Public and Private Sector efficiency



(3 September 2019) A major review of hundreds of academic studies reveals that there is no empirical evidence that the private sector is intrinsically more efficient than the public sector.

The report for EPSU by the Public Services Privatisation Research Unit (PSIRU) at the University of Greenwich challenges the assumption that privatisation or public-private partnerships (PPPs) can always deliver the same level and quality of service with lower costs than the public sector.

The research was originally published in 2014 but has been updated with new evidence covering a range of different public services.

The report examines evidence from nine sectors - electricity, health, waste management and water, prisons, buses, ports and airports, railways and telecom,. The results consistently undermine the case for privatisation and outsourcing.

In the case of PPPs, in particular, the report points out that invariably private sector

borrowing costs are higher than those in the public sector and so the private sector option needs to deliver even greater efficiency savings to cover those costs, deliver profits to shareholders and still guarantee service levels in terms of quantity and quality.

The PSIRU research also looks at the improvements and efficiency gains made when services are brought back under public sector ownership and management, citing the the remunicipalisation of water in Paris and the termination of the massive London Underground PPP. Both of these led to cost savings and greater efficiency resulting in a range of different measures including improved coordination, less sub-contracting, cutting profits to shareholders and more accountability.

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