

**PUBLIC SECTOR DOWNSIZING
& PRIVATIZATION IN SUB-
SAHARAN AFRICA**

A

GROUP PRESENTATION ON LABOR MARKET
POLICIES COURSE HELD AT THE WBI,
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TEAM

- **Members hail from the ff: countries**
- Kenya
- Madagascar
- Mozambique
- United States
- Uganda
- Mauritius
- Senegal
- South Africa
- Ghana

Background I - Africa

- Relatively low income continent of 53 countries
- Economies are agrarian and exports dominated by primary commodities
- Large informal sector where job security is low
- Economies growing slowly with labor force growing rapidly due to high population growth
- High Unemployment and Labor force dominated by unskilled people
- Privatization and Public Sector downsizing take part of the blame of high incidence of unemployment and poverty

Background II–Downsizing & Privatization

- Public sector downsizing and Privatization were introduced as part of economic reforms in Africa
- Downsizing was necessitated by increased employment in the public sector coupled with low productivity and redundancy
- Privatization was triggered by the perceived mismanagement of SOEs leading to persistent losses with its concomitant pressure on the national budget

Objectives

- Broader:
 - To reduce the rate of growth of public expenditure and minimize budget deficit.
- **Specific Objectives - Downsizing:**
 - To increase labor productivity by reducing overstaffing in the public sector.
 - To increase wage in the public sector.
 - To help redeployees rediscover their real potentials through training and retraining.
 - To relocate the redeployed to other sectors of the economy.

Specific Objectives - Privatization

- To increase efficiency/improve biz. management in the enterprises
- To make the enterprises commercially viable
- Revenue generating measures to balance the budget
- Renewing production in a sustainable fashion

DESIGN AND IMPLEMENTATION

Downsizing:

- In some African countries a criterion was set up to identify potential retrenchees
- Compensation package in the form of severance payment and golden handshakes
- Dissemination of information to create general awareness of the redeployment/retrenchment program.

DESIGN AND IMPLEMENTATION

- Counseling and guidance through various structures e.g Labor Dept., Red. Secretariat & the National Mobilization Program (Ghana)
- Training schemes for the redeployees / retrenchedes were developed & implemented, though partially in some countries.

DESIGN AND IMPLEMENTATION

Privatization:

- In most countries, non-strategic SOEs were targeted, though it was not totally the case in some others
- Transfer of shares to the public
- An Agency was set up to oversee the sale of the SOEs
- A retraining program was designed for retained workers
- Severance and benefit packages were given to the affected workers

Achievements/Progress

- The programs have had varying degrees of success in each of the countries represented in this presentation. E.g.
 - **Ghana** : Some privatized SOEs have been able to expand output & employment in three and four-fold within a minimum of four years
 - **Kenya**: Some of the downsized SOEs such as KCB, Postal Corporation, Kenya Airways are now operating profitably
 - The retained employees in the downsized parastatals now enjoy higher wages & benefits

Achievements/Progress Contd.

- **Mozambique:** Real GDP grew by 8% on average within the privatization period (1994 – 1997) up from 4% before privatization
- **Senegal:** No concrete evidence of success

Failures

- Government deficit still persists in most of the countries
- A good # of the redeployees secured back employment in the public sector through subtle means due to poor monitoring (Ghana)
- The training program started long after the redeployment exercise had been implemented (Ghana)
- Out of 49,873 redeployed personnel, only 2,000 were trained, with 1,998 of the trained personnel were able to find placements (Ghana)

Failures contd.

- Training program designed was not demand-driven. (Ghana & Mozambique)
- Domestic public response to acquire shares failed (most countries)
- No program was designed to monitor & support the affected enterprises and the displaced workers (Mozambique)

Cost of the Exercise

- Loss of income to the displaced workers leading to increased poverty
- Emotional trauma for those who were forced into retrenchment / redeployment
- Reduction in Trade Unions membership
- Increased Unemployment
- The cost of corrupt deals cannot be quantified
- Job insecurity trauma among remaining workers

Lessons

- The need to take cultural and religious practices into account before program implementation
- The need for sufficient education of the redeployees and the society at large to remove the stigma associated with it.
- Need for provision of comprehensive support program of training for redeployees.
- Counseling & advice to enhance entry into viable alternative employment
- Establishment of monitoring system to ensure sustainability of the entire program by making it transparent and accountable.
- The need to take into account the

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- Political conditions
- Legal institutions
- Cultural environment
- Creation of new attitudes and behavior among policy makers

Issues:

- Did privatization and downsizing achieve its intended goals of economic development?
- Given the labor market destabilization or misallocation, were the measures taken to avert the misallocation adequate?
- Given the cultural background of African countries, were these program the only ones to achieve the overall objective?