

Measuring the Effects of Workers on Privatization in Taiwan Developing a Measuring Method

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Abstract

It is the policy of the government to privatize state-owned enterprises (SOEs) in Taiwan. Following the privatization of SOEs, the management style and the working environment have been changed rapidly. The change of the working environment has made a notable impact on the working conditions and the job security of the employees. Therefore promotion of privatization can easily incur strong resistance from workers. The privatization program is often behind schedule because of the conflicts and social insecurity caused by the workers' resistance and makes it impossible to successfully privatize the company.

This research aims at exploring a measure on the effects of workers in the privatization process from a broad range of perspectives including employees, managers and workers representatives. Also of interest is the relationship of these variables on the effects of workers in the privatization process, such as gender, age, salary, level of education, level in position and years of experience.

This research uses theories of working attitude in social psychology as the foundation and proposes six factors by literature review method, expert theories and factor analysis method. The six factors are as follows: (1) safeguard of workers' rights and interests (2) compensation of potential loss (3) education and communication (4) leadership trusts and employee consultation (5) participation of employees and the labor union (6) encourage the employees to learn and to cultivate a second specialty.

The results, six factors, will be to understand the effects on workers and to provide decision-makers and leaders with useful strategies for reference in the privatization process.

Finally, the author suggests that the government, when implementing privatization policy, should consult the useful measures of industrialized countries and consider the domestic situation. Six useful strategies should be developed to enhance communication with workers and publicity, so as to adjust the resistance mentality of working for the implementation of the privatization policy.

1. Introduction

1.1 Motivation

State-owned enterprises (SOEs) in Taiwan are contending with the great impacts and organizational change (OC) brought about by privatization, liberalization and globalization. The response has been privatization. Following privatization of SOEs, management style and working environment have been changed rapidly. The change of the working environment has made a notable impact on the working conditions and job security of the employees. Clearly, privatization policy has many social and economic impacts. Thus, even though privatization of SOEs has become the major trend of development for many countries in the world, promotion of privatization can easily incur strong resistance from workers. The relationship between leadership style and commitment has examined by Blau (1985). [1] A consideration leadership style was found to have a greater influence than a concern for structure leadership style (or task-oriented style) on commitment. Also, Williams and Hazer (1986) included consideration leadership style as one of their antecedents to commitment. [2]

The research aims at exploring various reasons why workers of SOEs reject privatization. Moreover, The research aims at exploring key factors of workers resistance organizational reform. There are six key factors in the privatization process, discussed as follows: safeguard of workers' rights and interests; compensation of potential loss; education and communication; leadership trusts and employee consultation; participation of employees and the labor union; encourage the employees to learn and to cultivate a second specialty. The research will be established a model as a research conceptual framework to analyze the relationship on the effects of workers between six variables (gender, age, salary, education, position, work experience) and key factors.

During the process of privatization, workers' rights and interests ought to be taken into account and full communication should be ensured to reduce resistance. In the past, it is relatively easy to deal with substantial reforms of technology while analysis is needed to understand the reasons why people reject reform. The research will work out a few useful strategies for the government and decision-makers of the company to help them conduct successful communication with the staff, transform resistance into assistance and promote the policy of privatization.

1.2 The impact of privatisation

While there are critics of the general idea of uncritically applying management principles and techniques to the public sector (Mintzberg, 1996; The Economist, 1996), there is now a considerable body of evidence attesting to the effectiveness of privatisation and deregulation in improving the performance of SOEs. Country evidence from the USA, for example, shows that deregulation in four industries (stock brokerage, trucking and railways, airlines, and telecommunications) resulted in higher productivity through more competitive pay scales and changes in work rules, as well as lower prices for the consumers (Bailey, 1986). A recent report by the US General Accounting Office on the privatisation experiences of six states (US General Accounting Office, 1997) indicates that the reported benefits of such programmes (mostly contracting out functions previously carried out by the state) include substantial cost savings, higher revenues and improved service to citizens. Contracting out is the major means of privatisation in the USA, presenting significant opportunities for private companies to reap the benefits (Goldsmith, 1997). Research in Canada, moreover, based on information on a total of 370 private companies, mixed enterprises, state-owned enterprises and co-operatives, has shown that private companies generally have higher performance than the rest in terms of profitability and efficiency (Vining and Boardman, 1992). [3][4][5][6][7][8]

A World Bank study of the effects of 12 privatisation programmes in four countries showed that productivity rose in nine cases and remained constant in three cases; high capital investments took place; workers as a whole were not worse off, and in three cases were even better off through equity participation in the privatised firms. Furthermore, consumers mostly received better service and lower prices, except in five cases where prices rose to reflect cost structures more realistically (Galal et al., 1994). Another extensive study of the outcomes of 61 privatized enterprises in 32 industries in 18 countries found that the profitability, sales, operating efficiency, and capital investment of privatised enterprises increased significantly after privatisation, and there was even a slight increase in employment (Megginson et al., 1994). But are firms more likely to be privatised if they are more efficient and profitable, or does privatisation bring about higher efficiency and profitability? Early assessments of the UK experience, for example, showed that the output, profits and margins of privatised enterprises have indeed increased, and their employment fell, but that trends in this direction were occurring before privatisation, so that the direction of causality was unclear (Bishop and Kay, 1989). [9][10][11]

1.3 Delay in deregulation

Privatization in industrialized countries had centered on denationalization or privatization in a narrow sense. In the UK privatization and deregulation has occurred more widely, linked to broad micro-economic reform. Generally in the developing world and in East Asia privatization has made very slow progress.

This does not mean that deregulation is not necessary in other countries or that the regulated part of the economy is small in other countries. It is said that 40.9 percent of all industries in Japan were regulated by the Government in 1993, while in the USA sectors subject to regulation were reduced from 28.9 percent in 1980 to 23.3 percent in 1992 in terms of their contributions to total gross domestic product (McAvoy, 1995). [12]

To give impetus to deregulation, the following points are important. First, conditions for the Government to take leadership for deregulation must be arranged. For example, deregulation must be made an issue of policy during elections. Second, managers in regulated industries must change their dependence on government regulation and be encouraged to do business on their own account. They must recognize that this is for their own interest in the long run, that there will be expansion of business under deregulation. Third, there must be a deregulation principle law to give a legal basis to the idea or principle of deregulation and to prevent its mutilation in implementation.

For a long time, Taiwanese SOEs have been operating under bureaucracy and workers' rights to work are overprotected. When facing the impacts of privatization, employees feel that their working capability is threatened and thus reject organizational reform. They do not believe in the commitments of the owner. Thus, management crisis is hidden under privatization of SOEs. The author comments that understanding workers interests can fix the gap between organization reform and workers resistance, during privatization process.

Reflecting the public consensus reached at the National Development Conference held at the end of 1996, Taiwanese government vowed to expedite the privatization of SOEs. Accordingly, the *ad hoc* committee completed a review of the timetable set for 47 SOEs to be privatized by 2002 (timetable for those SOEs' privatization, in Appendix A), and steered through modifications of the regulatory legislation to facilitate the privatization process. However, the government has encountered some delays in the course of privatization during the past years due to:

- Legislative logjam;
- Labor opposition; and
- Resistance from Taiwan's Provincial Governments.

There are six main reasons why the privatization program of Taiwanese public enterprise is often behind schedule

(Council for Economic Planning and Development, 1999).

1. Workers and labors union resistance change;
2. Political interference in the privatization process;
3. Legal restrictions on business scope;
4. Financial restrictions part of public enterprise;
5. Privatization policy carries out not dint in the part of public enterprise and
6. Part of public enterprise due to finance difficulty, the company can't fork out settlement of account.

2. Literature Review

2.1 Privatization and the management of change

Following privatization of SOEs, management style and working environment have changed rapidly. This in itself doesn't mean that it couldn't have happened without privatization. It just means it didn't. The change of the working environment has made a notable impact on the working conditions and job security of the employees. Clearly, privatization policy has many changes on workers and Organization.

Parker (1995) had suggested that although there are similarities between the public and private sectors, there are certain differences in nature or style. It is in respect of these differences that privatization and quasi-privatization must have a real impact if they are to lead to significant performance improvement. Table1 provides a summary of "stereotypical" distinctions between the public and private sectors. The distinctions are stereotypes since, as we have seen, differences between public-and private-sector organizations are not always so distinct. The stereotype listing provides, however, a useful benchmark for analyzing the possible impact of any actual privatization or quasi-privatization. The distinctions are summarized under six headings, and it is in terms of changes in these characteristics that privatization or quasi-privatization can be expected to impact on performance (Parker, 1995)[13]. The six characteristics are:

- (1) Goals;
- (2) Management;
- (3) Labor;
- (4) Communications and reporting systems;
- (5) Organizational structure; and
- (6) Nature and location of the business.

Table 1 Stereotypical distinctions between the public and private sectors

	Public	Private
Goals	Multiple and sometimes vague and conflicting ("public interest") Equity and probity Closed system leading to continuity/consistency Focus on inputs Non-market prices/state subsidies	Uni-dimensional (profit) Entrepreneurial Open/adaptable Focus on outputs/outcomes Market prices/subsidy free
Management	Agent-principal relationship blurred Orientation: inward/production/ professional interests Style: reactive Politically constrained	Clear Consumer/marketing focus Proactive Stakeholder interests, but less constrained
Organizational structure	Hierarchical pyramid/centralized Functional	Decentralized/diversified Business-based/profit centers
Labor	High unionization/centralized Bargaining Salary grading High security of employment	Lower unionization/decentralized Bargaining Employment based on performance Less security of employment

Communications and reporting systems	Bureaucratic and formal/ external environment more static Internal communication via written memoranda Formal committee structures Rule book procedures (the “rule book”) Accounting and management information systems underdeveloped	Non-bureaucratic/informal external environment more turbulent More face-to-face <i>Ad hoc</i> team working Financial targets; outcomes Strong accounting and MIS systems
Nature and location of business	Politically and geographically Constrained Business development limited National location	Commercially determined Diversification, investment and divestment /mergers/overseas ventures International/global orientation

2.2 Employee Psychology and Organizational Change

Managers must fully understand the psychological reaction of employees when implementing organizational reform for privatization. The research conducted by Tichy and Ulrich (1984) pointed out that “awaken”, “prospect” and “rebuilding” are the three vital phases of organizational reform. The psychological conflicts inside the mind of the workers are stimulated by the organizational reform of the company. [14] Leaders should bear the responsibility to assist employees abandon the old concept and to establish a new flow of works so as to create adequate cohesion for organizational reform and to enhance positive sentiments (Peter, 1996). [15]

One of the key factors of successful organizational reform is the transformation of workers’ psychological reaction. Leaders should fully understand employees’ reaction to the organizational reform and their attitudes toward the reform, which includes their feeling of loss, so that their anxiety and insecurity following the organizational reform can be reduced. In addition, leaders should encourage the employees to learn and to cultivate a second specialty for their future. Leaders and workers should work together to build a new system so that organizational reform can become a common consensus.

For workers of SOEs, privatization is definitely the biggest change in their career. When the working environment is changed, workers would reject, resist, then start to question the policy and feel confused. Later on, they would react to the situation, trying to reduce the impacts upon their own interests and to safeguard their rights. Finally and gradually, they will recognize and support the reform and even take part in the reform.

In order to achieve successful organizational reform, leaders should assist employees to understand relevant laws and regulations while answer employee-related questions from the management. Effective leadership is necessary to reduce employee resistance and to implement privatization.

Ho Bingxian (1995) once conducted a research using remaining employees of the China Petroleum Company after privatization as his subject. He found out that communication and proper planning are not adequate for implementation privatization. Before privatization, the company should conduct proper communication with the labor union, review every operational plan and various reforms so as to help employees understand the whole process and to enhance dialogues between workers and the company. [16][17]

The analysis on above literature, the author argued that reform itself does not stimulate resistance from workers, instead, the threats that workers’ needs will not be met which come with the reform is the main reason. Therefore, understanding workers’ attitude when they face reforms is a subject needs to be explored, publicized and discussed. Studying the psychological reactions of the employees during organizational reform can help leaders understand why employees reject the reform or appreciate the kind of assistance workers need. Then, leaders can communicate and negotiate with workers or help them solve their problems. This way, workers would understand various measures and content of privatization for early career planning and employee resistance would be reduced.

2.3 Employee Resistance Organizational Change with privatization

When facing changes of the status quo, some people would believe that the change is against their vested interests and some people are afraid of the uncertain consequences; therefore, both groups of people would take actions to resist

against the reform. Employees' psychological reaction and attitude depend on their understandings of the reform, their experience and their current social relations. For workers of existing organizations, their reactions towards reform can be divided into three possibilities: aggressive support, neutral observation and resistance against the reform.

For the last reaction, Nadler (1981) holds that it is very difficult to change workers' mind to resist against the reform. During the process of OC, proper communication with employees with the first reactions is helpful for successful reform. Thus, workers' attitude is one of the keys for organizational reform. [18]

Tepper and Eisenbach et al (1998) defines resistance as the actions taken by members of an organization to reject the objective or policy of the organization. These members refuse to achieve the objective or are trying everything to avoid carrying out requests from the organization. [19]

Cai Wenbin (1993) believes that it is vital to find out why workers resist against organizational reform during the process of privatization. He concludes that workers usually resist against OC for the following reasons: [20]

(1) Safety needs

The most obvious reason for workers to resist against privatization is safety needs. Employees are concerned that, after privatization, owner of the company will reduce their rights to work in consideration of streamlining the organization and reducing costs. Employees will also have less chance to receive pension. Even though privatization may help the company to get rid of various restrictions to achieve better development because the owner is concerned about the profit and loss, most workers care about their direct and immediate economic loss. In addition, most employees of SOEs have passed national exams and are considered public servant. They believe that the country should provide them with permanent employment. When the company is privatized, they will become employees of private company instead of public servants, which makes them feel unsafe and thus resist against privatization.

(2) Potential economic loss

Employees are concerned that they will lose their jobs when the company decides to lay down certain number of workers and their economic income will be decreased.

(3) Potential social loss

After the company is privatized, large scale of reform is possible. Structural adjustment and occupational transfer will change the original non-official relations or groups while individual position can be influenced.

(4) Adjustment

Public enterprises and private enterprises have different employment requirements. For SOEs, government policies usually take precedence over enterprise performance. On the other hand, private companies usually focus on the performance of the worker. For employees in SOEs who are used to the management style of SOEs, adjustment becomes a problem when the company is privatized. Moreover, after privatization, the original regulations of personnel management set up by the government will become ineffective. Private enterprises would establish different personnel management regulations tailored to meet their needs. Employees will have to face another set of management system and enterprise culture. This kind of change can be seen as another threat in their life.

(5) Lack of Respect

When the government declares their privatization policies and assigns certain SOEs to conduct privatization, employees have not been noticed in advance. They usually received the news from their own unit and are forced to accept the policy. Thus, dissatisfaction and resistance are inevitable. As privatization is related to workers' rights and interests, workers hope that the management can respect them when dealing with the issue of privatization and allows workers to participate in the process so as to understand the future development.

(6) Misunderstanding

During the process of privatization, if workers are not clear about the content, or even misunderstand the purpose, methods and possible results of privatization, it can be very difficult to promote privatization. It is because everything in the process of privatization needs the cooperation from workers. Specifically, if any misunderstanding occurs when implementing privatization, the insecure and unclear situation can easily lead to resistance and rejection from workers.

The author comments that attitude of workers towards privatizing the organization is one of the important key factors for privatization of SOEs. In addition to enhance workers' sense of mission through the establishment of consensus, regulations and safeguard of workers' rights and interests is another essential factor which can decide whether or not privatization can be successful.

2.4 Reducing Resistance from Workers in privatization

Experts and scholars believe that the following measures can be adopted to reduce resistance from workers:

(1) Participation of Workers

Wilson (1992) holds that in organizational reform, participation of workers is vital for the morale and for the relations between workers and the management. Moreover, participation is a form of communication, by which workers can understand why reform is needed. [21] Oskamp (1992) believes that recognition, emotion and action are the three important features of participation that can create active reaction for observation and judgement. Through participation of the decision-making process, workers would feel that their comments are respected and resistance against organizational reform can be reduced.

(2) Team decision

To reduce resistance from workers, a committee of organizational reform promotion can be established so as to allow workers take part in the process. Policies that are discussed and decided by the committee that is recognized by workers will receive supports from workers. Through discussion, employees can also understand the operation and future development.

(3) Effective communication

To avoid resistance, any organizational reform should inform the employee as early and as clear as possible, then anxiety and suspicion can be reduced. Effective communication can not only allow workers to receive relevant information, but also give workers chances to raise questions and get satisfactory answers. A feedback system is then established. Communication can be very effective with feedback and share of information.

(4) Leadership Trust

When great differences exist between the organizational reform and employees' recognition or notion, leaders should explain the procedures of reform and regulations to workers to reduce their anxiety and to build up their trust. Workers then will be more willing to accept the reform. In addition, participation of most employees can also reduce resistance against the reform.

(5) Employee Consultation

Consultation has various functions that include emotional relief, advice, re-ensure, negotiation, clarification of thoughts and reeducation. If managers can pay attention to consultation and carefully deal with workers' emotion, anxiety, fear as well as emotional disorder can be reduced and resistance will then be eliminated.

(6) Suggestion Reward

To receive real comments from workers, a system of suggestion reward can be established to encourage workers to raise questions and to make the organizational reform more reasonable. Based on comments from workers, a plan of reform can be designed to reduce resistance for successful organizational change.

2.5 Reducing impacts on workers with privatization

Kotter and Schlesinger (1979) proposed six methods to reduce member resistance reform. Managers should use various strategies; understand the advantages and limitations of each method and to communicate according to the actual situation. The six methods are explained below: [22]

1. Education and Communication

Education and communication can help to let workers understand the necessity of reform and to reduce their resistance. Leaders can use one-on-one discussion, group briefing, education and training to communicate with workers and to publicize the notion of reform.

2. Participation and Involvement

Involve potential rejecters in decision-making. Such measure can not only reduce potential resistance but also increase the quality of policies.

3. Facilitation and Support

Reform promoters should use various supportive activities to reduce resistance from workers. When employee feel worried or anxious, leaders can use employee consultation, psychological consultation and new skill training to assist workers adapt to the new situation.

4. Negotiation and Agreement

Certain rewards are needed to reduce resistance, such as to include certain employees who have influence.

5. Manipulation and Cooperation

Manipulation means to cover the impacts of reform, to twist the fact and to set up a favorable environment. On the other hand, cooperation refers to a comprehensive strategy, which is related to controls and participation. By giving the leader of the resistance party an important role to play, members who reject reform would participate in the decision-making process and thus are involved.

6. Explicit and Implicit Coercion

Put pressure on the rejecters to force them to accept the decision. The above-mentioned six methods should be used simultaneously and intelligently to ensure successful reform of the organization. When choosing these management methods, promotion team should the following principles. When the number of members affected by the reform is big, reform should be implemented peacefully. When there is a lack of prompt action plan, a gradual and modest strategy should be adopted. On the other hand, when there is a clear implementation plan, strong authority and ambition to eliminate any resistance and the number of members affected is limited, immediate and prompt strategy should be used.

According to Watson (1973), resistance against reform can be limited when the following principles are used properly: [23]

1. Allow related personnel to participate in the plan of reform;
2. Full support from the high-level managers;
3. When participants of reform believe that the reform can reduce their workload;
4. When participants of reform are familiar with the values and ideals of the plan of reform;
5. When participants of reform do not need to worry about their independence and security;
6. When participants are interested in the plan of reform;
7. When participants have consensus towards the importance of reform;
8. Let participants act together;
9. Understand the feelings of the participants and reduce unnecessary fear;
10. Full communication and question clarification;
11. Establish mutual trust among participants; and
12. Increase usefulness by public discussion;

In addition, Costley and Todd (1991) also believe that in order to reduce resistance against reform to the limit, there are three major parts, which are introduction of small-scale, modest reform, education and training and demonstration as well as planning and implementation of staff participation.

2.6 The Analysis of Literature and Finding

Through above analysis of literature, the author has induced to work out factors list (show in Table 2) of the effects on workers resistance and OC during the privatization process.

Table 2 the conclusion of literature review

Author	Topic of literature	Methods & Contents
Tichy and Ulrich (1984)	Key factors of successful organizational reform is the transformation of workers' psychological reaction	<ol style="list-style-type: none">1. Successful organizational reform needs the transformation of workers' psychological reaction2. Leaders should fully understand employees' reaction to the organizational reform and their attitudes toward the reform;3. Workers' anxiety and insecurity following the organizational reform can be reduced;4. Encourage the employees to learn and to cultivate a second specialty for their future;5. Leaders and workers should work together to build a new system; and organizational reform can become a common consensus
Cai Wenbin (1993)	Workers resist against organizational reform for the following reasons	<ol style="list-style-type: none">6. Safety needs;7. Potential economic loss;8. Potential social loss;9. Adjustment;10. Lack of Respect;11. Misunderstanding
Wilson and Oskamp (1992)	Following measures can be adopted to reduce resistance from workers	<ol style="list-style-type: none">12. Participation of Workers;13. Team decision;14. Effective communication;

		15. Leadership Trust; 16. Employee Consultation; 17. Suggestion Reward
Kotter and Schlesinger (1979)	Six methods to reduce member resistance against reform	18. Education and Communication; 19. Participation and Involvement; 20. Facilitation and Support; 21. Negotiation and Agreement; 22. Manipulation and Cooperation; 23. Explicit and Implicit Coercion;
Watson (1973)	Resistance against reform can be limited when the following principles are used properly	24. Allow related personnel to participate in the plan of reform; 25. Full support from the high-level managers; 26. When participants of reform believe that the reform can reduce their workload; 27. When participants of reform are familiar with the values and ideals of the plan of reform; 28. When participants of reform do not need to worry about their independence and security; 29. When participants are interested in the plan of reform; 30. When participants have consensus towards the importance of reform; 31. Let participants act together; 32. Understand the feelings of the participants and reduce unnecessary fear; 33. Full communication and question clarification; 34. Establish mutual trust among participants; 35. Increase usefulness by public discussion

Measures of the effects on workers in privatization process

After evaluating the above-mentioned literature related to the privatization and the impact on workers. This research uses theories of working attitude in social psychology as the foundation and proposes six factors by literature review method, expert theories and factor analysis method. Finally, the author has concluded the effective measures that are divided into six factors as bellows:

1. Safeguard of workers' rights and interests;
2. Compensation of potential loss;
3. Education and communication;
4. Leadership trust and Employee Consultation;
5. Participation of employees and the labor union;
6. Encourage the employees to learn and to cultivate a second specialty.

2.7 Hypothesis

The original motivation for the research, and the formulation of a research problem which is in part concerned with the process interaction between worker rights and organization reform, led to the case study method as the final choice. The effects of on workers that was divided into six constructs such as: safeguard of workers' rights and interests, compensation of potential loss, education and communication, leadership trusts and employee consultation, participation of employees and the labor union, encourage the employees to learn and to cultivate a second specialty, etc. There are six variables in individual condition of workers, discussed as follows: gender, age, salary, education, position, work experience and distinctive attitude facing privatization. The author has established a model as a research conceptual framework show in Figure 1.

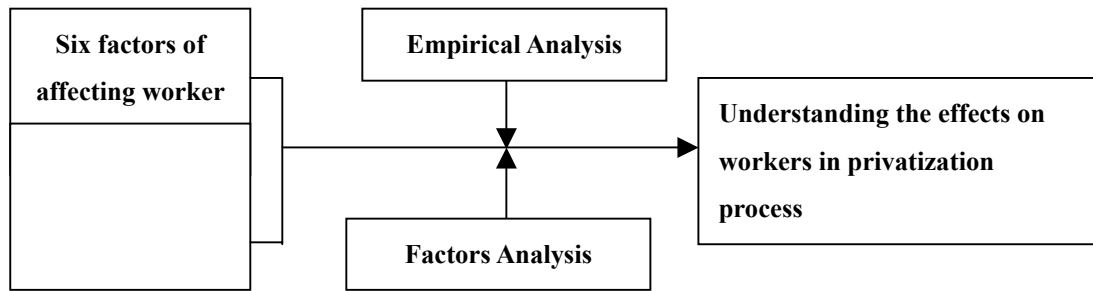


Figure 1 Conceptual Framework of the research

Aims and Hypotheses

The main aim of this study is to investigate the effects on workers in the privatization process. Also of interest is the relationship of these variables with workers commitment on six factors, such as gender, age, salary, level of education, level in position and years of experience.

Hypothesis 1 (H1)

There is statistically significant difference in the these variables with six measures of the effects on workers such as gender, age, salary, level of education, level in position and years of experience.

Hypothesis 2 (H2)

To safeguard workers substantial rights and interests will be significant a greater influence than psychological resistance of workers when implementing privatization toward workers commitment.

3. Research Methodology

3.1 Design of the Questionnaire

The reliability of the scale was tested using are Cronbach's alpha coefficient. Each construct was tested for unidimensionality, reliability and convergent validity using Chi-square goodness of fit test and Cronbach's alpha coefficient. As a result, some of the six constructs had refined by deleting a few items from the original list of items. Thus, using a rigorous statistical scale validation technique, the survey instrument, consisting of the refined effective six constructs, was developed.

3.2 Statistical Tools Used

Factor analysis is a statistical technique, which is used to condense many variables into a few underlying constructs (Hedderston & Fisher, 1993). It reduces a large number of attributes by combining them into meaningful groups or factors.

Before factors analysis can be used as a data reduction method, it must satisfy the underlying assumption of sampling adequacy (Norusis, 1993).

The validity and reliability of the instrument have been justified in Khoiny's work. The Cronbach alpha coefficients on six factors (see Table 3) were high between 0.78 and 0.93 for Statistics respectively.

Table 3 Cronbach's alpha reliability estimates of six factors used in study

Factors (six constructs)	Eigenvalue	α
Safeguard of workers' rights and interests	16.93	0.93
Compensation of potential loss	2.72	0.89
Education and communication	2.12	0.85
Leadership trust and Employee Consultation	1.71	0.78
Participation of employees and the labor union	1.46	0.88
Encourage the employees to learn and to cultivate a second specialty	1.28	0.79

According, a survey questionnaire (30 items) was developed to measures the responses for the six factors. Each item of survey questionnaire will be accepted while Factors loading > 0.5 and be deleted while Factors loading < 0.5. A

detailed result about the Factor analysis to each factor follows.

Factor 1: safeguard of workers' rights and interests

Item No.	Statement	Factor loading
1	The employees who wish to remain in the work place will be guarantee for work	0.8195
2	The employees would be influenced due to the privatization even with hard working	0.7997
3	After privatization, the state share will be lower gradually; thus it would not influence the working rights	0.7757
4	The employees will be benefit with reasonable protection due the stock options condition	0.6903
5	The stock options condition will enable to boost the loyalty among employees and ease of promoting of the privatization	0.6887
12	You agree the employees' working right will be reasonably guarantee by company after privatization	0.6380
*26	According to the current regulations, when privatize a state enterprises, the new employer shall accept the prior employee transferring arrangements from previous employer.	*0.4698
Factor loading >0.5 be accepted Factor loading <0.5 be not accepted The sign (*) were eliminated on validation and should not be used		

Factor 2: Compensation of potential loss

Item No.	Statement	Factor loading
6	After privatization, the company shall calculate "the year of service" according to the superannuating from the Labor regulations, also ease of promoting of the privatization	0.7620
7	It is reasonable to offer the severance pay (6+1 months) to its ex-employees	0.7385
8	8. According to the compensation, all the workers' right shall be appropriately protected.	0.7347
30	According to the current regulations, when privatize a state enterprise, government shall be liable for compensation if employees lose their "years of service", superannuating, other applicable allowance	0.7023
*27	According to the current regulations, when privatize a state enterprise; the company shall calculate the payment of the redundancy payment according to the years of service.	*0.4833
*28	According to the current regulations, when privatize a state enterprise; the employees' stock option prices shall be unifying as the public listed or negotiate price.	*0.4801
*29	According to the current regulations, when privatize a state enterprise; the employees' stock options limit shall limit to 24 folds of the average salary standard and not exceeding 35% of total shares numbers.	*0.4129
Factor loading >0.5 be accepted Factor loading <0.5 be not accepted The sign (*) were eliminated on validation and should not be used		

Factor 3: Education and communication

Item No.	Statement	Factor loading
13	13. It is necessary to counsel with workers' union with the privatization's transform measures	0.7519
16	16. You agree that the current promotion method and contents is	0.6137

	sufficient to perform.	
17	17. You agree that the company shall arrange the communication seminars to boost the communication between both parties.	0.5721
15	15. The privatization policy is lack of communication from employees	0.5456
Factor loading >0.5 be accepted Factor loading <0.5 be not accepted The sign (*) were eliminated on validation and should not be used		

Factor 4: Leadership trust and Employee Consultation

Item No.	Statement	Factor loading
19	Top manager has explained the procedures of reform and regulations to workers to build up their trust	0.7352
20	Management worker relations in this company are satisfactory	0.6342
18	Workers are satisfied with leadership of top manager	0.6092
21	Top manager has pay attention to understand the feelings of workers and reduce unnecessary fear	0.5035
Factor loading >0.5 be accepted Factor loading <0.5 be not accepted The sign (*) were eliminated on validation and should not be used		

Factor 5: Participation of employees and the labor union

Item No.	Statement	Factor loading
14	It is necessary to counsel with workers' union with the privatization's transform measures	0.6882
22	Workers' union and workers' suggestions have been accepted	0.6136
23	Top manager with their workers to resolve problems	0.5466
Factor loading >0.5 be accepted Factor loading <0.5 be not accepted The sign (*) were eliminated on validation and should not be used		

Factor 6: Encourage the employees to learn and to cultivate a second specialty

Item No.	Statement	Factor loading
9	After privatization, the company shall offer training and re-employment towards to those who wish to leave.	0.7164
10	During the progress of the privatization, the company shall try arrange or transfer to other work	0.6887
11	The switching training and re-employment counseling will assist to progress the privatization	0.5238
24	Workers have received formal second specialty training	0.5016
*25	Workers are adequately trained in own-worker techniques	*0.4129
Factor loading >0.5 be accepted Factor loading <0.5 be not accepted The sign (*) were eliminated on validation and should not be used		

4. Data Analysis and Finding

Through above analysis, the author has induced to work out the reasons of worker rights that are damaged during the privatization process. Using "Factor-analysis method", form the factors list of workers resistance reform through SSPS statistics software to conclude key factors list. The information would be used as reference to develop part of research questionnaire. However, the author had concluded the effective measures that are divided into six constructs, a detailed discussion about the response to each measure follows.

Safeguard of workers' rights and interests (factor 1)

The Cronbach alpha coefficients on factor 1 (see Table 3) were high 0.93 for Statistics respectively. According, a survey questionnaire (6 items) was developed to measures the responses for the factor 1. Each item of survey questionnaire will be accepted while Factors loading > 0.5 and item 26 be deleted with Factors loading < 0.5.

Compensation of potential loss (factor 2)

The Cronbach alpha coefficients on factor 2 (see Table 3) were high 0.89 for Statistics respectively. According, a survey questionnaire (7 items) was developed to measures the responses for the factor 2. Each item of survey questionnaire were be accepted while Factors loading > 0.5 and item 27, 28 and 29 be deleted with Factors loading < 0.5 .

Education and communication (factor 3)

The Cronbach alpha coefficients on factor 3 (see Table 3) were high 0.85 for Statistics respectively. According, a survey questionnaire (4 item) was developed to measures the responses for the factor 3. All items of survey questionnaire were accepted with Factors loading > 0.5 .

Leadership trust and Employee Consultation (factor 4)

The Cronbach alpha coefficients on factor 4 (see Table 3) were high 0.78 for Statistics respectively. According, a survey questionnaire (4 item) was developed to measures the responses for the factor 4. All items of survey questionnaire were accepted with Factors loading > 0.5 .

Participation of employees and the labor union (factor 5)

The Cronbach alpha coefficients on factor 5 (see Table 3) were high 0.88 for Statistics respectively. According, a survey questionnaire (3 item) was developed to measures the responses for the factor 5. All items of survey questionnaire were accepted with Factors loading > 0.5 .

Encourage the employees to learn and to cultivate a second specialty (factor 6)

The Cronbach alpha coefficients on factor 5 (see Table 3) were high between 0.79 for Statistics respectively. According, a survey questionnaire (5 item) was developed to measures the responses for the factor 6. Each item of survey questionnaire was accepted while Factors loading > 0.5 and item 25 was deleted with Factors loading < 0.5 .

5. Results and Suggestions

5.1 Results

In conclusion, the results of this study evidence for the importance of the effects on workers in privatization and the six factors have a greater effect on workers of SOEs in the privatisation process. Also the research has found out key factors (six factors) of the workers resistance change for leaders and decision-makers as reference when implementing privatization of Taiwanese SOEs as reference.

The six factors are as follows: (1) safeguard of workers' rights and interests (2) compensation of potential loss (3) education and communication (4) leadership trusts and employee consultation (5) participation of employees and the labor union (6) encourage the employees to learn and to cultivate a second specialty.

Finally, the research suggests that the government should consider six measures on the effects of workers in the future. Future through empirical analysis, the results will be to understand the effects on workers and to provide decision-makers and leaders with useful strategies for reference in the privatization process.

5.2 Suggestions

The research has found various issues and impacts on workers in SOEs selected. Moreover, the research has worked out six effective measures for the government and decision-makers of the company to help them conduct successful communication with the staff, transform resistance into assistance and promote the policy of privatization.

During the process of privatization, workers' rights and interests staff ought to be taken into account and full communication should be ensured to reduce resistance. In the past, it is relatively easy to deal with substantial reforms of technology while analysis is needed to understand the reasons why workers reject reform.

Following lack of communication during the process of privatization, which leads to lack of consensus and resistance from workers. The labor union and workers are also against the company in the privatization process. Future decision-makers should prevent the labor union from politicizing the issue of privatization, which will be delayed the promotion of privatization.

Appendix A

Deadline	Authority	Enterprise
Dec 1997	VAC	【Veterans Gas Manufactory】 Veterans Pharmaceutical Plant
June 1998	MOF	【The Farmers' Bank of China】
	MOEA	【Taiwan Fertilizer Company】 Taiwan Machinery Manufacturing Corporation
	VAC	Food Products Factory 【Kang-Shan Ropery Factory】 (Nan-tzu Abrasives Factory) (Taichung Lumber Processing Factory)
	T.P.G.	Kao-Hsiung Ammonium Sulfate Co., Ltd. Taiwan Chung Haing Paper Corporation 【Taiwan Navigation Co., Ltd.】 【Taiwan Life Insurance Co., Ltd.】
Dec 1998	T.P.G.	【Chang Hwa Commercial Bank】 【Hua Nan Commercial Bank】 【First Commercial Bank】 【Taiwan Business Bank】 【Taiwan Fire & Marine Insurance Corporation】 【Taiwan Development & Trust Corporation】 Agricultural and Industrial Enterprise Co., Ltd. (Taiwan Film Culture Co., Ltd.) Taiwan Bookstore
June 1999	MOF	【Chiao Tung Bank】
	VAC	(Veterans Printing Works) Veterans Plastic Works Taipei Iron Works (Taipei Paper Manufactory) Lung-Chi Chemical Plant Tao-Yuan Furniture Factory
	T.P.G.	Taiwan Provincial Government Printing Factory
	TCG	Taipei City Government Printing House
Dec 1999	MOEA	Aerospace Industrial Development Corporation
	MOF	Central Reinsurance Corporation
	T.P.G.	Tang Zong Iron Works Co., Ltd.
June 2000	T.C.G.	【Taipei Bank】
Dec 2000	T.P.G.	Taiwan Tobacco and Wine Board
June 2001	MOEA	Taiwan Salt Industrial Corporation China Shipbuilding Corporation Chinese Petroleum Corporation Taiwan Power Company
	MOTC	Chunghwa Telecom Co., Ltd.
	VAC	RSEA Engineering Corporation
	T.P.G.	Taiwan Motor Transport Co., Ltd. Taiwan Hsin Sheng Press Co., Ltd.
	KHC.G.	【Bank of Kaohsiung】
June 2002	T.P.G.	Taiwan Railway Administration Taiwan Railway Freight Co., Ltd.

Notes:

1. MOEA: Ministry of Economic Affairs

MOTC: Ministry of Transportation and Communication
 T.P.G.: Taiwan Provincial Government
 KHC.G.: Kaohsiung City Government
 VAC: Veteran Affairs Council
 T.C.G.: Taipei City Government
 MOF: Ministry of Finance
 2. 【 】 - privatized enterprises
 () - close-down

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