensure that most information is not lost, for the case of interviews, I used audiotapes to record interviews but only where consent had been obtained from the participants. After fieldwork, the interview information recorded on the tapes was transcribed by the researcher.

Documents

Information from documents supplied by HR managers was used to supplement interview and questionnaire data. Publicly available documents such as the Privatisation Secretariat's documents on SOEs and privatised enterprises were used for gathering background information to prepare for field research.

Ethical issues

I applied for and obtained ethical clearance from the Massey University Human Ethics Committee before I set out for fieldwork. I also applied for and obtained permission to conduct my research in Uganda from the Uganda National Council for Science and Technology before initiating contact with the organisations. In order to ensure access to organisations and their employees, a letter of introduction was written to the CEOs of 99 organisations outlining the study and its goals (Appendix 1). There were 49 private, 35 public and 11 privatised enterprises contacted this way. The letter contained information about the project, the person doing research and the university of affiliation. It also outlined the aims of the study, and a form that invited them to indicate whether they were willing for their organisations to be included in the sample (Appendix 2). For those who responded and fulfilled the criteria, a follow up telephone call was made to the CEO to ask for a meeting to get formal approval for inclusion of their organisation in the study. Those who agreed were requested to sign a consent form indicating their agreement (Appendix 3).

Each individual participant was also given an Information Sheet detailing what participants in the study were required to do namely, give consent in written or verbal form showing awareness of what the study is about and showing acceptance to the invitation to participate, complete questionnaire and participate in an interview (Appendices 4, 5, 6, 7 and 8). Participants were informed of their rights to refuse to answer questions and to withdraw from the study at any time, and freedom to ask questions when they needed clarification. They were also given assurance that the information given would be used only for academic purposes and is confidential to the researcher and that they would have an opportunity to look at the summary of the findings when the study is completed.

Confidentiality and anonymity of participants has been protected by ensuring that data collected does not identify people and organisations by name, no personal information will be given to anyone and data analysis has been done and results reported in such a way that the information it contains cannot be directly linked to anyone. Raw data has been kept secure by the researcher and will be destroyed when it is no longer needed. Because organisations were assured of anonymity before they agreed to participate in the study, it will not be possible to provide a detailed profile of each organisation included in the study. Because there are few large organisations in Uganda a detailed analysis of each organisation will compromise the anonymity of the study organisations.

Difficulties

Organisations, particularly private and privatised were very slow in responding to my initial request to carry out the study in their organisations although to reduce non-response a letter of introduction detailing the purpose of research and assuring confidentiality of the information obtained was sent beforehand. Furthermore, those that responded did not have the required number of workers to include in the survey. This meant that it took longer for the study to be carried out than planned. I also had to reduce the number of organisations to study, for the private and former SOEs, including only two instead of three of each. However, having adopted a multi-case strategy helped to ensure that where some did not allow access, I was still able to get information from other organisations within the category which allowed access.

The negative and suspicious attitude in organisations resulted in a reluctance of organisations to be included in the study. In one case, a CEO of one privatised organisation had written back saying I could contact him further to discuss the study yet when I attempted to make a telephone appointment, I was not allowed to speak to him. When I attempted to go and see him personally, I was not allowed beyond the gates of the premises. I learnt later that the owner had ordered that no one should conduct research in his organisation. A similar incident happened in two organisations (one SOE and one private) that eventually granted permission to conduct the research. After receiving positive response letters to my introductory letter, it was very difficult to get appointments to see the managers. I made appointments that had to be rescheduled several times.

Some employees were afraid to complete questionnaires and talk about their attitudes to management practices thinking that this might affect their jobs and so refused to participate in the study. This was minimised through assurances of confidentiality and promises to show a summary of the results of the study before they are published in any form. However, people were still unwilling to be involved and some returned the questionnaires unfilled, and some did not return them at all. Because they are busy, it also took long for some to complete questionnaires, which meant that I had to stay in one organisation for more than a month in some cases. To minimise the amount of time spent in the field, I decided to do the studies in organisations concurrently, rather than one at a time as had been planned. This however meant that I was not able to stay at the same organisation so that I could be available in case participants wanted to ask questions, as I had indicated in the information sheet.

Limitations of the Study

Only seven organisations were included in the study because of the inability to get more organisations willing to give access within the limited time available for the data collection stage. Even those that responded were too few for a sample to be randomly selected from them. It is therefore not possible to generalise the findings to other organisations in Uganda. For example some of the organisations that declined to be included in the study may have different management systems in practice. In addition, the content area of human resource management is only one of the areas in management that has influence on the performance of a firm and therefore the absence of a systematic human resource management system may not actually translate into poorer performance and other negative behaviours like turnover and low labour productivity since other factors like the labour market conditions in the country may affect the decisions of employers and those of employees.

Data Analysis

The small sample size of managers meant that a detailed statistical analysis of the data collected from questionnaire responses was not possible. There were only seven questionnaires completed by HR Managers and six by managing directors and this number is not big enough to be meaningfully analysed statistically. Data from taped interviews were transcribed verbatim and the notes content analysed to get patterns. Information generated from managers' questionnaires and interviews was sorted and organised separately for each organisation at first. Later, it was organised around the major themes of the study and classified according to whether it was collected from the public sector enterprises or from private enterprises in order to identify patterns and themes that emerged from it. It was also classified according to whether it was collected from managing directors, HR managers or employees. The privatised and private enterprises are still treated separately although they both belong in the private sector for the purposes of being able to identify any differences that exist even among organisations in privatised and private sectors. All the analysis of the interviews and manager's questionnaires was done manually.

The data collected from the survey of employees was coded while I was still in the field and data entered in the computer using Excel computer programme for retrieval after fieldwork. Data from employees was analysed using SPSS statistical package, producing frequencies, analysis of variance, mean values and percentages. Cross tabulations were used to compare results from different organisations in some cases and some of the results were disaggregated by gender, category of ownership and attitudes to observe the presence of any relationships. Multiple comparison tests were done on attitude responses at organisational, gender and occupational levels to determine whether there were statistically significant differences in employees' responses. Statistical hypothesis tests were not applied to data from the study because organisations and employees in the study were not randomly selected, but were included in the study on the basis of their willingness to participate and the sample of organisations was not large enough.

Participants

Seven organisations in all participated in the study, three of them public/state owned enterprises (SOEs), two former SOEs, and two private organisations. Six CEOs and seven HR managers completed questionnaires. In addition to self-administered questionnaires, HR managers were also asked to participate in in-depth interviews for getting a detailed picture of the HR functions. I used Interviews for collecting more detailed information in the short time available. Five HR Managers participated in in-depth interviews, three of them from SOEs, one from a private and one from a privatised organisation. Only one manager (SOE) was a woman, the rest were men. Responses from the questionnaires and in depth interviews were sometimes conflicting and where this occurred, note is taken to include both views.

Questionnaires were distributed to 700 employees, 100 in each organisation and employees in each department were given a chance to participate in the study. Four hundred sixty nine employees (190 public, 153 private and 126 privatised) returned completed questionnaires, a response rate of 67%. Most people returned the completed questionnaires to me in person but a few gave them to their human resource managers to give to me, while others returned them in the boxes supplied at the reception areas of the organisations. Ten people returned them uncompleted. Table 5.1 presents the profiles of the seven organisations and the composition of their employees.

Seven organisations participated in the study and information in Table 5.1 came from questionnaires for human resource managers and CEOs. As the figures in Table 5.1 show, SOEs had 964 established employees in total, compared to 318 for private and 835 employees for former SOEs. The majority of the employees in all organisations in the study are Ugandans of African origin and this is especially true for state owned enterprises where 99.9% of all employees are Ugandans.

Table 5.1: Profiles and Structures of the Organisations in the Study

Organisation	A	B	C	D	E	F	G
Ownership	State	State	State	Private	Private	Privatised	Privatised
Number of Employees	430	530	204	175	192	406	544
Freelancers/Casual	200			49		115	
Established	230	530	204	126	192	291	544
Male	184	382	117	130	160	383	470
Female	46	148	87	45	32	23	74
Ethnic Composition							
Ugandan	99.9%	100%	100%	99.9%	85%	96.2%	98.3%
European	0.1%	-	-	-	5%	1%	0.7%
Other African	-	-	-	0.1%	-	2.4%	1%
Indian	-	-	-	-	10%	0.4%	-
Region of Origin							
Northern	34	106	16	n/a	74	38	n/a
Central	81	132	51	n/a	30	64	n/a
Western	69	141	86	n/a	16	110	n/a
Eastern	46	151	51	n/a	72	64	n/a
Religion							
Moslem	12	26	6	6	40	n/a	n/a
Christian	214	504	197	169	144	n/a	n/a
Other	4	-	1		8	n/a	n/a
Departments	6	6	7	10	13	4	7
Management levels	3	3	3	3	4	3	3
Position of HR	Top Level	Top	Top	Middle	Middle	Middle	Top
Type of Industry	Manufacturer and service	Service	Service	Manufacturer and service	Manufacturer	Manufacturer	Manufacturer
Trade Union	None	Multi professional	Multi professional	None	Single employer	Single employer	Single employer

* Some organisations included numbers of casual workers in the details of some categories and yet did not include them in the figures for total number of employees, so the totals of the different categories do not correspond to the total number of employees given.

There are a few Europeans and Asian employees, mainly in organisations that are foreign-owned or those owned by Ugandans of Asian origin. Two organisations are in the service industry, both of them state owned. Five of the organisations are manufacturers, two of them (one state owned and one private) are engaged in both manufacturing and provision of services.

CEOs were asked to indicate the number of management levels as a measure of structure. All organisations except one (private) had three levels of management. The one that was different had four levels. Private organisations, have more departments, (10 and 13), compared to the public and privatised whose numbers were four (one organisation), six (two organisations) and seven (two organisations) respectively.

Profiles of Employees in the Study

Four hundred and sixty nine employees returned completed questionnaires (190 public, 153 private and 126 privatised). Three hundred and thirty were male (71.7%) and one hundred thirty (28.3%) were female. Nine people did not indicate their gender. The gender proportions of the research participants match with the proportions of those in the workforce of the organisations in the study, although there is a slightly higher representation of female employees in the study, 8.3% more than those in the total workforce. The total workforce of the seven organisations adds up to 2289 employees, 1826 (80%) of them men and 454 (20%) women.

Table 5.2: Proportions of Participants by Sex and Organisation Category

Sex		**Organisation type**			
		SOEs	**Private**	**Privatised**	**Total**
Male	Numbers	111	119	100	330
	Percentages	33.6	36.1	30.3	100
Female	Numbers	74	32	24	130
	Percentages	56.9	24.6	18.5	100
Total	Numbers	185	151	124	460
	Percentages	40.2	32.8	27	100

As the figures in Table 5.2 show, over half of the women (56.9%) represented in the study are employed by SOEs and men are evenly distributed among the differently owned organisations. This matches with the proportions of the workforce in the organisations, since state owned enterprises do have a higher representation of women in their workforce compared to the private and the privatised organisations. One possible explanation for this could be the nature of the work in the two state owned enterprises. Both are service organisations and most of their core activities are those traditionally done by women, such as data entry, whereas the organisations in the manufacturing industry traditionally hire males. Another explanation could be that the recruitment practices of SOEs give equal opportunities to both sexes.

Age of Employee Participants

The majority of the participants (43.6%) were aged between 30 and 39, followed by those aged 20-29 and then those aged 40-49. A very small minority of participants were aged 50-59 and below 19 or above 60. Four percent of the participants did not indicate their age. Analysis of age by sex shows that men and women are represented in most age groups, in proportion to their numbers in the organisations but there were proportionately more women aged 20-29 than men. Table 5.3 shows the details of the age distribution of participating employees and the proportions of men and women in each group.

Table 5.3: Demographics of Participants by Age

		Sex		
		Male	**Female**	**Total**
Age	15-19	0	100	100
	20-29	65.9	34.1	100
	30-39	74.9	25.1	100
	40-49	73.6	26.8	100
	50-59	88.9	11.1	100
Total		71.4	28.6	100

Analysis based on status of ownership shows some different patterns emerging in proportions of age groups. Most of the employees from state owned enterprises are aged 30-39, followed by those aged 20-29 and those aged 40-49. This is similar to privatised organisation's employees the majority of whom are aged 30-39, followed by those aged 20-29 and 40-49. This varies with the private organisations employees, majority of who are aged 20-29, followed by those aged 30-39 and those aged 40-49. The participants from private organisations were younger than those from the other two groups. A possible explanation could be a result of high turnover in private enterprises, such that there are fewer employees who remain for long in the organisation in comparison to the public enterprises. It could also be that private enterprises are targeting younger workers for recruitment.

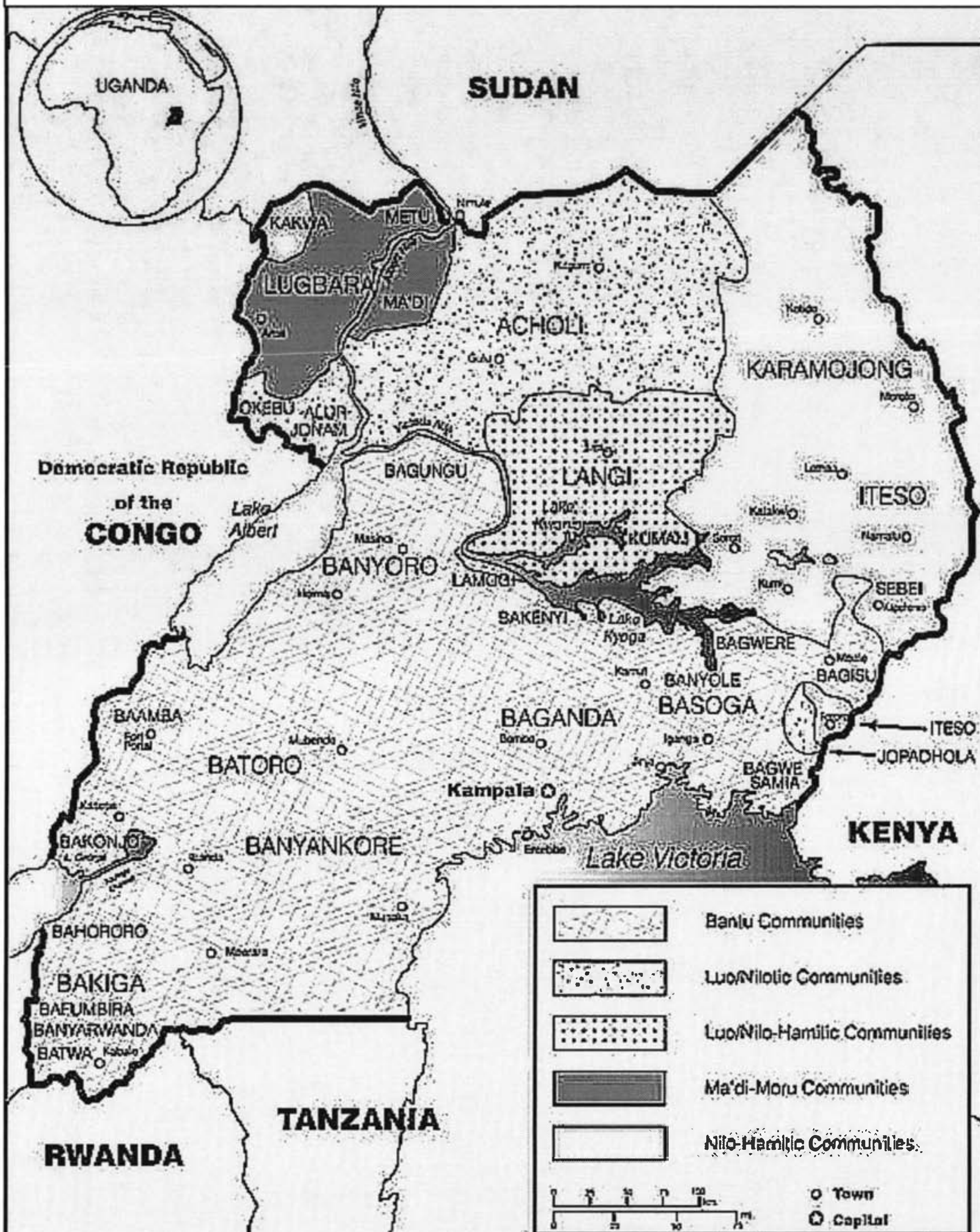
Ethnicity/Tribe

Comments from participants indicated that the issue of ethnicity is quite controversial and sensitive. Ethnicity within Uganda can be plotted geographically on a regional basis, thus the main ethnic groups are often referred to according to their region of origin. The main regions are Northern, comprising of Lugbara, Acholi, Langi, , Luo, Madi and Kakwa, (Northerners) and Eastern, comprising of Akarimojong, Iteso, Japhadola, Samia, Bagwe (Easterners). The Central region comprises Baganda, Basoga, Bagishu, and the Western region comprises Banyoro, Batoro, Banyankole, Bakiga (Westerners) (See Figure 5.1). Table 5.4 shows the percentages of people represented in the survey according to tribe.

Table 5.4: Ethnicity of Participants

Tribe	**Percentages**			
	State owned	**Private**	**Privatised**	**Total**
Ganda	29.7	32.4	21.4	28.3
Nyankole/kiga	18.3	9.4	11.1	13.5
Alur	0.6	1.4	0	0.7
Toro/Nyoro	8.6	5.8	4.3	6.5
Acholi	2.3	7.2	5.1	4.6
Langi	3.4	0.7	1.7	2.1
Soga	8	4.3	19.7	10
Gishu	4.6	9.4	6	6.5
Munyole	1.1	1.4	0.9	1.2
Samia	2.3	14.4	0.9	5.8
Etesot	8.6	4.3	12	8.1
Mugwere	1.1	0.7	0.9	0.9
Japhadola	4	2.9	0.9	2.8
Muluri	0.6	0	0	0.2
Mufumbira	3.4	0.7	5.1	3
Luo	0.6	0.7	0	0.5
Lugbara	1.7	0	5.1	2.1
Kumam	0.6	0	2.6	0.9
Munyarwanda	0.6	0.7	0.9	0.7
Indian	0	0.7	0.9	0.5
Anglosaxon	0	0.7	0.9	0.5
Total Numbers	**175**	**139**	**117**	**431**
Total Percentages	**100**	**100**	**100**	**100**

Figure 5. 1: Location of Uganda's Main Ethnic Groups



Based on Minority Rights Group International's 'Ethnic Groups and Tribes of Uganda', Uganda: The Marginalization of Minorities (2001)
Boundaries are not definitive but are intended to show traditionally inhabited areas.

Source: African Centre for the Constructive Resolution of Disputes (2001)

Some people said they found the question about tribe offensive, but most people indicated their ethnicity anyway: 92.1% of the participants from SOEs indicated their ethnicity. Most of them were Baganda, followed by Banyankole/Bakiga, Etesot and Batoro/Banyoro, Basoga. In comparison, 90.8% of the participants from private organisations indicated their ethnic background and most were also Baganda, followed by Samia, Bagishu and Banyankole/Bakiga, Acholi, Batoro/Banyoro Ninety two point nine percent of the participants from privatised organisations indicated their ethnic background, and most again were Baganda, followed by Basoga, Banyankole/Bakiga, Etesot, Bagishu, Acholi, Lugbara and Bafumbira. The rest had a representation of less than 5%. Figure 5.1 shows the distribution of the different ethnic groups in Uganda. The high representation of Baganda for all groups is most likely a result of the location of the organisations since all the organisations are located in Buganda. This also explains the presence of many Basoga in one of the organisations, which has one of its branches in Busoga. However, this does not explain the higher proportions of Banyankole and Etesot, who are not locals in the areas where the organisations are located. Analysis by ethnicity and job category shows that Baganda also constitute the highest percentage in all the job categories, followed by Banyankole and Basoga. The same trend exists in public and privatised, but there is a higher percentage of Banyankole managers in the private sector in comparison to Baganda.

Characteristics by Religion

The majority of the participants were Christians, followed by Moslems, Bahai, traditional African religion and 0.4% said they had no religion. The participants who did not indicate their religious affiliation amounted to 4.7% of the total participants.

Characteristics by Marital Status

As the data in Table 5.5 indicates, overall, there were more male participants who were married, compared to female participants. The presence of fewer married women may be because women are less likely to take up some positions which clash with their family responsibilities, as was indicated by the HR managers who said that they encounter difficulties in recruiting women because they are not willing to work in responsibilities that clash with their family commitments. Since there are younger women, it could also mean that most women are not yet married because of their age.

Table 5.5: Proportions of Employees of Different Sexes According to Marital Status

			Marital Status		Total
			Married	Not Married	
Sex	Male	Numbers	215	112	327
		Percentages	77.9	61.9	71.6
	Female	Numbers	61	69	130
		Percentages	22.1	38.1	28.4
Total		Numbers	276	181	475
		Percentages	100	100	100

Dependants

Some workers who participated in the survey did not respond to this question. Of those who responded, 90.6% said they have dependants and slightly more than 60% of them have between two and six dependants. There are almost an equal number of proportions of men and women who have between two and six dependants and the common number of dependants is four. It appears that there is no big difference between workers of different sexes as to the number of people they have to look after. Men and women are equally responsible for dependants and none of the sexes have more or less dependants to care for, except for some exceptional cases among males where the numbers of dependants were more than eleven. Only one woman had more than ten dependants but several men indicated having more than ten dependants. This is possibly a reflection of the position of males in the Ugandan society where males have the primary responsibility for looking after their relatives. The biggest number cited by one male was having 30 dependants.

Characteristics by Conditions of Appointment

The number of participants who responded to this question was 99.8%. Of those who responded, the majority were full time employees both in the public and private sectors. There is a growing trend of employing part time workers and of those who participated and responded to the question about condition of appointment, 14.3% were part time and the majority of these are employed by the public sector, which represented over half of those who indicated that they work part time.

Category of Job Classification

A few people (7.5%) did not respond to the question of which category of job they fall under. Of those who responded, 15.7% were managers, 12.4% supervisors, 53% skilled, 16.1% semi skilled, 2.8% unskilled. More than half of male and female participants were skilled and only 2.6% men and 3.4% women employees were unskilled. Women participants were proportionally represented in all job categories. There are few unskilled people and one of the reasons could be that those employees, who may have joined the organisations with no skills, no longer consider themselves as unskilled, but as semi-skilled or skilled. In fact, most of those who identify themselves as semi-skilled would probably fit into the category of unskilled. The other reason why there are few unskilled workers in the study is that some of the organisations are now contracting out most of the services that were done by unskilled workers. Since these are not under the employ of the organisations in the study, they are not included in the study. When analysed by category of ownership, the results show that the majority of participants from all the organisations were skilled, but the privatised organisations had comparatively more participants who were managers (see Table 5.6).

Table 5.6: Proportions of Participants' Skills in Differently Owned Organisations

Category of Job Classification	Percentages			
	SOE	Private	Privatised	Total
Unskilled	1.7	4.3	2.5	2.8
Semi-Skilled	15.4	17.9	15.1	16.1
Skilled	55.4	61.4	39.5	53
Supervisory	11.4	8.6	18.5	12.4
Managerial	16	7.9	24.4	15.7

No analysis is possible for comparing with the actual percentages of the different job categories with those of the participants because some managers were unable to provide the necessary information.

Length of Service

The majority of the participants (26.8%) had worked in their respective organisations for between two to three years. The next most frequent length of service is ten years or more, followed by four to five years. However when analysed on basis of ownership category, the pattern that emerges is a bit different as seen in Table 5.7. The majority of

SOE and privatised organisations' employees had worked there for ten years or more, compared to private organisations where the majority had worked for two to three years. This may explain the presence of younger participants from private enterprises, which implies that they have worked for the organisation for a short time. It also corresponds with what the human resource managers in public enterprises said about having low employee turnover.

Table 5.7: Length of Service

Years of Service in Organisation	Percentages			
	SOE	Private	Privatised	Total
0-1	17.2	26.3	8	17.7
2-3	21	37.5	22.4	26.8
4-5	9.7	24.3	25.6	18.8
6-7	10.2	6.6	9.6	8.9
8-9	8.6	3.9	5.6	6.3
10+	33.3	1.3	28.8	21.6

The analysis of the profiles of employees who participated in the study indicates that the sample was representative of the general employee population. The proportion of female participants closely matches with that of the total employee numbers and so does that of employees from different regions of the country. The different skills categories are also well represented, with participants ranging from managers to unskilled employees and most of the age ranges were represented. This is true for all organisations irrespective of ownership.

Conclusion

In this chapter, the methods that were utilised in preparing for fieldwork and for gathering information from the different participants were presented. Access to organisations in the study was achieved after obtaining ethical clearance and research clearance at the institutional and national levels. Information was collected from seven organisations, three of them public enterprises, two private and two privatised. Data from interviews and questionnaires from HR managers and executive officers was analysed using content analysis and that from workers was analysed using an SPSS package. The following five chapters present results from data gathered from the participants in the study.

Chapter 6

RECRUITMENT AND SELECTION OF STAFF

Introduction

It has been argued that the use of effective staffing practices "...might benefit most organisations regardless of varying internal or external contingency factors" (Terpstra and Rozell 1993: 28). However, because organisations differ in terms of strategies, characteristics and environments, the use and effectiveness of some human resources management (HRM) practices is not expected to be the same across organisations. That aside, academic literature (Terpstra and Rozell 1993; Arthur 1994; Huselid 1995; Pfeffer 1998) suggests that some staffing practices are strongly associated with improved levels of employee performance, and are therefore important. Staffing in this study is used to denote the HR activities of recruitment and selection. This chapter presents the results obtained from interviews and questionnaires of human resources (HR) managers of the seven organisations in the study and those from employees regarding the staffing practices in their organisations. The organisations are classified according to their ownership status into three groups and staffing practices of these groups analysed to see whether differences exist among them. The results are also analysed in light of the definitions of effective staffing practice and the implications of whether or not such standards are met, are also discussed.

The study sought information from human resource managers regarding the staffing function to find out how the recruitment and selection processes of the seven organisations were defined and carried out. This was in order to determine whether there are differences in practices related to the type of ownership category in which each organisation is located. It was also to find out whether the processes were effective in the way they met their objectives and how this would affect the efficiency of the organisations.

In the process of investigation, HR managers were asked to provide information about:

- people who make recruitment decisions;
- whether job analysis is done and by whom;
- sources of recruitment and why they are used;
- methods of selection and why they are used;

- the effectiveness of selection methods chosen.

Human Resource Managers were asked to indicate which officeholders are involved in the recruitment process including:

- the processes of job analysis;
- the authorisation of staff recruitment;
- the short listing of candidates and their selection.

The following people were mentioned in the self-administered questionnaires as being the people who have the power to authorise the filling of vacancies:

- Chief Executive Officers (CEOs) in the study organisations, the term used was Managing Director (MDs);
- corporation secretaries;
- heads of appropriate departments (in one organisation (E) called heads of sections);
- administration managers,
- and human resource managers.

Table 6.1 identifies the office holders that were reported in the self-administered questionnaires as being the ones who authorise filling vacancies and the participating organisations in which they belong.

Table 6.1: People who Authorise Recruitment

	Numbers		
People who Authorise	**SOE**	**Private**	**Privatised**
Managing Director	3 (A, B, C)	1 (E)	1 (G)
Board of Directors	0	1 (D)	0
Corporation Secretary	1 (A)	0	0
Human Resource Manager	0	0	1 (G)
Heads of Department or head of section	0	1 (D)	2 (F, G)
Administration Manager	0	1 (E)	0

As Table 6.1 shows, in six of the organisations surveyed, the people who hold the highest office in the organisation, either the managing director or boards of directors, authorise recruitment. There are differences though, in that in four of them (A, D, E, G), at least one from each category of ownership, other people were reported to be involved i.e. heads of departments, administration managers and HR managers. The other three (two SOEs [B, C] and one former SOE -F) indicated that authority for recruitment was vested in only one official. During the interviews however, it transpired that even in those organisations where HR Managers had mentioned MDs as being the only ones involved at this stage, the heads of departments and HR Managers do have a say in some recruitment authorisations. Although the data from questionnaires gives the impression that decision making authority is located only with the CEOs, implying that authorisation is from the top down, actual practice allows for a range of managers, such as heads of sections and departments (some organisations used either category name interchangeably) and HR managers, to take part in the decision making. This ensures that the process includes people who are better placed to make recruitment decisions. However, this is not the case for all the organisations, particularly the private ones. In one, the HR Manager expressed dissatisfaction with the recruitment decisions that are made at higher levels and which are, in his view, inappropriate.

Recruitment Methodologies Employed

The same group of officeholders were cited in the questionnaires as the ones who make decisions on which recruitment methods to use (see Table 6.2). Table 6.2 presents the people mentioned as being involved in decisions on which recruitment methods to use.

Table 6.2: Personnel Involved in Making Decisions on Recruitment Methods

	Numbers		
Decision makers	**SOE**	**Private**	**Privatised**
Managing Director	0	1 (E)	1 (F)
Board of Directors	0	1 (D)	0
Corporation Secretary	1 (A)	0	0
Human Resource Manager	2 (B, C)	0	2 (F, G)
Heads of Department/section	0	0	0
Administration Manager	0	1 (E)	0

The divergence was that at this stage, none of the organisations mentioned heads of departments as being involved. The highest officeholders also cease to be involved at this stage in state owned enterprises although in one of them the corporation secretary is still involved. In contrast, managing directors and boards of directors continue to be actively involved in decisions of methods used in recruitment in the private sector organisations. Interview responses indicate that in three of them (two SOE [B, C], one former SOE- G), HR managers views carry more weight than the other executives involved. There is no HR manager involvement in the recruitment and selection decisions in the two private organisations. One of them does not have HR managers and the second one does not consult them much on HR matters.

There appears to be no major differences among the participant organisations with regard to the persons involved in recruitment authorisation. The chief executives (in A, B, C, E, G) or the Board of Directors (D) are involved in this process as authorisers. A slight difference between SOEs and former SOEs and private organisations appears in decision making for recruitment methodologies. The chief executives of SOEs are not involved. In turn, (and at subordinate levels of managerial authority) decisions to recruit new staff are not then the responsibility of the HR department only, but involve managers of administrative departments and of those departments where the prospective employees are expected to work on appointment. The two private (D, E) however have both different organisational structures and practices. One does not have an HR department, while in the other, the personnel managers perform the traditional roles of welfare, time and record keeping only. They have no say at all in the decisions that lead to recruitment and selection. The evidence that there appears to be no difference in recruitment practices between the SOE and former SOE in the study may arise from the fact that the former SOE has simply carried on with those practices that existed before it was privatised. There are no similarities of procedures among the privately owned and privatised firms in the current sample.

Job Description and Analysis

As discussed in Chapter Three, job analysis is an important recruitment task that ensures that organisations recruit and select people who are best suited for the available jobs. Results show that in this process, there is greater involvement by HR departments as well as by managers whose task it is to manage staff, for example, heads of department are also involved. There is also involvement of job incumbents, referred to in the questionnaires as individual jobholders. Table 6.3 shows the different people mentioned in questionnaires as being involved in writing job descriptions and analysis.

Table 6.3 Personnel Involved in Job Analysis and Writing Job Descriptions

	Numbers		
People involved in job analysis and descriptions	**SOE**	**Private**	**Privatised**
Human Resource Manager	3 (A, B, C)	1 (E)	1 (F)
Heads of Department/section	2 (A, C)	1 (D)	1 (F)
Administration Manager	0	1 (E)	0
Job Holder	1 (C)	0	0
Job evaluation committee	1 (B)	0	1 (G)

Questionnaire responses indicate that in three SOES (A, B, C,) , one private (E) and one privatised (F), organisations, HR managers write job descriptions in consultation with other staff members such as the heads of department (two SOEs [A, C] and one privatised- F), administration manager (one private- E), and the job holder (one SOE- C). One privatised organisation (G) differed from the others in its practices from questionnaire responses. They have a job evaluation committee, which comprises staff members from different functions and levels in the hierarchy who have been specially trained to do job analysis. Interview responses from one SOE (B) indicate that this organisation also has a job evaluation committee that is responsible for doing this task. The process of job description seems to be the responsibility of HR managers in those organisations which have HR departments, who initiate the process and write job descriptions on the advice of the other personnel who manage staff. In two organisations (one SOE- A and one private- D), job descriptions are written when a position falls vacant and there is a need to fill it and in one (privatised G) it is done when jobs change. The rest did not indicate whether there was any connection between the writing of job descriptions and the recruitment process, saying that it is done on an annual basis when jobs are analysed.

In the matter of operational methodology, all the organisations in the study said they base their job descriptions on job content analysis. The time frame for review of job descriptions, as conditions of work change over time varies, with some reviewing them annually, and others reviewing them as and when need arises. Table 6.4 shows the time ranges of the job analysis in the different organisations.

Table 6.4: Time Frame of Job Analysis in Study Organisations

	Numbers		
Time Frame	**SOE)**	**Private**	**Privatised**
Annual	2 (B, C)	1 (E)	1 (F)
None Specified (As need arises)	1 (A)	1 (D)	1 (G)

As Table 6.4 indicates, annual job analysis is done by four organisations (two SOEs, one private and one privatised organisation) while other organisations (one SOE, one private organisation and one privatised) do theirs on an ad-hoc basis.

It was found after the interviews were completed however, that even in those organisations where HR managers had indicated in their questionnaire responses that job analysis is carried out, in practice this was not the case (two SOEs [A, C], two private [D, E] and one privatised- F). Job analysis is an important activity for ensuring that the right people are recruited and hired in the organisation. However, indications from the interview results show that, apart from the one SOE (B) and one privatised enterprise (G), this HR activity is not given the priority that it deserves in the other organisations. Ownership does not appear to be a determinant of whether an organisation utilises job analysis. All categories of ownership were represented in those organisations where job analysis, though a stated policy is not practiced. As a matter of practical concern this is likely to have a negative impact on the staffing outcomes. In the absence of selection based on a clear job specification, it is likely, that people who are not suited or do not have the requisite skills for the tasks required would be appointed. This is likely to lead to an inability to effectively perform their duties, which would affect in turn, their performance and their attitudes to their jobs.

Methods of Recruitment

When positions fall vacant, organisations use different methods to fill them. Table 6.5 shows a summary of responses indicating the different methods of recruitment used by the seven organisations in the study.

Table 6.5: Methods of Recruitment Used by Frequency

Method of recruitment/ source of labour	Public	Private	Privatised
Advertisements			
Newspaper	3 (A, B, C)	2 (D, E)	2 (F, G)
Office Circulars	1 (B)	1 (D)	2 F, G)
Radio	0	1 (E)	0
Word of Mouth	0	2 (D, E)	0
Total advertising methods	**4**	**6**	**4**
Recruitment Agencies/employment bureaus	1 (A)	2 (D, E)	1 (G)
Head Hunt	1 (C)	1 (D)	1 (G)
University/College Recruitment	0	2 (D, E)	2 (F, G)
Handpick	1 (A)	1 (E)	1 (G)

* the data in this table incorporates both questionnaire and interview responses.

The information in Table 6.5 makes a distinction between recruitment agencies and head hunting in the methods listed in the sample, because in Uganda, most workers who use the major recruitment agency are those who are semi-skilled and unskilled, unlike the practice in developed countries where recruitment agencies are used by both non-skilled and skilled workers. For example the statistics of people who look for jobs through the Ministry of Labour (the largest recruitment agency in Uganda) show that over 80% of those who apply for jobs are those in the semi and non-skilled category and the majority of employers who search for employees from them are also looking for the low level skill employees. Only one out of 584 requests from employers in 1999 for example was for professional graduates, in comparison to 554 requests for low skilled workers (Uganda Bureau of Statistics 2001a: 36).

Although there are other private recruitment agencies, the trends would be similar to those of the public one and only a few have been set up for hiring skilled workers. Because of this, the two are taken as distinct in Uganda and the HR managers in the two organisations who mentioned the use head hunting made a distinction between this source and recruitment agencies.

Handpicking also known as a casual or spot market for labour, in most industries involves the recruitment of low skilled workers often for as little as a half of one day and is what the two organisations (SOE- A and privatised- G) referred to for hiring some employees. It is used on a need basis, at certain times of the month or year when the volume of work increases and extra people are needed to handle the increased volume. It is done on an ad-hoc basis and there are no formal requirements. However, it was also used to describe the process where organisations hire people who have been sent to their organisations for industrial training once they have completed their studies, and this term was used again by the SOE (A) in reference to this and the private organisation (E).

The data in Table 6.5 shows that advertisements are the methods most frequently used to fill vacancies for established positions and are used by all the organisations in the survey. All the surveyed organisations specified the use of newspapers as being the most common media. The other advertisement media used in order of frequency are; office circulars, word of mouth and radio. The latter method was mentioned by only one organisation, which hardly uses advertisement in its recruitment process.

Table 6.5 also shows that next to advertisements, the other recruitment methods, in order of frequency are recruitment agencies, university/college recruitment and all the three ownership categories are represented among the users of recruitment agencies, headhunt and handpicking. SOEs did not indicate use of college recruitment in the questionnaire but interview responses indicate that they do although not on a regular basis. Whereas head hunt is used for recruitment of established employees, in particular executives and specialised professionals, hand picking is used for recruiting blue collar/causal workers at the factory gates during the peak production season by two organisations (SOE- A and former SOE- G) and is used on a regular basis by the private organisation (E). Handpicking is also used in deciding which of the college trainees to hire once they complete their training in two of them (one SOE- A and one private- E).

This process of recruitment just described however does not apply to unskilled and casual workers for five of the surveyed organisations (A, D, E, F, G). These organisations mostly use word of mouth and radio as sources of employees at lower level positions. This could possibly explain the presence of a greater proportion of workers from the central region in most organisations in the study compared to those from other regions. One of the private organisations (E) also uses word of mouth for most vacancies.

Private organisations use a variety of methods, with representations among all the different recruitment methods that were mentioned and the same applies to former SOEs. There is less variety amongst the methods of recruitment used by SOEs and advertisements are used more frequently than other methods for recruiting both skilled and non-skilled workers. This is probably due to the fact that for two of the SOEs (B and C) in the study there is a minimum educational requirement whereby even the lower level position workers must be able to read and speak English and have four years of secondary level education. This means that the people they wish to attract are able to have access to or able to read advertisements. Agencies and handpicking are used less often by SOEs because there are established procedures in place on how recruitment should be carried out. These procedures are not always followed though, as evidenced by the SOE (C) that was hiring the majority of its employees from western Uganda, even those whose jobs were located at its headquarters, located in Kampala, in central Uganda. The bulk of its staff is based in Kampala, and that is where the numbers of employees from western Uganda far outnumbered those from other parts of the country. Obviously the people involved in recruitment were not following the procedures otherwise such a scenario is unlikely to happen given that although it has offices nationwide, all its staffing decisions and hiring take place in Kampala. One would expect the bias to be towards employing people from central Uganda where it is located. It seems that in this organisation the people responsible for hiring were hiring from among the people they knew who happened to be from the same ethnic group.

Employees' Perceptions on Recruitment

With regard to the recruitment policies of the organisation, individual employees (190 SOE, 153 private, 126 privatised) were asked to indicate their perceptions of which recruitment methods are used by their organisations. Additionally, they were asked to indicate their own experience of how they were recruited to work in the organisation. Table 6.6 shows the percentages of employees who indicated having been recruited using the different recruitment methods.

Table 6.6: Employees' Recruitment Experiences

Recruitment method	Percentages		
	SOE	Private	Privatised
Application in answer to advertisement	61.1	43	56.6
Invitation to apply	15.6	34.2	28.7
Nomination by senior manager	11.7	12.8	7.4
Agency recruitment	5.6	3.4	4.9
Self approach organisation	3.9	0	0.8
Previous performance as trainee	1.7	0.7	1.6
Showing willingness to work	0.6	5.4	0

As seen from Table 6.6, it appears that some of the employees' experiences correspond with what HR managers said was happening in the organisations as far as recruitment is concerned. Advertisements were the most common recruitment methods mentioned by employees as the basis for being hired in all organisations irrespective of ownership, followed by invitation to apply. There are no major differences on the actual recruitment practices with all mainly using advertisements. However, it appears that quite a number of employees (27% SOE, 47% private, 36% privatised) have been hired through invitations to apply and nominations from managers in the organisations. Private and privatised organisations seem to use invitation to apply for hiring new staff more frequently than the public ones. This could possibly be a reflection of the lack of confidence in the effectiveness of the use of advertisements for hiring sufficient numbers of applicants with the qualities needed in the job. It could also be a reflection of the absence of systematic recruitment procedures in the private sector probably because there is no system in place to check excesses or poor practices in the private sector because the managers do not have to be accountable to anyone but themselves. It seems that an informal labour market operates within the formal rules of some organisations in the study, making it possible for them to hire new employees without going through the formal processes of recruitment. In contrast, the SOEs' managers, although not directly under civil service regulations have increasingly come under public scrutiny and are accountable to the ministers responsible and parliament. The desire to be seen as doing things above board has been responsible for the changes in some of the hiring practices in the two SOEs (A, C) in the study. All SOEs reported that although they get politicians trying to get jobs for people, they are not under pressure to offer them jobs. Instead the people recommended by the politicians are made to go through the normal recruitment procedures as the rest of applicants.

The Basis for the Recruitment Methods Used

The ability of a recruitment method to attract sufficient numbers of quality candidates to apply for an available job should be an important criterion for adoption of a method. Organisations in the study gave several reasons as to why they prefer the particular methods of recruitment that they use. The first one is coverage, whose attributes included the ability of a method to attract more candidates because of its effectiveness in reaching the majority of the target group. All organisations except one (private D) mentioned coverage as one major concern that determines whether a method is used. The second point of consideration mentioned was cost and the attributes associated with this were whether the method is affordable, and this reason was mentioned by public enterprises only. Another point that is considered is convenience with issues like whether or not it is cumbersome being of concern- only three organisations mentioned this (two SOEs [A, B] and one private organisation- D). Lastly, the rate at which the method enables dissemination and response to take place - it is faster and immediate (one SOE- A).

The majority use advertisements because they are effective in attracting large numbers of candidates, are faster and not cumbersome. The most commonly cited reason among these was the effectiveness of advertisements in their ability to reach the majority of the target group at reasonably low cost and its ability to attract many applicants. This was followed by affordability and convenience which were both mentioned in three organisations each, mostly among SOEs.

It appears that the main consideration for recruitment methods for six of the organisations in the study is the ability of the method to attain a wide coverage. Newspaper and other forms of advertisement are deemed to contain this attribute and are therefore widely used. The other recruitment methods are only used as a supplementary support in the case of a demand for skilled workers. As an example one SOE (A) uses a recruitment agency as an important source of labour for skilled workers at top management level. Their reason for choosing this method stems from the fact that as a public company, they wanted to increase transparency with regard to the way their top managers are recruited. They also wanted to eliminate political influence in the hiring process. The recruitment agency therefore handles the applications and makes a shortlist of a few candidates from whom the organisation selects the successful ones.

On the other hand, the SOE (C) that uses head hunting introduced this approach because of a parliamentary inquiry that was sparked off by the bias that was apparent in their recruitment. Most of its employees come from the western region. The HR manager said that although there had been no deliberate organisational policy to recruit employees from the west, the majority of employees at all levels came from this region. The organisation therefore introduced head hunting for senior level positions as a measure to avert this situation and at the same time placed a ban on hiring new employees from western Uganda. The other organisations use headhunting when looking for specialised people whose skills are not readily available in the labour market.

The SOEs and one former SOE, have made attempts to establish some procedures to effect valid criteria in their staffing practices, although in some cases these are not followed. The claim that personnel systems in Africa use particularistic criteria (Akinnusi 1991) seems to be validated by results from the two private organisations where new employees are hired on recommendation from employees or owners. In the case of SOEs, although politicians do exert influence, it has mainly to do with reducing the imbalances in staffing practices that result when management in these SOEs use staffing practices that promote particular ethnic groups. Government is under some pressure to make sure that no particular group benefits at the expense of others. Regrettably, the decision by the SOE concerned to ban recruitment from the west has in turn meant the exclusion of a vital source of skilled human resource. This means that the organisation may forego opportunities to hire people with the skills and abilities that match with their needs and end up with those that are unsuitable. Public pressure on the other hand has helped SOEs to resist political influence. All SOEs reported that although they get politicians trying to get jobs for people, they are not under pressure to offer them jobs. Instead the people recommended by the politicians are made to go through the normal recruitment procedures as the rest of applicants. The HR manager in one (A) said that politicians are scared to exert much pressure because of the negative repercussion that may arise from bad publicity if they try to influence the hiring process. This is quite a change from the past when politicians had a lot of influence on who was appointed in the state owned enterprises, with appointments mostly based on nepotism and sectarianism (Wabwire 1995).

The two organisations (A and E) which use handpicking for recruiting college/university graduates, who come to the organisation for industrial training, as part of their course requirements said they do so because it is easier to judge their future performance in relation to their performance while on training. When handpicking is used for recruiting causal or unskilled employee categories, the reasons given were that it is convenient because it is used on a need basis. Whereas the SOE and former SOE said handpicking is used only for temporary relief in times of extra work and therefore applies to casual workers, the private organisation which uses this method said that it is used for recruiting factory workers, most of whom start as porters and eventually upgrade their positions and they end up taking on technical jobs. The remainder of the methods are used when there are specific qualities required, when the use of advertisement fails to attract the required candidates or as in the case of the SOE, when there has been identified bias in recruitment that disadvantages particular regional groups.

It seems from this evidence that, newspapers are seen to be the most effective recruitment medium, and are most widely used, followed in order of frequency by, recruitment agencies, college/university recruitment, handpicking and headhunting. These less practiced methods of recruitment are used to varying degrees, with recruitment agencies, filling the gap in the skilled labour market in some cases and along with casual handpicking also used for unskilled jobs for some of the organisations. Only one organisation (private, E) differed significantly on recruitment methods and reasons why used. Most of the new employees for this organisation enter employment through personal contacts with existing staff and owners and word of mouth is the main method of recruitment and a few come through recruitment agencies and handpicking at the factory gates because the owners prefer this method. For technical jobs on the manufacturing floor, recruitment is done from college graduates who undertake their industrial training with the organisation. The HR concerned noted that whereas the system works well as far as graduate trainee recruits are concerned, the system used for recruiting other categories of employees does not supply employees with qualities which are needed for the job, but it is the preferred method by the owners of the company. The owners of the company prefer this method because they can negotiate lower pay for the unskilled people and avoid having to pay reasonable salaries to skilled people. They look at paying more "...as a way of throwing away money" (May 2000, Private, E) although the company can afford to pay. Because of this, in the HR managers view, "...80% don't have the skills we need" (May 2000, Private, E). The HR manager further elaborated that the decision on the method to use "...depends on the vacancy available. If it calls for more skills and knowledge, then we use adverts or approach technical institutions around" (May 2000, Private, E). Mostly though, there is no clear and systematic recruitment system. He said "...what we have is not the best. There is a need to have vacancies open to all. Sometimes a vacant post, nothing is advertised and the next day you see it occupied" (May 2000, Private, E).

Number and Quality of Applicants

Most organisations did not have records of the number of applicants that have been considered for different job openings in the previous five years. The reason given being that they were too many and the organisations did not keep a record of them. This could be a reflection of the Ugandan labour market. A large proportion of adult population in Uganda are not engaged in economic activities, and in 1997 the unemployment rate was about 7.4 percent (Uganda Bureau of Statistics 1997). Only 38% of Ugandans are engaged in economic activities and over three-quarters of them are employed in agricultural activities, where in most cases they are underemployed. The proportion of people working in paid employment is only 4.9% (government and private employees in Table 6.7) and is mainly found in urban areas (Uganda Bureau of Statistics 2001b: 30). The majority of the unemployed people are also found in urban areas. Table 6.7 shows the distribution of employment in Uganda by economic activity in 1999/2000.

Table 6.7: Household Population by Main Activity (1999/2000)

Engaged in Economic Activity	**1999/2000**		
	Male	**Female**	**Total**
Self Employed**	23	14.8	18.8
Unpaid Family Worker	5.6	21.6	13.8
Government Employees	1.8	0.6	1.2
Private Employees	5.7	1.7	3.7
Sub Total	**36.1**	**38.7**	**37.5**
Not Engaged in Economic Activity			
Too young or old, not able to work	21.7	20.8	21.3
Student	39.2	33.2	36.2
Attending domestic duties	1.3	6.6	4.0
Others	1.7	0.7	1.0
Sub Total	**63.9**	**61.3**	**62.5**

Source: Uganda Bureau of Statistics (2001b: 26)

** The self-employed category includes Employers and own account workers, however, employers contribute less than 1 percent of the self-employed.

However, given that that information on the number of applicants was not the only recorded data that was not available, it could be because there is no systematic record keeping on issues related to human resource in these organisations. Three organisations however were able to provide these figures and Table 6.8 shows the numbers. It seems from the figures in Table 6.8 that the public and privatised organisations in the sample have no difficulty in attracting applicants, but those in the private enterprise do. Being able to attract only 40 applicants in five years is quite low, but then, it could also be because this organisation does not make attempts to attract employees using the conventional means. As indicated before, they usually hire people through personal contacts.

Table 6.8: Numbers of Applicants in Five Years

Number of Applicants	Organisation						
	SOEs			Private		Privatised	
	A	B	C	D	E	F	G
Male	n/a	450	n/a	n/a	30	n/a	3500
Female	n/a	120	n/a	n/a	10	n/a	1200
Total		570			40		4700

If it is true that those organisations that did not provide information about the number of applicants could not do so because they are too many, it would appear that attracting candidates to apply for jobs is not a problem and the methods used are effective in attracting sufficient numbers of applicants. However, the methods seem not to be effective in attracting the quality of job applicants needed. This could be because the skill base of the labour market is quite narrow. The national figures show that in 1999/2000, up to 30% of the people in paid employment had formal education. Yet the majority of people with an education of secondary school level education and above were gainfully employed (Uganda Bureau of Statistics 2001b: 33). Another possible reason for the failure to attract quality applicants could be due to the methods used for attracting applicants not having the ability to reach some of the target population. The responses from all the organisations suggest that the quality of applicants does not match the organisations' needs. In response to the question about the difficulties that organisations face in trying to acquire different types of workers, there were varying responses depending on the job categories. Table 6.9 details the difficulties faced by the different categories of organisation.

As seen in Table 6.9, all the organisations in the sample face no difficulties in attracting blue-collar workers but some face difficulties with the quality of skills required. Only two organisations face no difficulties with recruiting new blue-collar staff at all (one SOE- C and a privatised organisation- F). The difficulties faced by the rest in staffing of blue-collar workers mainly have to do with the level of education of applicants and their skills but not the numbers. Having many applicants who lack the required skills and educational attainment was common to organisations of all the three ownership categories.

Table 6.9: Difficulties Faced by Organisations in Recruiting Employees

Difficulties in Recruitment	**Organisations**		
	Nos. SOE	**Nos. Private**	**Nos. Privatised**
Blue Collar Workers			
Pressure from staff wanting to get jobs for their relatives	1 (A)		
Potential workers agitating for benefits above their levels	1 (B)		
Applicants who are too young and unable to cope with demands	1 (B)		
Applicants who present forged documents	1 (B)		
Many job seekers without necessary skills		1 (D)	
Illiterate and semi illiterate		1 (E)	
Very large number of applicants with similar qualities			1 (G)
White Collar Workers			
Excessive applicants for a single job	2 (A, C)		1 (G)
Impressive people at interviews who fail to meet job expectations	1 (B)		
Applicants who lack experience		2 (D, E)	1 (F)
Applicants who demand big salaries regardless of nature of work or degree of experience		1 (E)	
Management Jobs			
Lack of relevant skills and experience	3 (A, B, C)	1 (D)	2 (F, G)
Lack of real professionals	1 (B)		
Difficult to identify and recruit good managers because many are not honest and the good ones are very mobile		1 (D)	
Applicants who demand big salaries which the firm is not willing to pay		1 (E)	
Female Workers			
Inflexibility in job type, working hours and duty stations	2 (A, C)	1 (D)	2 (F, G)
Applicants lack assertiveness	1 (B)		
Many have domestic problems		1 (E)	

When organisations attempt to recruit white-collar workers, the difficulty faced by organisations that was cited most often, was that they receive too many applications which necessitate long hours of sorting through to get the right candidates. This was the case stated by three organisations, two SOEs (A, C) and one privatised (G). The other reason also most frequently mentioned was that applicants lack relevant experience and this was indicated by three organisations, the two private (D, E) and one former SOE (F).

There is no apparent pattern regarding ownership as far as excess labour supply is concerned, since both public and private organisations advised that they had too many applicants. However, lack of relevant experience was mentioned as a problem by only the privately owned and privatised enterprises. This could possibly be because public enterprises recruit fresh graduates without experience and expect to have to train them. By contrast, private employers expressed a preference for experienced white collar workers and therefore require applicants that have relevant working experience.

For management jobs, one of the difficulties mentioned was the absence in the Ugandan job market of people with professional managerial and entrepreneurial skills and the relevant experience and educational qualifications. The other difficulty, which is possibly related to the first one is that when people with the required standards are identified, they demand big pay levels above the conventional pay scales, which firms cannot afford. These related problems have at times meant that the companies need to re-advertise for more applicants. This difficulty was mentioned by all organisations in the sample.

Successful Recruitment Sources

An integral component of the recruitment system is for organisations to employ follow up studies in order to establish those sources of recruitment that produce higher proportions of employees who do a good job once they are hired (Terpstra and Rozell 1993). Although no specific follow up studies are done by organisations to determine which recruitment sources yield the most suitable and qualified employees, some HR managers were able to give their opinions as to which recruitment methods yield high proportions of successful candidates. Responses, to this question were obtained from only three HR managers, each representing one of each of the organisational categories in the sample.

One important category of recruitment of those mentioned was college/university recruitment (SOE- A and Private- E). The students come to these organisations as part of their industrial training. The reason mentioned by one organisation that successfully recruits graduates from training institutions is that the students come in as trainees, and the organisation is able to assess their abilities and talents. Those fitting the firm's criteria are the ones that are hired, and as the HR manager said,

> when we develop the talent, it's much easier to recruit someone with talent and develop him further, then you are assured of quality products that will come out of them" (March 2000, SOE, A).

The other one noted that the other reason for the success of this method is that they get the exact skills available for job vacancies because they employ them when they graduate, if there are vacancies available. Their experience with people hired by such means is that most of them are more productive and time conscious. Even when they are not well paid, they are dependable, and regardless of qualification will stay on after their industrial training. One possible explanation for this could be that because the job market is tight, these employees stay on the job marking time, hoping to gain experience and later get better jobs elsewhere. A large number of people in Kampala (31.1%) are unemployed and this may affect the decisions made by employees. In fact, one HR manager (private E) alluded to this when he said that in spite of low pay;

> People work because they have nothing to do. They are desperate, they have to stay and work. Because someone paid 90,000 (equivalent of US $ 50) per month...considering the cost of living in Uganda.... these people are there because they have nowhere else to go. But the moment the opportunity arises elsewhere, they will resign without a second thought and this is for all departments, sales, administration, marketing etc. (May 2000, Private, E).

The other most successful but less used method is headhunting, which one of the HR managers noted as being successful, saying;

> because of its nature is very specific. The organisation decides exactly the person it wants, see him/her and decide to go for them. He will stay mainly because he will negotiate everything he wants and by the time he comes, he even knows the job, the money etc. (June 2000, privatised, G).

Newspaper advertisements were also said to be effective because they give the organisations such a wide choice. However, it is mainly effective in as far as attracting applicants is concerned. The quality of applicants leaves much to be desired. Sometimes applicants, who seem to have the requirements of a job based on the application forms/CVs they present, turn out to be unsuitable during the selection stage. An example to illustrate this was given by one of the HR managers;

> the person looks good as a marketer, passed all the exams but give him practical tests on how they would approach some situations and he is totally the opposite of what the papers say (June 2000, privatised, G).

Employment bureaus were mentioned by a private organisation's HR Manager as the least successful because according to him,

> people are desperate for jobs whether they are qualified for jobs or not. We hardly get relevant replacements through bureaus (May 2000, Private, E).

Recruitment aims at finding potential sources of labour supply, making the availability of jobs known to potential employees and attracting interest in the job posts. The results of the study indicate that all the organisations in the study are aware of the potential sources of labour and all make use of the available sources, both external and internal, for making potential candidates aware of the availability of jobs. Only one organisation (private, E) differs significantly from others in this process of recruitment. For most of the time, new employees are hired through word of mouth and handpicking. The owners seem to prefer using informal mechanisms for hiring most of the employees and the decisions seem to be mainly based on a desire to keep labour costs to the minimum. This is the organisation whose HR manager is rarely consulted in recruitment decisions and who said that the owners prefer employing unskilled people who will not expect high salaries because they look at paying skilled workers as "a way of throwing away money". This implies that this organisation misses an opportunity to create a pool of applicants from which it can select the best people suited for the available jobs. This is because the vacancies are filled by the use of a narrow pool of potential candidates, i.e. those known to the current employees and those who come in as student trainees. The HR manager acknowledged that the system in place has a negative impact on the organisation's productivity because in most cases, the employees lack relevant skills and competencies.

The tendency for some organisations (three) to handpick college trainees who come to their organisation for industrial training excludes those who have not had such an opportunity, yet who may be of superior quality. The assumption that the trainees are the best suited for the jobs is based on the belief that those who are posted to their organisations by the training institutions are the best suited. However, this is not necessarily true. If they gave an opportunity for others to apply, they may have a chance to get employees who match the available job vacancies better.

The methods used for getting the word out to the labour market about the availability of job vacancies seems to be effective since they (methods) are able to elicit such large numbers of applicants. The problem is that for some of the jobs, either the recruitment methods are targeted at the wrong labour market, or they do not properly communicate the person requirements. This is evidenced by the fact that although all organisations indicated that they get many responses for their advertisements, they sometimes have to re-advertise for jobs because after the selection process, they are still unable to procure the right people for the jobs. This could possibly be because the common method of recruitment, the newspaper attracts only those candidates who have access to local newspapers, which rules out those who may not have access to them, yet who may have the relevant skills and abilities, e.g. those who live overseas or parts of the country where the local newspapers are not available.

This is particularly essential for jobs that require professional managerial and entrepreneurial skills, one of the areas where all the organisations indicated they had problems attracting candidates. One of the ways some of the organisations have sought to get round this has been to headhunt for people with specialised skills. Although this is an effective method in some ways, it still means that the organisation misses out on those people with the requisite skills who may not be within the head-hunters' repertoire, yet who may be better suited for the job.

A closer look at the reasons why organisations choose to use the recruitment methods they use may give an idea as to why they are not getting good results. Three reasons were mentioned as the basis for using the newspaper advertisements, which all the organisations indicated as being used for recruiting skilled workers (although the seventh one indicated in the interviews that this does not happen).

The reasons mentioned for using recruitment methods that are popularly used were coverage, cost and convenience. Whereas coverage ensures that a large number of people are informed of the availability of the job, cost and convenience are not the best reasons why a recruitment method should be used. A cheaper and faster means of disseminating information is not necessarily the best one for attracting the best possible candidates. The preoccupation with cost and convenience could mean that organisations are not forecasting their HR needs effectively, which would enable them to budget finances and the time needed to carry out a comprehensive recruitment process. Rather they may be undertaking recruitment on an ad hoc basis, a result of response to a vacant position which requires urgent replacement. As such, there is not enough time or funds to make a thorough recruitment drive that elicits the responses of the best available candidates for the job.

The policy of privatisation is based on the belief that through private ownership, countries will reap economic benefits from the existence of efficient and better performing private companies. It is assumed that private enterprises are more likely to adopt better management practices since they do not have the constraints that public enterprises have. It therefore follows that corporate governance in private companies would be more proficient because unlike public enterprises, they employ professional management practices and managers who possess the requisite entrepreneurial and innovative capacity. The profit maximising objective of private enterprise is expected to compel managers to implement policies that enhance the profit making capability of the firm. In view of this therefore, it would be expected that the management processes of companies in the private sector would be quite different from those in the public sector and would be those that enable private companies to acquire and develop employees with the skills and knowledge necessary for achievement of organisational goals. The results from the sample do not seem to indicate that there exists differences in the management activity of recruitment that indicate that private enterprises in this sample have superior practices. On the contrary, looking at some of the practices of the private organisations gives the impression that their recruitment process is less systematic. The findings in the two SOEs whose recruitment methods have been changed in response to public concerns contradict the belief that SOEs are not accountable to anyone and tend to be inefficient as a result. In this case, it appears that concerns about public opinion have motivated the SOEs to become more rigorous than they would have been if they were not accountable to the public. None of the private organisations get scrutinised by anyone on their hiring practices. The regulatory framework in Uganda is too weak to ensure private accountability in the way they conduct their human resource management practices. For example, although the Employment Decree states that "...a contract of service for a period of six months or more, or for a number of working days totalling six months or more shall be made in writing" (Employment Decree 1975: 33), most of the employees from one of the private companies said they did not have written contracts or appointment letters and this was confirmed by the HR manager who said that this was policy of management.

Selection

An organisation increases its ability to predict which of its applicants for a job are most likely to succeed if it evaluates them according to the criteria set during job analysis (Pfeffer 1998). Evaluation of selection methods to determine which ones provide valid assessments of prospective employees is important. Tools used in selection ought to be able to predict a candidate's ability to perform their tasks effectively (Bolton 1997). The results from the study show that in those organisations which solicit applications, once prospective candidates submit their job applications, drawing up the shortlist is done based on certain criteria. The basic criteria used which is common to all organisations in the survey is the applicants' graduate status/educational qualification and years of relevant/transferable work experience. The only variation was that some organisations have additional criteria e.g. one public organisation (B) also considers the applicants' age, previous place of work and job mobility.

Once the short list of candidates has been drawn, different selection methods are used to determine which candidates are suitable for the available vacancy. Passing written or oral interviews on the basis of the short list criteria is common to all the organisations irrespective of ownership status, as the basis for selecting a successful candidate. One other criteria that was mentioned by one organisation, was candidates' passion and drive (privatised, F), while another highlighted reference checks as being additional criteria for selection of an individual (SOE, C).

Human resource managers of all the organisations mentioned oral interviews as the most frequently used method of selection. One HR manager (SOE, B) said that the oral interview is the method that selects people who do not let them down and who do their work, especially at top management level. But at lower levels, some who appear good at interviews, and

> beat the rest with a big margin are not very good. When actually given a job, the person is not serious at their work, do it with 'I don't care attitude' although he was good at answering interview questions and has good academic qualifications (April 2000, SOE, B).

Other HR managers, echoed this saying that interviews, although good at identifying people with good academic skills and experience, are not good at detecting this attitude of lack of commitment in people before they have actually been hired. One manager from the private sector said that because of their disappointment with the performance of people acquired using interviews as the selection method, they only employ people who have been recommended by people they trust, because then the organisation is sure of what kind of person they are.

He concluded by saying that interviews do not make it possible to "tell who is a thief and who is not" (May 2000, Private, D,). One of the possible explanations for the failure of interviews to identify the right candidates for vacant jobs could be that they may not be the appropriate selection methods. It could also be the case, that the people who are involved in the selection lack the skills for identifying people with the requisite skills. Another explanation, based on the evidence from the responses regarding the use of job analysis, could be that it is not well done and therefore the selection is based on job descriptions and person specifications which do not match with the actual and practical work involved.

The other common selection methods mentioned were testing and skill exercises, used by all organisations but one. Only one organisation, a former SOE (F), depends only on interviews. When making selection decisions, all organisations consider results of the methods of selection as important, as indicated by all HR managers' responses ranging from most important (2 HR managers) to very important (5 HR managers).

The process of recruitment and selection is similar for most of the organisations although some differences emerge in the selection stage. One of these differences, which may be related to ownership, is the selection methods used. A former SOE (G), now owned by a multinational, uses several methods, including testing, interviews, and assessment centres. The others use only two other methods, i.e. testing and skill exercises. There also appears to be less focus on following a systematic staffing process in the two private organisation categories (D, E) and one privatised organisation (F), than in the three SOEs (A. B, C) and one privatised organisation (G).

Four of the organisations in the study (two of them SOEs [A, C], one private- D and one privatised- G) use recommendation letters from referees and confidential reports as checks on the history of potential employees. Another check is contact of previous employers but this is used by only private (two D, E) and privatised (one F) organisations. Others check the potential employees' history by contacting friends and former lecturers. During the interviews however, one of the HR managers (privatised F) indicated that no checks on references are made because it is possible to get relevant information without use of background checks. At the other end of the range (private company D) the person in charge of personnel said that the organisation prefers to take

> people who have been recommended rather than use of interviews because then the organisation is sure of what kind of person they are (May 2000, private, D).

Most organisations link their selection activities to recruitment whereby those who meet the criteria of the job specifications used in the recruitment process are the ones who are invited for interviews and selection is based on the same criteria. Trade unions, which are employees' organisations formed to provide them with a voice in negotiating terms and conditions of their work (Nankervis et. al. 1993) do not have much influence on the staffing process in six organisations. Although as discussed in Chapter Four, trade unionism in Uganda is weak and it has been claimed that the government has suppressed its activities (Oloka-Onyango 1997), some workers unions are still operational even in public companies. Five of the organisations in the sample have got operational trade unions, two of them multi-professional (two SOEs, B and C) and three of them single employer (one private, E and two privatised, F and G). Their influence is mostly in the area of compensation though and only one organisation (SOE, B) indicated that the trade union influences selection noting that,

> for any vacancy, they (Trade Union) ensure that first priority is given to the existing staff on failure of which the post is advertised externally (April 2000, SOE, B).

The other two organisations, one SOE (A), and one private enterprise (D), do not have trade unions represented in their organisation.

Oral interviews are still the most commonly used method of selection in all the organisations, even though the HR managers do not consider them an effective method of selection. One organisation (privatised) though has introduced other methods of selection that are aimed at reducing the error in selection, such as use of assessment centres. The other organisations have not introduced alternative methods of selection to improve the rate of success in hiring of new staff.

Employees' Perceptions on Selection

Table 6.10 shows what employees perceive as being the basis for selecting new people for the vacant positions in all organisations. As the figures in Table 6.10 show, perceptions of employees with regard to selection are slightly different when analysed on the basis category of ownership. The majority of employees perceive interviews as being the basis for selecting new employees in all organisations followed by nomination by senior managers. Employees from private organisations who think that nomination by senior managers is used for selection are proportionally more than those of the other two categories of ownership. Again, the results of employees' responses regarding selection correspond with what the HR managers reported.

Table 6.10: Employees' Perceptions on Selection Methods Used

Selection method	Percentages		
	SOE	Private	Privatised
Interviews	60.7	54.5	63.3
Nomination by senior manager	15.2	21.6	10.9
Formal testing	8.5	12.9	12.9
Peer review	8.9	5.4	7.5
Knowledge of top managers	1.3	2.4	0.7

As in the process of recruitment, apart from one privatised organisation (now multinational owned), there appears to be no significant differences in the way the organisations conduct their selection activities. There is predominant use of oral and written interviews for selection of new employees for the organisations in the study. Even when the managers are aware that the methods of selection have not been effective in enabling the organisations to get desired candidates, there has been no attempt to change the methods.

There is also a lack of consistency on the selection procedures, particularly in the private sector, but also in some SOEs. As a result, there are no rigorous selection methods in place for ensuring that the right candidates are selected. One private organisation has even implemented a hiring system that takes on new employees only based on recommendation of trustworthy people because of their disappointment with those selected through the formal mechanism of recruitment and testing for skills and interviews. Although this may enable them to get trustworthy employees, it does not necessarily mean that they are getting the best-qualified candidates for the jobs or the ones with the best available skills who are available in the labour market. They are narrowing down their chances of getting employees who are outside their business contacts.

The argument that there is more efficiency in private organisations is only supported by evidence from one former SOE that is now owned by a multinational company, with regard to selection. It has implemented different selection methods such as use of assessment centres for its managerial cadres in an effort to improve effectiveness in its staffing process, a method that has proved to be reliable and valid in selecting managers (Noe et. al. 1997). The rest of the organisations, whether SOEs, private or former SOEs have not tried to implement an effective solution to their failed staffing methods. Although they are aware that they lack effectiveness, they are still using the same systems instead of adjusting or improving them to effect changes.

There is a possibility too, that people who are involved in the selection procedures lack the competencies for selecting the people best suited for the jobs. Responses with regard to the individuals involved in making decisions on recruitment, short listing and selection of candidates show a tendency for the top management to be the ones involved, e.g. managing directors, board of directors, corporation secretary, etc. Although these are high status positions in their respective organisations, they may not necessarily have the competency to make the right HR decisions, yet they may be the same people that compose the selection interview panel. Although it is important for strategic purposes for senior management people to be involved in HR activities, there is a need to get the assistance of people who have the capacity and experience, who would be able to detect the potential employees' attitudes to work during the selection stages. Resorting to dismantling the whole selection procedure as in the case of the private organisation that now uses even more discriminatory procedures, may leave out some candidates that could have done a better job than those that are recommended by business associates. It is not fair to the people who do not get a chance to be considered for jobs and presents a poor image of the organisation to the public. There may be a need for training the senior members of staff who compose interview panels so that they have the requisite skills.

As discussed in Chapter Three, organisations have internal and external labour markets, and each of these sources yield different benefits to organisations. It appears that most of the organisations in the study use the external labour market more than the internal labour market. The difficulty of getting candidates with managerial capacity implies that there are no measures in place to develop the managerial capacity of the existing employees so that they can fill the vacant positions, thus requiring the organisations to look outside. The other explanation could be that those that are trained to fill positions leave the organisations before they get to those positions meaning that the organisations have to look to the external labour market for people with those qualities. Organisations may not be giving their employees career management such that without information about their career prospects, employees who have been trained to take up higher positions leave before they have received promotion.

Discussion and Conclusion

The goal of recruitment and selection is to enable an organisation to attract sufficient numbers and quality of potential candidates and to choose the right people for the available vacancies. Selection of the best possible candidates to fill the available positions in an organisation is important because failure to match a person and a job can have significant consequences on the effectiveness of other HRM functions and employee productivity and that of the firm. In order to ensure that staffing is done effectively and provides organisations with people with the required skills whose performance will therefore enhance organisational performance, there is a need to use methods that attract and select the right kind of people. One of the objectives of the study was to examine the staffing practices of the differentially owned organisation to determine whether differences existed among them and whether the differences are those that make private sector enterprise more efficient. Results from the study of the seven organisations indicate that there is predominant use of similar recruitment and selection methods by all the organisations in the study. Although these methods have not provided the number and quality of applicants that the organisations consider sufficient, only one organisation (former SOE, G) has attempted to put in place alternative methods aimed at mitigating these weaknesses in their recruitment process. The other organisation that has attempted to make changes has chosen a strategy whose outcome may not necessarily match with the expected ones. Resorting to nominations by senior managers and business associates is not the best available option. There are other techniques developed in the field of recruitment and selection that would be more appropriate, less discriminatory and able to provide employees with skills and competencies valuable to the firm. The other private organisation also practices similar discriminatory and inefficient staffing practices which affect the productivity. Poor staffing practices are likely to adversely affect the effectiveness of the organisations since they may be hiring people who are not suitable for the jobs. This is likely to affect their individual performance and that of the firm, which may lead to decreased morale and in turn affect their efforts at work.

The argument that private enterprises are more efficient is not supported by the results of this study with regard to the human resource activity of staffing. The SOEs and one former SOE, have made attempts to establish some procedures to effect valid criteria in their staffing practices, although in some cases these are not followed. The claim that personnel systems in Africa use particularistic criteria (Akinnusi 1991) was confirmed in the two private organisations where new employees are hired on recommendation from employees or owners. In contrast, although politicians do exert influence on SOEs, it has mainly been to correct management failures. There are more similarities in the hiring practices of SOEs and former SOEs possibly because former SOEs have retained the practices that existed before they were privatised. Another reason could be because one of the former SOEs is a multinational and therefore employs policies formulated at the headquarters. The staffing practices of private organisations affect their productivity. When asked about the impact of the hiring practices in his organisation, one of the HR managers implied that the poor staffing methods used in the organisation affects skills which results in poor productivity saying,

> I can say that 80% don't have the skills we need...if looked at from production point of view, if you get a skilled man, assign him 2-3 items to produce in a day and also this unskilled man who came in as a porter but learnt on the job, it will take him three days to complete the three items but the skilled man will do it in one and a half days. So there is some delays in meeting our production targets. So they normally don't work to our expectations (May 2000, private, E).

This chapter has examined the recruitment and selection functions in the seven organisations in the study, highlighting the similarities and differences that exist amongst them. The similarities do not seem to be related to category of ownership nor do the differences. It appears that they are based on the management's view to workers, which is not necessarily related to the type of ownership that the organisation belongs to. The following chapter examines the implementation of the HR practice of training and development in the seven organisations in the study.

Chapter 7
TRAINING AND DEVELOPMENT

Introduction

Training and development influences performance through its impact on skills and abilities that employees need in order to perform their tasks and for their career development. It also enhances employee job satisfaction and satisfaction with their place of work through its impact on their attitudes, adaptability and identity (Harel and Tzafrir 1999). The discussion on training in Chapter Three highlighted the importance of training and the benefits to organisations when employee skills are enhanced to match organisations' needs. In light of the assertion that the training systems in developing countries' organisations lack a systematic approach to training (Kiggundu 1989), the study sought to find out whether this was true in Ugandan organisations, and if so, whether it was restricted to one category of organisation ownership or common to all regardless of their ownership status. Human resource managers of the seven organisations in the study were asked to provide information on the training process including how organisations arrive at decisions on who gets trained and the criteria used, whether their organisations provided any form of job training, how the training needs are assessed and which training methods are used and why. They were also asked for information on how many employees their organisation had trained in the past five years and what criteria was used to select those who went for training. Furthermore, they were asked about the training programmes and how their effectiveness is assessed.

This chapter presents the results from responses of HR managers and employees to these questions. Their responses are examined for the differences or similarities that exist in the training activities of the differently owned organisations and then analysed in view of the basic elements that make training and development important to organisational performance.

Training Programmes

Three of the seven organisations reported having a training programme (see Table 7.1 for details). The specified programme of the two SOEs however is not implemented, due to financial constraints. In one private organisation, the person in charge of personnel said that the training programme was scrapped and training only takes place when a new machine has been purchased and someone is sent to learn how to use it. The reason for scrapping the training programme was their experience with individuals, who after coming back from further training were immediately poached by other organisations. Although only three organisations have a training programme, all seven organisations reported to have in place some mechanisms to enhance employee skills, and have set up different systems. Table 7.1 shows the systems in place for enhancing employee skills in the seven organisations.

Table 7.1: Organisations' System for Enhancing Skills of Employees

Skill enhancing activity	Nos. (SOE)	Nos. (Private)	Nos. (Privatised)
In house workshops	2 (A, B)	0	0
Off the job training subsidised by organisation	1 (A)	0	0
Training Programme	2 (A, B)	0	1 (G)
On job training/Induction	2 (B, C)	2 (D, E)	2 (F, G)
Vocational training schemes	0	1 (E)	0
Performance appraisal	0	0	1 (G)

The figures in the table show that only three organisations (two SOEs and one privatised) indicated having a training program aimed at providing systematic training. Response from interviews indicated that whereas the programme in the privatised organisation was active at the time of the study, in the rest, what training there is, takes place on an ad hoc basis, no objectives are set prior to the training and no plans are in place to ensure that skills gaps are closed.

One of the reasons for organisations' lack of training system could be the reluctance to spend money on training employees because it is not seen as an investment but a cost. This is supported by the response from a manager of one private organisation (E) whose response on the training policy was "...I don't think we have a training policy...top management don't want to incur costs on training" (May 2000, Private, E). The absence of a system for enhancing employee skills is a weakness that is likely to hamper their performance.

Training Needs Analysis

Training needs analysis is an important element of the training activity that enables employers to assess the skills gaps in their organisations so that training can be directed at closing these gaps. Six human resource managers stated in the questionnaire that their organisations conduct training needs analysis (TNA). Table 7.2 shows the basis for assessment of training needs and Table 7.3 shows the different criteria on which organisations in the study base their decisions on training.

Table 7.2: Training Needs Assessment

Basis of TNA	**Nos. (SOE)**	**Nos. (Private)**	**Nos. (Privatised)**
Job Analysis	1 (B)	1 (E)	1 (F)
Performance Appraisal	2 (B, C)	0	1 (G)
Organisational Analysis	1 (A)	0	0
Career Enhancement	1 (A)	0	1 (G)

Table 7.3: Criteria for Training

Criteria for training	**Nos. (SOE)**	**Nos. (Private)**	**Nos. (Privatised)**
Job Analysis	2 (A, B)	1 (D)	1 (G)
Individual's Qualification	0	0	1 (F)
Seniority	1 (A)	0	0
Career Enhancement	1 (A)	0	1 (G)
Course availability	0	1 (D)	0
Nature and level of training	0	1 (E)	0
Job knowledge	0	1 (E)	0
Lack of Experience	0	1 (E)	0
Aptitude	0	0	1 (F)

The data in Table 7.2 which shows the basis of TNA does not indicate any criterion that is specific to one category of ownership, shared by either all SOES alone or private sector enterprises alone. Both SOEs and privatised organisations do training needs analysis. Private organisations seem to be different from the other two ownership categories in this aspect. As shown in Table 7.2, only one private organisation indicated doing training needs analysis based on job analysis although interview responses indicated that this does not actually take place. Comparing Tables 7.2 and 7.3 shows notable results. The items which appear as being the basis for training needs analysis do not match with the criteria for training in some organisations. Whereas one would expect that the criteria for sending people for training would match with what is used for analysis of training need, in four of the organisations, these do not match. Instead, other issues like seniority, qualifications, nature and level of training and job knowledge take precedence in the decision making. One HR manager (SOE-C) stated that there is no established or firm criterion for selecting those who go for further training, but it is done upon the recommendation of the heads of departments and availability of funds.

In subsequent interviews, only three (two SOEs [A, B] and one privatised- G) indicated that they have a system in place to assess training needs and only one of them (former SOE-G) said that they are used as a basis for designing their training programme. Although there is no systematic TNA in the five organisations according to interview responses, all organisations have at one time or another provided training to their employees. When this happens, generally, there are two ways organisations decide on who goes for training- either the organisation decides after assessing an individual's performance, or the individual decides. For on-the job training- arrangements are made by the organisation, whereas for off-the job training, the decision is made by either the individual or the organisation. This is true for those organisations that train irrespective of ownership.

When it is the initiative of the individuals to go for training, they seek opportunities and approach the organisation for funding by applying through their supervisors to the heads of departments who forward the application to the personnel department for approval. Four organisations (two SOE [A, C], one private- D, two privatised [F, G]) indicated following this procedure. These represent all the ownership categories. In this instance, individuals decide for themselves that they need training and seek opportunities for training and approach the organisation for funding. Depending on the availability of funds, and whether training is considered as a need for the individual, the person is either given sponsorship or given study leave and encouraged to get their own funding. Individuals then make their own arrangements to go for further training. This procedure however applies to off the job training. For on the job training, the most commonly practiced training, decisions are made by heads of departments based on individual performance, if it is not up to required standard.

The procedures are different when it is the initiative of the organisation. One HR manager (SOE-A) said that when it is the organisation that takes the initiative to send employees for off the job training, the need is identified by the organisation and the employees are asked to apply. Three (two SOE [B, C], one privatised- G) said that in their case, the departments agree on training requirements, identify suitable courses that meet organisational requirements and then nominate people to go for training in accordance with performance shortfalls established during a job study and skills analysis. Obviously although interview responses give the impression that there is no TNA in the five organisations, the managers' responses in relation to the decision making process when the organisation takes the initiative to train employees indicate that some kind of assessment is done. However, it could be that some still do not send employees for training based on need but make an arbitrary decision.

Employees' Perceptions

Employees were asked to indicate what they perceive as being the criteria used by their organisations to send individuals for training, and their responses correspond with those of the HR managers to an extent. Table 7.4 shows the perceptions of employees with regard to criteria used by their managers to enhance employee skills.

Table 7.4: Employees' Perceptions on Training Criteria

Criteria	Percentages		
	SOE	Private	Privatised
Skills needs in organisation	58.8	42.8	48.6
Personal upgrading/career enhancement	20.6	29.7	23.9
Potential for promotion	9.5	6.9	13.8
Personal initiative	2.5	2.8	0
Departmental need	10.4	0	7.9

As seen in Table 7.3, in A, B, D and G, skill needs of an employee and career advancement in A and G form part of the criteria for training and the perceptions of employees match with those of managers. The perceptions of employees however are not congruent with those of managers in C, E and F. No mention was made of skill need and personal upgrading in those three organisations as being criteria used by the organisations yet the majority of their employees think these are the criteria used. This could mean that organisations do not communicate the training procedures of their organisations, or they do not use the criteria HR managers said they use.

The interview responses from five HR managers give the impression that there is not much systematic training needs analysis, although training is sometimes conducted, and this seems to be true in instances when training opportunities are made available by the government or a foreign donor or training institution. Without a system in place for assessing the needs for training either for the organisation or for individual employees, the decision on who is given the opportunity to further their training is based on things like seniority or educational qualification. However, given that such opportunities usually come with pre-determined criteria of who can be given the opportunity, it could be that the organisations do not have much say in the kind of skills that are to be enhanced by the training opportunity, but they send those that are available and fit the description of the source of the training opportunity. Even when this is not the case, some organisations do not bother to ensure that individuals are trained to acquire skills that are going to be useful in future. In one instance (SOE- C), the manager said that "...there are times when the needs are identified by the organisation, there are some cases where individuals take the initiative...not that the need is identified, but that the person wants to train. It is true that the person can train for skills that are not needed by the department" (April 2000, SOE, C).

Training needs analysis enables organisations to know its needs, those of the job and the person to be trained. This is so that the training that is acquired is best suited for furthering organisational goals. It has been asserted (Kiggundu, 1989) that systematic job analysis and up-to-date job descriptions based on accurate job assessment are rarely done in organisations in developing countries. In the absence of an accurate picture of which skills, knowledge and abilities are needed to handle job tasks, the training programmes end up being poorly suited for imparting skills needed to enhance performance. The results from the study suggest that training needs assessment, one of the basic elements of human resource development does not seem to have a central place in the HRD systems of five (two SOE, two private and one privatised) of the organisations in the survey. When it is done, it is only limited to a few cases of people who receive off-the-job training. Need for training is based on the individual's perception with little input from the organisation. Moreover, even those organisations, which from questionnaire responses appear to have training needs assessment, do not have a system to do so as evidenced by contradictory responses from interviews. HR Managers were probably less willing to commit in writing the fact that their organisations do not have training needs assessment in place. HRD programmes are very expensive. The initiation of development programmes without a clear connection to the needs of the organisation leads to a waste of money and time. Having a clear link between the goals of an organisation and its training programme benefits both the employee and the organisation. There is therefore a need for the public and private organisations in the study to develop systematic training needs analysis if their organisations are to benefit from the limited training that is in place. Ownership in terms of private and public does not seem to have any impact on the system in place. Only one organisation, the privatised organisation owned by a multinational company seems to have a system of training in place.

Training Methods

Questionnaire responses of HR managers indicate that the most common form of employee training in use is internal training either using senior staff or external consultants. On the job training as part of employee induction training is common to all- it was the most frequently mentioned system in place for enhancing employee skills. In five of the organisations for the majority of workers, training on job is done only during the induction of new employees and thereafter no more on the job training is undertaken. Additional training is provided for some managers but this is also very limited.

In those organisations which provide training, the decision on whether to provide on the job or off the job training is made based on the following considerations: availability of resources- human (trainers) and capital (money and facilities), and the cost of training. Other considerations include the amount of disruption caused in the work place as a result of absence from duty by those who go for training, and the effectiveness and practicability of the training. The cost and speed at which the method of training could be implemented determines the final decision for both public and private organisations. Internal training is used more often because it is least costly and accommodative in terms of staff, is more effective, practical and cost effective and benefits as many employees as possible at the workplace. It can also be customised to meet organisation needs. Induction training and on the job training in particular give employees experience.

The differently owned organisations do not have similar methods of training except in the use of workshops and seminars for all and lecture and on the job training for private and privatised organisations. The frequency of internal training and induction shows that organisations are aware of the importance of training employees at the beginning in order to enable them to acquire the skills they need to execute their tasks. This is beneficial to both the enterprises and individuals who receive training since it enables them to quickly gain skills and adapt to their new jobs. Interview responses though show that the majority of the organisations limit their training to this level and are reluctant to spend on employees' further development as evidenced by lack of additional training after induction. Employees need skill enhancement in order to have the capacity to attain their potential and overcome challenges that come with increased responsibility, as they stay longer in employment. It appears that cost considerations outweigh the benefits of up-skilling in the view of the organisations. This has implications for the ability of organisations to fill managerial and higher ranking jobs. Training and development enable individuals to develop their abilities and prepare them to do more challenging tasks. It enables an organisation to have a pool of employees who can fill management roles that have been vacated. Where training and development is absent, it means that people get promoted and are expected to handle jobs for which they lack skills or it may force organisations to look for replacements from other companies to poach their skilled employees.

Management Development Programmes

Five HR managers stated in their questionnaires that their organisations have management development programmes (MDP). Most of it is internal and work based experience, but external training is also used occasionally. Table 7.5 displays the methods used for management development programmes in the study organisations.

Table 7.5: Methods used for Management Development Programmes

Programme	Nos. (SOE)	Nos. (Private)	Nos. (Privatised)
International workshops/seminars	1 (A)	0	1 (G)
Regular meetings	1 (A)	0	0
Work experience abroad with similar institutions	1 (A)	0	0
Human resource development training	1 (B)	0	0
Management skills training	1 (B)	1 (E)	1 (G)
Job related training	1 (B)	0	1 (G)
Refresher training	1 (B)	0	0
Induction training	1 (B)	0	0
Development training	1 (B)	0	0
Correspondence	0	0	1 (G)
Promotions	0	1(D)	0
Annual performance assessment	0	2 (D, E)	0
Effective debt collection	0	1 (E)	0
Credit control	0	1 (E)	0
Company strategic planning	0	1 (E)	0
Team work	0	1 (E)	0
Leadership course	0	1 (E)	0
Short term secondments	0	0	1 (G)
Cross functional training	0	0	1 (G)

The figures on the table show that two organisations (one SOE- C and one privatised- F) have no management development programme in place. The data in the table also shows that there is no pattern showing a method used by all organisations from one category of ownership and specific to them only. Except for annual performance assessment, used in both the private companies, the others are all either used by only one organisation or when used by more than one, the two are not from the same category, as in the case of management training and international workshops. It is highly unlikely that the ownership of an organisation determines which management development programme is pursued. It could be that they are used out of management preference. The reason for having preference for external training was the lack of adequate internal resources in terms of trainers and physical facilities and this was common to both ownership categories.

On the few occasions when external training is used, organisations use domestic and international institutions and Table 7.6 shows which institutions these are.

Table 7.6: Institutions where the Organisations Send Employees for Up-skilling

Institution	Category of organisation		
	Public	**Private**	**Privatised**
Uganda Management Institute	3 (A, B, C)	1 (D)	1 (G)
International company headquarter		0	2 (F, G)
Eastern and Southern African Management Institute	2 (B, C)	0	1 (G)
Uganda Federation of Employers	1 (B)	0	0
Management Training and Advisory Centre	2 (A, B)	2 (D, E)	1 (G)
Human Resource Development centre	1 (C)	0	0
Institute of bankers	1 (C)	0	0
Makerere University	0	1 (D)	0
Uganda Manufacturers Association	0	1 (D)	0
Uganda Polytechnic	0	1 (E)	0
Red Cross	0	0	1 (G)

The figures in Table 7.6 show that the three management institutes, Management Training and Advisory Centre, Uganda Management Institute and Eastern and Southern African Management Institute take the bulk of the trainees and are used by organisations from all ownership categories. This suggests that off the job training is mainly used for training of managers for their developmental needs. Again no institution is specific to one category, where there are different institutions, they are not shared in one category, and where they are used by more than one, they are used by organisations from more than one category of ownership. None of the organisations surveyed indicated influence of Trade Union on training.

Evaluation of Training

Training evaluation involves impact assessment, where the impact of the training on the individual's capacity is assessed and evaluation of the training, which assesses the effectiveness of the training methods and procedures. Six HR managers stated that their organisations do impact assessment on the effectiveness of the training received by employees but none of them carry out evaluation of the training system. The assessment is only done in cases where training is off the job though and on the job and induction training do not get assessed although the two are the most common forms of training. Table 7.7 shows the different ways organisations assess the effectiveness of training programmes.

Table 7.7: Training Evaluation

Type of evaluation	Nos. (SOE)	Nos. (Private)	Nos. (Privatised)
Changes in Attitude	1 (A)	0	0
Changes in performance	1 (A)	1 (E)	1 (G)
Trainers' reports	2 (A, B)	0	1 (F)
Supervisor feedback	1 (A)	0	0
Employee's report upon return	0	1 (D)	0

The figures in Table 7.7 show that changes in performance are used across all organisation types to assess effectiveness of training and reports from the training courses used in SOEs and privatised organisations. Changes in attitudes and supervisor feedback are used by SOEs only and employees' report upon return from training only used by a private organisation. One organisation reported that effectiveness of the training programmes is not assessed at all (SOE- C). However, given that there are instances when the individuals take their own initiative to go for training and get their own funding, as reported by managers from four organisations, assessment of the impact of the training they receive for off the job training may not be of much use if the skills gained by the individual do not match with the requirements of their current or future jobs.

Given that in five of the companies there is no system in place for training of employees on a continuous basis and considering that employees still see training as an important aspect in career enhancement and up-skilling, it is probable that quite a number of employees do their own thing as far as training is concerned and this may not necessarily match with company requirements. In fact since Makerere University introduced evening classes which allow working people to attend evening courses, many employees have been going for further studies without the active participation of their organisation in their training. One HR manager described it as "...a craze for studying" saying that it was a question of job security. He elaborated that people "...think that if they get more qualifications they will secure their jobs" (May 2000, Private, D). So even with no company initiative, individuals feel it is better to seek their own opportunities for training, but since they are not supported by organisations in any way, the people who train do not inform their supervisors when they have gained new skills. The outcome is that in some cases, people acquire skills and training that could be useful to the company but which are never utilised because organisations do not know that they have them. For example, in an interview with the HR manager in one of the organisations, this was implied when it was reported that sometimes during job analysis, they find that some people have qualifications and skills which do not match their current jobs, which are higher because "...some people go for further study but never tell us that they have acquired this qualification" (April 2000, SOE, B)

Number of Employees Trained in the Last Five Years

None of the HR managers were able to provide data relating to the number of hours of training received by each employee in their organisations because such records are not kept. No data either was available from four organisations regarding the number of employees that have received systematic training in the last five years. Only three organisations supplied the numbers, (one SOE- A, one private- E and one privatised- G): 100, 50 and 80 respectively. Interview responses from the HR managers of one of the organisations (private) suggest that the actual numbers of those trained are much less. The SOE whose HR manager's questionnaire response indicated having trained 100 workers in the previous five years noted during the interview that the organisation has a mandatory professional training requirement for all its "top staff" and shows its commitment to this by paying 75% of their professional training fees. This was the system in place previously but at the time of the study, there was no training planned for its employees because there were no funds allocated for employee training. As such, no plans were in place to provide training to any of its employees. It could be that only the privatised organisation (multinational) has a systematic training system in place and whose figures correspond to what was happening in the organisation at the time of the study.

Employees' Expectations

Employees were asked to indicate whether they would like to go for training. Over 90% of participants from state owned organisations said they wanted to go for training, compared to 91.5% of those from private enterprises and 92.1% from privatised. The proportions of female employees who want to get further training is lower in private organisations, less than 20% in some of them. This could possibly be because the private organisations rarely provide training to their employees and those who do, send those in the managerial positions. Since most people who are managers are male, it would imply that there are less opportunities for women to be trained, hence the low expectations among female employees to get further training. Nearly 40% of the SOE female employees though are interested in acquiring new skills. There are no outstanding differences on employees' wishes and expectation to training, irrespective of which organisation category their organisation belongs to; the majority wish to train.

Table 7.8 shows the reasons why employees want to go for training and the frequency with which the reasons were mentioned. Table 7.9 shows the percentages of employees who have received training in the past.

Table 7.8: Reasons why Employees' Want to Train

Reason	**Percentages**		
	SOE	**Private**	**Privatised**
Up-skill	52.6	57.1	56.4
Improve performance	14.3	8.3	11.8
Increase chances of promotion	6.3	3	4.5
Career development	8	7.5	9.1
Keep up with changes in the field	5.1	5.3	6.4
Increase chances of deployment to other jobs	2.9	1.5	1.8
Gain experience	2.3	9.8	5.5

The common reason mentioned by most of the employees as the reason why they wish to be trained was to enhance their skills as shown in Table 7.8. This was followed by the desire to improve performance. Career development and gaining experience were some of the recurrent reasons but only a few employees mentioned gaining experience in SOEs.

Table: 7.9 Employees who Have Trained in the Past

Past training	Percentages		
	SOE	Private	Privatised
People who have been trained in the past	60.3	26.7	52

The results in Table 7.9 show that less than half of the participating employees from private organisations have received training in the past. Nevertheless the majority have high expectations on the need for training (over 90%) and the expected outcomes to training. Perhaps this is because most organisations base most of their criteria such as hiring, training and pay on employee's educational qualifications.

There were some though who did not wish to go for training. Just over 4% of the public employees indicated they were not interested in training and the most common reason cited for this was that the courses that were sponsored by the organisations were irrelevant. Others who said they had no wish to go for training said they did not need any, while others were training currently. Most of the participants from private enterprises who indicated no interest in training, said they did not need training while others said that they were currently being trained. This was the same for participants from privatised organisations. Although organisations surveyed do not place importance on HRD, their employees view it as important and over half of them thought that their skills were inadequate in relation to their current responsibilities and wished to receive training to rectify this. Additionally, a good number felt that their performance could be improved by enhanced skills.

Out of the seven organisations in the study, five of them do not have training as a policy and when they train, they do not keep a record of those that receive training. In one SOE, one of the reasons given for not being able to give the numbers of those who have been trained was that there is no coordination of the training. For anyone to commence on a training course, the personnel department is supposed to be involved and give approval after assessing the needs of the department and the individual. However, sometimes this procedure is not followed. Some people are sent for training mainly because they have successfully lobbied for an opportunity to go for training, irrespective of whether the individual needs match with those of the organisation. As a result, only a few people, possibly those with persuasive skills end up getting trained and not just once but several times, while others do not get any training. The HR manager implied this by saying that "...you can find that one person can be trained successively every year when others have not trained" (April 2000, SOE -C). In such a case, the department sends the person for training, bypassing the HR department, and since they are the ones who are supposed to keep records of those that are trained, these are never recorded. Such a situation runs counter to what organisations aim to attain through the HRM activity of training. Training should be a planned activity directed at developing and improving skills of workers so that they can perform their tasks and contribute to achieving organisational goals. If they allow such systems in place, where people are trained on the basis of their ability to lobby management, this means that the agenda and goals are being set by individuals and not organisations and it may not necessarily match with that of the organisations. This may have been encouraged by the absence of planned programmes, which compels individuals to seek their own way of upgrading their skills.

Training and development enable firms to have in their control employees with skills and abilities for performing tasks geared to goal achievement. There is no evidence that the five organisations in this study have taken the development of their HR seriously. The absence of training strategies and plans means that there are no training objectives in place and therefore the training done is not focused on the needs of the organisation or on those of the employees. This constrains what employees are able to achieve in their daily tasks affecting their productivity and possibly their satisfaction, especially since they regard training as something that would be desirable as evidenced by the majority of employees (over 90%) who said that they wished to receive training. Organisations miss out on opportunities to improve workers' skills and abilities needed to perform their tasks and their satisfaction by not laying emphasis on their training and development. This translates in missed income that could have resulted from improved productivity, one of the outcomes of investment in employee development.

Opportunities/Constraints to Development and Training

With regard to opportunities and constraints, the constraints to training outweigh the opportunities for all organisations. Only two organisations reported having opportunities for training (one SOE- A and one privatised- G). Those mentioned were the availability of many training programs and external sources of scholarships for employees.

The most common constraint, which was mentioned by all the organisations, is inadequacy of resources in terms of human resources to train staff, money to fund the training programmes and limited capacities of training facilities. Lack of adequate time for training on full time basis necessitating replacements is a hindrance to training in two organisations (one SOE- A and one privatised- G). The other constraints mentioned included absence of organisational commitment to staff development even when the organisation has funds that could be used for training because they do not want to incur costs on training (one SOE- C and one private- E). Others noted that training programs are very expensive; the absence of relevant courses within the country makes training expensive since it means that employees have to be sent abroad for training. This means that with limited budgets, organisations can only afford to send a few people for training. One HR Manager indicated that employees in his organisation (private- E) are sometimes unwilling to learn. This lack of interest in additional training arises out of the perception that there exists no link between skills and better pay. The organisation usually recruits employees with no skills, trains them on the job and when they have learned through experience, promotes them to skilled level jobs higher in the hierarchy. However, the employees may be quite satisfied to stay in the entry level and not willing to get the added responsibility, because increased pay or authority does not usually accompany the move to the higher-level job. There is only increased work and therefore employees are more inclined to remain in their lower level jobs.

The barriers to training seem to cut across all organisations regardless of whether they are publicly or privately owned and the two organisations that said had opportunities belong to different categories of ownership. Ownership again does not seem to have an impact on the barriers to training, and being privately owned does not seem to make organisations have a more favourable stance to training.

Training and Promotion

One of the ways that organisations develop their HR is through promotion and increased responsibilities. Training is also only meaningful if the employees are given a chance to practice the skills gained from training. This is especially the case where the training given is to enable an individual to gain more skills that are not required in their current position, but that are needed for increased responsibilities. The effectiveness of training and development depends greatly on the trained employee's work environment being supportive of the learned skills and behaviour. The study sought to find out whether there were any links between training and promotion, given that acquisition of new skills is supposed to equip employees for their current and future responsibilities. Six of the organisations indicated that they had no policy on this area although some of them do have a link between training and promotion depending on the training received. Only one SOE (A) said that there is a link between training and promotion. It appears that in most of the organisations, promotion is quite a separate activity from training.

The results from the study show that there is little systematic training in place in both sectors, particularly in the private sector. Whereas three organisations have had clearly defined policies and procedures in place to enhance and develop its employees' capacity only one privatised organisation (former SOE -G) was implementing it at the time of the study. This could be because as a multinational, it has the resources available from the parent company to undertake training and implements policies that correspond with those of the parent company. The general conclusion one can draw is that organisations in the sample do not have training and development as a priority area except for those in the managerial cadre and two organisations do not even have this in place. There is no evidence to suggest that ownership has much to do with the policies in the organisations.

Conclusion

Training provides a tool to management for being able to deal with demands that organisations face in the market and from their customers. Having employees who lack the necessary skills to cope with these demands puts an organisation at risk of failing to meet its objectives. For organisations to succeed, they need to have at their control employees with skills to provide quality products and services to their customers. This highlights the need for elevating the activity of training as important to achieving organisational goals. This chapter presented the results of the study of seven organisations which sought to find out their status on some of the basic elements of training, comparing them on the basis of ownership. The findings from the study suggest that six of the organisations in the study do not attach much importance to training and the differences in ownership do not have any influence on the importance attached to this HRM activity. Only one privatised organisation is implementing a training programme that will enable it to adequately meet its human resource needs without the need to resort to poaching employees from other organisations that train them. The other organisations, either because of cost constraints, particularly the public owned ones who are under strict budgetary guidelines as part of the privatisation strategy and private organisations because of the disappointment with those who have been trained, have no strategies in place for enhancing the skills of their employees. In spite of this, the employees consider their skill development as important and the overwhelming majority stated a desire to receive further training to improve on their performance. There is a need for this to be addressed if the policies that seek to improve organisational efficiency and performance are to be successful. The development of the economy through a vibrant private and public enterprise sector may be constrained by the unwillingness of enterprises in the economy to develop their main source of innovation, its workers, to attain their potential. The following chapter examines the HR activity of reward management systems/compensation and the results from the study of the seven organisations.

Chapter 8
COMPENSATION/REWARD MANAGEMENT

Introduction

An effective reward management system is one that is designed, implemented and maintained to reward the contributions of employees to encourage them to behave in ways that will lead to the achievement of the goals of the organisation. Organisations usually measure the contributions of employees in several ways, the most common being tenure, seniority and performance. Employees need to feel that they are adequately rewarded for their contributions. Decisions in the areas of compensation and reward management have important outcomes for the organisation because of their impact on employee attraction and retention as well as their motivation, which determine the discretionary effort exerted by employees to fulfil their organisational roles. This in turn influences results in their units (e.g. plant, business unit) and ultimately those of the organisation (Gerhart and Milkovich 1992). Decisions should therefore be consistent and produce good systems because if they are not, the organisation will not be able to attract, keep and motivate good employees nor increase their involvement in their work (Griffith and Singh, 1999). This chapter presents results from the study of the seven Ugandan organisations and a discussion of the results in light of important compensation elements such as pay levels, types of rewards and their determinants. The results are from responses to self-administered questionnaires of the HR managers and employees and from interviews with HR managers and workers.

Reward Management

The study collected information regarding the HRM practice of reward management in the seven organisations in order to examine the compensation systems of the organisations and find out whether there were differences in the fundamental elements of the reward system and if they were, whether they were related to the type of ownership. Private enterprises are expected to have different reward management systems, particularly those that are associated with improved performance amongst employees. The following section presents the results of the study with regard to the compensation systems in the study organisations. They constitute responses from HR managers and employees perception on them. It is organised under the topics of percentage of pay to corporate turnover, factors that affect reward systems, the people who determine levels of pay, levels of pay, types of fringe benefits given and the people who get them, salary reviews, basis for determining salary levels and pay raises, and the role of job performance on pay.

Table 8.1: Proportion of Corporation Costs Spent on Wages and Salaries

Organisation	Ownership	Type of Industry	% Corporation costs spent on wages and salaries
A	Public	Service and Manufacturing	25%
B	Public	Service	53%
C	Public	Service	60%
D	Private	Service and Manufacturing	50%
E	Private	Manufacturer	Not available
F	Privatised	Manufacturer	12%
G	Privatised	Manufacturer	7%

The data in Table 8.1 show that all the public sector companies and one private organisation spend more than 20% of corporation costs on wages and salaries, two of them spending more than 50%. This may be a reflection of the nature of their businesses, which requires use of more labour than machines. The service industry depends largely on labour for the bulk of its work. It could also be due to a decision to use labour intensive methods, either because it is a cheaper option, or because of the desire to provide employment, in the case of public enterprises. Two manufacturers who were able to give the percentage of labour costs have lower costs, a reflection of less dependence on people and more on machines.

The low labour costs for the two privatised organisations may be mostly due to changes in their labour management philosophy, a move towards capital-intensive methods. Both of them are moving away from being labour intensive to capital intensive and had recently purchased machines that did most of the work that had previously been done by people. Additionally, instead of hiring people for doing some jobs, they are contracting out services for most of their labour intensive operations. The HR manager in one (G) indicated that most of the roles that used to be performed by the organisation's employees are now performed by labour brought in from contractors. The payment for these labour services bought from the external market is not counted as part of wages and is therefore not reflected in labour costs. The second privatised organisation (F) has also moved in the same direction. It has sold off a division to a private investor and is now buying their labour services. The employees in this division are no longer counted as part of the organisation and the money spent on paying for their services is not added to the total wage bill. A difference exists here between public and privatised organisations, whereby the privatised organisations have cut their labour costs through downsizing and are utilising the flexible labour approach of hiring labour from the outside as needed. The SOEs and private organisations do not have differences in this area. Since the activities of private and privatised organisations are not similar, it would not be possible to say that the differences observed in this area are a result of the type of ownership. A possible explanation may be the nature of the industry. The two privatised organisations are both manufacturers. Unfortunately, it is not possible to compare with the private manufacturer because they were not able to provide the information regarding labour costs in their organisation.

Factors that Affect Organisations' Reward Systems

Human resource managers were asked to indicate which factors affect their organisations' decisions on the management of their reward systems. Table 8.2 presents the responses to this question. Profitability levels were cited more frequently as being the major factor that affects decisions on rewards in all the ownership categories.

Table 8.2: Factors Influencing Decisions on Compensation

Factors	Nos. (SOE)	Nos. (Private)	Nos. (Privatised)
Profitability	2 (A, B)	1 (D)	1 (F)
Pay rates of Competitors	1 (A)	0	1 (G)
Government intervention	1 (A)	1 (D)	0
Rarity of Skills	1 (A)	0	1 (G)
Individual academic levels	1 (B)	0	0
Appraised performance	1 (A)	1 (D)	1 (G)
Cost of living	0	1 (D)	0
Trade Union	2 (B, C)	1 (E)	1 (G)
Overhead costs	0	1 (E)	0
Lack of equitable reward system	0	1 (E)	0

As the figures in Table 8.2 show, organisations decisions are influenced by profits, performance, trade union, government action, competitor's pay, skills, academic skills, cost of living and overhead costs. None of the factors mentioned more than once are specific to one category of ownership. Either SOEs and private organisations share the same factors or SOEs and privatised firms do. There are none specific to private and privatised. Private ownership is therefore unlikely to be a major influence in decisions of reward management.

The two SOEs and one private enterprise where trade union influence was one of the factors mentioned said that the influence was negligible. One HR said that

> the union does not seem to be able to do much about the pay of its members because the company says they don't have the capacity to pay more and threatens to decrease staff to be able to pay higher salary. Union representatives are in hopeless situation and do not want their members to lose their jobs so they have to compromise with management and this is in most cases not in favour to the members. So even the increment which they end up getting is not much (May 2000, Private, E).

All HR managers said that their organisations review their employees' salaries and wages on a yearly basis. One of them (privatised) reviews salary of its managerial workers annually and that of the unionised staff two times a year. Response from the HR manager of one public organisation during the interviews later indicated that although in principle, salaries are supposed to be reviewed annually, the practice is different, for example, at the time of the interviews in April 2000, the last salary review had been done three years previously.

No pattern emerges with regard to decisions on rewards, which is specific to one category of ownership. In fact, SOEs are not so different in their decision-making mechanism, using profitability and performance as determinants for employees' pay, contrary to expectations according to the privatisation literature that they pay their workers and managers regardless of individual performance and company profitability. The only outstanding difference seems to be that of the private organisation whose HR manager mentioned lack of equitable reward systems and heavy overhead costs as being influential in the decision making process, which is contrary to the expectations that private organisations, because of the nature of their market environment, have good incentive systems. Not having an equitable reward system may instead have negative impacts on the behaviour of their employees and their performance.

Factors Influencing Pay Levels and Raises in Organisations

Most organisations have in principle the element of paying for performance and six of them (two SOE, two private and two privatised) said their pay raises are based on individual performance, as shown in Table 8.3.

Table 8.3: Factors Influencing Decisions on Pay Raise

Factors	Nos. (SOE)	Nos. (Private)	Nos. (Privatised)
Company profitability	2 (A, B)	0	1 (G)
Inflation	1 (A)	0	0
Cost of living	1 (A)	1 (D)	0
Individual job performance	2 (A, C)	2 (D, E)	2 (F, G)
Government action	0	1 (D)	0
Length of service	0	1 (E)	0
Work attitude	0	1 (E)	0
Market conditions	0	0	1 (G)
Market position/anchor	0	0	1 (G)

As shown in the table, apart from company and individual job performance, mentioned by more than one organisation, no other factors are shared by more than one organisation. It is therefore not possible to say that one set is specific to SOEs or to private organisations. In each category, there are organisations that base their decisions on performance only while there are those whose decisions are based on more than one factor but they are all different. Looking at the factors that affect pay levels gives a different picture as can be seen in Table 8.4. The factor mentioned more frequently as being the one on which decisions about salary levels of individuals are based was job complexity followed by work experience and academic qualifications.

Although pay increases are supposedly based on an individual's performance, the evidence in Table 8.4 shows that these increments are not big enough to affect the amount that the individual takes home. Rather a person's job position has more impact on the amount of pay that a person receives. The determination of pay levels appears to be mainly based on a combination of job evaluation, a person's skills in terms of educational qualifications and level of experience and the competitiveness of the labour market. The traditional basis for setting pay levels is the most common, based on the evaluation of the job rather than evaluation of the person's skills and performance. The levels of education and experience are also tied to the job as the person is usually recruited based on the job specifications which call for the skills and experience that a person has. This is possibly due to its being an easier measure of employee's contribution than job performance of the individuals. It has an advantage in that the company is able to ensure external equity because people doing similar jobs in other organisations can be paid similarly. This means that the cost that the organisations spend on paying its employees do not differ too much from competitors and provides an objective basis for its reward practices. People are rewarded for moving up the hierarchy. There are some differences in that the private enterprises mainly pay for experience unlike their public counterparts who pay for experience, skill and position. The privatised organisations also tend to pay for job position, experience and skill. The difference with the private sector enterprises is that they use either experience and skill or use job evaluation, but not both unlike the SOE and privatised organisations which use a combination of these.

Table 8.4: Determinants of Salary Levels

Determinants of salary levels	Nos. SOE	Nos. private	Nos. privatised
Job complexity/requirements	3 (A, B, C)	1 (E)	1 (F)
Employee resourcefulness	1 (A)	0	0
Hours of work	1 (A)	0	0
Qualification/level of education	3 (A, B, C)	1 (D)	0
Experience required/level of experience	2 (A, B)	2 (D, E)	0
Competitiveness of position/market anchor	1 (A)	0	1 (G)
Length of service in organisation	1 (B)	0	0
Level of responsibility	1 (C)	0	0
Individual performance	0	0	1 (G)
Market conditions	0	0	1 (G)
Job Knowledge	0	1 (E)	0
Company performance	0	0	1 (G)

Only one organisation (privatised) mentioned performance as a determinant of salary levels. Although in response to the question on the relationship between performance and pay, all said that job performance is related to annual increments, only one privatised organisation said it was the sole determinant of the raise. The rest said that it plays an insignificant role and performance related pay is given over and above the annual pay raise that everyone gets and it constitutes a smaller part of the annual salary increment. If the organisations indeed based their pay increments on performance, one would expect it would affect the total pay an individual takes home which would be reflected in the pay levels.

HR managers from six organisations indicated in the questionnaire that individual job performance is the single most important determinant of employee earnings since annual increments are determined according to how the individual performed in the previous year. In the end, those who perform well earn more than non-performers. Only one (SOE) said there is no relationship between performance and pay, saying that performance

> is put into consideration at the time when one is recruited or promoted. They get the calibre of people at a particular level and say this person has been performing well and can handle duties at this level so we pay because of the result of appraisal and acting report on the duties...promotion is the reward for performance. Someone's performance comes in as a major factor at promotion to determine how much the person should earn but normally we follow our salary structure (April, 2000, SOE, B).

Later during the interviews, two of the managers who had indicated in the questionnaire that performance played a major part in remuneration (one private- E and one privatised- F) said that there is no relationship between pay and performance. The HR of the former SOE said that it is only applied in the sales department and the other employees in the organisation are paid according to organisation's salary structure that is based on job evaluation. No regular performance assessment is done in most of the organisations and therefore it is not possible to pay according to performance which has not been assessed. Even in those organisations where performance appraisal is done, pay is based on merit pay plans and individuals are rated by their supervisors. Data from interviews indicate that the performance expectations are not communicated to employees; most assume that employees ought to know what is expected of them. Only two organisations (one SOE- C and one privatised- G) had in place a procedure that explained how performance assessment is done for the employees.

Pay related to performance is supposed to enable an organisation to motivate, attract and retain outstanding performers. However, it can only work where the organisations have established systems for objectively evaluating performance and the performance measures have been communicated to employees. The absence of a system of regular performance assessment in the organisations that claim to base their pay raises on individual performance defeats the whole purpose. Only two organisations seem to have the necessary procedures in place, which have also been communicated to employees. There is no indication that the two private enterprises and one former SOE which said they base their raises on individual performance are doing anything different from those in the public sector in their reward systems that would ensure that they retain the best performers. Only two organisations, an SOE and a former SOE have designed such a system. The former SOE is the multinational, which is probably borrowing policies from its mother company.

Employee Perceptions on Reward Systems/Compensation

Employee's perceptions were sought about issues related to compensation such as how salary levels are determined. A small number of employees ([2.2%, 3.5%, .9%] of participants from SOEs, private organisations and privatised respectively) said they did not know how their salary levels were determined. Others said that it was not clear (2.1% public enterprises, 2.1% private enterprises and 5.2% privatised enterprises). Table 8.5 shows the responses of employees with regard to their perception on factors determining salary levels in their organisation.

Table 8.5: Employee's Perceptions on Factors that Determine Pay Levels

Factor	**Percentages**		
	SOE	**Private**	**Privatised**
External Comparison	32.6	9.8	34.2
Merit	20.7	37.8	23.1
Increment in skills	28.8	26.6	27.4
Skill scarcity	6	10.5	2.6
Knowledge by top managers	0	1.4	3.4
Favouritism	1.1	1.4	0
Performance appraisal	0	0.7	0.9
Organisation's profit levels	2.2	1.4	0
Educational qualification	2.2	0	0.9

As the data in the table shows, external comparison, increment for skill and merit appear to be what employees perceive to be what most influences the decisions on salary levels for all organisations. Employees from private enterprises also view skill scarcity as having an influence on the salary levels set by the organisation. Their perceptions match with what the HR Managers said were determinants in the case of external comparison and merit. However, level of education, which was one of the criteria for setting salary levels for three SOEs and one private organisation, is not viewed as one of the basic factors in salary levels by employees, with only 2.2% of the public employees having mentioned it and none of the private employees mentioning it. It could be that employees equate increment in skills to educational qualification which would then be in concurrence with what the HR managers said is used. External comparison, which was only mentioned by two managers, (one SOE and one privatised) is mentioned by 9.8% of private organisation's employees although it is not used by their organisations.

Indirect Compensation (Employee Benefits)

All seven organisations provide some employee benefit programmes for their employees. However, whereas some benefits accrue to all employees by virtue of their membership to the organisation, others are given to a selected number of staff on a basis of seniority and level of responsibility. The ones which were indicated as being specifically for senior management by some of the organisations include; house, fuel subsidy, telephone allowance, vehicle maintenance, electricity allowance, gas and entertainment. Table 8.6 shows the different types of benefits provided by the study organisations.

The benefits that were specific to public organisations are education subsidy, water allowance, electricity allowance, house allowance, provision of cars and their maintenance, gas, and entertainment allowances. None of the private organisations mentioned these. Those specific to private organisations were maternity and paternity leave, festival allowance, uniforms, washing detergent, retirement gifts, end of year gifts and long service awards. None of the SOEs mentioned these. However, it could be that some of the organisations that provide some of these benefits that are statutory such as annual leave and maternity leave did not mention them or do not regard them as benefits but entitlements.

For example, according to the Employment Decree of 1975, maternity leave for women employees is mandatory. According to section 46 (2) "...no woman may be allowed to work during the four weeks following her confinement". It could therefore be assumed that since organisations are obliged by law to provide maternity leave to their employees do so, and only the organisation that mentioned it as a benefit considers it as a benefit.

Table 8.6: Employee Benefits Provided by Organisations

Category of benefit	**Numbers**		
	SOE	**Private**	**Privatised**
Transport to and from work	1 (A)	2 (D, E)	2 (F, G)
Fuel allocation/subsidy	2 (A, B)	1(D)	0
Cost sharing of telephone bills	3 (A, B, C)	1 (D)	0
Loans	1 (A)	0	1 (F)
House allowance	3 (A, B, C)	0	0
Burial benefits/funeral support	1 (A)	0	1 (G)
Pension scheme	1 (A)	0	1 (G)
Tea served twice a day	1 (A)	0	0
Annual leave pay	1 (A)	1 (D)	1 (G)
Transport on employment	1 (A)	0	0
Education subsidy	1 (B)	0	0
Medical allowance	3 (A, B, C)	1 (D)	1 (G)
Water allowance	1 (B)	0	0
Electricity allowance	2 (B, C)	0	0
Vehicle maintenance	1 (B)	0	0
Cars	1 (C)	0	0
Gas	1 (C)	0	0
Entertainment	1 (C)	0	0
Free meals while on duty	0	2 (D, E)	2 (F, G)
Maternity leave	0	1 (D)	0
Paternity leave	0	1 (D)	0
Bicycle allowance	0	1 (E)	0
Festival allowance	0	1 (E)	0
Washing detergent	0	1 (E)	0
Uniforms	0	0	1 (F)
Retirement gift	0	0	1 (G)
End of year gift	0	0	1 (G)
Long service awards	0	0	1 (G)

It appears that SOEs have practices that are similar to those of former SOEs or private enterprises but private and former SOEs do not share many similar practices. Only in one instance do private and privatised organisations have similar benefits that are not provided by SOEs i.e. in the case of provision of free meals at work. On the other hand, SOEs and privatised enterprises have three common benefits and SOEs and private enterprises have two similar benefits. The information in the table shows that the two benefits common to all ownership categories were transport to and from work and medical allowance, each of which was stated by five organisations. Others frequently mentioned but not shared by all ownership categories were cost sharing of telephone bills (three SOEs and one private) and free meals at work (two private and two privatised). The telephone allowances are specific to senior managers though, whereas the meals at work are given to all members of staff.

HR Managers Views on Levels of Pay

HR managers were asked to indicate how their organisation's pay levels compare with those in other organisations. The responses from six of them indicate that their organisations do not have a clearly defined compensation philosophy that articulates the position it wants to occupy in the labour market with regard to its pay levels. Their responses were based on their perception of where their organisations lie and not on the stated organisation policy. Only one HR (privatised- G) was able to state the desired position of his organisation and its location in the labour market. He indicated that they have a policy to be in the top quartile in the labour market.

The other responses were based on their perceptions and one (SOE- B) indicated that their pay levels were better than those of other similar organisations while four (two SOE, one private and one privatised) said it was comparable to the others. One HR (private- E) indicated that he did not know how his organisation's pay compared with others in similar business but during the interview indicated that in his opinion, the levels of pay in his organisation are insufficient and employees are not paid in accordance to their efforts. He gave an example of someone heading a section who has been working in the organisation for 15 years but is poorly paid

> yet he puts in a lot of effort, is hardworking, knows his job and is the final man in that section but is not paid according to the responsibilities. Recently when there were salary increments for union members, his case was not addressed because he is not a union member, so he complained and got a 10% increment (May, 2000, private, E)

The interview response of one HR manager (SOE), who had indicated in the questionnaire that the organisations' pay was better than those of competitors, indicates that even in those organisations, which pay better than others the pay is still insufficient. The HR manager said that the organisation's pay levels are low and members of staff are not happy with their salaries and that although in comparison with other organisations theirs is the one of the "...well paying, in reality the salary is not enough" (April, 2000, SOE, B). The manager further added that this leads to employees always asking for salary advance and even when this takes long to be given,

> some staff have resorted to encroaching on the stock. Because he gets his salary, has to pay rent, fees for children etc. The basic needs are not fully met. The amount of money paid right now is not enough to meet basic needs...of course they are aware of the gap of the senior management salary and mid management downwards. So people have continued to express their discontent. This affects production. People work but some do not concentrate on their work. Some have small businesses outside and you may find that a person comes in late with an excuse of either being sick or having a sick child yet he is trying to handle his part time business out there, to follow them up. People try to think of other ways of earning outside the organisation to supplement on the income (April, 2000, SOE, B).

This view was also expressed by employees of a private company whose HR manager's questionnaire response indicated that their pay levels are competitive. The employees' said that because their pay is not enough to meet their basic needs, they often use company time to do their private work. So although the managers think their pay levels are competitive, they are obviously less than what employees need to meet their basic needs and lead the employees to use company time to pursue private business from which they can earn extra income. This affects their performance since the time meant to be spent on their work is used to do private work. It seems that organisations pay competitive rates according to the market, but although it assures them of the ability to attract workers, the salary rates compared to the cost of living in the economy are insufficient. So whereas the salaries are competitive according to the employers, they are not adequate for motivating employees to use their discretionary efforts. Instead they spend time trying to earn some additional income from other places of work, either personal business or other organisations. Those who are not able to do that resort to stealing company products to supplement their income as the example in the above quotation indicate. It could also be the reason why the organisations are not able to retain their best workers and the reason why the common reasons cited by workers for their colleagues' leaving the organisations was the search for better pay elsewhere. This is likely to have a negative impact on their productivity and profitability.

There does not appear to be great variation among the categories of organisation as far as compensation systems are concerned. Most base their pay levels on similar factors and levels of pay depend on job position and skills as opposed to performance. Performance, although cited in the questionnaire as being important in determining individual pay levels, seems to be only the stated policy but not implemented. Instead, seniority and merit are the basis for determining pay levels as well as pay increments. The common types of rewards are salaries and wages and some benefits accrue to most employees but most are limited to senior employees and are therefore seniority based and are not given on basis of their ability to motivate employees. Market competitiveness, although regarded and cited as the basis for pay is only used to a limited extent. This could possibly be because there is a glut in the labour market for employees with general skills, and therefore there is no pressure from the market to compel employers to pay according to employee competence and contribution to the organisation's performance. As one of the HR Managers said, people do not want to lose their jobs and are therefore willing to work for less than they deserve. If they agitate for more pay, they are threatened with retrenchment and "...if they were retrenched, the company could still run because there are some people who are underemployed, so if the sections were well organised we would not need so many of the employees" (May, 2000, private, E). Level of education and work experience are the main considerations for setting the starting pay for most of the organisations.

In terms of reward management systems policy and practice, there does not appear to be patterns that emerge that would indicate that public enterprises have different systems from those implemented by private and privatised organisations. All organisations use a centralised system of reward management for setting salary levels of the individual employees. The trade unions have minimal influence on pay even in the three organisations where they were mentioned. Apart from the one privatised organisation which has made a decision to set its pay levels in the upper 25% quartile, the rest do not have a stated policy of where they want their organisations to be located in the labour market. However, on the level of decision making for designing reward systems, the factors that affect these decisions are not very different. The performance of the organisation at the profit level is the most important consideration when making decisions on the total compensation systems. Job related considerations are the most common criteria on which the organisations in the study base their decisions on levels of pay and increments for their employees. Job complexity, competitiveness of position, length of service, levels of responsibility, labour market conditions and job knowledge are all elements that are closely linked to the type of job that an employee does. They are also used as basis for determining the salaries of their employees by SOEs, private and privatised organisations. Skill based pay as indicated by level of educational qualifications and experience is widely used in both sectors. Rewards for the most part are not linked closely with the individual's direct contribution to the performance of the organisation. The total pay package that an individual takes home each month is mainly determined by their position rather than their performance and is mainly influenced by the performance of the organisation as a whole in terms of profits made.

Conclusion

This chapter aimed at answering the question of the reward management systems implemented in the study organisation and whether there exists differences in the systems of the differently owned organisations and if there are, if these differences are due to primarily the type of enterprise ownership. This was to analyse the view expressed in public sector reform literature, that privately owned organisations have different management incentives and that these differences are what makes them more efficient. Proponents of privatisation argue that firms in the private sector are likely to have higher productivity and efficiency because "...managers (and perhaps workers as well) in private firms would (or at least could) receive higher salaries, more clearly linked to productivity and productivity norms" (Nellis and Kikeri 1989: 663). The results from the sample organisations in this study indicate that whereas there are some differences in the levels of pay, the decision-making mechanisms in terms of compensation systems and their components do not vary greatly between the differently owned organisations. The different criteria, although not used by all are not specific to one class of ownership either. The conclusions that can be drawn from the results therefore are that the differences which exist in the compensation management systems of these organisations are not ones that would make private and privatised organisations more efficient that their public counterparts. The results do not support the claim that the private sector enterprises are managerially superior in terms of incentives to improve performance. If they were, one would expect to be significant differences in the way their systems are designed which would demonstrate their superiority especially in terms of tying rewards to performance, but this is not borne out by the results in the case of the two private and two privatised enterprises in the study. In the next chapter, results from HR managers and employees with regard to employment opportunities of women and minorities are discussed.

Chapter 9

EQUAL EMPLOYMENT OPPORTUNITY

Introduction

The discussion in Chapter Three highlighted the need for the HRM policies in the area of staffing, compensation and training to ensure that people are treated equally irrespective of sex, ethnicity or religious background. This is because effective management of diversity might give an organisation strategic and competitive advantage. In the absence of state legislation, very few organisations attempt to proactively engage in equal employment opportunity (EEO) practices (Barney 1994). The Ugandan constitution provides for all people to enjoy equal rights and for no one to be treated differently on the basis of their sex, race, colour, ethnic origin. The other characteristics listed include tribe, birth, creed, religion, social and economic standing, political opinion and disability (Government of Uganda 1995). Legislation related to equal opportunity in terms of affirmative action has been enacted in the area of politics and of education at tertiary institutions. In the political area, it is mandatory to have a percentage of women represented at all levels of political organisations (local councils) starting from the grassroots. In the area of education, since the mid 1990s, female applicants to government funded tertiary institutions receive an extra one point five points to their academic scores in order to increase the numbers of women that have access to tertiary education (Tamale 1999).

However, no such legislation has been enacted in the area of employment. The current laws and regulations date to the 1970s and still have some regulations that deny access to women in some jobs, for example Section 45 of the Employment Decree states that "...no woman may be employed in underground work whether in any mine or otherwise" (Government of Uganda 1975). At any rate, the absence of laws that compel equal employment opportunities has meant that in most cases, employers do their own thing. This has often meant that although there are proportionately more women than men in Uganda, women are still under-represented in most income generating economic activities in the formal sector. For example, of the 1.4 million people employed in formal establishments in 1999/2000, only 24% of them were women, compared to 76% men

(Uganda Bureau of Statistics 2001b: 26). The only economic activities where women outnumber men is in crop farming (85.4% women: 65% men) and unpaid family work (see Tables 4.1 and 4.2) (Uganda Bureau of Statistics 2001b: 31). Although this may be a reflection of the lower educational status of women in Uganda, it could also be because women have not been able to access formal employment on an equal basis as their male counterparts.

On the question of ethnicity, there also appears to be inequality, with some tribes being represented less proportionately in some formal establishments. Statistics regarding ethnicity of people engaged in economic activities is not collected by the bureau of statistics, but there have been persistent allegations that people from the tribes of the incumbent leaders tend to be favoured for jobs to the disadvantage of those from other tribes. This has often led to allegations that some ethnic groups in the country get unfair advantage over the others in competing for resources and jobs. For example the current President hails from western Uganda and it is alleged that there is "...growing discontent due to a perception that those who live in the west of the country compete more favourably in terms of land ownership, business opportunities, jobs, incomes, political offices, access to education etc." (Mbabazi 2001: 228). Effective human resource management demands for the process of managing employees to be systematic and closely managed so as to ensure that the procedures are fair, legal and valid. Care has to be taken that the policies do not discriminate according to people's sex, race, age, marital status, physical disability or religion (Bolton 1997). Additionally, it has been argued that "...organisational climates in which human resource diversity is valued and in which employees from diverse backgrounds feel welcomed and included foster a positive climate of diversity. It is a waste of talent when countries and organisations espouse policies of exclusion of particular ethnic groups" (Nyambegera 2002:1084). This calls for policies in management that give opportunities for a diverse range of people to access jobs and those already employed to have equal access to promotion and other opportunities. The study examined the area of equal employment opportunity in the policies of the sample organisations with particular focus on sex and ethnic composition as they related to staffing, training and development and compensation and this chapter presents the results of this investigation.

EEO and Women

Staffing

In order to find out whether equal employment opportunities exist in staffing, managers were asked whether there were any specific policies that target women and minorities. None of the organisations surveyed have policies in place to target women and minorities. However, one HR manager from a privatised organisation (F) mentioned that their advertisements encourage women to apply for jobs. None of the organisations keep records on gender specific data regarding recruitment and selection. As a result, no gender specific data could be obtained as to the number of female applicants that had indicated interest in working for the organisations. It was also not possible to obtain data on the number of female applicants that had been successful, just as it was not possible to obtain data on the numbers of overall applicants that had been received by the organisations. The absence of data indicates that little attention has been paid to issues of gender in the sample organisations. Organisations however provided data on the numbers of employees that were disaggregated by sex, and Table 9.1 shows a summary of the proportions of male to female.

Table 9.1: Proportions of Employees by Sex in the Different Organisations

Organisation	SOE (A)	SOE (B)	SOE (C)	Private (D)	Private (E)	Privatised (F)	Privatised (G)
Males	80%	72%	57%	74%	83.3%	94%	86%
Females	20%	28%	43%	26%	16.7%	6%	14%

As indicated by the figures in Table 9.1, state owned enterprises have higher proportions of female employees compared to the private and privatised enterprises. Generally though, the proportion of female employees is quite low compared to the proportions of women in the general society, over 50%. Only one SOE has female employees that are close to the fifty percent mark. This could possibly be because it is a service organisation, but also due to the nature of the bulk of its work. Most of the work is data entry, an area that has been predominantly populated by women in Uganda. So the higher proportion of women may not necessarily imply that the organisation is an equal opportunity employer. The HR did not indicate that as being a priority in hiring.

Some organisations were able to provide information about the numbers of women in different skill categories, which gives some indication on the levels of responsibilities occupied by female workers. Table 9.2 portrays a summary of what levels of position are occupied by women, in the seven organisations.

Table 9.2: Different Levels of Responsibilities by Sex

Organisation	**Numbers**									
	A (SOE)		**B (SOE)**		**D (Private)**		**E (Private)**		**G (Privatised**	
	M	**F**	**M**	**F**	**M**	**F**	**M**	**F**	**M**	**F**
Skill Category										
Unskilled	100	30	n/a	n/a	7	1	60	10	n/a	n/a
Semiskilled	100	40	90	11	6	n/a	40	8	n/a	n/a
Skilled	180	20	152	82	n/a	n/a	20	10	340	55
Supervisory	40	10	64	34	9	2	8	1	72	9
Managerial	15	3	76	21	7	0	8	2	60	8

<u>Key</u>: M = Male
F = Female

The figures in the table do not include data from two organisations (one SOE- C and one privatised- F) because no data at all was available from them. Figures for unskilled and semiskilled employees of one privatised organisation (G) are not included because this organisation does not have employees in these categories rather it contracts out their services. On the other hand, the total figure for one SOE (A) includes causal workers because they were unable to give the numbers separately. The total figure here therefore exceeds the figure indicated in Table 5.1. The data for one private organisation (D) is an estimate, there are no records kept.

As shown in Table 9.2, the number of female workers decreases in relation to those of males as one goes higher up in the positions of responsibility in private organisations. Only one organisation (SOE, B) indicated having more than twenty women in managerial positions. However, this does not correspond with the information given regarding pay levels and the proportions of females represented in the different salary scales; the numbers of females indicated as receiving managerial pay were eleven yet the ones given in this one are twenty-one.

Managers were asked about the difficulties they faced in hiring female workers and the difficulties mentioned include the inability to get female applicants who are willing to be recruited for certain job types (production), for jobs that require long working or irregular hours (night shift) and duty stations (upcountry). The other difficulty mentioned was the inability to identify and recruit good female workers and one HR manager from a private enterprise said this is because of the domestic commitments female workers are required to carry out, in addition to their employment duties. He said that "...female workers frequently have domestic problems and are always on and off due to unavoidable circumstances of natural kind" (May 2000, Private, E).

This was reiterated by other HR managers during the interviews, and is a reflection of the status of women with families, who are expected to be home at a certain time of the day and who would rather pass up an opportunity for a particular job, than disrupt their family lives. One HR manager said that one of the difficulties in recruiting female workers in her organisation was a failure to attract female applicants who are assertive enough to impress the interviewers. No pattern emerges as to the difficulty in relation to ownership. These difficulties are faced by all organisations regardless of category of ownership.

Employees' Perceptions

Employees' perceptions were sought in regard to equal opportunities in terms of sex at management levels. They were asked to indicate the number of management jobs held by females in comparison to males. Some people did not respond to this question (33.7% public, 32% private and 32.5% privatised). Most of those who responded were unable to give the exact numbers of management jobholders by sex, but gave estimates of proportions that reflect the perception that there are a disproportionate number of males in management positions in comparison to women.

The view of employees regarding staffing was contradictory. Most were of the view that new employees are selected to work in their organisation irrespective of gender, tribe or religion with mean responses ranging from 3 to 3.3. However, when it came to the question of whether everybody has a fair chance of being recruited in their organisations, the mean responses indicate that they do not think so, particularly those from public enterprises whose average response was 2.5 compared to the other two with mean responses of 2.8 and 2.9 as shown in Table 9.3.

Table 9.3: Attitudes to Equal Opportunities

Job dimension	SOEs	Private enterprises	Privatised enterprises
New employees are selected irrespective of their gender, tribe or religion	3.0	3.2	3.3
Everyone has an equal opportunity for promotion	2.2	2.2	2.2
Everyone has a fair chance of being recruited in this organisation***	2.5	2.8	2.9

Key: 1-2.9 disagree
3-5 agree
*** Statistically significant difference in attitudes at 0.01 level

The views of the employees in state owned enterprises are statistically significant, implying that employees of SOEs had less positive attitudes towards the view that everybody has a fair chance of being recruited compared to those of the other two categories who nevertheless also had negative views. Analysis by sex did not reveal any differences, and analysis by skill category showed differences, with managers agreeing that employees are selected to work irrespective of gender and religion and the rest of skill categories disagreeing with the statement. This could be the possible explanation for the contradictory views. Whereas the managers think that their recruitment practices are unbiased, the rest of the employees do not think that this is the case.

The majority of employees also did not agree that everyone in their organisation had equal promotion opportunities. Analysis by sex shows statistical differences, with females having less favourable attitudes compared to males although both disagree that equal promotion opportunities exist. Analysis by skill category also showed significant differences, with managers having more favourable attitudes compared to the other skill categories, indicating that management again thinks that they give equal opportunity to everyone to get a promotion, a view that is not shared by the rest of the employees.

Training

The three organisations that provided data on the numbers of employees trained in the last five years indicated that just over 20% of those trained were female. More males receive training than their female counterparts. Although this could be interpreted to mean that there are generally more male employees than females and could therefore be the reason for the differences, it could also be an indication of gender bias in training, where men are given more opportunities than women. Since most organisations provide few training opportunities and mainly for those in management positions, it could also mean that since there are fewer women in management positions, the chances of women being trained are similarly reduced. In fact, the results from employees show that the percentages of men that have received training in the past are more than those of female employees. Over 60% of the participants from state owned enterprises indicated that they had had training in the past, compared to 26.7% (private) and 52% (privatised). Table 9.4 shows the proportions of men and women that have been trained in the past.

Table 9.4: Sex Distribution of Those Who Have Trained in the Past

Past training	Percentages								
	SOE			Private			Privatised		
	Total	M	F	Total	M	F	Total	M	F
People who have been trained in the past	60.3	55.6	44.4	26.7	78.9	21.1	52	84.1	15.9

Key: M= Males,
F= Females

The data in Table 9.4 show that SOEs have higher percentages of employees who have been trained in the past. The proportion of females that has received past training is also higher compared to the other two ownership categories. The privatised organisations have the lowest percentages of employees who have received training in the past.

Compensation

An attempt was made to compare the gender differentiation according to pay and position of seniority but it was not possible to obtain this data because most of the organisations were not able to give data which could be meaningfully compared to others. Those who were able to give the numbers of female workers in the different pay scales were not able to give the data for males for comparison purposes. Generally though, while the number of female workers is relatively less compared to those of males, most of them are concentrated in the lower salary scales. There were no female executives in the top salary scales for any organisations at the level of managing director and general managers. Female employees are represented in the pay level of middle managers and these are limited to between one to two women.

EEO and Ethnicity

It was not possible to obtain information about tribe and ethnicity from the HR managers that could be meaningfully analysed so it is not presented. Five organisations (three SOEs [ABC], one private- E and one privatised- F) provided data on the numbers of employees that come from different regions in the country and Table 9.5 shows the percentages of employees represented from each region.

Table 9.5: Percentages of Employees from Different Regions in the Country

Organisation	**Percentages**						
	SOE (A)	**SOE (B)**	**SOE (C)**	**Private (D)**	**Private (E)**	**Privatised (F)**	**Privatised (G)**
Region							
Northern	15	20	7.84	-	38.5	13.8	-
Central	35	24.9	25	-	15.6	23.2	-
Western	30	26.6	42.1	-	8.3	39.9	-
Eastern	20	28.5	25	-	37.5	23.1	-

One private (D) and one privatised (G) organisation said that they do not collect information about peoples region of origin or their tribe so could not provide this kind of information. The Northern region seems to be underrepresented in all the organisations which provided data except one private organisation, where employees from the Northern region outnumbered those from other regions. The perception that there are more people from Western Uganda who have jobs compared to those from other regions seems to be supported by the results from one SOE (C) and one privatised organisation (F). This is so even though the two are located in central Uganda. The SOE concerned is the one that had to change recruitment practices after complaints from Parliament that westerners had unfair advantage over people from other regions. It could be that their employment practices do not give everyone equal opportunity of employment. None of the organisations provided data on ethnicity and training and compensation.

Employees' Perceptions

Employees were asked to indicate their views on the question of tribe and ethnicity and how it relates to people being appointed to managerial positions. Their responses indicate that Baganda, Indians and Westerners are perceived to be favoured for management jobs. The majority of the people in SOEs and former SOEs however said that there was no particular tribe that is most often selected for management jobs (52.7% public, 29.4% private, 55.8% privatised). The high percentage of SOE employees who think that no particular tribe is most often selected for management jobs contradicts the finding from one SOE where headhunting was introduced to reduce the number of westerners that were being employed in its managerial ranks. The private sector employees' responses indicate that the employees think that there are biases in managerial hiring however.

Conclusion

Equal employment opportunity policies are designed to ensure that there are no obstacles for certain groups of people to access employment opportunities. Women and minorities in particular tend to be discriminated against in workplaces resulting in situations where some groups have unfair advantages over them. Organisations which have in place systems that allow a diverse range of people to work in different levels of their establishments are likely to have a competitive advantage over those that do not. Results from this study indicate that none of the organisations in the study have in place policies for promoting equal employment opportunities for women and minorities. The outcome is that female workers are concentrated in lower level occupations and men employed in the managerial jobs. In some organisations people from one region are employed in proportions that are higher than their representation in the general population in the geographical area where the organisations are located. This implies that the employment practices of these organisations are not enabling women and people from some ethnic groups to reach their potential which would contribute to their performance and that of the organisation. Having looked at the management practices in the seven organisations in the last four chapters, in the next chapter, the responses from employees with regard to their attitudes to their organisations and their jobs are presented and discussed. Manager's views on the performance of their organisations are also presented and discussed.

Chapter 10

EMPLOYEE ATTITUDES AND PERCEPTIONS OF MANAGERS ON ORGANISATIONAL PERFORMANCE

Introduction

The public enterprise reform policy of privatisation seeks to enhance the performance of public and private sector organisations through improved competition and efficiency. Apparent poor standards of performance in Ugandan public enterprises in the past were responsible for calls to privatise them and encourage private entrepreneurship, with the expectation of better performance through efficient allocation and use of resources. The position of those that called for privatisation was enhanced by the World Bank and IMF supported policies of public sector reforms. As earlier discussions in Chapter Three imply, organisations attain superior performance from effective use of human resources, not their exploitation. Effective HRM systems produce important organisational outcomes such as positive employee attitudes, improved quality of labour productivity, ability to attract and retain essential employees, financial returns and research in the field of HRM has used some of these variables to measure organisational performance (Harel and Tzafrir 1999; Delaney and Huselid 1996). This study measured employee attitudes as an important HRM outcome. It also collected information about labour productivity and labour turnover as reported by HR managers and their perceptions on the performance of their organisations in terms of productivity, profitability and quality of product. This chapter presents results comparing these indicators in the seven organisations in the study.

Employee Attitudes

Job content and context, which are key determinants of employee attitudes are elements of HRM and therefore measuring employee attitudes can give an indication of the impact of HRM activities. From this point of view, the study attempted to find out the attitudes of employees in the participating organisations towards their jobs and organisations. These may be a reflection on the HRM activities although one cannot with certainty connect one to the other. Employees were asked their attitudes on various factors related to their jobs (job content) and organisations (job context). They were asked to rate their degree of agreement or disagreement with a list of 23 items related to the different aspects of the organisation and their work. The responses to individual questions ranged from one to five (one indicating strongly disagree and five strongly agree). During analysis these were aggregated, with one to two point nine indicating disagreement and three to five indicating agreement. All the scores of individual employees were also aggregated according to the ownership category to create a mean to determine the average attitudes of employees from each category of organisation. Frequencies were also computed to find out the proportions of employees who agreed or disagreed with the statements and the responses combined according to the category of classification (SOE, private and privatised). Tables 10.1-10.3 contain the mean scores obtained after combining responses of the employees to the different attitudinal questions.

Employees' Attitudes to their Jobs

Results based on frequencies indicate that the majority of employees from the three categories of ownership agreed that jobs in their organisations were clearly defined and logically structured and that they are happy in their jobs. The majority also agreed that people in their organisations take pride in their performance. SOE employees who are happy in their jobs are proportionally more than those from the other two sectors and the differences were statistically significant. Table 10.1 shows the mean scores representing the attitudes of employees to job related aspects.

Table 10.1: Attitudes of Employees Towards their Jobs

Job dimension	Mean		
	SOEs	Private	Privatised
Presence of clearly defined and logically structured jobs	3.1	2.9	3.2
I am unhappy in the job***	2.1	2.5	2.4
People don't take much pride in their performance in this organisation	2.4	2.6	2.2

Key: 1-2.9 disagree
3-5 agree
*** Statistically significant difference in attitudes at 0.01 level

As the data in Table 10.1 shows, for the question on job definition and structure, the average response of the employees from SOEs and privatised enterprises indicates that they agree that the jobs in their organisations were clearly defined and logically structured but those in the private enterprises disagreed. A test comparing the responses based on category of ownership indicates that there is no statistical difference between employees' responses at the 0.05 significant level, indicating that organisational ownership is not an influencing factor in attitudes. Analysis by gender also produced no statistically significant differences among employees in relation to their sex. The results show that employees have favourable attitudes towards the way their jobs are defined and structured.

Analysis of the mean responses to the item on happiness with job in Table 10.1 indicates that majority of employees did not agree with the statement that they were unhappy in their jobs. There was a statistical difference when the responses were analysed on ownership category. Employees in the state owned enterprises expressed stronger disagreement to the view that they were unhappy in their jobs in comparison to those from the other two categories who also disagreed but not so strongly. The item regarding people's feelings of pride towards their performance also drew negative responses from all the three categories. As the results in Table 10.1 show, the average response was between 2.2 and 2.6, indicating that employees take pride in their performance.

The conclusion derived from responses to questions on employee attitudes to their jobs is that belonging to a public sector company has not influenced the attitudes of employees towards their jobs in the negative sense nor does belonging to a private sector company make employees have different attitudes. The results seem to indicate that employees generally have favourable attitudes towards the job and many are proud of their performance. This is true for employees in both the public and private sector although the proportions of those who agree that people are proud of their performance are fewer in the private sector. The sex of the employees also has no impact on the inclination of their attitudes.

Attitudes to Organisation Management and Policies

An organisation' management system determines the nature of employees' jobs, their workload and how much responsibility they have. Their opportunities for promotion, how much they are paid and the conditions of their work are determined by the policies that the organisation adopts. These affect employee attitudes either positively or negatively. Employees were asked for their opinions on the different job dimensions related to organisational context and these have been arranged under the headings of management practices and reward management. Tables 10.2 and 10.3 show a summary of the mean responses from employees aggregated at sector level.

Table 10.2: Attitudes of Employees to Organisation and Management Practices

Job dimension	Mean		
	SOEs	Private	Privatised
Presence of clear explanation of policies and organisational structure****	3.1	2.7	3.3
Prevalence of friendly atmosphere among people in the organisation	3.3	3.2	3.3
Management takes time to talk to people about their careers	2.2	2.2	2.5
Management emphasis is on human factor and people's feelings***	2.4	2.2	2.7
Management believes if people are happy, productivity will take care of itself****	2.5	2.6	3.1
Can make good impression without steering clear of arguments and disagreements	2.7	2.8	2.6
All employees are aware of promotion procedures	2.0	1.9	2.2
All employees are aware of training procedures	2.0	2.0	2.3

Key: 1-2.9 disagree
3-5 agree
*** Statistically significant difference in attitudes at 0.01 level
**** Statistically significant difference in attitudes at 0.001 level

The mean score on the statement about the presence of clearly explained policies and organisational structure shows that there are differences in employees beliefs, with the private enterprise employees disagreeing that their organisations have explained their policies and structure to them whilst those from public and former public enterprises agree.

The difference is statistically significant indicating that ownership had an influence on the attitudes of employees. This implies that public and former public enterprises are seen by their employees to have in place a mechanism for explaining their policies to the employees, unlike the private ones. This view that policies are clearly explained does not match with public and privatised employees' responses to awareness of policies and procedures on training and promotion (see items on promotion procedures and training in Table 10.2). With regard to procedures for promotion and training, employees overwhelmingly disagreed with the view that people are aware of these procedures. Most employees from all organisations are of the view that not everyone employed in their organisation is aware of the promotion procedures. This was the case too for procedures for training where most of the employees disagreed with the statement that every employee is aware of the procedures to follow for training. If there were clearly explained policies, one would expect that employees would be aware of the procedures, which does not seem to be the case.

The mean score for the prevalence of a friendly atmosphere among people in organisations shows that no differences exist in the attitudes of employees in relation to the ownership of the organisation to which they belong. The majority agree that a friendly atmosphere exists in their organisations. An overwhelming majority of employees finds the atmosphere in their organisations friendly to work in.

Employees were also asked to give their views on whether management makes an effort to talk with employees about their career aspirations. Over half of employees from all sectors disagreed that this happens in their organisations. No statistically significant differences are exhibited among the employees from the different sectors. It appears that all the organisations in the study, irrespective of which sector they belong to, do not take the career aspirations of their employees seriously nor do they attempt to discuss them with the employees. The same applies to views on whether managers emphasise human factors and people's feelings. The majority of employees disagreed, with those in the private sector having the least favourable attitudes and the privatised sector employees having the most favourable and the differences were statistically significant. More employees from privatised enterprises agreed that human factors and people's feelings were important to managers. Differences were also observed in employees' response to the statement that management believes that if people are happy, productivity will take care of itself. These results show that employees from the private organisations think that management pays more attention to productivity than it does to employee's feelings and attitudes, unlike the state owned and privatised organisation's employees who believe that their management behaves differently. So although generally all the employees do not think that management emphasise human feelings, when it is compared to productivity, it appears that the private enterprise management is less so. Mean score responses to the question on employees disagreeing openly with managers imply that employees do not think that their organisations' management frowns upon people who openly disagree and argue. They think that disagreeing does not necessarily create a bad impression for the person that does so. No differences are observed in relation to ownership category.

Results indicate that employees' attitudes toward the reward systems are negative, with three of the four positive statements about the reward systems getting high proportions of negative responses and the one negative statement having fewer proportions of people disagreeing with it. The average response to the statement that rewards and encouragement they receive usually outweigh threats and criticism was negative, with more of the private enterprises' employees strongly disagreeing compared to the other two. The differences were statistically significant.

On the view that people are rewarded in proportion to the excellence of their job performance, the mean response indicated that employees' attitudes were negative and no differences occur according to organisation category. With regard to whether there was not enough reward and recognition for doing good work, the mean score for both SOE and privatised was the same (2.8) indicating disagreement and the mean score for the private organisations was 3.0 indicating agreement. Frequency responses however indicate that the majority in all sectors do not think that their organisations give rewards proportionate to the quality of one's work (60.1% SOE, 64.9% private and 61.3% privatised).

Table 10.3 : Attitudes of Employees to Reward Management Practices

Job dimension	Mean		
	SOEs	Private	Privatised
We have a promotion system that helps the best person to rise to the top	2.5	2.3	2.7
Rewards and encouragement you get usually outweigh threats and criticism***	2.5	2.1	2.6
People are rewarded in proportion to the excellence of their job performance	2.5	2.5	2.8
Good work elicits enough reward and recognition	2.8	3.0	2.8
Mistakes lead to punishment	3.2	3.3	3.1
To get ahead, it is more important to be a high producer than to get along	2.8	2.8	2.7
Salary levels are determined by one's performance**	1.9	2.3	2.3
Generally people are satisfied with their pay levels	2.0	1.7	1.8
Methods of pay are fine	2.8	2.7	2.7

Key: 1-2.9 disagree
3-5 agree
** Statistically significant difference in attitudes at 0.05 level
*** Statistically significant difference in attitudes at 0.01 level

In the area of control mechanisms in the organisations, most workers agreed that making mistakes in their organisations led to punishment. The average score was more than three for all organisation types. This view matches with the one expressed on the question about the relationship between rewards and encouragement as opposed to threats and criticism where nearly half of the employees disagreed with the statement that rewards and encouragement outweigh threats and criticism. On the view that people are rewarded in proportion to the excellence of their job performance, the mean response indicated that employees' attitudes were negative for all organisations. The mean score indicates that the employees from the public sector disagreed more strongly than those in the two other sectors and this difference was statistically significant, an indication that public sector organisations have not communicated the performance related pay policy that they claim to have in place to their organisations. A majority of workers overwhelmingly disagreed that people were generally satisfied with their pay levels. Analysis by sex again show no statistically significant differences between male and female responses and analysis by job category show no differences too, which implies that the attitude is shared across organisations, gender and job category.

There were differences among employees' views on whether there is promotion of the best people, with more proportions of people from public and private organisations disagreeing with the statement that everybody has equal promotion in their organisations but fewer proportions of workers from the privatised organisations disagreeing with the statement.

Since the level of employee's attitudes affects people's behaviour at work, it can be assumed that the employees who feel strongly about some of the aspects of their jobs are likely to be exhibiting undesirable behaviours. The results from the attitude survey shows that the majority of employees have positive views of their individual jobs. However, they have a poor view towards their organisation's management practices and the reward management practices. They also have a poor view towards the aspect of equal opportunities. Belonging to the private sector does not seem to have a significant impact on the employees' views generally, although for some particular aspects, the organisation category seems to matter for example in relation to whether jobs are clearly structured. Private sector employees disagreed unlike the other two. There appears to be no significant differences in employees' responses for most of the statements irrespective of ownership of organisations. The only significant differences appeared in response to questions about explanation of policies, promotion of best people, attitude to job, management philosophy and equal opportunities in recruitment. Most of the differences however were in the degrees of agreement or disagreement rather than in direction of attitudes.

Average Labour Turnover

Labour turnover is important because it has close links with productivity of an organisation. If there are many people leaving an organisation, this has an impact on its employee productivity because it will incur extra costs in acquiring and training people to replace them. Although HRM activities influence turnover, other factors such as external economic conditions have an effect on labour turnover. HR managers were asked to provide information on the average labour turnover in their organisations in the last five years. Although six of them supplied this information, some of them indicated that these were estimates, since records are not usually kept. One organisation (SOE, A) said there was no labour turnover in his organisation in the last five years, but this did not correspond with the information given by employees from this organisation, who indicated that they knew people who had left the organisation in the last five years. The other two SOEs had labour turnover of 4% (B) and 5% (C) per annum, while the two private organisations had labour turnover of 2.9% (D) and 38.40% (E) per annum. The two privatised organisations had average labour turnover of 2.4% (F) and 0.30% (G) per annum. Apart from one of the private sector companies, it seems that the average number of workers that have left the organisations in the study is low. Whereas this may indicate that employees are generally satisfied with their jobs and are therefore not interested in leaving their organisations, it could also be a reflection of the labour market situation in the country. If employees leave their jobs without a promise of a job elsewhere it would mean that they have no source of income. Employees only quit their jobs when they have been offered another one elsewhere. Employee's responses on why people leave their organisations show that the most common reason was a search for better opportunities elsewhere. Job dissatisfaction alone did not draw many responses as a leading cause of people quitting their jobs. Table 10.4, summarises employees' views on why their colleagues leave organisations.

Table 10.4: Employees' Views on Why People Leave

Reasons for quitting	**Percentages**		
	SOE	**Private**	**Privatised**
Lack of opportunities for promotion	37.6	25.5	33.5
Moving to another part of the country	5.1	4	6.6
Poached by another company	27.8	36	27.5
Dissatisfied with pay	2	14.5	9.6
Dissatisfied with working conditions	1.6	2	1.8
Better opportunities elsewhere	6.7	9	10.8
Bad treatment and frustration	2.7	3.5	0.6
Terminated by organisation	3.9	0.5	1.2
Job insecurity	0.8	1.5	2.4

The figures in Table 10.4 show that most people believe that lack of promotion opportunities and being poached by another company are reasons why employees leave their organisations and this was common to all ownership categories. The other two frequently mentioned were dissatisfaction with pay and going for better opportunities elsewhere. Dissatisfaction with pay though seems to be more of an issue for the private and privatised organisations than for the state owned enterprise employees. People being poached by another company may be related to the issue of looking for better opportunities elsewhere. Employees leave organisations to go to other organisations in search of better promotion opportunities.

The data in Table 10.4 shows some slight differences in employees' views with respect to the category of organisation ownership. The majority of employees in SOEs and former SOEs think that people leave because they lack opportunities for promotion, a reason followed by being poached by other companies. Conversely being poached by another company took first place for the case of private companies followed by the lack of opportunities for promotion. It seems that private companies' employees think lack of opportunities for promotion is not as big enough incentive to make people leave as being poached by another company is. Employees' views were in line with what one of the HR managers said during the interview:

> Many companies have problems. You get the privilege of recruiting the best people, but then we fail to manage them and the real good ones leave. Mainly because of the internal policies either they are not given enough challenge in what they do, or organisational culture is a misfit with them so they find they cant comfortably belong there or the management style of the manager is not supportive enough so the guy stays there for two years and has not found his feet in the organisation, then people don't see a future in the business e.g. some jobs you go in and start as assistant manager and in spite of everything, you don't see yourself going beyond that in the next many years. So whereas many people would have very good recruitment policies, recruitment and selection, the critical thing is how this high talent recruited is translated into the delivery of services. Because you can have people who are really good and you fail to get their goodness out of them. They come here and stay with you but you don't give them enough challenge to enable them to get the best out of themselves (June, 2000, Privatised, G).

The results from this study are similar to those obtained from research from other African countries which showed that the working conditions, pay, supervision, tribalism, interpersonal relations, cultural background, unmet needs, lack of respect, lack of promotion opportunities and unfair selection patterns have negative effects on employee attitudes and affect their productivity and lead to turnover of quality employees (Akinnusi 1991; Blunt and Jones 1992).

Labour Productivity

The study used some financial measures as indicators of organisation performance, although it is recognised that labour is only one of the dimensions that determine the output of a firm. These measures include net sales per employee in Ugandan shillings, annual business turnover and rate of return on equity. Two organisations, one SOE (B) and one private (E), did not provide data for this item, therefore it is not possible to compare the financial performance of all the organisations. The data in Table 10.5 came from CEO and HR Managers' questionnaires.

Table 10.5: Financial and Labour Productivity Measures (Ugandan shillings in millions)

Organisation	Net sales per employee	Annual business turnover	Corporate Equity	Rate of return on equity
SOE (A)	17.6	12,000	2,500	4.8
SOE (B)	-	5,000	22,000	0.22
SOE (C)	8.5	22,000	106,000	0.20
Private (D)	37	5,000	250	20
Private (E)	-	5,000	1,500	3.33
Privatised (F)	1.728	-	-	-
Privatised G)	198	-	-	-

The numbers in Table 10.5 indicate that of the five organisations that provided information on business turnover and corporate equity, three of them had the same amount of business turnover although they differ in their worth. Performance in terms of labour productivity measured as net sales per employee shows mixed results. One of the privatised organisations has the lowest net sales per employee while the other has the highest among the five organisations that supplied data. Being in the same category of ownership does not seem to have made the other organisation perform as well as the other. The two SOEs and one private company have better labour productivity than the privatised company. No conclusions can be drawn to infer more efficiency to the private or privatised sector, since the data is incomplete for all the different performance measures.

Perceptions of HR Managers on Organisations' Performance

Human resource managers were asked for their views on the performance of their organisations in terms of labour productivity, quality of products and profitability in comparison to that of other organisations doing the same kind of work over the past five years. In terms of labour productivity, profitability and quality of products, the responses of some HR managers were not specific as to how they compare with other organisations. Their responses seem to be related to how they viewed their organisations performance in the last five years, probably because they do not know how other organisations in the same kind of work are performing. Table 10.6 shows the HR managers views on their organisations performance on the three performance indicators of labour productivity, quality of product and profits.

Table 10.6: Managers' Views on Performance

Performance	**Organisation**						
	SOEs			**Private**		**Privatised**	
	A	**B**	**C**	**D**	**E**	**F**	**G**
Labour Productivity	Delivers	Encouraging	Good job	Same as	Increased greatly	Average	Top
Quality of Products and services	Excellent	Improved	Improved but room for improvement	Competitive	Risen	Very good	Increasing steadily
Profitability	Very Profitable	Low	Better	Favourable	Some limited success	Just break even	Growing

As can be seen in Table 10.6, no pattern emerges to classify one sector as being viewed to have better or worse performance by the managers. The views of HR managers in some of the SOEs indicate that they view the quality of their products to be better than those of their competitors just as those belonging to a private or privatised company also thought they had very good products. In terms of profitability, SOES used terms like very profitable and better, which was not even mentioned in the private sector. The views of HR managers seem to indicate that belonging to a private or privatised company did not mean that they thought that their organisations had better performance, nor did it mean that SOE managers thought that they performed worse. This is contrary to what is expected according to the policy of public sector reforms; that public sector enterprises would be perceived to have poor performance and private sector and privatised enterprises to be performing better than their public counterparts.

Conclusion

This chapter presented the findings on some performance measures that were used in the study, with an emphasis on the employee attitude measure, since it is more closely related to organisational policies that affect employees. The results show that two private enterprises and one SOE performed better than two SOEs when their return on equity are compared. However, because there were no figures available from the privatised enterprises, it is not possible to come to any conclusions regarding the impact of privatisation on business performance compared to before privatisation. The responses of employees to questions related to job content, which determine employees' degree of satisfaction with their jobs, indicate that employees have favourable attitudes to their jobs. Their attitudes to rewards though were generally negative. The results also indicate that the organisational ownership category has no impact on the attitudes of employees towards their jobs, as no differences appear between the responses of employees from either sector. Privatisation therefore does not appear to make a difference in the way employees view their jobs or those of their organisations. This could imply that the policies of the two sectors are not different or if they are, the differences do not make a significant difference in the way employees perceive them. In the following chapter, the conclusions that have been derived from the study and suggestions for further research are presented.

Chapter 11
CONCLUSION

Introduction

The theme of this study is public sector reform and the thesis examined the strategy of privatisation in the context of Uganda, a developing nation that has pursued privatisation as part of its economic development strategy. The general objective of the study was to find out whether one of the principles on which privatisation is based (that private sector enterprises are more efficiently managed than public enterprises) is applicable to developing countries and the implications of this to the strategy. This formed the basis of questions that guided the study as outlined in Chapter One, such as whether there were differences in the managerial practices of differently owned organisations and whether it is these practices that make private enterprises more efficient. The study focused on human resource management practices and compared their implementation in seven differently owned organisations. The expectation is that managerial practices found in public enterprises are those that encourage inefficiency while those in private enterprises are those that enhance efficiency.

Studies conducted in some developed countries have indicated that privatisation led to efficiency and higher productivity because competition encouraged the privatised organisations to change managerial incentive structures to those that discourage slack (Vickers and Yarrow 1988; Jackson and Price 1994). On this basis therefore, it was considered prudent to move business enterprises out of public hands into the private sector, a view that has been adopted by countries in the developed and developing world. There is however inadequate information on the topic of management practices of private and state owned enterprises in developing countries.

The main contribution of this study therefore has been to generate empirical data on managerial practices in organisations in the Ugandan public and private enterprise sectors. The findings of this study need to be viewed in light of the limitations of the research that were highlighted in Chapter Five, relating to the constraints in gathering comprehensive data on the private and privatised enterprises in Uganda. In addition, because the study looked at some cases of organisations rather than a large sample, it is not possible to make generalisations on the basis of the findings to all organisations in Uganda. The study however provides useful evidence on the managerial environment in which the strategy of privatisation is being implemented. Based on the view that organisational efficiency is closely linked to the way employees of an organisation are managed and their attitudes towards their jobs and organisations, the study examined human resource management practices of the private and public enterprises and employees attitudes to organisational aspects. This was to find out whether the HRM practices of the differently owned organisations were different and whether the differences that existed were those that would make the private enterprises more efficient than the public enterprises. The results suggest that although differences do exist, they do not seem to be related to ownership but to the values and culture of managers as well as the labour market conditions in Uganda. Both private and public enterprises exhibited practices that human resource management literature and practice consider as being inadequate. This chapter summarises the thesis highlighting the main themes and main findings of the study, its conclusions and suggestions for further research.

Summary of Thesis

This thesis is organised in eleven chapters based on the main themes of the study. Chapter One introduced the study and its objectives, highlighting the international ideological background to the strategy of public sector reforms and the assumptions that underlie the strategy. These include the neo-liberal principles of free market mechanisms that influenced international financial markets and institutions in the 1970s and 1980s and the international economic crises that have shaped some of the development policy recommendations of international financial institutions and the international donor communities. It also highlighted one of the outcomes as being a reduced confidence in the state and a push for a reduction in its role and instead a greater role for markets. The chapter also outlined the specific objectives of the study, the study area and scope and how the study was organised. Chapter Two reviewed some of the relevant literature on the strategy of public sector reform in developing countries, noting its emergence as an alternative to the hitherto widely accepted strategy of state led development and the objections that were raised against state ownership of economic resources. The chapter also described how this strategy became integrated into the development policies of developing countries through the structural adjustment programmes of the IMF and the World Bank, outlining the substance of the structural adjustment programmes in some of the African countries. The strategy of privatisation and its implementation was also discussed in the context of developing countries and gaps in the literature with regard to the area of institutional issues in the context of privatisation in African countries were also highlighted.

In view of the specific objectives of the study, which is to examine the management practices in Ugandan public and private enterprises, Chapter Three reviewed some of the relevant literature in the area of human resource management outlining its importance to firm performance, specifically focusing on the practices of staffing, training and development, reward management and employee attitudes and how they are related to efficiency and performance in organisations. The relevance of human resource management to the strategy of privatisation was also discussed, drawing attention to the shared goal of improved firm performance. Evidence suggests that privatisation alone does not bring about the desired improved performance in privatised firms but that if combined with changes in managerial incentives and competitive environment it has been shown to make a difference (Ramamurti 2000). Since the thesis is using Uganda as a case study, Chapter Four was devoted to describing the political and economic background of the strategy of public sector reforms in Uganda. It also presented the history of state owned enterprises in Uganda and outlined the labour market conditions in the country. Finally it described the process of structural adjustment programmes in Uganda and the reforms that have been implemented in the public sector including civil service reforms, public enterprise reform and privatisation. It highlighted the absence of literature on the management processes of the public sector enterprises and private enterprises in spite of the fact that the success of privatisation may hinge on the managerial capability of these enterprises and the need for research to find out the state of managerial capacity of the private sector in Uganda.

The fifth chapter detailed the process employed to collect the information from public and private enterprises in Uganda and outlined the characteristics of the enterprises and people that participated in the study. Chapters Six, Seven, Eight, Nine and Ten present the results of the survey following the human resource management practices of staffing, training and development, reward management, equal employment opportunities and employee attitudes. The results are discussed in relation to the important elements that were raised in Chapter Three and comparisons made between the practices of the differently owned organisations to determine whether there were patterns of similarities or differences that were specific to one group of ownership. The following section presents the main themes and findings of the study.

Main Themes and Findings of the Study

The review of public sector reform literature in Chapter Two showed that the strategy is part of a world-wide trend that seeks to reduce the role of state involvement in the economy while increasing that of the market. Based on neo-liberal ideas and popularised by the main international aid agencies, it has become an integral part of the development strategies of many developing countries in Africa succeeding the Keynesian strategies of state intervention in the economy that gained popularity after World War II (Mkandawire and Soludo 1999). Failure of states to attain the goals of development and economic growth resulted in questioning of the fundamental elements of development theories that advanced a broad role for the state and calls began to be made for a reduction of the role states play in the economy. Globalisation led to increased competition for financial resources with state regulation and involvement seen as hindering free allocation of resources leading to inefficiency. A new consensus emerged that viewed government as incompetent and interfering with the market and embraced the view that resource allocation through markets was the best option. Before globalisation, development was supposed to be attained through state managed policies for improving the welfare of a nation's citizens, but with globalisation, the global market under the management of the international institutions has become the main focus and the welfare of the globe has taken priority over that of the nations. It has been argued that development has been re-defined to mean "...participation in the world market" (McMichael 1996:148).

The trend of market-led development started in western countries which have advanced markets for capital and labour. These countries were able to realise gains from the changes in the reduced role of the state and freer markets. Developing countries were integrated into the system by their dependence on loans from the IMF and World Bank and bilateral loans from the more developed countries. Conditions such as droughts in Africa, increases in oil prices, recession in the developed countries and poor terms of trade for primary products exporters led to the economic crises of the late 1970s and early 1980s. The crises precipitated the need for stabilisation in the financial markets and many developing countries that were heavily indebted were required by the multinational donors to meet conditions before they could access credit (Stokke 1995). The multinational lenders demanded that poor countries adopt the structural adjustment programmes whose main aim is to reduce the role of the state and increase the role of the market as these are seen as necessary for achieving sustainable growth and balance of payments stability (Demery 1994). Policies related to this include trade and price liberalisation, reforms in the labour, financial and foreign exchange markets. Restructuring tax and banking systems, public sector reform and privatisation are also part of the structural adjustment policies. It is presumed that the conditions that have made these policies successful in developed countries are present in the developing countries.

Governments aspire through privatisation to reduce government control, increase competition, increase productivity and bring about market centred efficiency (Zahra et.al. 2000). Privatisation is a policy aimed at developing the private sector as a precursor for economic growth. The focal point of privatisation is the neo-classical thesis which contends that ownership by individuals as opposed to governments facilitates efficiency and rapid growth. There is widespread belief that the private sector uses resources more efficiently. It is argued that their efficient utilisation of resources makes private firms better performers and that a firm performs better when it changes its legal status, from public to private sector (Dunsire et. al. 1995). The managers will presumably be galvanised by fear of bankruptcy or loss of their jobs to make their companies more competitive. The competitive environment will in turn act as a catalyst for improved performance of the private companies whose performance has hitherto been negatively affected by the unfair competitive environment. The remaining SOEs on the other hand, faced with competition will also become more efficient in their operations. The efficiently run private and public companies will in turn lead to increased productivity, higher employment opportunities, increased profits and a vibrant economy (World Bank 1995a).

In order for this to happen, the managerial culture of the private enterprise ought to be one that promotes efficiency. The internal and external environments in which the private enterprises operate greatly influence their decision making. Private enterprises in developed countries derive their managerial efficiency from implementing managerial practices and values that enhance performance. The review of literature on human resource management indicates that HRM is an integral component of successful organisations' strategic processes. Firms gain competitive advantage by utilising high quality HRM activities and viewing them as a resource that contributes to firm profitability (Huselid et. al. 1997). This raises the question as to whether managerial activities that enhance performance of employees are present in countries where the markets for labour and capital are less advanced. On this basis therefore the study focused on HRM activities of the seven organisations to answer the questions raised in Chapter One, i.e. determining the extent to which the practices are in use, what similarities and differences existed between public and private sector companies and the determinants and consequences of the differences. The study also sought to establish whether organisations in the private sector were more efficient in their use of human resources and whether they were exclusive to the private sector alone and whether private sector enterprises were better equipped than SOEs in managing their employees. The findings indicate that although in principle the organisations say that HRM is important, their practices contradict their stated intentions. Most of the organisations did not seem to have HRM as a priority. One of the indicators of this was the almost universal dearth of records on human resource management practices. In most cases where the questionnaires required human resource managers to provide numbers of employees to measure some aspects of the processes, it was not possible to get all the relevant information. Some managers gave some figures but said that they were estimates because no records are kept. Even important information like the number of people trained was not possible to obtain because no records are kept. The results are similar to those of Ekpo-Ufot (1986) which showed that in Nigerian organisations, little significance was attached to all personnel functions combined.

With regard to whether the private sector is more efficient in their management and use of employees and contrary to expectations of privatisation proponents, the HRM practices of the private sector enterprises in the study, are not those associated with effective management of employees. This was particularly noticeable in those enterprises that have always been private and which are locally owned. One of the measures of HRM effectiveness is the extent to which organisations have formalised the policies related to personnel (Guest and Peccei 1994). Policy formalisation refers to the written policy that the management team agrees upon in the areas of HRM such as equal employment opportunities, recruitment, selection motivation, productivity, promotion, quality, flexibility, industrial relations, and consistency in implementing them. The two private organisations studied do not have prescribed procedures for the HRM processes and seem to have practices that are discriminatory and which affect productivity. Even the SOEs and former SOEs that have written formal policies sometimes do not follow them. The practices of staffing, training and compensation of some of the organisations (from both sectors) reflected a lack of consistency with the goals of efficiency and effectiveness. For example all the organisations in the study use similar recruitment and selection methods and although the number and quality of applicants is poor, only one organisation (former SOE, G) has attempted to put in place alternative methods aimed at rectifying these weaknesses in their recruitment process. It could be that the excess supply of labour with general skills in the labour market influences decisions on staffing, for example HR managers indicated that they have no problems with getting applicants for blue and white collar work. This may mean that employers do not put much effort in attracting and motivating workers because they can easily replace the dissatisfied employees who decide to leave in spite of the costs associated with labour turnover.

Employee training has been universally acknowledged as an important activity that influences performance because of its impact on employees' skills and abilities and on their attitudes (Bartel 1994; Harel and Tzafrir 1999). The findings from the study also suggest that six of the organisations in the study do not attach much importance to training and again all sectors (public, private and privatised) do not show much variance in their practice of this HRM activity. Again, one privatised organisation is implementing a training programme that will enable it to adequately meet its human resource needs without the need to resort to poaching employees from other organisations that train them. The other organisations have no strategies in place for enhancing the skills of their employees. In spite of this, the employees consider their skill development as important with the overwhelming majority stating a desire to receive further training to improve on their performance. The absence of planned training is made worse by inadequate resources. Most organisations said that they find training a very expensive activity, especially off the job training, because of the limited facilities for training in the country, which requires them to send employees abroad for further training.

Proponents of privatisation argue that SOEs wages are set based on inflation rather than performance of both the company and employees. Employees have therefore become accustomed to a culture of lifetime employment in an organisation with an assured income, yet these incomes do not reflect their performance but their grade and tenure. As a result, workers are not motivated to be productive and there is little focus on quality and on profitability. There is also absence of morale and team spirit and high levels of absenteeism (Ozkaya and Askari 1999). Results from the participating organisations indicate that all of them irrespective of their ownership use a centralised system of reward management for setting salary levels of the individual employees. Rewards for the most part are not linked closely with the individual's direct contribution to the performance of the organisation. The total pay package that an individual takes home each month is mainly determined by their position rather than their performance and is mainly influenced by the performance of the organisation as a whole in terms of profits made. This finding corresponds with the view that few African organisations attach attention to pay for performance and that in most cases, a person's tenure and their needs determine their pay (Beugre and Offodile 2001). This is likely to affect the organisations' ability to attract, retain and motivate the best candidates for long because it is not based on people's performance and productivity, which are important elements in employee compensation

(Delaney and Huselid 1996). The results indicate that the decision-making mechanisms in terms of compensation systems and their components do not vary greatly between the differently owned organisations. The majority of employees' attitudes towards their organisation's reward management practices are also negative. Employers have not realised the importance of the compensation system as a tool for attracting and motivating quality employees. Because of the excess labour in the market, wages and salaries are set on the basis of cost in some organisations rather than on profitability and performance of the organisations and employees. The dissatisfied employees who stay in their jobs until they have obtained better opportunities elsewhere resort to stealing time and materials of the organisations. So, although the organisations control the costs of wages, they incur costs in form of theft, absenteeism and reduced work effort which ultimately affects the performance of the organisations.

The data collected indicates that there is a gap between the management environment in which privatisation is expected to have successful outcomes and the reality in the actual labour market in which the reform is intended to operate. Because of the labour conditions in the country and absence of social welfare, employees who are dissatisfied with their organisations and conditions of work may not leave organisations so this is not reflected in the turnover figures of the organisations. The motivation and work practices of these employees are questionable though and some of them exhibit behaviour associated with negative attitudes such as theft, absence, poor performance and disloyalty (Locke 1983). This is reflected in behaviours that lead to employers distrusting employees and is one of the reasons why one of the private organisations has changed its hiring practices because they cannot "tell who is a thief and who is not" (May, 2000, Private, D). The people who have exhibited the tendency to steal may have done so because of the working conditions that they find in the organisation and if this is not checked, even the ones that are brought in as trustworthy may end up exhibiting the same negative behaviours.

On the question of the determinants of the differences that exist in the practices of the organisations, the element of ownership does not seem to be a major determinant for the differences or similarities observed. Although the study results show that differences exist in the way the organisations manage their human resources, there were no patterns of management specific to one category of organisation. There was no evidence that private enterprises category employ managerial practices that have been identified in literature as being more effective such as comprehensive recruitment and selection traditions, performance based pay, employee development and training (Guest and Peccei 1994; Pfeffer 1994; Huselid 1995), which other categories do not have. As opposed to ownership issues, it appears that it is trends in the Ugandan labour market as well as managerial and administrative culture that are more significant and which could act as obstacles to the efficiency objectives. For example, because of the labour market conditions, whereby some skills are not available, employers have difficulty in obtaining people with the required skills. On the other hand, because of the abundance of labour with general skills, there is a tendency not to use comprehensive recruitment and selection practices, and to have compensation systems that employees view as unsatisfactory. There is a need to address these discrepancies in managerial practice if the policies that seek to improve organisational efficiency and performance are to be successful. The development of the economy through a vibrant private and public enterprise sector may be constrained by the unwillingness of enterprises in the economy to develop their main source of innovation, its workers, to attain their potential.

It seems that whereas the scenario of improved management incentives and motivation may be true in some contexts, particularly in developed economies, the market environment of firms in developing countries is such that for some cases, there may be institutional conditions that invalidate the expectations that private and privatised enterprises would have efficient management systems.

Recommendations for Further Study

This was an exploratory study and therefore a case study approach was used with only seven organisations included in the study. This means that it is not possible to generalise the findings to other organisations in Uganda. There is therefore a need for studies that will look at larger numbers of organisations of different sizes to determine whether the managerial practices that have been identified in this study also exist in organisations of different sizes and shapes.

The study of the seven organisations was undertaken over a short period of time. Some changes may have taken place just before or after the study was conducted. It would be useful if a longitudinal study in the management practices of private and privatised enterprises was conducted to give a long term perspective of this issue.

This study has only focused on a few human resource management activities. The results also show that the labour context in Uganda may have a lot of influence on the way that management is practiced. It would be useful to look at a broader set of management activities.

Conclusion

This study sought to assess the privatisation assumption that private enterprises are more efficient than state owned enterprises. The results of exploring the human resource management systems of seven Ugandan case organisations, three of them public, two private and two privatised suggest that this is not the case. The labour market conditions encourage managers to operate managerial systems that are contrary to those necessary for attracting and motivating quality employees. So, although they are able to attract general employees, the quality is unsatisfactory and they are also unable to attract and retain employees with professional managerial capabilities. The management practices of the two private organisations were of inferior quality to those of the state owned ones. Public sector reforms and privatisation aim at improving the efficiency of the economy. The conditions of the multilateral lenders aim at ensuring that there are structural changes in the economy, seeking to change the way an economy operates in order to improve its performance. However, it is possible for changes such as privatisation to bring about changes that are only superficial and which are not likely to bring about the desired deep-seated changes. As demonstrated by the results in the study, change in ownership of an organisation does not bring about changes in managerial incentives which are necessary for bringing about the beneficial outcomes.

Private sector enterprises are supposed to take over the job of stimulating investment through increased profits which are then reinvested in the economy to lead to economic growth. However, an important aspect of institutional development, the labour management has not been given the priority it deserves, yet managing employees is an important resource that gives firms a competitive advantage. If the workers in private sector organisations are not competent, the performance of these firms is negatively affected. This will have a detrimental effect on the gains from privatisation and the objectives of private sector development. Research shows that privatisation enhances efficiency in resource mobilisation and use, if it takes place in an environment that has well established competitive markets and means for distributing gains. Without such an environment, the private organisations are unlikely to be efficient because they can reap monopoly profits. Because Uganda has a small economy and most of the big private and privatised companies are some of the main providers of particular services and products, the temptation for the managers to be slack in management of human resources is great since they are still able to make a profit. Most of them are assured of a market and the competition is not very stiff and so they are assured of sales even for poor quality products. There is therefore a need for a change in the approach to public enterprise reform and privatisation with an emphasis not only on the effective management of financial and physical resources but also on one of the internationally recognised important resource of a company, its employees. Workers need to be recognised as valued contributors in organisations and activities to manage them set up in ways that ensure their improved knowledge, competences, skills and commitment to organisational goals. The strategies of privatisation have focused on failures of government owned enterprises and not much attention has been paid to the capacity of the market and private sector to play their role as the new instruments of development and change in developing countries. The assumption is that the private sector has the capacity to run organisations in ways that makes them more efficient and while this may be true for organisations in the developed countries, it may not be the case for those in the developing economies. In the long run this may impede their capacity to take up their role of engine for growth and development.

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Appendix 1

Letter of Introduction

Dear

The Role of Human Resource Management (HRM) in Public Sector Reforms in Uganda

My name is Kukunda Elizabeth Bacwayo. I am a Ugandan student currently enrolled for a PhD at Massey University in New Zealand. I am undertaking research as part of my PhD studies.

I am studying public sector reforms and what role HRM plays in organisational efficiency. The objective of my research is to find out what is happening in Ugandan public and private organisations with regard to recruitment, selection, human resource development/training and compensation and the perceptions of employees on these functions. I am contacting Chief Executive Officers of several public and private organisations to see if they are willing to participate in the study.

I have received approval and support from Massey University to conduct this study. I have also obtained approval from the Uganda National Council for Science and Technology to undertake the study.

This is to request your permission to include your organisation in my research. This will necessitate the participation of the employees in your organisation. I would like to request permission to administer questionnaires to all your employees during working hours and to speak with a small group of them. It will not take very long. I have enclosed the project information sheet so you can become familiar with the overall purpose of my research.

If you are willing for your organisation to possibly be included in the study, please return the attached form in the addressed stamped envelope. From the responses I receive, I will randomly select those to be included in the study. If your organisation is one of those selected, I will then contact you or your secretary to further explore the research details.

Thank you.

Yours sincerely

Kukunda E. Bacwayo
PhD student
Massey university
Uganda contact: P. O. Box 23020, Kampala.
Supervisor: Dr. Barbara Nowak- Institute of Development Studies
E-mail address: B.S.Nowak@massey.ac.nz
Tel. no: 64 6 3505799 ext. 2502

Appendix 2

I am interested in learning more about your research with the possibility of my organisation's inclusion in your study.

Name (CEO)____

Organisation's name:_____________________________________

Secretary's name:_______________________________________

Telephone:____

Appendix 3

CEOS CONSENT FOR ORGANISATION'S INCLUSION IN STUDY

The Role of Human Resource Management (HRM) in Public Sector Reforms in Uganda

I have read the information sheets and have had the details of the study explained to me.

My questions have been answered to my satisfaction, and I understand that I may ask further questions at any time.

I understand I have the right to withdraw consent for the study to be conducted in my organisation. If I decide to withdraw from the study, material collected will be destroyed or returned to the participants.

I understand that my organisation's name will not be used without my permission.

The information will be used only for this research and publications arising from this research project.

I agree that employees in my organisation can participate during working hours in this study if they so desire.

I also agree to allow my employees to ask the researcher questions they may have about the research.

I give/do not give permission for my organisation to be named in this study.

Signed:________________________

Name: ________________________

Date: ________________________

Appendix 4

Information Sheet for CEOs and Human Resource Managers

The Role of Human Resource Management in Public Sector Reforms in Uganda

Researcher: Kukunda E. Bacwayo

Supervisors: Dr. Barbara Nowak- Institute of Development Studies
e-mail address: B.S.Nowak@massey.ac.nz
Tel. no: 64 6 3505799 ext. 2502

Prof. John Overton- Institute of Development Studies
e-mail address: J.D Overton@massey.ac.nz
Tel. no: 64 6 3505799 ext. 2504

Prof. Alan Williams- Graduate School of Business
e-mail address: A.Williams@massey.ac.nz
Tel. no: 64 6 3505812

Contact Address: Massey University, Institute of Development Studies, Private bag 11222, Palmerston North, New Zealand

Researcher's Ugandan contact: P. O. Box 23020 Kampala.

What is the study about?
The research is part of my PhD study and endeavours to examine the human resource management practices of recruitment, selection, human resource development and compensation in the public enterprises and private organisations in Uganda. I wish to find out the manner in which these human resource management activities are being carried out in Ugandan parastatals and private firms and what impact this has on their employees' attitudes and performance and that of the firms. Private sector development through increased production in the parastatals and private companies is one of the major issues of the economic recovery programme on which the country is basing its future economic development. The success of this programme will be influenced by the performance of organisations in the public and private sector. It is hoped that results from the study will indicate whether there is a difference in the approach to human resources that makes private enterprises more efficient.

You do not have to take part in the study. If you do, I will very much appreciate your support and co-operation in completing the questionnaire and if need be, in answering interview questions.

What are participants asked to do?
The participants will be asked to

- Complete a questionnaire
- HR managers and a few employees will also be asked to participate in an interview. The interview's purpose is to obtain details of their perceptions on the nature of their organisations' HRM practices.

How much time is involved?
The questionnaire will take about 30 minutes to complete and the interview will take about 60 minutes.

What can participants expect from the researcher?
If you take part in the study have the right to:

- Refuse to answer any particular questions
- Ask any further questions that occur to you during the course of the study
- Provide information on the understanding that it will be used for academic purposes only and the information will be confidential.
- If you decide to withdraw from the study, material collected from interviews will be destroyed or returned to you.
- Have access to the summary of the findings at the end of the research.
- Once the questionnaire has been filled in and collected, the questionnaire can not be eliminated from the study

How is confidentiality and privacy to be ensured?

- Data collected will not identify anyone by name
- No personal information will be passed on to any other person or agency
- Data analysis will be undertaken and reported in such a way that information cannot be directly linked to anyone.
- Material used to collect information will be kept in a secure place accessed only by the researcher and destroyed when it is no longer needed for the study.

If you have any questions regarding any aspect of the research please do not hesitate to contact me or one of my supervisors.

Appendix 5

Information Sheet for Questionnaires for Workers

The Role of Human Resource Management in Public Sector Reforms in Uganda

Researcher: Kukunda E. Bacwayo

Supervisors: Dr. Barbara Nowak- Institute of Development Studies
e-mail address: B.S.Nowak@massey.ac.nz
Tel. no: 64 6 3505799 ext. 2502

Prof. John Overton- Institute of Development Studies
e-mail address: J.D Overton@massey.ac.nz
Tel. no: 64 6 3505799 ext. 2504

Prof. Alan Williams- Graduate School of Business
e-mail address: A.Williams@massey.ac.nz
Tel. no: 64 6 3505812

Contact Address: Massey University, Institute of Development Studies, Private bag 11222, Palmerston North, New Zealand

Researcher's Ugandan contact: P. O. Box 23020 Kampala.

What is the study about?
I am a Ugandan student currently enrolled for a PhD at Massey University in New Zealand. The research is part of my PhD study and endeavours to examine the human resource management practices of recruitment, selection, human resource development and compensation in public enterprises and private organisations in Uganda and the perceptions of employees on these functions. It is hoped that results from the study will indicate whether there is a difference in their approach to human resources that makes private enterprises more efficient.
I have received approval and support from Massey University to conduct this study. I have also obtained approval from the Uganda National Council for Science and Technology to undertake this study in Uganda.
You do not have to take part in the study. If you do, I will very much appreciate your support and co-operation in completing the questionnaire and if need be , in answering interview questions. I have made arrangements to collect the completed questionnaires from the boxes supplied at entry points to your offices. Please take time to read the project information sheet so as to become familiar with the overall purpose of the

research. If you have any questions, please feel free to ask me, I will be visiting your offices everyday this week.

What are participants asked to do?
The participants will be asked to

- Complete a questionnaire. They may be completed in or out of the work place.
- If willing, participate in an interview designed to get details of your perceptions on the nature of HRM practices in your organisation and how it affects your work.

How much time is involved?
The questionnaire will take about 30 minutes to complete.

What can participants expect from the researcher?
If you take part in the study, you have the right to:

- Refuse to answer any particular questions
- Ask any further questions that occur to you during the course of the study
- Provide information on the understanding that it will be used for academic purposes only and the information will be confidential and anonymous
- Have access to the summary of the findings when it is complete through your organisation's newsletter.
- Once the questionnaire has been filled in and collected, the questionnaire can not be eliminated from the study.

How is confidentiality and privacy to be ensured?

- Data collected will not identify anyone by name
- No personal information will be passed on to any other person or agency
- Data analysis will be undertaken and reported in such a way that information cannot be directly linked to anyone.
- Material used to collect information will be kept in a secure place accessed only by the researcher and destroyed when it is no longer needed for the study.

If you have any questions regarding any aspect of the research please do not hesitate to contact me or one of my supervisors.

Appendix 6

Information Sheet for Interviews

The Role of Human Resource Management in public Sector Reforms in Uganda.

Researcher: Kukunda E. Bacwayo

Supervisors: Dr. Barbara Nowak- Institute of Development Studies
e-mail address: B.S.Nowak@massey.ac.nz
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Prof. John Overton- Institute of Development Studies
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Tel. no: 64 6 3505799 ext. 2504

Prof. Alan Williams- Graduate School of Business
e-mail address: A.Williams@massey.ac.nz
Tel. no: 64 6 3505812

Contact Address: Massey University, Institute of Development Studies, Private bag 11222, Palmerston North, New Zealand

Researcher's Ugandan contact: P. O. Box 23020 Kampala.

What is the study about?

I am a Ugandan student currently enrolled for a PhD at Massey University in New Zealand. The research is part of my PhD study and endeavours to examine the human resource management practices of recruitment, selection, human resource development and compensation in the public enterprises and private organisations in Uganda and the perceptions of employees on these functions. It is hoped that results from the study will indicate whether there is a difference in the approach to human resources that makes private enterprises more efficient.

I have received approval and support from Massey University to conduct this study. I have also obtained approval from the Uganda National Council for Science and Technology to undertake this study in Uganda.

You do not have to take part in the study. If you do, I will very much appreciate your support and co-operation in answering interview questions.

What are participants asked to do?
The participants will be asked to

- Sign a consent form to show that they are aware of what the project involves and that they accept the invitation to participate in an interview detailing their perceptions on the nature of HRM practices in their organisations and how it affects their work. This will be taped if acceptable.

How much time is involved?
The interview will take 60 minutes. Research assistants may be used to conduct interviews with those participants who cannot use the English language and whose language the researcher is not familiar with.

What can participants expect from the researcher?
If you take part in the study, you have the right to:

- Refuse to answer any particular questions, and to withdraw from the study at any time
- Ask any further questions that occur to you during the course of the study
- Provide information on the understanding that it will be used for academic purposes only and the information will be confidential and anonymous
- If you decide to withdraw from the study, material collected from interviews will be destroyed or returned to you.
- Have access to the summary of the findings when it is complete through the organisation's newsletter.
- Refuse to agree to the interview being audio taped
- Have the tape turned off at any time during the interview

How is confidentiality and privacy to be ensured?

- Data collected will not identify anyone by name
- No personal information will be passed on to any other person or agency
- Data analysis will be undertaken and reported in such a way that information cannot be directly linked to anyone.
- Material used to collect information will be kept in a secure place accessed only by the researcher and destroyed when it is no longer needed for the study.

If you have any questions regarding any aspect of the research please do not hesitate to contact me or one of my supervisors.

Appendix 7

I am willing to learn more about the possibility of being interviewed.

Name:____________________________________

Contact:___________________________________

Appendix 8

CONSENT FORM FOR INTERVIEW PARTICIPANTS

The Role of Human Resource Management (HRM) in Public Sector Reforms in Uganda

I have read the information sheet and have had the details of the study explained to me.

My questions have been answered to my satisfaction, and I understand that I may ask further questions at any time.

I understand I have the right to withdraw from the study at any time and to decline to answer any particular questions. If I decide to withdraw from the study, material collected from interviews will be destroyed or returned to me.

I agree to provide information to the researcher on the understanding that my name will not be used without my permission.

The information will be used only for this research and publications arising from this research project.

I agree/do not agree to the interview being audio taped.

I also understand that I have the right to ask for the audiotape to be turned off at any time during the interview.

I agree to participate in this study under the conditions set out in the Information Sheet.

Signed:__________________

Name: __________________

Date: __________________

Appendix 9

QUESTIONNAIRE FOR HUMAN RESOURCE MANAGERS

The Role of Human Resource Management (HRM) in Public Sector Reforms in Uganda

Please answer the questions below by circling the letters/numbers or placing a tick in the box or giving a brief description. You may circle more than one alternative where applicable.

Please note that the information provided in this questionnaire will be used only for academic purposes. No part of the information will be used for any purposes other than academic study. It will not be passed on to any government or other agency. The report will not identify any person by name. The analysis of data will be undertaken and reported in such a way that information cannot be linked directly to any person. Please do not write your name on this questionnaire. Please note, that by completing the questionnaire, you are indicating consent to participate.

Part I: General Information on the Organisation:

1.What is the status of ownership in your organisation?

- Ownership is held by private investors / /
- Ownership is held by the state / /
- Formerly state owned now private / /
- Overseas owned / /
- Combination of Ugandan and Overseas owners / /
- Other / /

2. What is the total number of employees in your organisation?
(give figure) / /

- How many are male? / /
- How many are female? / /

3. What is the ethnic composition of the people employed (in percentages)

- Ugandan / /
- Indian / /
- European / /
- Other---------------- / /

4. How many of the employees of Ugandan origin come from the following regions:

- Northern / /
- Central / /
- Western / /
- Eastern / /

5. How many of your staff are members of the following religious affiliations? (give numbers)

- Moslem / /
- Catholic / /
- Protestant / /
- Other / /
- Don't know / /

Part II: The Structure of organisation.

6. How many departments do you have in your organisation? / /

7. How many levels of management are there in your organisation? / /

8. What position in the organisation is the human resource manager?

- top level management / /
- mid level management / /
- first line management / /

9. What type of industry is your organisation involved in?

____

10. What forms of trade unions are represented in the organisation?

Type of trade union	no. of people in each
• multi unit	______
• single employer	______
• multi professional	______
• other	______

11. What is the management philosophy of your organisation?

____
____
____
______

Part III: HRM systems

Recruitment and Selection (Staffing)

1. Who authorises filling vacancies? (title of officer)

____

2. What is the process of filling vacancies?

- Newspaper adverts / /
- Office Circulars / /
- Word of Mouth / /
- Other (specify) / /

3. Who makes decisions on issues of recruitment such as methods to use? (title of senior officer)

____

4. What are the different methods used by your organisation to attract new staff?

- Advertisement / /
- University/college recruitment / /
- Recruitment agencies / /
- Other(specify)____________ / /

5. What is the most commonly used media to advertise for job applicants in your organisation?

- newspapers / /
- radio / /
- television / /
- official circular / /
- other (specify) _____________ / /

6) Why is it the most commonly used?

____
____
____
____
____

7) What newspapers do you advertise in?

-
-
-
-
-
-

8. Does each job position have a job description?

- yes / /
- no / /

9. If yes, who writes the job descriptions?______________________________

10. On what basis are the job descriptions made?

- Job content analysis / /
- government standards / /
- other (specify) __________ / /

11. How often are they reviewed? (time) / .... /

12. How many vacancies were filled from within your organisation in the last 5 years? (number) / /

13. How many from outside? (number) /........./

14. Please write in the spaces provided the difficulties your organisation faces in recruiting new employees for the following categories of jobs and workers:

- blue-collar jobs____
____
____
____
- white-collar jobs
____
____
____
____
- management jobs?____
____
____
____
- female workers____
____
____
____

15. Do you have different standards for the process of hiring graduate and non-graduate employees?

- yes / /
- no / /

b) Please give reasons for answer for no. 15

____
____
____
____

16. Who draws the short-list for candidates that are interviewed? (title of officer/s)

____

17. What are the criteria for an applicant to be included on the short-list?

- graduate status
- years of work experience
- other (specify) ________________

18. What is the basis for selection of applicants for various job categories?

____
____
____
____
____
____

19. How many applicants have you considered for each job opening for the various job categories in the past 5 years? (number)

- blue collar /.........../
- white collar /.........../
- supervisory /.........../
- managerial /.........../

20. How much consideration do you give to your own employees as a source for recruiting managers?

1. Most Important
2. Very Important
3. Quite Important
4. Important
5. Not important

21. What selection methods were used for the various job categories in the last five years?

- testing / /
- interviews / /
- skill exercises / /
- other (specify)_______________ / /

22. What importance is attached to the results of these methods to make selection decisions?

1. **Most Important**
2. **Very Important**
3. **Quite Important**
4. **Important**
5. **Not important**

23. How many applicants in the last five years were (give numbers)

- male /..... /
- female /..... /
- do not know /..... /

b) How many of the new employees were

- **male**

- 0-15 / /
- 16-25 / /
- 26-35 / /
- 35-45 / /
- 45 and above / /

- **female**

- 0-15 / /
- 16-25 / /
- 26-35 / /
- 35-45 / /
- 45 and above / /

- **do not know** / /

24. How many people at different levels of responsibilities are (give numbers)

	i)male	ii)female
unskilled	______	______
semiskilled	______	______
skilled	______	______
supervisory	______	______
managerial	______	______

25. How many are from the following regions?

- Eastern / /
- Northern / /
- Western / /
- Central / /
- Do not know / /

26. How many of the new employees hired in the last 3 years have left your organisation? (give number) ____________________

27. How many of them were

- **Male?**
- 0-15 / /
- 16-25 / /
- 26-35 / /
- 35-45 / /
- 45 and above / /

- **female?**
- 0-15 / /
- 16-25 / /
- 26-35 / /
- 35-45 / /
- 45 and above / /

- **do not know** / /

28) How many of them were

- **unskilled?**
- 0-15 / /
- 16-25 / /
- 26-35 / /
- 35-45 / /
- 45 and above / /

- **semiskilled?**
- 0-15 / /
- 16-25 / /
- 26-35 / /
- 35-45 / /
- 45 and above / /

- **skilled?**
- 0-15 / /
- 16-25 / /
- 26-35 / /
- 35-45 / /
- 45 and above / /

- **supervisory?**
- 0-15 / /
- 16-25 / /
- 26-35 / /
- 35-45 / /
- 45 and above / /

- **managerial?**
- 0-15 / /
- 16-25 / /
- 26-35 / /
- 35-45 / /
- 45 and above / /

- **don't know** / /

29. What are the most common reasons for staff leaving your organisation?

____
____
____
____
____

30. What types of checks are used on previous history and reference for all applicants?

____
____
____
____
____
____

31. What specific recruiting activities targeting women and minorities does your organisation have in place?

-
-
-
-

32. What is the link between recruitment and selection activities in your organisation?

____
____
____
____
____

33. How does the trade union influence selection in your organisation?____
____
____
____
____
____

<u>Human Resource Development/Training</u>

1. What are the most critical skills for the core activity in your organisation?
____
____
____
____
____

2. What systems have been put in place by the organisation to enhance employee skills?
____
____
____
____
____

3. Does your organisation have specialist training officers or a training department?
- yes / /
- no / /

4. Who makes the decisions about training requirements?
____

5. How are training needs assessed?
____
____
____
____
____

6. How many workers have been trained in the last five years? (number)

____

a) How many of them were

sex	number
• male	______
• female	______
• do not know	

b) How many of them came from the following regions?

region	number
• Eastern	______
• Central	______
• Western	______
• Northern	______

7. What management development programmes exist in your organisation?

•
•
•
•
•
•

8. What are the training application procedures?

____
____
____
____
____

9. How do people become aware of the opportunities for training?

____
____
____
____

10. What is the most common form of employee training/development?
- internal
- external
- internal with external consultant
- other (specify) ______________

11. Why is it the most commonly used?
____
____
____
____
____

12. What criteria are used to select those who go for further training and development?

____
____
____
____
____

13. How is the effectiveness of the training programs assessed?
____
____
____
____
____

14. What constraints/opportunities are available in the organisation regarding Human Resource Development and training?

____
____
____
____
____
____

15. What percentages of those getting training receive promotion? / %/

16. What are the methods of training used?____
____
____
____
____

17. When external training is used, which institutions are used?

-
-
-
-
-

18. What basis is used for selecting the institutions?

19. What is the average number of hours of training received by each employee every year? (give number) /......./

20. Within the past year, how many employees have received systematic formal training on quality? (number) / /

21. How does the trade union influence training in your organisation?

Reward systems/Compensation

1. What percentage of total costs are wages and salaries?

2. What factors affect the organisations' reward systems?

3. What methods of payment does the organisation use?

4. Why have you chosen this method of payment?

5. How do the pay levels in your organisation compare to other organisations in your line of work?

____
____
____
____
____

6. Please indicate below the levels of pay in your organisation:

-
-
-
-
-
-
-

7. How many female workers are within each level?

-
-
-
-
-
-
-

8. Please indicate the number of workers that fall within each of the levels of pay according to region of origin:

<u>Region</u>	<u>number</u>
• Eastern	______
• Western	______
• Central	______
• Northern	______

9. What type of employee support programmes (fringe benefits) exist in your organisation?

____
____
____
____

10. Which people are entitled to receiving these benefits?

11. What basis is used to decide which people to include as recipients of the benefits?

12. How often are wages and salaries reviewed for the different categories of workers?

13. On what basis are salary levels determined for various job categories ?

14. What basis is used for determining pay raises?

15. What role does job performance play in determining the earnings of employees?

16. Who determines the wages and salaries and their levels in your organisation?
(name of officer)__________________________________

17. Who makes the final decision about employee promotion?
(name of officer/s)__________________________________

18. What is your view about the promotion policy of the organisation?

____

____

19. On what basis are people promoted?

- seniority / /
- merit / /
- passing exams / /
- union Status / /
- other (specify) ______________ / /

20. How does the trade union influence pay in your organisation?

____

____

____

____

____

Part III Performance:

1. What is your average rate of turnover of employees?

____

b) What percentage is

sex	percentage
• male	_____
• female	_____

2. What are the net sales per employee (productivity)? (manufacturing only)

____

___

b) What are the aggregate fees per employee ?(for services only)

____

3. How would you compare your organisation's performance over the past five years in terms of labour productivity to that of other organisations doing the same kind of work?

____

____

____

____

4. What about quality of products and services?

____

____

____

5. How would you compare the organisation's performance over the past five years in terms of profitability compared to other organisations doing the same kind of work?

Additional comments:

If you wish to make any comments about this questionnaire or the research study, please write them in the space below.

Appreciation;

I am grateful to you for agreeing to participate in this study and for taking the time to fill out the questionnaire. If you are willing to participate in an interview, please tear off the last page and forward it to me.

Appendix 10

QUESTIONNAIRE FOR CHIEF EXECUTIVE OFFICERS

The Role of Human Resource Management (HRM) in Public Sector Reforms in Uganda

Instructions: please answer the following questions by placing a tick in the box or circling number or describing briefly where indicated. You may tick more than one where applicable.

Please note that the information provided in this questionnaire will be used only for academic purposes. No part of the information will be used for any purposes other than academic study. It will not be passed on to any government or other agency. The report will not identify any person by name. The analysis of data will be undertaken and reported in such a way that information cannot be linked directly to any person. Please do not write your name on this questionnaire. Please note, that by completing the questionnaire, you are indicating consent to participate.

Part I: General Information on the Organisation:

1.What is the status of ownership in your organisation?

- Ownership is held by private investors / /
- Ownership is held by the state / /
- Formerly state owned now private / /
- Overseas owned / /
- Combination of Ugandan and Overseas owners / /
- Other (specify) _______________ / /

2. What is the total number of employees in your organisation?
(give figure) / /

- How many are male? / /
- How many are female? / /

3. What is the ethnic composition of the people employed (in percentages)
- Ugandan / /
- Indian / /
- European / /
- Other (specify)___________ / /

4. How many of the employees of Ugandan origin come from the following regions (give numbers):

- Northern / /
- Central / /
- Western / /
- Eastern / /

5. How many of your staff are members of the following religious affiliations? (give numbers)

- Moslem / /
- Catholic / /
- Protestant / /
- Other / /
- Don't know / /

6. What is the aggregate value of your corporate equity?
(State in Ugandan shillings) /................./

7. What is your annual business turnover? /................/

Part II: The Structure of the Organisation.

8. How many working departments do you have in your organisation?
(tick one)

- 0-5 / /
- 6-10 / /
- 11-20 / /
- 21-30 / /
- 31-40 / /

9. How many of the positions listed below are held by members of the executive group in your organisation? (indicate numbers in each box)

- Chairman of the Board of Directors / /
- Chief Executive Officer (CEO) / /
- Deputy CEO / /
- Finance Director / /
- Company Secretary / /
- Personnel Director / /

10. How many staff do you have reporting directly to you?

(give number) / /

11. How many of the following positions are found in your organisation and how many persons are there in each position?
(Please place a tick in the first box and the number in the second)

- Personal Assistant to the CEO / / / /
- Departmental Manager / / / /
- Accountant / / / /
- Export Manager / / / /
- Production Manager / / / /
- Personnel/HRM Manager / / / /

12. If your organisation does not have a Personnel Director or Manager on the staff name the manager responsible for the Personnel/HRM function_________________________

13. If you do not have a manager who carries out the Personnel/HRM function, do you put the required work out to tender? Yes / / No / /

14. What industrial sector is your organisation involved in?

- Agriculture / /
- Manufacturing / /
- Tourism / /
- Services / /
- Banking/Finance / /

15. If your employees are represented by a trade union indicate below the type of representation to be found in your organisation and the number of workers covered.

• multi unit	(tick) / /	number	/ /
• single employer	/ /		/ /
• multi professional	/ /		/ /
• other	/ /		/ /

16. On the following scale indicate how important you see the Personnel/HRM function to be for the future of your organisation, by circling a number

1. **Most Important**
2. **Very Important**
3. **Quite Important**
4. **Important**
5. **Not important**

THANK YOU VERY MUCH FOR YOUR HELP. WE WILL ARRANGE FOR A COPY OF THE RESULTS TO BE FORWARDED TO YOU AS SOON AS THE RESEARCH FINDINGS ARE COMPLETED.

Appendix 11

QUESTIONNAIRE FOR ALL EMPLOYEES

The Role of Human Resource Management (HRM) in Public Sector Reforms in Uganda

Instructions:

Please answer the following questions by placing a tick in the box or circling a letter/number or describing briefly where indicated. You may tick more than one where applicable.

Please note that the information provided in this questionnaire will be used only for academic purposes. No part of the information will be used for any purposes other than academic study. It will not be passed on to any government or other agency. The report will not identify any person by name. The analysis of data will be undertaken and reported in such a way that information cannot be linked directly to any person. Please do not write your name on this questionnaire. Please note, that by completing the questionnaire, you are indicating consent to participate.

Part I: Biographical details

1. Sex

- male / /
- female / /

2. Age range

- 15-19 / /
- 20-24 / /
- 25-29 / /
- 30-34 / /
- 35-39 / /
- 40-44 / /
- 45-49 / /
- 50-54 / /
- 55-59 / /
- 60-64 / /
- 65+ / /

3. What is your tribe?________________________________

4. What is your religion?______________________________

5. What is your marital status?

- Married / /
- Not Married / /

6. Number of dependants______________________________

7. In which of the following categories would you classify your job?

- unskilled / /
- semiskilled / /
- skilled / /
- supervisory / /
- managerial / /

8. What are the conditions of your present appointment?

- full time / /
- part time / /

9. How long have you worked in this organisation?

- 0-1 / /
- 2-3 / /
- 4-5 / /
- 6-7 / /
- 8-9 / /
- 10 years or more / /

10. What is your job title?________________________________

Part II: Organisational practices

Please read each statement and indicate whether you agree or disagree with it. Indicate your level of agreement by selecting one of the five levels of agreement. Please circle the letter that is relevant.

a) definitely disagree
b) inclined to disagree
c) agree
d) inclined to agree
e) definitely agree

The jobs in this organisation are clearly defined and logically structured

a b c d e

The policies and organisation structure of the organisation have clearly been explained.

a b c d e

We have a promotion system here that helps the best person to rise to the top

a b c d e

In this organisation the rewards and encouragement you get usually outweigh the threats and criticism

a b c d e

In this organisation people are rewarded in proportion to the excellence of their job performance.

a b c d e

I am unhappy in this job

a b c d e

There is not enough reward and recognition for doing good work

a b c d e

If you make a mistake in this organisation you will be punished.

a b c d e

a) definitely disagree
b) inclined to disagree
c) agree
d) inclined to agree
e) definitely agree

A friendly atmosphere prevails among the people in this organisation

a b c d e

Management makes an effort to talk with you about your career aspirations within the organisation
a b c d e

The philosophy of our management emphasises the human factor, how people feel etc.
a b c d e

Management believes that if the people are happy, productivity will take care of itself
a b c d e

To get ahead in this organisation, it is more important to get along than it is to be a high producer
a b c d e

In this organisation people do not seem to take much pride in their performance

a b c d e

The best way to make a good impression around here is to steer clear of open arguments and disagreements.

a b c d e

New employees are selected to work in this organisation irrespective of gender, tribe or religion

a b c d e

Everyone has equal opportunity of promotion in this organisation

a b c d e

Salary levels are determined by one's performance

a b c d e

a) definitely disagree
b) inclined to disagree
c) agree
d) inclined to agree
e) definitely agree

Generally people are satisfied with their pay levels in this organisation

a b c d e

The methods of pay in this organisation are fine

a b c d e

Every employee is aware of the promotion procedures of this organisation

a b c d e

Everybody has a fair chance of being recruited in this organisation

a b c d e

Every employee is aware of the procedures to follow to get training.

a b c d e

Part III

1. What is the basis used for selecting people for new positions in the organisation?

- Interview / /
- Formal testing / /
- Peer review / /
- Nomination by staff member / /
- Other (state) / /

2. What was the basis for your getting a job in the organisation?

- application in answer to advertisement / /
- invitation to apply / /
- nomination by senior manager / /
- recruited by agency / /
- other (please specify) / /

3. What number of management jobs in the organisation are held by:
(please state number)

- male / /
- female / /

4. Which tribe is most often selected for management jobs?____________________

5.What are the basis for setting salary levels?

- external comparison / /
- merit / /
- increment for skill / /
- skill scarcity / /
- other (specify) ___________ / /

6. On what basis are people promoted?

- seniority / /
- merit / /
- passing exams / /
- experience / /
- skill / /
- job performance / /
- other (specify) ____________ / /

7. What prospects exist for promotion in your job?
- Excellent / /
- Very Good / /
- Good / /
- Not so good / /
- Fine / /
- Not good / /

8. Would you be interested in a promotion?

- yes / /
- no / /

9. Why if no?

____

10. Have you ever been promoted?

- yes / /
- no / /

11. If yes, when were you promoted?___________________________________

12. Do you feel you are due for promotion?

- yes / /
- no / /

13. Reasons for answer to 12 above:

____
____
____
____
____

14. Have you had opportunity to go for training?

- yes / /
- no / /

15. Would you like to go for training?

- yes / /
- no / /

16. Why/why not?

____
____
____
____
____

17. What basis is used to select people to go for training?

- Skill needs in the organisation / /
- Potential for promotion / /
- Personal upgrading / /
- Other____________________ / /

18. What are the reasons people give for leaving this organisation?

- lack of opportunity for promotion / /
- moving to another part of the country / /
- poached by another organisation / /
- other (please state)_______________ / /

19. How would you compare your organisation's performance over the past five years in terms of productivity to that of other organisations doing the same kind of work?

20. What is your view of the quality of your organisation's goods/services?

Additional comments:

If you wish to make any comments about this questionnaire or the research study, please write them in the space below.

Appreciation;

I am grateful to you for agreeing to participate in this study and for taking the time to fill out the questionnaire. Your help is greatly appreciated. If you are willing to learn more about participating in an interview, please tear off the last page and put in a box marked interviews.

Emendations to thesis requested by examining panel

1. Conclusion (p 42)

In this chapter, literature on the advent and growth of the development strategy of public sector reforms was reviewed. The chapter charted the path of the changes in the development thinking that arose out of the demise of Keynesian consensus and the revival of neo-liberalism, which ideology influenced the development thinking in the 1980s and encouraged a reduction of the state in the economy. Starting in the developed nations, the thinking was introduced in LDCs by the multilateral finance institutions through their structural lending programmes. The move from state interventionism to free markets and the content of structural adjustment programmes in Africa were discussed and so was the strategy of privatisation, one of the means being used to increase the role of the markets in the economies of LDCs. It identified the gap in literature with regard to whether enterprises in the private sector, particularly those in Uganda differ from public enterprises in managerial incentives that make them more efficient.

The management of workers is an important subject that needs to be addressed in the search for improved performance in organisations. The performance of an economy depends greatly on the performance of organisations on which it depends for generation of goods and services. Organisations' performance in turn is determined by their allocation and use of resources and these are closely linked with an organisation's human resources and the way they are managed. In view of this, the study looked at the human resource management practices of the study organisations in Uganda to find out whether they are implementing HRM practices that are necessary for improved performance and in Chapters 6-10 the results of the study are presented and discussed. Additionally, employees' perceptions on the management practices in their organisation and their attitudes to work and organisation were presented. The following chapter looks at the topic of human resource management and its relevance to organisational performance and why it is deemed as a useful tool for analysing the strategy of privatisation in this study.

2. Explanatory to figure 3.1 (p 49)

This figure is a formal citation from a published article in the International Journal of Human Resource Management by Paauwe and Richardson (1997). The outcomes of the HRM activities affect an organisation's performance and this relationship is indicated by the arrows in the middle. HRM practices have an impact on employee turnover, dismissals, absenteeism, grievances and employee attitudes. For example, the criteria used for employee recruitment and selection, the levels of training and development and compensation and the extent to which employees view them as fair and equitable have an impact on employee behaviour at work. There would be low turnover, fewer dismissals and less absenteeism and grievances and positive attitudes in organisations that employ good practices and the reverse is true in organisations which employ poor practices. These in turn will have an impact on the overall performance of the organisation.

3. Ethical Issues (p118)

A detailed description of the organisations in the study was not possible because this would have compromised the anonymity of the study organisations, contrary to the guidelines of the Massey University Human Ethics Committee which requires privacy and confidentiality of individuals and organisations involved in a study. It would not be possible to satisfy this requirement if the individual organisations were identified.

4. Interview Methodology (p 116)

Informal interviews were held with both HRM managers and employees. They were unstructured, and questions were generated from the responses that the participants gave in the questionnaires. Discussions followed the themes under study, i.e. recruitment and selection, training and development and reward management systems.

5. Data Analysis (p 120)

The data collected from the survey of employees was analysed using ANOVA and multiple comparison tests using the SPSS statistical package. This was mainly to determine whether there might be differences in responses that were due to factors like an individual's sex, their occupational status and the ownership status of the organisations that they worked for.