
Recognizing, Rejuvenating and Reviving Public Sector Enterprises

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Abstract – Mixed economy system has been a panacea to address the ills of both capitalism and socialism as the public sector has the potential and potency to address social, income and regional inequalities through making accessible basic inputs for development and essential services to the masses along with job opportunities in myriad sectors both directly and indirectly. Public sector enterprises in India has served as the bedrock for development and growth. Highlighting the contributions of public sector the article examines that the wantonly diminishing the roles of public sector in the guise of so called new economic reforms of nineties has neither been desirable and justified nor serves nation's interest in the long run. The article opines that resourceful, resilient and efficient public sector enterprises are required not only for socioeconomic objectives but also to regulate and control concentration of economic power and assets: a source of exploitation, discrimination and formation of exclusive communities. India taking over the presidency of the G-20 is an opportunity to make new perspectives on public sector as a vehicle for ushering socio economic equity through making accessible basic services and opportunities of employment.

Keywords – Mixed, Regional, Enterprises, Presidency, Opportunity.

I. INTRODUCTION

Abhorrence, affront and aversion towards public sector in India need serious deliberation and rethinking on this policy of swapping the public sector units by private ones controlled by the conglomerates. What is that that public sector cannot which private ownerships can achieve? Until yesterday developing economy and now proudly claiming the status of being one of the emergent one, India has a very interesting anecdote. The public sector laid the foundation for industrial and agricultural development by providing key inputs and infrastructure prerequisites for fifty years and source of employment and essential services for the emerging middle class became a beta noire as source of all inefficiencies and infirmities in the economy. The political bureaucrats liaising for controlling and regulating public sectors suddenly were converged on the new economic pill that the privatization is panacea for prosperity and progress. This attitude toward public sector need investigation. People still trust public sector. A few success stories like the revolution in communication services does not convince them that public sector is failing. The current G-20 president and a country which started its development journey adopting the mixed economic system to keep the public sector at the commanding heights and also to keep at bay the limitation, non-inclusivity and wealth concentration features of capitalism and also to check excessive dominance of government in the socialistic societies. India has to rethink and reorient its policy for recognizing and redesigning the roles and contributions of public sector in addressing the increasing concentration of economic power and wealth in a few corporate families, massive unemployment and inequality and hence denying the fundamental rights of equity, justice and equal opportunities for growth. The political parties leveraging the economic influence of newly born corporate tycoons for meeting the prerequisite requirements of staying in power is commonly visible to ail in the capitalist economies of the rich economies. The countries where one party controls the distribution of resources and curtails the entry of private entrepreneurship in the name of state owned enterprises is crushing the the rich and emergent economies in

reorientation of their views on the role of public sectors. The public sector should be recognized and revived to provide socio economic justice and promotion of the entrepreneurship at the bottom of pyramid. There is need for reimagining the public sector as the platform where all get opportunities to contribute and prosper. It is so ironical that news channels so valiantly highlights corporates behemoths taking over yesteryears public sectors enterprises for increasing their efficiency but there is hardly any mention of Maharatanas and Navratans, public sectors star performers and cash cows and their immense contributions in making India self-reliant and saving foreign exchange. Public sector in India is criticized for being burden on exchequer as wage bill along with pensions are ballooning making the enterprises unsustainable. Structural reforms that target sectors with excessive employment and wage level supported by strong institutions are required for more sustained wage bill adjustment while protecting service delivery (Izabela & Mauricio, 2018). The growth and performance of public sector keep check on the concentration of economic power and wealth; a source of discrimination, exploitation, exclusive growth and denial of rights and equal opportunities to grow. Constitutional ethos do not allow outright selling off public sector units to highest bidder just because these have become unmanageable. The key institutional drivers that may contribute to improve public sector efficiency are increasing devolution and decentralization, strengthening competitive pressure, transforming workforce structure, size, introducing result-oriented approaches and increasing the role of performance information in the budget process (Teresa et al, 2007). The core purpose of this article is to make all the stakeholders understand that public sectors should not shun from its constitutional roles and responsibility of providing basic amenities and services to multitude of people and doing so be a source of employment both directly and indirectly. In the light of above, discussion the article shall deliberate on the following socioeconomic necessities in a socialist democratic republic of India:

1. Recognizing the need for reviving public sector enterprises for achieving socioeconomic objectives.
2. Recalibrating its policies for providing key inputs, basic services and employment generation.

II. LITERATURE REVIEW

The public sector should provide good services to citizens and it can also help expand the middle class and reduce income inequality (The Economist, March 2023). The developed capitalist economies employs more people in public sector as greater proportion of their population and in the OECD, a club of rich countries, the average share of public employment is eighteen percent. In contrast, the developing economies are justifying and deliberately diminishing role and contribution of public sector as these enterprises have become white elephants and burden on exchequer. The planning in the mixed development economies is concerned with efficient allocation and distribution of sectors and resources among stakeholders. The government's deliberate use of domestic saving and foreign finance to carry out public investment projects and to mobilize and channel resources into areas that can be expected to make the greatest contribution toward the realization of long term economic objectives (eg. construction of railways, schools, hydroelectric projects, and other components of economic infrastructures, as well as the creation of import-substitution industries (Michael & Stephen, 2005). As per the International Labor Organization, the public sector is shrinking all over the world. The new law (Right to Health) in the state of Rajasthan is highlighting that the state is taking legal responsibility to provide healthcare to all residents and this strengthen the public sector which could help reduce the reliance on private sector (Sumit Ray, TOI) and further arguing morally that citizenry denied and deprived of basic necessities fall into gorge of abject poverty and debt highlights that a Parliamentary Standing Committee Report in 2016 stated

that nearly 63million people were pushed into poverty due to “catastrophic health expenditure. The Supreme Court in the judgment in August 2020 stated that every individual should have the right to emergency treatment and critical care at both public and private hospital, irrespective of their ability to pay father spur that public sector has equal responsibility. Education and health are two essential requirements for Human capital should not be left to for private sector. In this context World Health Organization opined that “The careful and responsible management of the well-being of the population-stewardship-is the very essence of good government--- The Health of people is always a national priority: Government responsibility for it is continues and permanent”. The economic reforms of early nineties suggested privatization as solution the public sectors ills. There are number of studies, which have cast doubt on the purpose of the privatization. Newbery and Poliiitt (1997) show that in the course of privatization of electricity in Britain producers and shareholders captured all the benefits while the consumers and the government lost out. Privatization-induced efficiency gains have been secured by sharp reduction in wage bill and large scale unemployment of even highly skilled workers, not to speak of unskilled workers who were thrown out of the jobs in droves throughout the world in all the exercises of privatization (Naqvi, Syed Nawab Haider, 2015). There is debate whether the performance of public sector enterprises d in India has improved in the post liberalization, privatization and globalization period. The performance of public sector enterprises have improved in the era of economic liberalization and their profitability and internal resource mobilization have improved in the post liberalization period (Mishra and Laxmi, 2006). Public Sector enterprises showed better performance in the post reform period as compare to the pre-reform period and that can be viewed in terms of rising competition that forced PSEs to improve their performance by ensuing higher productivity and reducing cost of production (Jatinder Singh and Krishna Reddy Chittedi, 2011). Jobs with the state are harder to find and harder to live on-yet the public sector remain the employer of choice as the Economic Research Foundation (ERF) found in the survey in Egypt that in spite median salary being low in public sector youth prefer to work in public sector because of job security and benefits. Meeting the aspirations of a middle class economy will require a more agile, responsive and effective public sector in India (The World Bank IBRP-IDA). Reforming staggering public sector unit is socially justified but neutralizing it in the name of reform is socially unjustified and economically countervailing. If Public enterprise function like private sector organizations very efficiently without actually privatizing the enterprise, they can satisfy both the agenda of profit making and social responsibility (Kumkum Kim and N. Paanchanathan 2019). Nomadic countries outperforming on all the socioeconomic indices across nations share a common feature of quality delivery of public services and the share of public sector employment in the total employment about forty percent. The most prominent aspect of the Nordic model is the size of public sector and the role it plays in the overall economy and public receives better health, education and training even if higher tax rates are not considered a hindrance (Deloitte Insights, 2013). Health and education are two attributes of human capital and these cannot be left for private sector alone. Ultimate responsibility for the performance of a country’s health system lies with government wise developing country officials will draw lesson from the many studies showing the interrelationships between health, education, and incomes, and devise an integrated strategy (WHO, 2000) Private sector always adopt innovative strategies to get competitive advantage but public sector enterprises are insouciant to new challenges. There is need for innovation in the public sector of the European Union which shall result in improved efficiency, transparency, improved quality of service and improved user satisfaction (Veronika and Stanka, 2013).

III. ROLES AND CONTRIBUTIONS OF PUBLIC SECTOR

Free India aspired for economic freedom through reducing its dependency on trade from colonial masters to ensure self-sustained steady growth. Public sector took up the gauntlet to translate it into reality through developing core industries to provide basic inputs namely steel, coal and electricity for giving impetus to development of agricultural and industries. Industrial Policy 1948 and 1956 had clear mandate that the public sector has responsibility, managerial capability and wherewithal to develop core sectors to boost agricultural and industrial development, which shall spur growth, employment and reduce poverty. In spite of resource constraint and technology obsolescent the public sector enterprises made steel, coal, cement, electricity, fuel, fertilizers for industries and agricultural. The unparalleled role of Indian Railways in providing affordable mobility for both short and long distance, its contribution as national carrier for food, fuel and coal across states and above all a consistent source of employment is commendable. The Metro Rail, an offshoot of Indian Railways, its performance and profitability exemplify that a well regulated public monopoly can effectively give higher rate of return. The growth and contribution of petroleum sector (Refinery & Marketing) in providing in earning and saving foreign exchange is testimony of human caliber. UJJWALA scheme for providing fifty million LPG connections and SAUBHAGYA scheme for hundred percent electricity connections reflects the latent potential of public sectors in crude oil and power generation and distribution in addressing exclusivity and improving capacities of vulnerable classes. Since 1969, nationalized banks have made middle class realized the dream of earning interest through secured bank deposits and because of trusts and transparency in their working that no private sector behemoth even foreign companies in both banking and insurance cannot rival them. Both public sector banks and government insurance companies have contributed significantly in employment generation. Public sector institutions in education and health both at the center and state level have made accessible services and opportunities for employment. Public administration; civil, defenses and para defiance have always been giving opportunities to millions of youths to serve motherland. Indian Telecom and Indian Postal services had a very large network but could not work effectively due to obsolescence and faulty policies.

IV. PUBLIC SECTOR: SHRINKING SHARE IN TOTAL EMPLOYMENT

The government whatever been its ideology before coming to power wants to shrink public sector and there by escaping its core responsibility of making accessible basic services and providing employment to people. In emergent economies, people love to work in public sector enterprise and it comes with status, security and sanguinity in the societal parlance. In spite of lure of higher wages euphuistically labelled as packages and flexibility of jobs in the nascent corporate sector majority of job aspirants, prefer government jobs. Democracy ensures that the will of the people should be the guiding principle for policymaking. Should not the political parties come out with innovative idea for running the public sector units in such a way that its potential of job creation is garnered without not compromising the efficiency and profitability criteria? There are ways to fulfil the aspiration of citizenry to work with and contribute in the out performance of public sector is full filled with least burden on the burden on the exchequers. Public sector even with low wage carries premium in contract to private sector employment as it provides security, safety and stability. Public sector does not have Elon Musks who over a cup of morning tea declare layoff most qualified work force on whimsical grounds. Economist Finance minister later on Prime Minister certainly deserves accolades for introducing the new economic reforms comprising liberalization, privatization and globalization as a panacea for faltering economy. Diminishing the

scope and scale of public sector and increasing the role of private conglomerates that to with foreign assistance without considering its long run impact on growth, employment and equality was a folly and neither rational nor justified. China adopting and leveraging same policy in late seventies could make global impact through developing local competencies because the state owned enterprises (SOEs) ensured regulations and control on policies, practices and partnerships. The government squeezing the scope of public sector and the private sector adopting high tech labor saving processes and low and uncertain gig employment has been highly detrimental to job creation.

Unlike the Central public sector enterprises survey, which regularly highlights various indicators of performance, no state government publishes report on performance and contributions of state level public enterprises. State governments never thought of privatization rather a new cultural of work on contract basis prevailed where nether public servants and nor the private contractors took the responsibility compromising the quality of wok or services with a huge loss to the state exchequer. States in India have five major public sector enterprises: State Roadways, Sate Electricity, State Administration, State Health & Education Services and Sate Public Works Department. Ministry of Road Transport and Highways report shows that State Road Transport Undertakings account for eight percent of total bus fleet and employment is almost stagnation at seven lakh since 1990. The bad performance of power destruction companies across states resulted in total loss of Fifty nine thousand cores in 2019-20. The inefficiencies and cumulative losses are because talented work force has not been put in place to fulfill vacancies rather the a few officials controlled contractors who employed people with no guaranteed skills and the quality suffered resulting in losses. State governments promotes ad-hoc administration, health and education services with fixed remuneration resulting in poor quality of service delivered. Table1 shows declining employment or marginal increase in a few top five Centre public sector enterprises (CPSEs).

Table 1. Top five CPSEs and Employment.

Organization	2013-14	2021-22
Oil and Natural Gas Commission	34576	27165
Coal India Ltd	3106	1467
Power Grid Corporation of India Limited GCIL	8694	8536
National Thermal Power corporation	23411	17525
Gas Authority of India Limited	4012	4705
Total Employment in all CPSEs in India	1351306	841094

SOURCE: Public Enterprises Survey 2013-14 & 2021-22.

V. PUBLIC SECTOR EMPLOYMENT: G20 ECONOMIES

India spearheading the presidency of G20 countries comprising both developed and emerging economies should learn and take lead in promoting, managing and leveraging the public sector enterprises in a way that its fulfills its socioeconomic objectives. High productivity, progress and prosperity in these economies shows effectiveness of policies and practices. A unique common feature among G20 nations is that these economies duly recognizes and leverage the potential of public sector in providing quality service and quality jobs to the people. Five nomadic countries belonging to the EU holding high rank on the Happiness Index have a robust

public sector providing quality basic amenities and employment is forty percent of total employment. This clearly highlights that the government have key role in providing basic amenities and services to the masses effectively. In all G20 economies the public institutions at the city and town level are accountable for these survives and resources and revenue are generated at the local level with full transparency. The central and state government while serving as watchdog play an advisory role with full autonomy to local public institution. Table-2 shows the share of public sector employment in total employment in respective G20 nations.

Table 2. Employment in Government (G20).

Country	% Share	Country	% Share
Russia	40	S Korea	15
S Arabia	35	US	14
Australia	29	Italy	13
China	28	Turkey	13
France	21	Mexico	12
Canada	20	Brazil	12
Argentina	19	Germany	11
EU	17	Indonesia	9
UK	16	Japan	6
S Africa	15	India	3.80

SOURCE: International Labor Organisation 2019.

India present a very dismal and disappointing picture. The moot issue is that while employment in public sector government got reduced but the privatization could not provide employment as motives are different. All the G20 economies have high ranking on both HDI and SDGs ranking scale whereas India is yet to achieve and sustain a satisfactory score. Making accessible and affordable quality health and education is sine qua non for achieving success on both of these indicators of inclusive growth. Public sectors across G20 economies provide and strictly regulate provide education and health services and doing so also becomes a major source of employment.

VI. PUBLIC SECTOR AND SERVICES

Across the world even in the rich, affluent and developed economies, the public sector has taken up the responsibility to provide basic amenities and services nondiscriminatory to all effectively and people are ready to pay premium for reliability and regularity. The government has set up a robust system to make accessible water, electricity, primary health facilities, public transport, school education, training and skills, old age homes, tourism, arts and culture, security services and public administration covering myriad areas of socioeconomic concerns. The service sector is value addition sector and productivity per labor is higher as compare to other sectors. There exists immense scope for government in India to enlarge scale and scope of services sector so that avenues for employment are wider and deeper and share of service sector in the national income may increase. Table 3 highlights the relationship between public sector employment and growth and contributions of the services sector in the respective G-20 countries.

Table 3. Public sector Employment and Service Sector G20.

Country	% of Total Employment in Public Sector	% Of People Employed in Service Sector	% Share of Service Sector in National Income
Argentina	19	73	59
Australia	29	75	69
Brazil	12	63	67
Canada	20	62	69
China	28	47	52
France	21	76	79
Germany	11	72	71
India	3.80	29	56
Indonesia	9.5	69	73
Italy	13	69	73
Japan	6	69	71
S Korea	15	52	57
Mexico	12	61	52
Russia	40	66	60
S Arabia	35	71	31
S Africa	15	52	65
Turkiya	13	51	63
UK	16	80	78
USA	14	81	63
EU	17	64	70

Source: <https://data.worldbank.org/indicator>.

In the world most populous country the development of service sector t hold immense potential of improving quality of life with direct bearing on productivity and as a source of quality employment. Public sector institutions have immense potential of providing services and job creation throw adopting innovative policies in banking, insurances, local transportation, primary health service, electricity, water and gas supply. Besides local handicrafts, internal trade, tourism, construction and improvements of city infrastructure comprising roads, footpaths, cycle lanes, hygiene and cleanliness practices, digital skills centers for girls, and elderly, safety and security mechanisms also hold potential for public sector..In all G20 economies these are provided and managed at local level..Indian constitution has provision of local governess. The municipalities, town committees and gram panchyatas should take up the responsibility of providing these with full accountability and transparency. That require committed and skilled workforce. Public sector entities should work like corporates where talent hiring and nurturing is top priority to ensure quality services. The new culture of delivering these services through contractors in India only promotes vested interests and compromises availably and quality.

VII. REVVING PUBLIC SECTOR THROUGH REFORMS

The theory of functional finance, a Keynesian therapeutic has been leveraged across world to counter onslaught of Covid-19 highlights the need for resilient, resourceful and resolute public institutions. Managing, sustaining and leveraging the potential of public sector enterprises in delivering good and services in a way that both employment creation and income generation not compromised require two-pronged approach. The central public sector enterprises dealing in arms, mineral, fuel, energy, airways and other core industries may require a different approaches as these are strategic. The other public sector enterprises where both center and states need to collaborate are concerned with providing goods and services for improving quality life and livelihoods. Trust, love and respect for public institutions need to be sustained through delivering the promised quality. The Metro Rail is known for regularity, reliably and convenience and above all safety and commuters pay premium. The AC three tier coaches of Indian Railways has won the hearts of millions of passengers and rate of return is so high that Indian Railways plans to run trains with AC three tier coaches only. Quality City bus service for intra-city connectivity is a civic responsibility of the municipalities. The performance of BEST in Mumbai and CTU in Chandigarh for local transport is worth imbibing by others. Public-private partnership never works, as both are pole apart in ideology and objectives. Public-private competition always leads to private sector taking major share of market and the compromising quality. Public monopoly well regulated and governed with strict regulation and accountability work better as the Metro rail and performance of other entities in the European cities shows. It is necessary to inculcate commitment among human resources and increase capacities and competency through training and development. The proximate cause of underperformance and underutilized capacity in public sector units has been the political interference in plant location, purchases and higher up appointments and above all pay and promotions not linked to performance and capabilities. All G20 countries except a few have vibrant and dynamic democratic institutions and hence public sector enterprises are developed to distribute and use resources judiciously. The reason they could do so is that there is there is micro management at the local level. There is decentralization of both powers and resources. The Municipalities responsible for providing basic amenities from transportation, energy, water and waste management make a balance between employment generation and revenue generation potential of delivering quality services to the citizenry. Micro managing the distribution of resources deter rent seeking, another major reason for public institutions in India incurring heavy losses. Rent seeking can be discouraged through innovative digitalized solutions as is reflected in the e-governance. Education and health, two complementary initiatives for human capital formation should not be left to private sector. These two sectors require committed, capable and inspired leaderships and workforces. The new policy of ad hoc in two essential areas is highly counterproductive and detrimental to human capital formation at the right time. Innovation in policy formation and implantation is necessary for public sector to perform like private sector without compromising its' moral and social constitutional obligations. The "Agnipath scheme" for defense services is an innovative scheme for addressing both professional competency and employment generation simultaneously.

VIII. CONCLUSION

The working age population (15-64 years) need to be provided both work and basic services to harness their latent energy for getting demographic dividends. Public sector enterprises at center, states and more so at the city and town levels have to come at the forefront of providing services and employment in four key areas of

human development and concomitantly sustainable development: core industries, education and skills development, basic civic amenities, health and public administration. Core industries are to be developed in a way that its ripples effect create entrepreneurship at the rural and town levels across states. The government intervention in education and skill development is desirable and justified, as it shall serve dual purposes of providing quality jobs and the same time making accessible and affordable knowledge and digital skills to youth. Citizenry are ready to pay premium for quality and reliable supply of services hence the onus lies on the municipalities to provide civic amenities efficiently as it improves the quality of life. Public health services should be accessible and affordable for all as it reduces poverty and improves productivity. Digitalization of public services shall make the processes transparent, accountable and also efficient and effective. The government should leverage the job creation potential of creating and delivering services for providing employment.

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