DOWNLOAD PDF PUBLIC SECTOR PRIVATIZATION

Chapter 1 : The Enterprises in the Public Sector of Japan Before Privatization

The public sector is usually composed of organizations that are owned and operated by the government. This includes federal, provincial, state, or municipal governments, depending on where you live.

Truly speaking, the public sector enterprises have been set up not merely out of ideological considerations of building a socialistic pattern of society. In truth, the necessity for creating adequate infrastructural facilities was the most important consideration leading to the expansion of the public sector. This is in view of the fact that the private sector is not only hesitant, but also incapable, of building social overhead capital. In a mixed economy framework, the two sectors are expected to play a complementary role. But what happened in India during the planning period was that the public sector acted as a feeder to the private sector, in spite of inefficiencies of the former. Furthermore, loss of public sector helps private sector to accumulate profits. That is why, in the early s, a question cropped up in the minds of our national leaders: How long public sector industries should bear losses by merely playing the complementary role? An argument often advanced by them is that, over time, private sector industries in India have attained a fair degree of maturity. Investment potentiality, as well as managerial efficiency, of these industries are no less inferior to those of public sector industries. Hence, the necessity for expansion of the private sector. In the light of failure of the public sector and success of the private sector industries, demand for privatisation of the public sector came to the forefront when the Cong. I Government under the leadership of P. Narasimha Rao came to power in This was the time when the then socialist country U. This wave of privatisation swept all over India. International financial institutions also preached the gospel of privatisation. It is argued by these institutions that the market will take care of all problems. Is it really so? To answer this question, we must first know the meaning of privatisation. The issue of privatisation has come to the forefront due to the poor performance of several public sector enterprises and the consequent huge fiscal deficits faced by the government. Since the government has to give fiscal support to losing public concerns, the fiscal deficit of the government kept on mounting year after year. One specific step that has been taken to reduce the deficit was privatisation, through an act of disinvestment, i. The privatisation process began in with the sale of minority stakes in some PSUs. From onwards, the focus has been shifted to strategic sales. As a part of strategic sales, the government plans to ensure that at least for a period of one year after privatisation there would be no retrenchment of employees. The Government has been able to realise nearly Rs 51, crore by way of disinvestment of PSEs over the period â€”March Till , disinvestment was primarily through the sale of minority shares in small lots. Between and , the emphasis on disinvestment changed in favour of strategic sale. At present, the policy is to list large, profitable CPSEs on domestic stock exchanges. One can conclude from this move of the Government that the private sector industries in India are not inefficient as public sector industries. Administrative and managerial inefficiency are the hallmarks of public sector industries. Government is unable to run these high cost public sector industries. Unable to correct this situation, the Government went for privatisation. So, it was a forced privatisation. The current direction of privatisation policy has been spelt out in December Government has announced in the Parliament its policy that the main objective of disinvestment is to put national resources and assets to optimal use and in particular to unleash the productive potential in our public sector enterprises. The policy of disinvestment now aims at: Mishra and Puri have rightly commented: Instead of revamping the public sector enterprises, the entire way in which disinvestment has been undertaken gives the impression that it is an exercise to bridge the budgetary deficit. In feet, there is hardly any correlation between ownership and operational efficiency performance. No doubt competitive markets are necessary to achieve an efficient and vigorous economy, but full-scale private ownership is not necessary for the successful operation of competitive markets i. The fact is not that all public sector enterprises are models of inefficiency or loss-making concerns and that all units in private sector are efficient in their operation. There are both efficient and inefficient enterprises in both the sectorsâ€”private and public. Thus, it appears, on balance, that in order to improve the performance of inefficient units the creation of a competitive market environment is absolutely essential. Critics also point out that if shares of public sector enterprises are offered for sale to the private sector, the latter will naturally be interested only in the shares of profit-making concerns. This would virtually amount to transferring public profit to the private pockets. This cannot be justified by any rational economic canon. It may be reminded that the disinvestment policy has wide fiscal ramifications. It is observed that disinvestment plans did not run as it was derived; it led to low resource mobilisation in most of the years. Further, it has not been successful in addressing fiscal difficulties. If the new owners of these companies the replacement values of the assets of which are in the neighbourhood of Rs 25, crore each enjoy the discretion of using the resources as they deem fit, this will virtually amount to giving control over the vast resources at throwaway prices. Ours is a mixed economy. In the name of liberalisation, private sector is being pampered. Market principles are being allowed to play freely. What is needed at this juncture is the de-bureaucratisation of the public sector, instead of privatisation. Public sector industries in India are plagued with inefficiencies due to excessive bureaucratisation. Instead of removing the ills of the public sector industries, the Government went for privatisation. To achieve the goals of social justice public sector investment has to be stepped up. A logical question that will arise is the question of financing public sector industries. Resources must be garnered to step up investment in the public sector. However, to this problem we have an answer. The Government should have disinvested its share of luxury hotels and restaurants, bakery, etc. By disinvesting shares of these luxury goods producing public sector industries, the Government could have raised a great deal of financial resources. Furthermore, loss- making public sector industries should not be allowed to function unless they improve their performance. However, the Government thought it proper to disinvest shares of profit-making public sector enterprises. But, experts firmly believe that privatisation is not the solution to the problems from which our economy is suffering.

Chapter 2 : What is the Public Sector? Definition & Examples

Does Privatization Serve the Public Interest? all of which imply a transfer of the provision of goods and services from the public to the private sector. For example, privatization covers the.

Copyright by Paul Starr. Readers may redistribute this article to other individuals for noncommercial use, provided that the text and this notice remain intact. This article may not be resold, reprinted, or redistributed without prior written permission from the author. If you have any questions about permissions, please contact the author at or by e-mail at starr princeton. This article also appears in Alfred Kahn and Sheila Kamerman, eds. The Meaning of Privatization Paul Starr Privatization is a fuzzy concept that evokes sharp political reactions. It covers a great range of ideas and policies, varying from the eminently reasonable to the wildly impractical. Yet however varied and at times unclear in its meaning, privatization has unambiguous political origins and objectives. It emerges from the countermovement against the growth of government in the West and represents the most serious conservative effort of our time to formulate a positive alternative. Privatization proposals do not aim merely to return services to their original location in the private sphere. Some proposals seek to create new kinds of market relations and promise results comparable or superior to conventional public programs. Hence it is a mistake to define and dismiss the movement as simply a replay of traditional opposition to state intervention and expenditure. The current wave of privatization initiatives opens a new chapter in the conflict over the public-private balance. This Article attempts to clarify the meaning of privatization as an idea, as theory and rhetoric, and as a political practice. In the process I hope to explain why I generally oppose privatization, even though I favor some specific proposals that privatization covers. But apart from this political judgment, I take privatization seriously as a policy movement and as a process that show every sign of reconstituting major institutional domains of contemporary society. Privatization as an Idea In the ideological world we inhabit, contesting interests and parties use "public" and "private" not only to describe but also to celebrate and condemn. Any serious inquiry into the meaning of privatization must begin, therefore, by unloading the complex freight that the public-private distinction carries. In this section I analyze, first, the general uses of the public-private distinction and, second, the recent political application of the concept of privatization. The Public-Private Distinction and the Concept of Privatization The terms public and private are fundamental to the language of our law, politics, and social life, but they are the source of continual frustration. Many things seem to be public and private at the same time in varying degrees or in different ways. As a result, we quarrel endlessly about whether some act or institution is really one or the other. We qualify the categories: This group is quasi-public, that one is semi-private. In desperation some theorists announce that the distinction is outdated or so ideologically loaded that it ought to be discarded, or that it is a distinction without a difference. Yet the terms can hardly be banished nor ought they. The frustration with these ubiquitous categories partly arises because public and private are paired to describe a number of related oppositions in our thought. At the core of many uses are the two ideas that public is to private as open is to closed, and that public is to private as the whole is to the part. In the first sense, we speak of a public place, a public conference, public behavior, making something public, or publishing an article. The private counterparts, from homes to diaries, are private in that access is restricted and visibility reduced. The concepts of publicity and privacy stand in opposition to each other along this dimension of accessibility. Public is to private as the transparent is to the opaque, as the announced is to the concealed. On the other hand, when we speak of public opinion, public health, or the public interest, we mean the opinion, health, or interest of the whole of the people as opposed to that of a part, whether a class or an individual. Public in this sense often means "common," not necessarily governmental. The public-spirited or public-minded citizen is one concerned about the community as a whole. But in the modern world the concepts of governmental and public have become so closely linked that in some contexts they are interchangeable. The state acts for the whole of a society in international relations and makes rules binding on the whole internally. Public thus often means official. Indeed, according to the Oxford English Dictionary, private originally signified "not holding public office or official position. These different contrasts between public and private lead to some apparent conflicts in defining what lies on each side of the boundary. One such conflict concerns the location of the market. To an economist, the marketplace is quintessentially private. But to a sociologist or anthropologist concerned with culture, the marketplace is quintessentially public--a sphere open to utter strangers who nonetheless are able to understand the same rules and gestures in what may be a highly ritualized process of exchange. While economists use the public-private distinction to signify the contrast between state and market, analysts of culture--particularly those concerned with the roles and relations of men and women--take the public sphere to include the market as well as politics and contrast them both with the private domain of the family. In this sense, the public-private distinction is sometimes taken to mark out the contested boundaries of the male and female worlds--a usage that takes us back to the notion of the private as being more closed, more shielded from contact and view, than the open encounters of public life. The public sphere may be conceived of as the open and visible--the sphere of public life, public theater, the public marketplace, public sociability. The public sphere also may be conceived of as that which applies to the whole people or, as we say, the general public or the public at large, in which case the public may consist of an aggregate or a mass who have no direct contact or social relation--the very opposite of a sphere of sociability. The general meanings of privatization, then, correspond to withdrawals from any of these variously conceived public spheres. Historians and sociologists write about the withdrawal of affective interest and involvement from the sphere of public sociability. For example, in their work on the development of the modern family Peter Willmott and Michael Young argue that as the modern household became equipped with larger homes, private cars, televisions, and other resources, more time and capital came to be invested in the private interior of the family and less in public taverns, squares, and streets. Privatization can also signify another kind of withdrawal from the whole to the part: Like the withdrawal of involvement, privatization in the sense of private appropriation has obvious implications for the distribution of welfare. From these meanings it is but a short step to the sense of privatization as a withdrawal from the state, not of individual involvements, but of assets, functions, indeed entire institutions. Public policy is concerned with privatization at this level. But the two forms, the privatization of individual involvements and the privatization of social functions and assets, are certainly related, at least by ideological kinship. A confidence that pursuit of private gain serves the larger social order leads to approval for both self-interested behavior and private enterprise. Thus far I have been talking about privatization as if both spheres, public and private, were already constituted. But in a longer perspective, their constitution and separation represent complementary processes. The difference between patrimonial domination and modern bureaucracies, as Weber describes the two, is precisely that in the patrimonial state public and private roles were mixed and in the modern state these roles are more clearly distinguished. The office is public, and its files, rules, and finances are distinct from the personal possessions and character of individuals. As public administration and finance were separated from the household and personal wealth of the ruler, the modern state became, in effect more public; the person and family of the ruler, more private. Classical liberalism is often represented as a purely privatizing ideology, but liberals were committed to suppressing markets in votes, offices, and tax collection, not to mention human beings. Strengthening the public character of the state is a continuity in liberal thought from its classical to contemporary phases. Moreover, as Stephen Holmes argues, the liberal effort to privatize otherwise rancorous religious differences promoted a civilized public order. In liberal democratic thought, public and private are central terms in the language of claims-making. In particular, they provide a deeply resonant vocabulary for making claims against the state. These are of two kinds. First, the concept of a public government implies an elaborate structure of rules limiting the exercise of state power. Those who wield power are to be held publicly accountable--that is, answerable to the citizens--for their performance. Government decisions and deliberations must be publicly reported and open to general participation. In short, the citizens of a liberal state are understood to have a right to expect their government to be public not only in its ends but also in its processes. Second, when the members of a liberal society think of their homes, businesses, churches, and myriad other forms of association as lying in a private sphere, they are claiming limits to the power of that democratic state. The limits are not absolute--private property rights, for example, are not an insuperable barrier to public control or regulation--but when crossing from public to private the presumptions shift away from the state and any state intervention must meet more stringent tests of the public interest. Public and private in liberal thought have become pervasive dualities--or, perhaps better said, polarities--associated with the state in one direction, the individual in the other. Intermediate entities, such as corporations typically have been divided between the two categories. Until the nineteenth century in the United States, there was no clear legal distinction between public and private corporations. Initially, cities were not sharply distinguished in the law from business enterprise; but in the mids cities became classified as agencies of the state, while business corporations came to be treated as individuals. As public agencies, cities were allowed only such powers as states delegated to them; as fictive individuals, private corporations came to enjoy rights protected by the Constitution. Behind the legal categories, of course, the boundaries are blurred. On the one hand, private interests reach into the conduct of the state and its agencies; on the other, the state reaches across the public-private boundary to regulate private contracts and the conduct of private corporations and other associations. Through tax preferences and credit guarantees, the state shapes private economic choices and relations. The state is immanent in the economy and society, but the degree of penetration varies, and the public-private system of classification is used to express these variations. So, for example, among private corporations, we distinguish those that are privately held from those that are publicly traded and subject to the regulations of the Securities and Exchange Commission. The latter are often called public corporations, by which we actually mean public private corporations. Among those public private corporations are some subject to more extensive regulation, such as the utilities, which are especially public, public private corporations. And since the utilities, in turn, have some lines of business defined as public and others as private, the public-private boundary runs within them as well as around them. It is as if, on finding two boxes labeled public and private, we were to open the private box and find two more boxes labeled public and private, which we would do again--and again--opening ever smaller boxes until we reached the individuals far inside, whom we could then split into respective offices and persons. But this complexity and the legal manipulation of the categories do not invalidate their usefulness or underlying meaning. To speak of a public corporation in the private sector ought really to be no more confusing than saying that North Carolina is in the South. Public and private give us relative locations. A further source of frustration with the public-private distinction is that the terms do not have consistent meanings from one institutional sphere to another. In the United States, the difference between public and private schools is not the same as the difference between public and private television broadcasting. An American public school is public, not only in that it is state owned and financed, but also because it is open to all children of eligible age in its area. Private schools can reject applicants, but public school systems are denied that option. Public is to private, not only as state is to nonstate, but as open is to closed. However, in television broadcasting, the viewing public has open access to commercial as well as public channels. The difference lies in financing and programming. The public channels receive government support and do not choose programming to maximize audience ratings, though in fact even public broadcasting now competes for private corporate sponsorship, and some public stations are legally organized as private nonprofit corporations. To take broadcasting again, public television or radio in the United States is more dependent on private financing, less subject to control by political authorities, and less the symbolic voice of the state than the state-owned networks of other Western nations, not to mention the Soviet bloc and Third World.

DOWNLOAD PDF PUBLIC SECTOR PRIVATIZATION

Chapter 3 : Privatization in the United States - Wikipedia

"Overall, Public Sector Privatization is a useful book that will introduce the planner and planning academician to a subject that likely will receive more attention as local governments struggle into the s."-APA Journal.

Should Public Sector Be Privatized? In the context of the reforms undertaken in the Indian economy, the question of privatization of the public sector has assumed great significance. The Issue of privatization can be discussed only by taking into consideration the state of the Indian economy and the role of the public sector in its development since independence. This essay points out that in the existing state of the Indian economy the State has a definite role to play to tackle the problems of illiteracy, primary health, poverty, unemployment and income and regional disparities. The public sector has played a catalytic role in these areas. But the ability of the public sector to cope with the demands of the economy is being questioned. Scores of sick units especially in the services, banking and transport sectors are a cause for serious concern. The public sector has also failed to generate resources for development to the extent it was desired. Dilatory decision making has resulted in time and cost over runs in public sector projects. On the contrary, it is equally true that the private sector would not have the needed capital if all PSUs were to be privatized in one go. The crucial issue in the Indian context is the need to make both the public and the private sector efficient. For this purpose management needs to be vastly improved. Privatization should not be a goal in itself. It should merely be a strategy to increase profitability, productivity and efficiency of the economy. The issue of privatization of public sector undertakings is now a widely one. When we talk of privatization, it is the relevant context that matters, namely, the efficiency of the economy, its level of development, resource prospects, socio-economic imperatives and the socio-political perspective. All these matters must be taken into account as we examine the question of privatization. Let us take the case of the Indian economy and the role of the State in its multidimensional development. First, we are still a developing economy with about 30 per cent that is, around million people below the poverty line, who do not have access to necessary shelter, primary health care, safe drinking water and so on. About 50 percent are illiterates in the literal sense of the term. In this kind of economy, the State has a definite role to play. The role of the State gains further significance by the fact that there is a growing problem of unemployment. Second, there is a wide disparity between the rich and the poor. It remains for the State to provide economic opportunities for the poor so that they too can go up the prosperity ladder. In the past forty years, the public sector undertakings have played some positive role by helping to generate a large middle class population. This catalytic role of the State will, perhaps have, to continue for many more years to come. Likewise, there is also wide inter-regional as well as intra-regional disparities in the levels of development. No worthwhile investment would flow towards backward regions unless the State comes forward and provides necessary infrastructure. Sometimes, industrialization in a backward region may have to be initiated and innovated by the State. This is a practice commonly adopted in many countries. The level of development in agriculture and rural economy calls for the supply of inputs at confessional rates because of the limitations of the principles of market pricing. The poor must be provided with the basic amenities and facilities at subsidized rates. The workers have to be provided even food at subsidized rates to keep the wages under control. Even industry has to be provided with support facilities often at less than market costs if it has to be competitive. In this kind of a scenario, it is difficult to envisage that the role of the State should be minimal. But does it mean that the issue of privatization is irrelevant in the Indian context? Why is it then we are talking of privatization? In what follows, we will try to deal with these questions. An objective analysis of the Indian economy would make it clear that the thrust on the public sector in the earlier plans resulting in the increased role of the State , was a move in the right direction. Without the public sector, we would Not have been able to build the modem industrial economy that we now have It may be said that while the private sector has helped in achieving import substitution in the area of consumer goods. The public sector has filled in the void of infrastructure and basic industries. While it accounts for over 25 percent of the GDP, it is responsible for the bulk of employment in the organized sector. Despite the positive role played in the rejuvenation of the economy, public sector has come in for sharp criticism from many quarters, including those who were once great champions of the sector. The reasons are too well-know to need any elaboration, but a brief overview of the causes may be relevant. The public sector was set up to achieve the commanding heights of the economy; it was supposed to infuse necessary strength and resilience lo ensuring, among other things, that the private initiatives could flourish on support. It was expected to provide basic raw materials and inputs, encourage ancillarisation, create economic opportunities for the people and perform various social responsibilities which the private sector was not in a position to undertake. The public sector has undoubtedly played its part but not as efficiently. There are some who say that the public sector has failed miserably but that may be unfair. The private sector depends almost entirely on the public sector for its supp of some of the vital basic raw materials and other inputs like coal, iron and steel aluminum, power, finance, transport, and telecommunication services. In a manner of speaking, the performance of the private sector has come to be determined a great extent on the performance of the public sector. And this is where the pinch is. The private sector has a lot of grievances with regard to the availability of raw materials and inputs, quality of products and services and cost of products. If the private sector wants to grow at the rate of, say per cent a year, this will not be possible since the supply support from the public sector will be difficult to ensure. Again, the cost structure of public sector has led to a high a syndrome which has made the entire economy uncompetitive, compelling government to bear the heavy burden of subsidies. The losses are sought to be covered by increasing the prices of products manufactured by them leading to all-round increases in prices thereby sustaining the inflationary momentum. This again necessitates increased subsidies. But what is worse is that this kind of situation is subjecting the PSUs to further hardship. The existences of the loss-making are affecting the performance of the profit-making units. According to a recent report, there are 40 PSUs that have been identified as chronically sick unit which are worth closing down. Within the services sector, banking and road transport have caused serious concerns. The more serious of these is the phenomenon of sickness amongst the commercial banks, which shows that in the given condition of the economy and the regulations that the banking sector is subjected to the commercial banks cannot operate efficiently. In brief, the public sector has failed to project itself as a shining example of being a guiding force. The lack of performance has become even more obvious today when the economy is facing a serious resources crisis and we expect the public sector to generate internal resources for reinvestment purposes. At this juncture, the public sector has failed to rise to the occasion. According to the latest CSO estimates, while the savings of the household sector and private corporate sector have registered significant increases, the public sector savings has suffered a fall, declining by 1. The net disserving of the public sector showed a steep rise from Rs 9, crores in to Rs 13, crores in The concerns are attributed to certain factors that are inherent in the system and to the faulty approach in some cases. While the concept of public sector was propagated with all fanfare, not much attention was given to evolving an environment that is conducive to efficient functioning of the PSUs. On the contrary, the PSUs were allowed to be completely dominated by the bureaucratic-political stranglehold that not only dampened the spirit of the technocrats and the professionals but also caught the PSUs in a maze of difficulties. Apart from excessive accountability imposed on them the public sector managers are also subjected to many pressures from above, which deprive them of the autonomy and flexibility and renders their functioning ineffective and inefficient. A major problem in the way of efficient operation of the PSU is their inability to take timely decisions, which is due partly to the factors explained above and partly to the decision-making process that has been in operation. The delays create most of the complications. These have resulted in inefficient implementation of projects leading to the colossal time and cost over-runs, which affect, on the one hand, the effectiveness of planning and, on the other, the financial and economic viability of the projects from the commencement stage itself. There is yet another serious aspect that relates to the socio-economic obligations imposed on the PSUs. Let it not be misunderstood that these obligations can be given up. The public sector by its basic rationale is supposed to fulfill certain socio-economic obligations. If it is not provided, the socio-economic obligations will become the cause of mounting losses and sickness. This is what has happened to the Indian public sector. PSUs in banking, power and transport sectors have been particular victims. The situation is made all the more difficult since the socio-economy obligations are never-ending in nature. In , we hi about million people below the poverty line and we still have as many now, if not more. The number of people belonging to socially and economics backward classes has increased over the years. The number of illiterates increased by about two-and-a half times since Agriculture needs today as much attention as it required during the sixties. The tiny and small scale sector always calls for increasing support. One can go on multiplying such examples. All these things continue to keep the government, and obviously the public sector, under the pressure of socio-economic obligations which impose seven burdens in the form of subsidies on the government and losses on the PSUs. It is in this background that the demand for privatization of the PSUs has gained momentum while the basic impetus comes from the world wide move for privatization and dismantling of the centrally planned economies. To put it briefly, there are two main aspects which favour the idea of privatization. First is that of inefficiency. Over the years, about Rs. What is more important is that inefficiency of the public sector is coming in the way of overall growth and efficiency of the economy. We cannot aim at a high planned rate of growth if we do no: The second aspect is that the country is facing a serious resource crisis which is coming in the way of formulating the Eighth Plan. With the serious concern about the growing fiscal deficits, it is felt that the privatization of some of the PSUs particularly the profit making ones could solve the resource problem to some extent. The demand for privatization, it should be noted, has come not only from those who are staunchly in favour of the private sector but also from several official committees as well. The Abid Hussian Committee had suggested sale of public sector shares to the public. Some of the state governments have also indicated their intention and taken measures to sell some of the public enterprises. From the point of view of industrial policy, the Schedule A industries is no longer considered sacrosanct and the Government has already permitted private sector participation in areas like power and telecommunications.

Chapter 4 : Controversial Essay: Should Public Sector Be Privatized?

Ironically, by shedding public jobs, government is creating jobs in the private sector and in the process providing seed money for entrepreneurs who are reinventing and upgrading the way.

Nippon Telegraph and Telephone In addition to these public corporations in the production sector there were three public corporations in the financial sector and ten smaller special public corporations which were partially or wholly owned by the national government of Japan. At the local government level there were as many as three thousand public enterprises primarily public utilities in the early postwar period. By the number of these local public corporations had grown to about ten thousand. Altogether the public enterprise sector of Japan around the turn of the century accounted for about five percent of production and five percent of employment. Japan tried an experiment in combining public sector with the private sector in the belief that the private sector would promote efficiency in the public sector. This did not turn out to be true. Instead the inefficiencies of the public sector corrupted the private sector elements. These so-called Third Sector enterprises generally operated at a loss and built up substantial debts. Reasons for the Inefficient Functioning of the Public Enterprises The reasons for the inefficient operations of public enterprises in Japan are much the same as the reasons for the inefficiencies of public enterprise elsewhere; i. The monopoly in one field of operation was usually combined with a limitation to that field. This restrictions on their scope prevented them from adjusting to evolving conditions. The funding of deficits of the public enterprises by the government eliminated the incentives to make proper operating and financial decisions. The funding from the government placed the finances, particularly the financing of maintenance, renovation and capital expansion outside of the control of the management of the public enterprises. The role of the government in the financing of the public enterprises left these enterprises open to political interference in their operation. The objectives of the interferences in public enterprise operation by politicians were usually not to make these enterprises more efficient. The PCAR prepared five reports which it submitted to the National Government over a period of three years from to These reports called for the privatization of the major public enterprises. Privatization was strongly opposed by organized labor and by Socialist and Communist Party politicians. Most of the politicians of the ruling Liberal Democratic Party supported privatization and plans for privatization were prepared. These plans generally did not implement exactly the plans recommended by the PCAR but incorporated some elements of the recommendations.

Chapter 5 : The History of Privatization

Basis for Comparison Public Sector Private Sector; Meaning: The section of a nation's economy, which is under the control of government, whether it is central, state or local, is known as the Public Sector.

After years of corruption and mismanagement, the small, blue-collar city south of Los Angeles fired almost all of its employees, dismantled its police department and contracted with a neighboring city to take over most municipal tasks. As the city drowned in deficits and faced multiple lawsuits, city leaders saw outsourcing as a light at the end of a collapsing tunnel. But it was only a mirage. By September, Bell had scrapped its contract with Maywood, leaving the city to fend for itself and find new contractors for its outsourcing hopes. The search for financial salvation is sweeping the country as local governments grapple with waning sales and property tax revenues. The economic recession has strangled budgets, forcing layoffs and the disbanding of departments. Feeling pushed to the brink of bankruptcy, cities are trying to find effective ways to make do with less. Maywood, in its outsourcing attempt, may be the most extreme example, but in California and other states in the past decade, more public officials have turned to outside sources for help in providing services at a lower cost to the state. In theory, the idea of contracting public services to private companies to cut costs makes sense. But according to analysts, outsourcing is by no means a perfect solution. The privatization of public services can erode accountability and transparency, and drive governments deeper into debt. The trend stems from the common belief that private companies can help governments save or make money by doing jobs faster and cheaper, or managing a public asset more efficiently. This past March, for example, New Jersey Gov. Chris Christie created the state Privatization Task Force to review privatization opportunities within state government and identify barriers. As former mayor of Philadelphia, Pennsylvania Gov. Chicago has privatized more than 40 city services. In , West Virginia Gov. The states most successful in privatization created a permanent, centralized entity to manage and oversee the operation, from project analysis and vendor selection to contracting and procurement. For governments that forgo due diligence, choose ill-equipped contractors and fail to monitor progress, however, outsourcing deals can turn into costly disasters. The Effects of Inefficient Outsourcing No industry has gone through greater outsourcing catastrophes in the past year than government IT. Technology plays such a critical role in the storage and delivery of vital data that even minor delays and deficiencies can disrupt business operations, such as car registration renewals, and unemployment and medical care services. Red tape usually prevents governments from making significant modifications, and private companies lack the authority to enforce real changes. When such a public-private stalemate stunts a project, it helps to have an exit strategy. Those risks extend beyond the technology world. In , in the wake of an audit of economic development agreements between Niagara Falls and two developers, New York state Comptroller Thomas P. DiNapoli discovered that the projects faltered because the city failed to monitor development contracts. One of the projects, a downtown retail mall, has been vacant since ; the second project, which began in , yielded nothing more than a rudimentary building foundation. Strichman says governments should hire an outsourcing consultant who can provide an independent assessment. But even with a consultant, conflicts of interest can tarnish a golden opportunity. After all, private companies may want to provide a service efficiently and well -- and often do -- but governments must ride herd on implementation of the contract. If they can cut corners in any way, they often do. The law outlines analysis procedures and reporting requirements. The laws were created to promote transparency and to ensure that agencies complete an effective cost-benefit analysis prior to procurements. But the city ceased its cost analysis after realizing that no such private services existed in the area. Competition drives prices down.

Chapter 6 : The Meaning of Privatization

In the light of failure of the public sector and success of the private sector industries, demand for privatisation of the public sector came to the forefront when the Cong.

Even he believed that there are some areas the government should not step out of. Profit making public sector units should not be privatized for two main reasons. First, because they are major contributors for taxes, and, second, they pay huge dividends. I simply do not understand the merits of the decision of setting up state regulatory commissioners even as private distributors increase costs repeatedly. In a state like Delhi, for instance, can any private power distributor without an established work force be able to carry out electrification? Bardhan is a respected elder to me. So when I differ with him vehemently, I do so with the utmost respect and regard for him. With due respect, I think what he says is nonsense and nonsense of the most pernicious kind. The entire piece in the Business Standard is a study in how wrong-headed thinking carried on over an entire life-time can warp the judgment of a well-meaning and idealistic person. I am confident of his sincerity for the well-being of labor. But good intentions are far from sufficient in making things better. Let me save you from drowning, said the monkey to the fish, as he put it up on a tree. Now to some specifics. The appeal to authority that Mr Bardhan makes in invoking Keynes is disingenuous at best. Agreed that the government should not step out of some areas. But which areas should that be? Should the government be in primary education or should it be in power generation and distribution, or should it be in neither or should it be in both? Should the government be running airports and airlines, or should it be enforcing law and order? To answer questions such as those, we need to first ask: Would the private sector step in? Or will it get neglected leading to social welfare losses? It is very simple to demonstrate that primary education will not be optimally provided by the private sector because it has public good characteristics and there are major positive externalities which cannot be adequately captured by any private provider. Primary education, therefore, is a prime candidate for government financing, irrespective of whether the actual provisioning and delivery of primary education is by the private sector or the public sector. On the other hand, the government should not be in the running of airports and airlines simply because in a competitive marketplace the private sector will provide an optimal solution. The point to note especially is the competitive marketplace bit. Airports and airlines are not natural monopolies. Monopolistic control of airports and airlines leads to the kind of outcome we are so familiar with in India thankfully, the government monopoly of domestic airlines has ended with shoddy airline service, massive supply constraints, the worst airports in the entire civilized world. Now about the bit about PSUs paying dividends out of profits, presumably and contributing taxes. So do many private sector firms. So that is no argument against privatization. He forgets that while making profits is important whether it be a private or a public sector firm , it is also important to ask whether the firm making a profit faces competition or not. If you grant me the monopoly to provide, say, telecommunications services in India, I would make a humongous profit, pay lavish dividends, and contribute to taxes. So the employees would also lord it over the people who need telecommunications services by threatening to cut off their telephone services unless consumers grease their palms every so often. See, my being a monopolist meets all the conditions that Mr Bardhan requires for the public sector to be in a specific business. What I describe above is exactly what the government did in the telecommunications sector â€” it was a public sector monopoly and as expected the country suffered immensely as a consequence. Now there is a degree of relief but not entirely since the market is somewhat competitive more about this some other time. I am not against PSUs. The more the merrier. But here are the two conditions that they should meet: They not be monopolies. That they have a hard budget constraint. The first condition means that other firms should be allowed, if not actively encouraged, to be in the business. It is only when the public sector firm is the only game in town when the sector goes to hell in a handbasket. The second condition is required to prevent the public sector unit from being a drain on the public purse. Suppose that BSNL is a player in a competitive market but bleeds crores of rupees every month absent a hard budget constraint. That would be against the rules of the game that is, it would not be subject to the same conditions that its competitors face in that they exit the market if they cannot efficiently run their business and it would impoverish the public as well.

Chapter 7 : The Difference Between the Private and Public Sector - racedaydvl.com

Privatization is the process of transferring ownership of a business, enterprise, agency, charity or public service from the public sector (the state or government) or common use to the private sector (businesses that operate for a private profit) or to private non-profit organizations.

The differentiating factor between the two is of financing and driving purpose. The private sector is revenue driven, and requires a surplus to pay its employees, and to maintain stability and growth. The public sector is tax-payer funded and is service driven. Although budgets regulate hiring, public sector jobs are designed to run governments, schools and other public resources. Public Sector Employment The public sector employs teachers, police officers, firefighters and numerous critical jobs designed to maintain a safe, productive community. The public sector is not revenue-driven, and jobs are funded by tax payers. The tax dollars available for public sector financing are relative to the economy; public sector job growth rises and falls accordingly. Employment in the public sector is, however, often more stable and attached to attractive retirement and health benefits. Even though high-level public sector employees have excellent earning potential, there is a cap, when compared to the private sector. Private Sector Employment The private sector is revenue driven and employment comes with less stability. The potential for reward is also higher, as no caps on income potential exist. The private sector has fewer legal barriers to hiring and laying off employees, although they are subject to anti-discrimination rules, and they carry legal liability associated with human resources. If revenue suddenly drops, however, a private sector company can eliminate job positions and can lay off employees. Positions within the private sector are subjective and do not have a formal review process, unless it aligns with the company policy. The private sector is also required to shoulder the tax burden that ultimately funds the public sector. Public sector employees pay taxes, but the public organizations themselves collect rather than pay. Blending the Public and Private Sectors The public and private sectors work together. For example, the Forest Service hires firefighters, but it also contracts private crews, as needed. Municipalities work in the same manner, contracting the private sector when the public sector requires more bandwidth than it can supply. Nonprofit Exceptions The nonprofit model falls into a category of its own. Nonprofit owners and employees are subject to normal tax burdens, but the organizations are largely tax exempt. Earning potential for employees is based on revenue generated from the nonprofit. The organization must return more than half of all revenue to the cause and expenses. A large nonprofit with revenue in the multi-millions can, however, pay high wages to employees.

DOWNLOAD PDF PUBLIC SECTOR PRIVATIZATION

Chapter 8 : What Is the Meaning of Public Sector Employment vs. Private? | racedaydvl.com

The public sector (also called the state sector) is the part of the economy composed of both public services and public enterprises.. Public services include public goods and governmental services such as the military, police, infrastructure (public roads, bridges, tunnels, water supply, sewers, electrical grids, telecommunications, etc.), public transit, public education, along with health.

Share via Email Public sector workers need to be strategic when looking to cross into the corporate world. This has led to an unprecedented number of public sector workers trying to make the difficult move into the private sector. This transition can be extremely challenging due to the different working environments between commercially-driven organisations and public sector institutions. Candidates need to completely change their mindset in terms of embracing a new workplace culture when making a successful move to the private sector. The private sector is primarily focused on being profit driven and is free from many of the bureaucratic restrictions in the public sector. Public sector workers who may not used to this way of working could find this much more pressurised and stressful. However, if those wanting to transfer into the private sector plan their move strategically, it can result in a new and rewarding career with added benefits. Here are some tips to help you make the move. Read job descriptions and person specifications carefully, comparing like-for-like jobs in the public sector so you can understand the different language used. Ask them if they have a good understanding of public and private sector workers and enquire what experience they have of assisting candidates transitioning. Embrace social media and ensure you are a proactive jobseeker. Use genuine statistics or numbers to give examples of cost savings, productivity improvements, process improvements, reduction in waste or losses or improved customer services. This will all help to secure an interview in the private sector. Making a targeted speculative approach to organisations that you want to work for, can really pay off if you are tactical. Why do you want to work for that organisation? What value can you bring to the table? Why would you make a great fit with their existing team? These are just some of the key questions you need to ask when identifying companies you want to approach. While the differences between public and private sector workers may seem wide, in fact they have never been so close as a result of the public sector pursuing best value. For instance, HR strategies more typically associated with the private sector â€" such as those promoting efficiency or encouraging staff loyalty â€" have been widely adopted. Measures have also been introduced in the public sector that link individual performance with strategic objectives. The privatisation of many public services has also encouraged a more enterprising culture, which has required staff to exhibit much greater professional flexibility and adaptability. Finally, forget the competition. While it may be a candidate-heavy market now, the reality is that if there are two or twenty applicants, you are still competing. Stop worrying about what the rest will write or say and focus on you and the value you can offer. Elizabeth Bacchus is a writer, a regular public speaker on the subject of career development, a career coach who has worked with individuals from a broad range of industry sectors and the founder of The Successful CV Company This content is brought to you by Guardian Professional. To get more content and advice like this direct to your inbox, sign up for our weekly Careers update.

DOWNLOAD PDF PUBLIC SECTOR PRIVATIZATION

Chapter 9 : How to successfully move from the public to the private sector | Guardian Careers | The Guard

The Public Sector is usually comprised of organizations that are owned and operated by the government and exist to provide services for its citizens. Similar to the voluntary sector, organizations in the public sector do not seek to generate a profit.

But could the values and objectives of private managers ever be enough to preserve a nation? Private management involves managing the narrower needs of an individual or group. This difference in scope constitutes the first and fundamental distinction between public and private management, from which a number of differences arise. The difference between private and public sector values As they apply to such different groups of people â€" the whole of society vs. Public management values public interest, public needs and political compromise. As a public manager, your primary concern is the overall wellbeing of your society. You endeavour to balance the needs of businesses, interest groups and individuals. Private management, on the other hand, values business profit. As a private or business manager, your first concern is the survival and economic success of your business. Public and voluntary sector objectives Naturally, the different values of public and private management dictate different objectives and definitions of success. The managing director of a pen factory sets a quarterly goal of cutting costs to maximise profits, by using a cheaper ink supplier and switching over to a state-of-the-art conveyor belt. A multitude of programs are prepared, with their own objectives, agendas and facilitators, to this end. How do these situations compare? For the private manager, setting goals and measuring success is straightforward, because objectives can be clearly defined and measured according to profit and loss. The broader implications for competitors, customers and suppliers are not considered in the narrow equation for business efficiency. For the public manager, objectives are abstract, overarching, somewhat undefined and exceptionally difficult to measure. That is because in the public sector, goals apply to a much broader jurisdiction than a single business. They encompass multiple programs and their success is measured by the overall betterment of society. The importance of public accountability Accountability differs largely between public and private organisations. Managers in public organisations are accountable to a much larger group of people â€" everyone in the governed area â€" and are always under public scrutiny. Such a strong and palpable public influence plays a significant role in their decisions. Ultimately, a public manager will attempt to appease as many people as possible while achieving results, adding to the complexity of their position. However, organisational commitment the bond employees experience with their organisation is usually weaker in the public sector. The private sector operates without the checks and balances of the public sector. Their focus can therefore remain on maximising the bottom-line. Public organisations are also far more transparent than private ones. It is at the heart of how citizens hold their public officials accountable. Responding to crisis situations When the financial crisis set in, businesses all over the world took a significant hit. But where businesses could decide to cut costs and lay off employees to survive, public management was faced with the resulting socio-economic consequences. Private firms are exposed to cross-cutting pressures from interest groups in the communities in which they operate. They must deal with governments and unions, as well as with their customers. But as a result of their broad societal mandate, public agencies are least insulated from external events. Whereas business can go on as usual, public management is not doing its job when society is in conflict or disarray. The difference between public and private leadership Franklin Delano Roosevelt, the 32nd President of the United States, served the longest term in office of over 12 years. The difference is that in public management, political processes ensure that leadership changes frequently, while in private organisations, individuals can stay in leadership positions for an indefinite number of years. Public management follows strict procedural rules instated to ensure that power is not abused and the nation is well looked after. In fact, in many cases a public manager can have a huge amount of responsibility with very little authority. While in private management, it is the individuals with a lot of responsibility that also call the shots. Performance management challenges in the public sector In private firms, management relies a great deal on incentives and perks that encourage high performance. This is in line with their primary value of maximising profit. In the public sector, however, limits are applied to awarding high performance. With the fundamental value of societal well being , employees are encouraged by their honourable desire to serve the public. Are you encouraged by an honourable desire to serve the public? Master public management and governance to advance your career in the public sector with the University of Cape Town Public Management and Governance online short course.