

# ***Non-Productivity in Public Sector of Pakistan***

***Amer ALTAF<sup>1</sup>***

***Tuğba ALTINTAŞ<sup>2</sup>***

## **Abstract**

Governments all over the world are responsible to manage the public resources in the most effective way in order to benefit the public to its maximum. The role of the public sector thus gets importance not only for the smooth running of government but also for the welfare provided to the public. Unfortunately, Pakistan after its independence is suffering from political instability, poverty, lawlessness, injustice, social and economic disparities. The same effects reflect on the public sector of Pakistan which is inefficient and non-productive mainly due to political interferences, lack of transparency, low wages and large unskilled workforce. Thus instead of contributing to the economy, the Pakistan's public sector has become a burden on the economy where government is spending the money to keep the public sector's enterprises running. This paper will endeavour to find the underlying reasons for the non-productivity of the Public Sector and to suggest some recommendations in order to make it productive.

***Keywords:*** *Public sector, non-productivity, performance evaluation, job security.*

## **Pakistan'da Kamusal Sektörde Üretimde Verimsizlik**

### **Özet**

Tüm dünyada hükümetler kamuoyundan maksimum düzeyde yararlanabilmek için kamu kaynaklarını en etkin şekilde yönetmekten sorumludur. Kamu sektörünün rolü, yalnızca hükümetin düzgün çalışması için değil, aynı zamanda halka sağlanan refah için de önem kazanmaktadır. Ne yazık ki, Pakistan, bağımsızlık sonrası siyasi istikrarsızlık, yoksulluk, hukuksuzluk, adaletsizlik, sosyal ve ekonomik eşitsizliklerin muzdariptir. Siyasi

<sup>1</sup> *Amer Altaf, Pakistan Air Force, altafamer@hotmail.com*

<sup>2</sup> *(Yrd. Doç. Dr.) İstanbul Aydın Üniversitesi, tugbaaltintas@aydin.edu.tr*

müdahaleler, şeffaflık eksikliği, düşük ücretler ve geniş vasıfsız işgücüne bağlı olarak aynı etkiler verimsiz ve üretken olmayan Pakistan kamu sektörüne de yansıtılmaktadır. Bu durum kamu sektörünün ekonomiye katkı sağlamak yerine, Pakistan'ın kamu sektörü işletmelerini korumak için para harcamasıyla ekonomiye yük haline gelmiştir. Bu çalışma kamu sektörünün üretken olamamasının altında yatan sebepleri bulmak ve sektörü verimli hale getirmek için bazı önerilerde bulunmaktadır.

***Anahtar Kelimeler:*** Kamu sektörü, verimsizlik, performans değerlendirme, iş güvenliği.

## **Introduction**

The part of the economy of a country that is owned or controlled by the government is known as the public sector. The public sector refers to all enterprises owned and run by the government, with the belief that society has some common interests whom the state is competent to identify and serve (Dawson, 2008). The public sector run by the government exists to provide facilities and improve the quality of life of the common man. The government, of course, cannot run without finances, and the major area of generating these finances is the public that it seeks to serve, in the form of taxes and other methods of getting financial contribution from the public.

Since the stakeholders at the receiving end are major players in the overall economy of any system, it is imperative that these stakeholders are satisfied that they are getting their money's worth. The essence of this is to win the trust of the general public, which would be achieved if public sector institutions are working efficiently and effectively, maintain the factor of transparency and accountability, and are able to deliver to the satisfaction of the public.

In Pakistan, there are 255 public enterprises covering the major economic sectors including services, banking and finance, industry, trade, communications, water, power, oil and gas, mining, urban and regional development, and insurance. There are 43 public corporations, 27 autonomous bodies and 182 companies/projects where the government has majority ownership. Public corporations are established under special legislation of the Federal and Provincial Governments or under the

Companies Act 1913/Companies Ordinance 1984 (PILDAT, 2014 p.30). There is a widely held and popular belief in Pakistan that all Public Sector/government organizations, surviving on the taxpayer's money, are just not doing a good enough job (Ishaq Dar, 2013). A number of researches have shown that the Public Sector employees are relatively less productive than their private counter parts (Christine, 2007).

The main goal of this study was to compare the Pakistan's Public Sector with other emerging economies of the world and to identify the significance of political interference in the aforementioned factors in Pakistan's Public Sector through analytical research and to determine its impact on non-productivity with a view to propose practicable recommendations.

### **Non-Productivity of Pakistan's Public Sector**

Productivity measurement is relatively straight forward for an organization producing one type of output with one type of input (Scott and Falcone, 2010). But most public organizations – produce a wide range of outputs and use numerous inputs. In the case of a private firm selling its output in a competitive market, different outputs can be aggregated by using the observed prices. Public Sector organizations usually produce goods that are provided either free or at a price that is not determined by market forces or which are heavily subsidised.

This makes it very difficult to define the aggregate output of a public service provider such as schools, hospitals or the police force. While presenting the budget 2013-14, Finance Minister Ishaq Dar pointed out that Pakistan's Public Sector enterprises (PSE's) are not only inefficient, poorly managed and bleeding profusely but are burden to the national exchequer as well. There is no doubt in ascertaining the fact that Pakistan's Public Sector is counterproductive. The losses of only eight of the major Public Sector Enterprises including Pakistan International Airlines (PIA), Pakistan Steel Mills (PSM), Pakistan Electric Power Company (PEPCO), Pakistan Railways (PR), National Highway Authority (NHA), Pakistan Agriculture Storage and Services Corporation (PASSCO) and the Utility Stores Corporation (USC) amounted to 1500 billion rupees in FY13. As a consequence, the overall public debt is touching the figure of about 60 % of GDP in FY13 (Pakistan State Bank, 2013). To put this in perspective,

in FY13 these expenditures, as a percentage of GDP, were almost equal to the combined total budget for health and education.

Considering the burden of Pakistan’s Public Sector towards Public Debt as shown in Fig-2 and Table-1 below, it is critical to highlight the leading contributor towards this debt is our non-productive Public Sector.

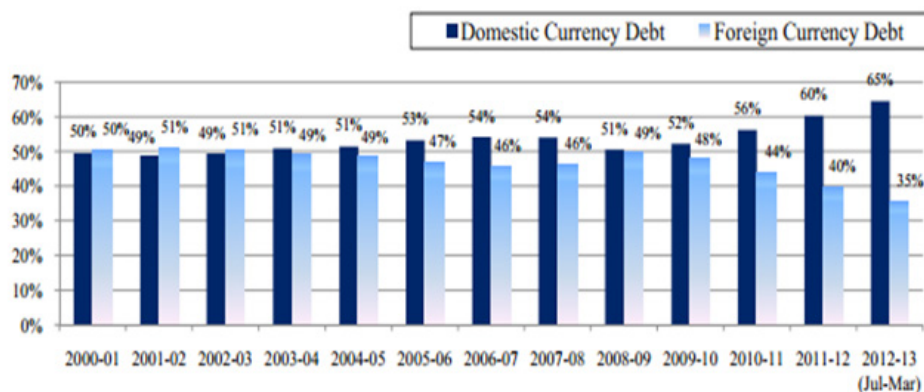


Figure 1. Pakistan Public Debt

	1990	1995	2000	2005	2008	2009	2010	2011(P)	2012(P)	2013 (P)*
	(Rs. in billion)									
Domestic Debt	374	790	1,576	2,178	3,266	3,852	4,651	6,016	7,637	8,796
External Debt	428	873	1,442	1,913	2,778	3,776	4,260	4,685	5,030	4,831
Total Public Debt	801	1,662	3,018	4,091	6,044	7,629	8,911	10,700	12,667	13,626
	(In percent of GDP)									
Domestic Debt	42.8	42.3	41.2	33.5	30.7	29.2	31.3	32.9	38.0	38.4
External Debt	48.9	46.8	37.7	29.4	26.1	28.6	28.7	25.6	25.0	21.1
Total Public Debt	91.7	89.1	78.9	62.9	56.8	57.8	59.9	58.5	63.0	59.5

(Source: Pakistan Economic Survey Reports)

It is interesting to highlight that this is not a Pakistan peculiar issue and many developing and even developed countries like the USA also have similar issues. The United States Postal Service reported US\$ 5 billion loss in till the last quarter of 2013 only ([www.cnnmoney.com/ups/23dsss/html/gg/h](http://www.cnnmoney.com/ups/23dsss/html/gg/h)).

Similarly, if we compare Pakistan Gross Government Debt with those of other emerging economies like Turkey, Iran, Malaysia and Indonesia, it is

clear that Pakistan's debt due to its non-productive Public Sector is way ahead of other countries as shown below in table 2:-

**Table 2.** Gross Government Debt (2009- 2013)

Country	Subject Descriptor	Units	Scale	Country/Series-specific Notes	Shaded cells indicate IMF staff estimates				
					2009	2010	2011	2012	2013
Afghanistan	General government gross debt	Percent of GDP							
Bangladesh	General government gross debt	Percent of GDP							
India	General government gross debt	Percent of GDP		I	74.247	68.042	67.001	67.587	66.668
Indonesia	General government gross debt	Percent of GDP		I	28.636	26.876	24.450	23.902	22.171
Islamic Republic of Iran	General government gross debt	Percent of GDP		I	14.736	16.721	13.044	10.942	9.275
Malaysia	General government gross debt	Percent of GDP		I	52.800	50.953	52.865	53.049	53.531
Pakistan	General government gross debt	Percent of GDP		I	61.464	61.607	60.224	62.366	62.963
Turkey	General government gross debt	Percent of GDP		I	46.122	42.396	39.250	37.701	36.663

(Source: IMF World Economic Outlook Database)

### Major Factors Affecting Productivity of Pakistan's Public Sector

Politically motivated aims and lack of honest will on part of the government seem the major factors in the non-productivity of the Public Sector of Pakistan. The political interference can be varied but in general terms, it is more prominent in the following areas:

#### Management

The structure of an organization is designed in a way to facilitate the achievement of its goals and objectives. Managerial structure refers to the ways that tasks and responsibility are allocated to individuals and the way individuals are grouped in offices, departments and divisions. An organizational structure could be flat or tall, centralized or decentralized, participative or authoritative, which depends on what goals the organization is pursuing (John Wright, 1992). A certain amount of autonomy in the job is imperative to increase efficiency. It is often not the managers but the workers at every level and sector of the organization who discover that things are not working well. They are a very natural source of feedback, and incorporating their ideas into the management and running of organizations is essential. The goal in improving productivity is to provide better service

#### Recruitment and Training

Each year the Public Sector recruitment system attracts people from all over the country who undergo a defined selection process. After selection the personnel undergo initial training at respective organizations. In the

Public Sector there is an elaborate system of training at the upper middle and top management level, however a vast majority of employees working at the operative level (BS-1 to BS-16) receive little or no formal training to handle the assigned jobs. These employees work in local government, rural development departments, the departments of health, agriculture, planning and development and education at the provincial and federal levels. Most of the government jobs have no job description or specification.

### **Pay Structure**

Government jobs are the most secure jobs whether one delivers output/service or not. One keeps receiving compensation and annual increment. These increments or raise in salary are not contingent on performance. Public personnel receive salary, allowances etc. in 22 basic pay scales (BS). BS-1 includes such diverse jobs as peons, sweepers, janitorial staff, bearers, security guards etc.

The salary for all these jobs is the same. Similarly, there are jobs in BS-17 which are as diverse as Assistant Superintendent Police, computer programmer, researcher, doctor, engineer, administrator etc., but are being paid the same basic salary. This illustrates that the salary structure in public service is not commensurate with the nature of the job, not dependent on performance and it is considered to be low as compared to that in the private sector.

### **Performance Evaluation**

Performance evaluation is the most bizarre in public organizations and for all jobs there is one performance evaluation form. Performance variables on which employees are assessed are ambiguous and have little relevance with the output of the employee. Objectives to be achieved by the employee during a given period are not known.

At the end of the period (year) assessment is based on general criteria, e.g., intelligence, integrity, honesty etc. and not on the achievement of objectives. As pointed out, jobs in public service are diverse, therefore, performance (efficiency and productivity) need to be assessed on the basis of achievement of objectives outlined for each job (Sanai, 2010).

### Job Security

One of the major issues connected to evaluation and promotions is that it is not directly linked to productivity profile of individuals, thus the employees take their jobs for granted. There is no power of firing with the chief executives. Even if a low grade employee is fired, sometimes, the level of interference in reinstating the employee could be really bewildering. Thus, secured employees of the public sector have nothing on stake and they get their wages without even doing their basic tasks.

### Corruption

Corruption defined as misuse of entrusted power for private benefit is unfortunately endemic in Pakistan particularly in the Public Sector (Pakistan Economic and Social Review, 2010) and it immensely affects the productivity of Public Sector. No structure, no tier and no office of Public Sector are immune from it. Its spread is enormous. It has reached every organ of state — beyond executive, it has put its claws even on judiciary and legislatures. It would be no exaggeration to say that the whole body of the state of Pakistan is suffering from this malaise and wailing under its dead weight. To have an idea of corruption, the table of Transparency International ranking for Pakistan is as follows:

**Table 3.** Pakistan's ranking in corruption

Year	Pakistan Rank/ Score	Pakistan Most Corrupt Rank	No. of Countries Ranked
2013	127/2.8	43	176
2012	128/2.7	45	176
2011	127/2.8	42	175
2010	143/2.3	48	176
2009	139/2.4	42	180
2008	134/2.5	47	180
2007	138/2.4	42	179
2006	142/2.2	20	163
2005	144/2.1	16	159
2004	129/2.1	19	147
2003	92/2.5	42	133

(Source: Transparency International Rankings)

## **Material and Methods**

In this study, Pakistan International Airlines and Pakistan Post were selected as well representative locations for the Pakistan Public Sector. The reason for selecting these organizations was that PIA is one of the worst performing Public Sector Enterprise in terms of productivity as it has suffered losses of 170 billion rupees in FY13. Pakistan Post was selected as it is performing relatively well as compared to sister organizations and contributes towards revenue collection of the government. Last year it contributed Rupees 25 million to the national exchequer. Then, the population of this research was determined as employees of the Pakistan's Public Sector and the sample was employees of PIA and Pakistan Post. The questionnaire was circulated to one major (80 questionnaires) and one minor (20 questionnaires) public enterprise, PIA and Pakistan Post respectively. Majority of the employees were reluctant but agreed on conditions of anonymity to provide the feedback. However, only 78 out of 100 responded. Then the hypotheses were stated as:

**Hypothesis 1.** Poor Management practices and the non-productivity in public sector of Pakistan are dependent.

**Hypothesis 2.** No merit-based Recruitment and the non-productivity in public sector of Pakistan are dependent.

**Hypothesis 3.** Incommensurate Pay structure and the non-productivity in public sector of Pakistan are dependent.

**Hypothesis 4.** Faulty Performance Evaluation and the non-productivity in public sector of Pakistan are dependent.

**Hypothesis 5.** Job Security and the non-productivity in public sector of Pakistan are dependent.

**Hypothesis 6.** Corruption and the non-productivity in public sector of Pakistan are dependent.

Since the data (shown in Fig. 3) consisted of nominal variables, a Chi-square Independence Test was used to check the statistical significance in order to know whether there exists a relationship between variables or not. Significance level of 5% was taken as the datum for assessment of relationship between the variables.

## **Results and Conclusion**

The results of the Chi-square tests are summarized below in a way that each pertinent hypothesis is restated and the data analysis reviewed.



The first hypothesis was not supported by the data. The relationship of management and non-productivity determined by the chi-square tests was not statistically significant (sig=.867). Pearson Chi-square value was 4.615. Thus, there is no significant relationship between management and non-productivity, they are independent.

The second hypothesis was supported by the data. The relationship established by the chi-square tests was statistically significant (sig.=.001) and the Pearson Chi-Square value was 29.433. Therefore, the relationship proves the support for the hypothesis. No merit-based Recruitment and the non-productivity in public sector of Pakistan are dependent.

The third hypothesis was supported by the data. The relationship between pay structure and non-productivity was statistically significant (.006) and surpassed the practical importance criterion of 0.10. In addition, the Pearson chi-square value of 22.945 indicated a relationship between the variables.

The fourth hypothesis was also supported by the data. The relationship between performance evaluation and non-productivity determined by the chi-square tests was statistically significant (.084). The Pearson chi-square value was 11.151.

The fifth hypothesis was not supported by the data. Chi-Square tests did not yield a statistically significant relationship between these two variables with the practical importance criterion (.419). The Pearson chi-square value was 6.039. Job Security and the non-productivity in public sector of Pakistan are independent.

The sixth hypothesis was supported by the data. The relationship was statistically significant (.001) and the Pearson chi-square value was 29.433. Corruption and the non-productivity in public sector of Pakistan are dependent.

The management system of Public Sector organizations is monolithic in nature and has loop holes particularly with regards to HR management and over centralization. The employees feel highly disempowered and consider

their feedback is not taken to improve the system- which seriously affects morale. The recruitment systems in majority of public organizations are very biased and level of training is not satisfactory. Political compensation is a major criterion for governments in Public Sector recruiting. The employee's morale is seriously affected and the impetus to excel is lost. Pay structure is not subject to performance and there is no desire amongst employees to perform better than their colleagues and hence competition is discouraged. There is also a general feeling amongst Public Sector employees that they are paid less as compared to private sector counterparts which also results in demotivation.

The assessment of employees is still being done according to out-dated and old assessment forms. This assessment does not reflect the contributions of the employee towards the productivity of the organization. Thus, the assessment is mostly uniform and employees take their jobs for granted. Corruption is assumed to be the leading contributor towards Public Sector non-productivity.

## **REFERENCES**

- [1] Christine Teresa. (2007). *Improving Public Sector Efficiency: Challenges and Opportunities*, Yale University.
- [2] Dawson Sandra. (2008), *New Public Management*, UK: Cambridge University.
- [3] Khan Sana. (2010), *Restructuring of Public Sector*, The Times of Pakistan, 12 December.
- [4] Oxford Dictionary Online. (2013) "Public Sector" www.oxfordonlinedictionary.com, access date 15 Dec 2015.
- [5] Pakistan Budget Report (2010-2011). *Pakistan Budget Review 2009-2010*, www.nbs.nust.edu.pk/.../2010/Aug%202010/Public\_sector\_enterprises%20- %20Aug%203,%202010.pdf, access date 20 Nov 2015. PILDAT. (2014)

- [6] [http://www.pildat.org/Publications/publication/FPLGS/PakistanFiscalManagementAndAccountability\\_2ndEdition.pdf](http://www.pildat.org/Publications/publication/FPLGS/PakistanFiscalManagementAndAccountability_2ndEdition.pdf) . , access date 20 Dec 2015.
- [7] Scott P. & Falcone Sid. (2007), *Comparing Public and Private Organizations - An Exploratory Analysis of American Public Administration*, New York: Chester Bros., 28:2.
- [8] State Bank. (2010), *State Bank Annual Report on Review of Economy*, Chapter 6.
- [9] Wright John. (1992), *Strategic Management: Cases and Concept* N.J: Prentice Hall.