The Impact of Public Sector Restructuring On the Economy

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ABSTRACT
This research examined the impact of public sector restructuring on the economy. Secondary source of information was used for the study. The findings from the study shows that public sector restructuring draws our attention to the issues affecting the smooth implementation of restructuring efforts especially in the developing countries. The specific objectives of the study are to examine the attainment of the planned resource allocation and the economy, the relationship between efficiency and booming economy, the relationship between functional organization and the relationship between accurate source of capital formation and the economy. Content method o data analysis was adopted to elicit data for this study. The paper revealed, among other things that the public sector had over the years been weakened with an over expanded public expenditure profile, persistent deficits financed by domestic and external borrowing with resultant high debt service burden, breakdown of the traditional instruments of control leading to corruption and misappropriation of funds, incidence of ghost workers, poor costing of programmes and projects, a large portfolio of abandoned/on-going projects especially in efficient and wasteful parastatals. Not only that the system has accumulated pension arrears but some states and agencies of the federal government are beginning to accumulate salary arrears and payments due to contractors and suppliers. Amidst these challenges, public sector restructuring is a demanding task and should not be seen as a quick solution for problems militating against our national development. It was recommended among others that the it is advisable to eliminate duplication of organizations to save cost and to channel the resources to other project.

Keywords: Public, Sector, Restructuring, Economy.

INTRODUCTION
Public Sector restructuring has become a child of necessity because of its relevance to the society. In very part of the world while sector restricting is on going to meet the needs of the public. Some countries were colonized and having their independence several things set in for change that will transform the activities of the government using the public sector. In carrying out public sector restructuring different countries uses different methods that will favour them to avoid difficulties and will not truncate the process.

Even though the role of the state in development in Africa has been downplayed for decades, a paradigmatic shift and a rediscovery of the importance of the state in the development process and the need for a more capable sector occurred in the 1990s. The relevance of the state or the public sector to socio-economic development in Africa cannot be underestimated. This has been re-echoed in the 1997 World
Development Report which argued that “an effective state is vital for the provision of the goods and services-and the rules and institutions-that allow markets to flourish and the people to lead healthier, happier lives. Without it, sustainable development, both economic and social, is impossible” (World Bank, 1997:1). The basic function of the public sector in Africa therefore is to provide goods and services to citizens based on “realization and representation of public interests and its possession of unique public qualities compared to business management”. However, the public sector was not able to perform its function effectively because of its “accumulation of excessive power, lack of accountability and representation, indifference towards public needs and demands, official secrecy and inaccessibility, and role in depoliticizing the public sphere”. This ineffectiveness coupled with the economic crises of the late 1970s and 1980s and the apparent lessons from international experience of the success of market-friendly economies have combined to produce what some scholars have referred to as the “redefinition of the role of the state or public sector” (Fszben, 2000:163).

The redefinition of the role of the state or the public sector involves the need to overhaul administrative systems and rejuvenate public organization in both developed and developing countries. This is because:

*Though the dew has been clouded and goals cannot be easily defined, the vitality of a country’s development depends on the rejuvenation of public administration even in the darkness of insufficient knowledge and experience (Rizos, 1965:47).*

public choice theory and criticisms of the old public administration, changes in political and ideological context like the New Right ideas, development in information technology and growth and role of management consultants have prompted and driven radical changes in public administration and management systems. The central objective of change was improvement in the ways in which government is managed and services delivered, with emphasis on efficiency, economy and value for money (Lane, 1997; Ayee 2008).

In Africa and other countries, however, the need to reform public sector institutions has been prompted largely by world-wide decline in public finances and the need “to get more for less” (Gaiden, 1988:332). The unjust international economic system and persistent public pressures for increased government intervention to reserves the situation have forced governments in Africa and other developing countries to adopt temporary measures which have resulted in large-scale borrowing, unprecedented public indebtedness, high rates of inflation, frequent currency devaluations, and harsh policies imposed under the pressure of the World Bank (WB) and International Monetary Fund (IMF) (Hicks and Kubish, 1984). Governments have had to cut back to reduce expenditures, staff, investments and services and to demand higher productivity
and better performance from their sluggish public sectors.

The renewed sense of urgency about creating an effective public sector in Africa can be observed both at the continental and national levels in many African countries. For instance, the fourth Pan-African Conference of Ministers of Public Service held within the framework of the New Partnership for African Development (NEPAD) in March 2003 in South Africa, agreed to a Pan-African Government and Public Administration capacity-development programme to strengthen public institutions and systems of African states. Public sector reform has also become a high priority for governments in Africa.

This generally negative characterization of public services and related employment has resulted in a lack of attention to the role of public services in local and regional development. However, to recognize the continuing diminution of the benefits of public service employment as a result of public sector restructuring is one thing, but the lack of debate about the past contribution of public services, and the considerable benefits that remain in many important areas, together with their future potential, is lamentable. For instance, public sector planning, investment and services provide important economic, social and environmental infrastructures for private sector development. While industrial estates, factory premises, transport infrastructures and training are the more readily observable benefits, it is also the case that cultural and arts services attract visitors and income to local businesses, and social services.

In addition, regional economies benefit from the employment generated by public services and there are also important multiplier effects from spending on these services, be it on wages and salaries or local purchasing (Mohan, 1992). Moreover, compared to the uneven spatial divisions of labour in the private sector, the geographical distribution of employment in public sector services has been relatively even (Allen, 1988). Thus, the public sector has tended to contribute to inter-regional economic and social stability. The history of Nigerian Public Sector is traceable to the colonial epoch through independence era, military interregnum and towards the restoration of democracy in Nigeria in what came to be known as the Fourth Republic in 1999 following the terminus of military junta. Colonial rule, however, widwifed the amalgamation of the then Northern and Southern protectorates of Nigeria in 1914. Under Lord Fredrick Lugard, Ludardian regime adumbrated for the first time, what seemed like a unified service? This stems from the fact that the upper echelon of the colonial service was dominated by Europeans on who were concentrated executive, judicial and legislative powers while Traditional rulers were co-opted at the lower level of the colonial power structure (Ayeni, 2002). At the wake of regionalism in 1954, three Regional Civil Services were established at the centre in each of the regions within the same era. The Federal and Regional Services thereafter nurtured a career civil service within their respective
domains. At independence in 1960, the role of the civil service shifted from the colonial mode of maintaining law and order to that of facilitating the realization of the nation’s development aspirations.

It should also be mentioned that other factors that accelerated the growth of Nigeria’s Public Sector were the indigenization policy of 1972 as enacted by the Nigerian Enterprises promotion Decree which was designed and tailored to control the commanding heights of the economy. However, the Civil Service in Nigeria has constituted an indispensible tool of governance since the colonial era especially in the following areas; formulation of government policies and programmes, planning and implementation of government policies and programmes on matters of providing social services, preparing annual budgets and the development plans, collecting revenues in the form of income taxes, fines and duties, making by-laws, regulations and orders under powers granted it by the parliament and other quasi-judicial functions, keeping government records and properties as well as information dissemination and public enlightenment among other things (Oladipo, 2007).

Unfortunately, the dawn of the new millennium witnessed various manifestations of discontentment in the areas of resource control, salaries and wages, education, deregulation, privatization and so on. These manifestations of discontentment were demonstrated with increasing frequency and intensity bordering on ineffectiveness, inefficiency and wastage of the national resources (Abdullah, 2007). As a corollary of the above, the desire to reform the public sector administration capabilities with a view to the burgeoning challenges became sacrosanct. The rationale for this paper therefore, is to assess the public sector restructuring in Nigeria since it is designed to transform the economy positively.

To some, restructure connotes a deliberate and planned change (Halligan, 1997; Lam, 1997; Denhardt & Denhardt, 2000). For them any intervention which fails to produce fundamental changes in the way public service operates and conducts its business is not restructure. To this end, public sector restructure is a systematic intervention aimed at improving the structure, operations, systems and procedures of public services to enable its transformation as a multifaceted agent of change, and as a veritable instrument of national cohesion and socio-economic development. Similarly, restructure ambitions focus on improving the merit bases of public sector employment and on changing the incentives that individual public servants face, aligning them with the overall policy and goals of government.

Indeed, the very nature of employment in the public sector is, in many respects, quite different from the private sector. This is particularly the case with the activities that have historically constituted the public sector, such as the administration of the state, defence and the observance of the law and the maintenance of essential infrastructure (transport and utilities). Issues
of control, trust and loyalty make very close state involvement logical and, indeed, this is the case in practice in all Member States. It was this need for control, trust and loyalty that led to the very particular labour codes, wage structures and employment contracts in these core public services. Seniority wages and relatively generous pensions served to promote trust and loyalty. These deferred rewards were made credible by employment contracts that often meant, in practice, a job for life. As a problem statement for this study, it can be seen that there is duplication of organizations that carryout same functions. There is insufficient funding of the sector by the government, the government alone cannot fund the sector. The issue of staff redundancy arises because responsibilities are not assign to them which result to inefficiency and ineffectiveness. The looting of the public treasury is common, the fund that belong to the sector is been taking away. It is against this backdrop that this study examines the impact of public sector restructuring on the economy. The specific objectives of the study are the role of attainment of the planned resource allocation and the economy, the relationship between efficiency and booming economy, the relationship between functional organization and the relationship between accurate source of capital formation and the economy.

2.0 LITERATURE REVIEW

Conceptual Definition

Public sector restricting is a process whereby states likely to assume and sustain their responsibilities in providing goods, affordable services to their citizens. They seek to transform the state into a market-friendly, learn, managerial, decentralized and customer-oriented institution.

Public sector restricting is to present further decay and defoliation of government owned organ is actions so that there will measure up with present day challenges which will enhance efficiency and effectiveness to satisfy the populace, equally to reduce wastages been experienced by the government. He discussed further the embarrassment created by public sector in the developing countries as there could not perform to the optional level s been expected from them, with the restructuring of the public sector and with strict adherence there will meet the fearing of the people. Public expenditure reforms reflect differences in expenditure patterns, with the reforms in industrialized countries focusing on welfare and social services and those in developing countries on capital expenditures and government administration. Privatization, a central component of downsizing, is now a global phenomenon. More than $300 billion worth of states were transferred to the private sector between 1996 around the world. Governments are surely disengaging, even if unevenly, from direct ownership of public enterprises. There are however, welfare, unemployment, ethnic and nationalist problems associated with privatization. The data suggest that although governments grew, albeit slowly, up to the early 1990s, it seems that for some regions, central governments were beginning to shrink in the mid-to-late 1990s. the massive
cuts in education and health provisioning suffered by low-income countries in the 1980s have not been sufficiently offset by the efforts of the 1990s, which seek to protect social sectors from state contraction.

**Constraints of Public Sector Industrial Relations and Their Implications for Restructuring**

The environment and contemporary choices available to management and labour in the public sector are having an impact on all three levels of the employment relationship. In the face of increased public resentment toward the public sector (unwillingness to pay higher or more taxes, and perceived inefficiency of services, for example), and decreasing government revenues, public sector management and labour most attempt a restructuring of old goals and methods of operation. Characteristics of the employment relation, management and labour do have implications for public sector efforts at restructuring.

**Multi-lateral Bargaining: A Diffuse Decision-making Structure Makes Bargaining a Complicated Process**

Because managerial authority is widely shared in the public sector, collective bargaining is multi-lateral and not bilateral as is in the private sector. Multi-lateral bargaining is a negotiation process that includes more than two distinct parties. Additionally, “in multi-lateral bargaining, no clear dichotomy exists between union and the management organization. It can lead to such bargaining techniques as the union tactic of end running, in which case unions side-step one management party that is part of the bargaining process in order to appeal to another management party. Another possible outcome of multi-lateral bargaining is a case where one decision-making group that is part of the process rejects a negotiated agreement; resulting in a failure of implementation (e.g. City Council fails to ratify a negotiated agreement between the Mayor and employees). Finally, community interest groups can also have a role in, and therefore an impact on the process. Multi-lateral bargaining complicates the employment relationship. It can undermine the negotiations process and make reaching an agreement on service restructuring a much more challenging Endeavour. Any negotiated agreement is subject to reversal, either through rejection of the agreement by a group participating in its negotiation, or because of a change in administration. “The vicissitudes of the political process can be more extreme than the vicissitudes of the market.

Recently, after many years of neglect, there has been increasing attention paid to the role of services in regional development (Damesick, 1986; Marshall, 1988; Hansen, 1990; O’Farrell and Hitchens, 1990; Daniels and Moulaert, 1991; Begg, 1993). The principal focus within this literature, however, has been upon the private sector and particularly upon the contribution of so-called ‘producer services’. This category of services has emerged due to organisational changes within firms, specifically the contracting out of activities such as financial, legal, insurance and professional services to specialist support companies,
blurring the boundaries between service and manufacturing employment in the process (Wood, 1986). As Begg (1993) suggests, these services have been viewed as structurally more significant to regional economic prosperity and development because of their supposed similarities to manufacturing industries in terms of generative capacity and multiplier effects.

In the research on public sector reforms it is an often inherent premise that these are undertaken to increase the effectiveness of the public sector and to cut the public budget. Politicians and bureaucrats are of course keen to wrap public sector reforms in this paper. However, the bureaucracy and administration of the welfare state arise as other political institutions out of political institutions out of political conflicts. Institutional choice in the public sector has consequences for the content and direction of policy, and political actors know it, which is why public sector restructuring ought to be analyzed as part of a larger political struggle (Moe, 1989: 268). This analytic point of departure conforms to institutional variants of the power-resource theory that constitutes the theory of welfare state regimes, and is the baseline for the theoretical argument presented here. Welfare state regimes are decisive for the structure of political support developing around welfare state arrangements and are expected to be decisive for the type of public sector reforms that is accepted and deemed legitimate in a democratic constancy. Hence, it is reasonable to expect welfare state regimes to have a significant impact on political decision-makings’ choice of public sector reform-strategy.

The relevance of this theory to public sector restructuring in Nigeria could be hinged on the premise that it contains key components of ideas and themes that not only emphasized managerial improvement and organizational restructuring but also consists of ideas and themes that emphasize management devolution within public service and lastly contains ideas and themes that emphasize markets and competition. The theory is therefore a continuum ranging from more managerialism at one end to more marketization and competition at the other.

**Influence on the Economy**

Economic development is the process by which a nation improves the economic, political, and social well-being of its people. The term has been used frequently by economists, politicians, and others in the 20th and 21st centuries. The concept, however, has been in existence in the West for centuries. "Modernization, "westernization", and especially "industrialization" are other terms often used while discussing economic development. Economic development has a direct relationship with the environment and environmental issues, Economic development is very often confused with industrial development, even in some academic sources. Whereas economic development is a policy intervention endeavor with aims of improving the economic and social well-being of people, economic growth is a
phenomenon of market productivity and rise in GDP. Consequently, as economist Amartya Sen points out, "economic growth is one aspect of the process of economic development".

This section considers two specific examples of performance measurement; waiting list targets in the NHS and the assessment of the quality of the student experience in higher education. In choosing these examples accurately illustrate changes across the public sector in general? Second, do these examples have some degree of international currency or are they just specific to the UK?

It was observed from the result that 75% of the respondents agreed that public sector restructuring has impact on economy, while 25% disagreed. This shows that with proper arrangement, public sector restructuring will boast the economy of a country.

3.0 CONCLUSION

This paper provides an overview of the major issues, trends and problems in public sector reform. Public sector restructuring is a demanding task and should not be seen as a quick solution for problems militating against our national development. Building national coalition in support of public sector restructure to include all stakeholders and partners such as public service, labour unions, public servants, the media, civil society organizations, political parties and the academics is necessary if the restructure, is to stand the test of time devoid of sabotage. It is also possible for one to conclude that most of the strategies pursued by Nigerian to restructure her public sector have not been able to achieve its desired outcomes basically because of political, historical, economic, institutional, cultural and other environmental constraints.

Public expenditure reforms reflect differences in expenditure patterns, with the reforms in industrialized countries focusing on welfare and social services and those in developing countries on capital expenditures and government administration.

4.0 RECOMMENDATIONS

- It is of benefit to any country that restructuring her public sector will reduce wastage in the system.
- It is important to restructure the public sector to pave way for effectiveness and efficiency
- It is advisable to eliminate duplication of organizations to save cost and to channel the resources to other project.
- The allocation and source of capital formation will increase which will be used for other programme that will enhance livelihood of the people.

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