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## The Flipside of New Public Management: An Inquiry into the Challenges Facing Outsourced Workers in South Africa

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### Abstract

*Inspired by the new public management (NPM) philosophy, public sector institutions have engaged private companies by outsourcing non-core services for improved service delivery, lowering government expenditure, and creating opportunities for employment. There is evidence suggesting that the public sector has witnessed industrial conflicts occasioned by labour unrest among outsourced workers. This paper explores how the employees of contract companies perceive outsourcing and how outsourcing has affected them. Using a non-probabilistic sampling technique, the study mixes both qualitative and quantitative techniques to show that the outsourced workers do not see outsourcing in good light. The viewpoint of participants revealed that the outsourced workers were not pleased with the condition of work under different management. These findings have significant implications for broadening the understanding of the plight of the outsourced workers in the public sector. This study has raised important questions about the nature of outsourcing in the public sector and aroused the consciousness that the challenge facing outsourced workforce persists despite the premium placed on NPM in literature. The study, therefore, recommends that the condition of service of outsourced workers in South Africa's public departments be given due attention to forestall undesirable outcomes.*

**Keywords:** NPM; outsourced workers; outsourced companies; public department; wages

### Introduction

The government of South Africa has an obligation, as directed by the supreme law of the country, the South African Constitution, to, among other things, ensure the provision of sustainable services to society and enhance economic and social development. Furthermore, the Constitution (Section 217, I) obligates the national legislature to determine a framework that provides preferential procurement to redress historical economic and social inequities. To achieve the goals of the Constitution, the BBBEE Act 53 of 2003 was enacted for socio-economic transformation to facilitate the participation of black people in the economy. The Cooperatives Act No. 14 of 2005 provides for the establishment of primary cooperatives to provide employment and services that will enhance community development. Skelcher (2005: 354) argues that the government can opt to provide services through contracting out services to private firms or by providing them directly through public employees. Contracting, as described by the author, is "the logical outcome of a competitive tendering or market testing process in which the public provider is deemed not to offer the best solution" (Skelcher 2005: 354).

Similarly, Alonso *et al.* (2015) argue that competition should reduce costs and increase efficiency. However, Petersen and Hjelm (2014) contend that there is a very little evidence to suggest that outsourcing lowers costs. Similarly, the researchers found studies that have established that outsourcing sometimes yields unintended consequences (Liff 2014; Heires 2014). For instance, Heires (2014) demonstrates that the competition that comes with tendering compels private vendors to reduce their costs as they want to show the value of their services compared to their contestants and this results in private vendors cutting down on the earnings and fringe benefits of employees, which costs society dearly. Therefore, the author concludes that the contracting out of public services has had harmful effects on workers. This includes the lowering of wages, which exacerbates inequalities between workers (Heires 2014; Luckett and Mzobe 2016). Ndaliso (2016) reports violent protests by disgruntled outsourced employees in government hospitals demanding full-time government jobs. These workers pointed out that they were tired of greedy contractors who have enriched themselves by exploiting the state through corrupt practices. In support of this, Luckett and Mzobe (2016) conclude that outsourcing has an exploitative tendency. Overall, this shows that even though outsourcing was introduced as a mechanism to improve service delivery, it has had unintended consequences.

Unfortunately, research on outsourcing to date seems to focus more on how the concept impacts on efficiency. The human-factor element has ostensibly received scant attention in literature. There is, therefore, a need to conduct more studies that will assess the impact of outsourcing from a human capital development perspective (Verbeeten and Speckle 2015; Alonso *et al.* 2015; Chen 2020). Drawing on the cases of two contract companies within the KZN provincial department in KwaZulu-Natal, this paper seeks to explore the perception of contract workers on these issues to evidence-based judgment concerning the disaffections observed between the full-time workers in the department and the outsourced workers. The outsourced workers represent the staff of those companies to whom the KZN department has outsourced some of its utility services, like cleaning, maintenance, and security services. The study should shed some light on certain issues relating to labour legislation, human-resource decision-making, and theoretical discourse on outsourcing, particularly in the public sector.

The next section, after this introduction, outlays the theoretical dimensions of outsourcing in line with workers' perceptions. The section following will analyse the results of obtained from the field survey. The final section discusses findings, highlights implications, and makes recommendations.

### **Review of Literature: Contextualising Outsourcing**

Outsourcing in its simplest meaning connotes the contracting out of certain functions and roles previously performed by the in-house employees and staff of an organisation to another company outside the organisation whose core competencies lie in the provision of such services (Onnebring and Cornill 2020). Recently, authors have examined various benefits of outsourcing to an organisation (Horwitz 2019; Lee Lee, Malatesta, and Fernandez 2019; Alonso, Clinton, and Diaz-Fuentes 2015; Cali *et al.* 2015) and found that outsourcing brings in a new technique to service delivery. In the same way, Doellgast and Pannini (2015) claim that the choice to outsource often rests on the assumption that the contracted firms can accomplish efficacy due to their core competency innovation and specialisation in the specific area of organisational operation.

In sharp contrast to earlier findings regarding outsourcing, Heires (2014) claims that the savings in costs due to outsourcing are insignificant and temporal. The author maintains that the savings decline with time due to a lack of competition as part of the intervening variables put forward by critics of outsourcing. Similarly, Cali *et al.* (2015: 117) acknowledge that outsourcing adds some benefits in term of quality of service; they, however, remark that without sound managerial skills and

benchmarking outsourcing could be “costlier than insourcing”. Furtherance to this, a similar conclusion was made in a recent study by Agrawal *et al.* (2016). The study links an improved performance in the supply chain of health commodities in Senegal to elements of outsourcing such as the clarified roles of the outsourced companies, the strong commitment of government, effective collaboration of multi-stakeholders, and accountability mechanisms. The evidence presented here ideally rationalises the adoption of outsourcing for support services such as cleaning and maintenance by public service organisations.

The existing body of research on outsourcing suggests that outsourcing has affected the workers employed by the contract companies negatively. Recently, Mohamed (2019) conducted a study exploring the perception of workers employed by the Libya Oil Company regarding their current payment satisfaction due to outsourcing and the future of outsourcing in the organisation. The author tested two hypotheses in the study: 1. That employees’ perception of future outsourcing depends on how well outsourcing induces workers payment satisfaction; and 2. that the future of outsourcing on profession depends on payment satisfaction. The test of the two hypotheses based on the analysis of worker response shows that a significant positive relationship to the survival of outsourcing and future relevance is positively linked to the pay satisfaction of the workers.

Similarly, Heires (2014: 2) has shown how the outsourcing of public services has impacted negatively on the community. The author argues that contractors frequently attain their savings by dropping the earnings and fringe benefits of the workers and this occurs at a great cost to the community. He then concludes by saying that outsourcing has reduced employees’ wages and aggravated inequality. This view is supported by Lockett and Mzobe (2016: 94) who recorded, “how universities, in an endeavour to lower public spending, had undertaken tremendous retrenchment of workers and contracting out all support services such as catering, cleaning and maintenance.” Furthermore, in their paper, they argue that with contracting, some employees were terminated as university employees and were then employed by private contractors.

Another concern was that the outsourced services were ‘non-core’ services which were being carried-out by blacks, while the core services were performed by skilled personnel who were mostly the middle-class white minority. Therefore, the authors infer that outsourcing, to a large extent, further strengthens the social and economic segregation that was experienced during the apartheid era. Consequently, outsourcing has an adverse effect on employees and when matching the wages of workers prior- and post-outsourcing, the authors concluded that the workers’ earnings were greater before outsourcing. Conversely, a study by Oliveira and Costa (2019) compares the attitudes of public servants with that of the outsourced workers of the Federal University of the State of Rio de Janeiro (UNIRIO) on three aspects, these being, job satisfaction, turnover intentions, and organisational commitment. On the one hand, his results show a higher level of job satisfaction and turnover intention for outsourced workers than for the workers on the department payroll. On the other hand, there was a higher level of organisational commitment from the public servants than the outsourced workers (Doellgast and Pannini 2015)

In favour of outsourcing, a study conducted in Senegal by Agrawal *et al.* (2016) relates improved performance to outsourcing, such that health commodities were easily accessible following the outsourcing of supply chain logistics to private contractors. Subsequently, Agrawal *et al.* (2016) contend that there were no reported incidences of commodities that ran out of stock. The authors seem to show that the service delivery of firms managed by the contract companies relies on clarified roles, the strong commitment of government, effective collaboration of multi-stakeholders, and accountability mechanisms. The evidence presented here suggests that, ideally, outsourcing was meant to benefit organisations, and it is useful in understanding the rationale behind public service organisations opting for the outsourcing of their support services.

Recently, investigators have examined various benefits to organisations choosing to offer services through private providers. The main reason why institutions opt for contracting out certain services is to reduce their operational costs. For instance, Cali *et al.* (2015: 115) point out that, “in the private sector, managers can lower costs, bring on new techniques to deliver services including new technology. In their research conducted in a Botswana hospital, they suggest that the benefits for contracting encompass saving the costs for the hospital in equipment, supplies, human resources, training, and management since these costs are no longer borne by the hospital. Majorly, these authors have observed that literature around contracting out support services is not definite in stating whether outsourcing reduces costs and increases efficiency”. In the same way, Doellgast and Pannini (2015) claim that the choice to outsource or not frequently rests on the assumption that newer firms can accomplish efficacy by investing and applying modern technologies. While acknowledging that lowering the costs is often the motive for outsourcing, studies have shown that what is saved, in either traditional methods or outsourcing, is usually insignificant (Alonso *et al.* 2015; Heires 2014). Generally, it is a widely held opinion that the costs are greater when the service is rendered by contractors than when it is rendered in-house. However, the study has demonstrated that savings are temporary and after some time they diminish because of the dearth of competition and some other issues.

Furthermore, Akbari, Clarke, and Maleki (2017) conducted a case study that investigates the best practice of outsourcing in the construction industry. Their research focuses on four characteristics of outsourcing. In particular, the study attempts to know the reasons for outsourcing, types of outsourcing, levels of outsourcing, and lastly, the success of outsourcing. Upon analysis, the study establishes that operational expertise was the foremost reason for outsourcing. Also, organisations choose to outsource to reduce operational cost. Similarly, Rho (2017) offers four forces that drive privatisation. Firstly, due to the governments encountering fiscal problems, it is believed that privatisation enhances the cost-effectiveness of state services. However, he adds other reasons such as depoliticising bureaucracy to enhance the participation of the third party and the public. Moreover, since government spending forms a great part of the economy, it must be directed to private providers. Lastly, the author believes that privatisation is one of the ways to enable the public to have a choice in public services.

### **Theoretical Framework**

The fragmentation of modern society along the institutions of the state, private, and the public sectors (the people) results in a new system and a new operation which results into an entirely new challenge (Hughes 2012). The new challenge, therefore, calls for the restructuring of the public administrative structure. The public administrative restructuring involves a transition from traditional public administration to new public management and, in recent times, public-private cooperative governance (Hodge and Greeve 2017; Osborne 2010).

Some scholars have traced the NPM movement back to the late 1970s and early 1980s. Frederickson *et al.* (2012), argue that NPM has a strong base in Western Europe, Australia, and New Zealand as well as in the United States. In a similar vein, NPM emerged in Municipal governments, in the United State (US) that had suffered a great deal from the economic recession (Gruening 2001). Due to the economic crisis, the governments in the European Union embarked on strategies to curtail its expenditure as part of austerity measures (Alonso, Clifton, and Diaz-Fuentes 2015). The fiscal crisis resulted in the intervention of the International Monetary Fund (IMF) as early as the 1970s (Simonet, 2013). The OECD, being a strong advocate for NPM has encouraged countries to adopt its principles (Frederickson *et al.* (2012) to balance government budget and improve the quality of public services (Simonet, 2015; Alonso *et al.* 2015).

Gruening (2001) reminds us that the first practitioners of the NPM movement emerged in the United Kingdom under Prime Minister Margaret Thatcher. Thatcher argued that public servants were too bureaucratic thus making the processes of governance cumbersome and less effective. Thatcher's administrative policy approach, in all its intents, supports NPM (Draai, Van Rooyen, and Raga 2017). NPM theory advocates efficient personnel management systems in which personnel practices in the public and private are intertwined to produce more robust quality management personnel practices in which concepts like motivation, performance management, flexible employment, good tenure, and reward systems dominate (Chen 2020; Baysal 2020). Whilst the focus of this investigation was not to investigate how outsourcing has mitigated the cost of governance in the public department, NPM theory was applied to measure personnel practices in the new reform era.

Although NPM inspired outsourcing is premised on efficiency and effectiveness, recent studies have shown that it instead has a propensity to compromise accountability and transparency in regard to workers welfare (Mthembu and Mutereko 2018; Svård 2019). Svård's (2019) study on outsourcing in Sweden presents an evidence-based polemical attack on some the tenets of NPM, particularly outsourcing. To that end, Svård recommends that, "outsourcing contracts should include clauses that will ensure that the contracted companies take care of government information according to the legal framework" (Svård 2019: 148). Because of the externalities of NPM inspired strategies, all stakeholders likely to be affected should be consulted. In one study, Hammerschmid *et al.* (2019) and their study of 20 European countries revealed that outsourcing, as prescribed by NPM, was also associated with worse service quality.

The NPM has been widely used as a framework to guide public sector reforms in many countries. Likewise, scholars have used NPM management as a heuristic device and theoretical lenses to think through such reforms in both developed and developing countries. This paper draws on the NPM as a theoretical framework to analyse outsourcing and its unintended impacts in the South African public sector. The NPM's envisaged improved services and efficacy are particularly useful for this paper as it explores how expectations have been met in the South African public sector. While the NPM seems to focus on how public sector institutions would benefit from reduced costs and how the citizens would benefit from improved services, there has been little to no attention paid to the private sector institutions and their workers to whom work is contracted out. Theoretically, this paper draws attention to the fact that outsourcing in public services is one major flaw found in the new public era, describing it as a "tool for uncertain outcomes" (Froud, Johal, and Moran 2017).

## **Materials and Methods**

The samples were drawn from the population which comprised of the outsourced workers and management staff of the two contract companies. From Office A, the staff strength was 47, with three management staff. Questionnaires were distributed using a convenience sampling technique to 21 members of staff who were on duty. Seven members of staff were selected on purpose for FGD due to their length of service, and two management staff were interviewed on purpose. In company B, the staff strength was 80. Questionnaires were distributed to 30 respondents on duty using a convenience sampling technique. FGD was held with five employees who were selected based on their length of service. Overall, the samples for this research consisted of 66 participants. Out of the 66 participants, 51 respondents filled in and returned questionnaires, 12 were involved in FGD while three management staff were interviewed. The total represents 48.5 per cent of the entire population of 136.

This study adopted a Likert-styled questionnaire. Usually, a questionnaire is a powerful research tool for gathering quantitative data. The questionnaire was constructed using a Likert scale for measuring participant's responses. A Likert scale, according to Du Plooy- Cilliers *et al.* (2014: 159), "requires respondents to indicate the extent to which they agree or disagree with a statement related to an

attitude or object". To measure respondents' attitudes a five-point Likert scale was used, where 1 represents strongly disagree, 2: disagree, 3: somewhat agree, 4: agree, and 5: strongly agree. The researcher measured the internal consistency and reliability of the Likert-styled questionnaire before it was applied with Cronbach alpha. The Cronbach alpha coefficient of reliability result was 0.73. The result was found to be within the acceptable internal consistency of the reliability test for the quality of the research instrument.

In gathering qualitative data, face-to-face interviews and FGDs were held. Interview and FGD guides were used to avoid unnecessary deviations during the interview. An audio-visual recording (AVR) tool was used during interview and FGD sessions to capture the details of the interviews for ease of transcription and qualitative analysis. The process was conducted in line with research ethical codes of conduct on anonymity, confidentiality, and informed consent. Data were sourced from both primary and secondary sources. Data obtained from the survey questionnaire, focus groups interviews, and face-to-face interviews constituted primary data while information was also sourced from secondary sources, majorly, data that were collected from government documents. For this study, surveys were conducted with 51 respondents, of which 21 were from company A and 30 were from company B. Furthermore, a focus group interview was used to determine the attitudes, behaviours, and preferences of the participants who were interviewed simultaneously by a researcher (Du Plooy-Cilliers *et al.* 2014: 183). For this study, there were two focus groups; one comprised seven (7) respondents from Company A, and the other consisted of five (5) respondents from Company B. A voice recorder was used as a tool to collect data and a focus group schedule was employed to guide the group interview.

To elicit the views of the two outsourced companies on the perception of workers on the outsourcing of support services, the researcher had one-on-one interviews with the two (2) supervisors of Company A and one (1) manager of Company B. The researcher recorded the conversations for ease of transcription, having sought their informed consent in line with research ethics guidelines. Further, the researcher prepared the interview guide which was used as a guide in the collection of data to have clear direction. The researcher reviewed government documents that regulate the contracting out of services such as Treasury Regulations, the B-BBEE Act, and DRDLR SCM policies. Altogether, these documents state that the procurement processes for outsourcing should be conducted fairly and transparently. The methodological approach adopted for this study was the explanatory sequential design (EDS) (Creswell 2015; Klassen *et al.* 2012). Quantitative data were obtained using questionnaires. More so, qualitative information was gathered through interview and focus group discussions. The qualitative data provides in-depth explanations on the mindset of the outsourced staff regarding their status and how outsourcing affects their human element in the workplace. Both interviews and FGD offer correlational explanations on certain themes and constructs emerging from the survey. The mixed methodological approach adopted provided reliable data sets from which the authors drew valid conclusions for this study.

Data were analysed using a mixed method. A mixed method combines both quantitative and qualitative approaches for analysis (Creswell 2014). An interpretation of quantitative research meant that the researcher concluded from the results of the research questions and the larger meaning of the results. This involved two steps: firstly, the report of how the results answered the research question and secondly, determining the practical implication for future research on outsourcing, particularly in the public sector. This required drawing inferences and conclusions from the results. It involved discussing theoretical and practical consequences of the results. The focus was on whether the research questions were supported.

Furthermore, a Chi-square test was used to analyse the relationship between two categorical variables. When the variables are nominal, chi-square becomes one of the best statistics for testing a

hypothesis (McHugh 2013). The study employed cross-tabulation to test the statistical significance of the data contingency table by presenting an emergent theme of the research question with Company A and Company B concurrently to compare and analyse the results between Company A and Company B. The chi-square value was 0.05 which implies that the result was insignificant. For a qualitative approach, the data analysis technique employed was thematic analysis. The thematic analysis involved identifying the core themes that emerged from the field notes taken during in-depth interviews (Kumar 2019).

## Results and Findings

The first question in this study intended to explore perceptions of employees and of private contractors who provide services to KZN provincial departments regarding outsourcing. In this question, several themes emerged. The first one is the motives for outsourcing support services, followed by the impact of outsourcing support services on workers, and the call for the termination of outsourcing support services. Using a questionnaire and interviews, respondents were asked how they perceive outsourcing, and the sections below present their responses.

### *Outsourcing as a Cost-Reduction Strategy*

Previous studies have noted that the reason behind the outsourcing of support services involves, among others, reducing government spending. In exploring the perception of employees, the researcher wanted to understand the perspective of employees on what motivated the government departments in South Africa to outsource support services. To be precise, the researcher wanted to know if the employee agreed that the outsourcing of support services resulted in cost reduction as believed by the exponent of outsourcing. Table 2 illustrates the views of the respondents.

**Table 1: Outsourcing of support services in government department results in the overall reduction of costs of governance**

			Outsourcing reduces costs					Total
			SD	D	SWA	A	SA	
Company	Company A	Count	5	7	1	4	4	21
		% within Company	23.8%	33.3%	4.8%	19.0%	19.0%	100%
		% within Outsourcing reduces costs	26.3%	63.6%	50.0%	40.0%	44.4%	41.2%
	Company B	Count	14	4	1	6	5	30
		% within Company	46.7%	13.3%	3.3%	20.0%	16.7%	100%
		% within Outsourcing reduces costs	73.7%	36.4%	50.0%	60.0%	55.6%	58.8%
Total		Count	19	11	2	10	9	51
		% within Company	37.3%	21.6%	3.9%	19.6%	17.6%	100%
		% within Outsourcing reduces costs	100%	100%	100%	100%	100%	100%

SD = Strongly disagree, D = Disagree, SWD = Somewhat Agree, A= Agree, SA= Strongly Agreed.

**Source:** Field Survey 2019. Sample size (n) = 51.

Quite a minority of respondents (19.6 per cent) agreed with the statement that the reason why the government decided to outsource support services to private companies was to reduce costs (Table 1). Most of the respondents (37.3 per cent and 21.6 per cent) did not agree with the statement. The results obtained from these responses can be further compared in Table 2. The table illustrates that 46.7 per cent of all the respondents in company B strongly disagreed with the statement that reducing costs was the reason why government outsourced support services. It also shows that 73.7 per cent of all the respondents who strongly disagreed were in company B. On the other hand, 23.8 per cent of all the respondents in company A strongly disagreed with the statement while 26.3 per

cent of all the respondents who strongly disagreed were from Company A. From this analysis, it is apparent that the highest number of respondents who strongly disagreed were from company B, however, the views of the respondents were insignificantly related to the company of respondents as shown in Chi-square test ( $\chi^2 = 4.133$ ,  $df = 4$ ,  $p = 0.388$ ). Therefore, it can be concluded that the variations were a result of chance.

Turning to the interview discussion on the same theme, some workers agreed that the government outsourced support services to reduce its expenditure while others reported that the motive was to create job opportunities for people and to reduce the level of unemployment. Remarks below show the interviewees' comments.

*The government was avoiding paying out pension[s] to the employees upon retirement (FG1R1). The majority of people are unemployed, therefore the government wanted to reduce [the] unemployment rate and crime (FG2R1). The government wanted to create more job opportunities for those who are unemployed and do not have qualifications (FG1R2).*

Commenting on the reasons for outsourcing, one of the interviewees, a supervisor, reported that:

*The government wanted to ease the burden because in outsourcing you need to consider a lot of things e.g., acquiring cleaning chemicals. The government paid the companies to take care of all that, so the private companies take care of everything. Further, it was for creating job opportunities because private companies employ more than the government could do (IR1). The government is running away from paying the benefits, which has a detrimental effect on the workers (IR2).*

In summary, while the respondents surveyed did not agree that outsourcing reduces costs, the respondents interviewed showed varied views why the government embarked on outsourcing support services. While some interviewees indicated that the government outsourced these services to create more job opportunities thus reducing the rate of unemployment, both workers and managers perceived that the government outsourced services to avoid paying benefits to employees and in that way reducing its expenditure.

### ***Impact of Outsourcing on Workers***

The introductory statement in this study reports that outsourcing negatively impacts outsourced employees. The researcher also needed to understand how the outsourcing of support services impacted the employees of outsourced companies. The researchers' focus was basically on the employed staff of the outsourced company. Therefore, the question was asked as to whether they are comfortable as outsourced staff, or they were negatively impacted by the outsourcing process. Table 2 illustrates the feelings of the respondents regarding the question.

It is evident from Table 3 that most respondents (49 per cent) reported that the outsourcing of support services has had a very bad impact on them, while 35.3 per cent reported that it has had a bad impact on them as outsourced workers. The evidence from these results suggests that outsourcing has adversely affected the employees of private contractors. A possible explanation of these results may be due to poor working conditions for these workers and wages. Further analysis shows that, on the one hand, 71.4 per cent of all the respondents in Company A reported that outsourcing has a very bad impact, and this was constituted from the response of 15 respondents. Furthermore, 60 per cent of all the respondents who reported that outsourcing had a negative impact were from Company A. On the other hand, 33.3 per cent of all the respondents in Company B reported that outsourcing has a very bad impact, while 40 per cent of all the respondents who reported a negative impact were from Company B.



Furthermore, 10 respondents in Company B who reported a very bad impact constitutes 33.3 per cent of the group. It is apparent from these results that a majority of responses showing a negative impact of outsourcing support services on workers were from Company A. Remarkably, company A comprised a minority of respondents (21) compared to Company B (30). The Chi-square test shows that the views of the respondents were not significantly associated with their companies ( $\chi^2 = 9.714$ ,  $df = 4$ ,  $p = 0.046$ ). Overall, the result shows that, though the participants were drawn from two different companies, the difference has no statistical significance in the way the workers negatively perceive outsourcing.

Turning now to the focus group (FG) discussions and interviews, the same question was asked relating to the perception of workers on the impact of outsourcing support services. Two focus group interviews were conducted, one with respondents from Company A (FG1) and the other from Company B (FG2). The perceptions of respondents are shown in the statements below:

*We can't meet our basic needs like bus fare for children, school fees, transport fare for myself. We have to reduce food in trying to meet these needs (FG1R1).*

*It is injurious to us to a great extent. You have to pay for kid's transport, food, clothing, and you end up in loan sharks, and even coming to work you are not happy (FG1R2).*

*There is a stress of contract ending, fear of the future. They don't know if they will still be employed if the new contractor comes in. Workers do not feel right according to my view as the supervisor. You see them when things are happening which they're not happy with, they can show, they report to Premier's authorities, showing a feeling of insourcing (IR1).*

*Bad, employees are overworked, they cannot voice out their feelings for fear of losing their job. Not good, no increment, no communication if there is a change, not happy but on other things they are happy, starting time of 6:00hr, they are not happy (IR2).*

*Good impact on the workers because you take someone who is jobless, there is a change after the contract expires, for example, school children, building houses, outsourced workers are encouraged to save for the period when the contract ends" (IR3).*

Most of the respondents from the focus group reported that outsourcing does not have a positive impact on them because the wages they are receiving cannot cover most of their basic needs. Many respondents also reported that the issue of a three-year contract of employment is problematic because it means that workers' futures are uncertain. On the other hand, one interviewee reported that outsourcing has a positive impact on workers as the lives of the workers have changed after the expiry of the contract. This could be because the company advises the workers on the economic usage of their finances and on saving for the period when they will be without a job. The results from the survey on the question of how the workers perceive outsourcing revealed a negative impact. This was confirmed with the findings from the interview discussions. Taken together, these results suggest that the outsourcing of support services hurts the employees of private contract companies.

### ***Outsourced Workers' Views for or against Outsourcing***

There is evidence that suggests that some public institutions in South Africa have experienced service delivery interruptions due to protests of outsourced workers demanding the termination of outsourcing support services. In understanding the perception of workers on the outsourcing of support services, the researcher asked respondents if they could say that the government should terminate the outsourcing of their services and employ them directly. Table 2 presents the responses of the outsourced workers to questions regarding the sustainability of outsourcing.

**Table 2:** How would you rate the impact of outsourcing on the condition of service as a staff in the outsourced company?

			Impact of outsourcing as an outsourced worker					Total
			VB	B	SWG	G	E	
Company	Company A	Count	15	6	0	0	0	21
		% within Company	71.4%	28.6%	0.0%	0.0%	0.0%	100%
		% within Impact of outsourcing	60.0%	33.3%	0.0%	0.0%	0.0%	41.2%
	Company B	Count	10	12	2	4	2	30
		% within Company	33.3%	40.0%	6.7%	13.3%	6.7%	100%
		% within Impact of outsourcing	40.0%	66.7%	100%	100%	100%	58.8%
Total	Count	25	18	2	4	2	51	
	% within Company	49.0%	35.3%	3.9%	7.8%	3.9%	100%	
	% within Impact of outsourcing	100%	100%	100%	100%	100%	100%	

VB = Very Bad, B = Bad, SWG = Somewhat good, G = Good, E = Excellent

**Source:** Field Survey 2019. Sample size (n) = 51

Table 3 shows that over half of those surveyed (66.7 per cent) strongly agreed that the government should terminate the outsourcing of support services and employ them, followed by those that agreed at 19.6 per cent of the study sample. It can also be observed that 5.9 per cent of the respondents disagreed with the question and 3.9 per cent strongly disagreed. Only 3.9 per cent of respondents somewhat agreed to indicate uncertainty. Further analysis comparing the results from Company A and Company B shows that 85.7 per cent of all the respondents in Company A strongly agreed that the government should terminate the outsourcing of support services and employ them. Eighteen (18) respondents in Company A who strongly agreed constitutes 85.7 per cent of this group. Of all the respondents who strongly agreed, 52.9 per cent are in Company A.

Furthermore, the results show that 53.3 per cent of all the respondents in Company A strongly agreed that the government should terminate the outsourcing of support services and employ them, and this group is comprised of 16 respondents. Additionally, Table 4 above shows that all the respondents who strongly agreed are in Company B. However, the respondents' views were insignificantly related to their companies, as shown in a Chi-square test ( $\chi^2 = 7.359$ ,  $df = 4$ ,  $p = 0.118$ ). This implies that results from the two companies, based on the Chi-square test, did not show any statistical difference. Therefore, it can be concluded that the variations are also a result of chance.

The same sentiments were observed with the respondents that were interviewed. When asking the supervisor of Company A about how the workers feel about the outsourcing of cleaning services, she made the following comment:

*Workers do not feel right according to my view as the supervisor. You see them when things are happening which they are not happy with, they can show and they report to the authorities of the department, showing a feeling of insourcing (IR1).*

Overall, it can be observed from the data presented here that the outsourced employees feel that the government should do away with the outsourcing of cleaning services and that the outsourced workers should be directly under the payroll of government. The most striking observation to emerge from this data comparison was that almost all the respondents in Company A agreed that the

outsourcing of services must be terminated and there is none (zero per cent) that disagreed with this statement. Unlike in Company B where there was at least a few that disagreed. The observed feelings on the insourcing of support services could be attributed to poor working conditions such as low wages, contracts of employment which are very short suggesting job insecurity, and unclear benefits. Moreover, it is also noted that this feeling of insourcing is very strong in Company A and the possible explanation for this is that workers reported an unsafe working environment which they work under, which is something that was not observed with company B.

This study sought to determine how the workers fared under outsourcing arrangements compared to their counterparts fully engaged by public departments. The authors aimed to understand the perception of the workers about the new public management strategy in which government's MDAs depend on the employees of another organisation to carry out their intra-support services which were hitherto carried out by their direct staff. The study observed that the new public management option has created two classes of workers with different conditions of employment in the same government establishment. Thematic issues upon which this study's discussions are based stem from the argument that the government needs to reduce the cost of governance. Others were to find out the impact of outsourcing on workers and the value of outsourcing *vis-à-vis* the objective of the government in terms of creating happiness for a large number of the citizenry. The identified themes are further discussed below.

Outsourcing is supposed to be one of the reformative tools being promoted in the era of public management reform towards efficiency and effectiveness in the management of public affairs (Onnebring and Cornill 2020; Horwitz 2019; Alonso *et al.* 2015). When asked if the government outsourced services to reduce costs, the views of the surveyed respondents were contrary to what is being argued by NPM exponents. The respondents seem to not agree that outsourcing has any impact on the cost of delivering services as argued by some authors (Magagula and Zondo 2018). On the contrary, the respondents rather opined that the costs for the outsourcing of services are higher when the service is rendered externally by private contracting companies than when it was being rendered internally. This position was consistent with the findings made by Heires's (2014) and Fraud *et al.* (2017).

Also, Cali *et al.* (2015), in their cost-benefit analysis of outsourcing in the cleaning services of public health hospitals in Botswana, reports that outsourcing provides greater value for money in terms of cost and quality of services rendered. Despite this report, authors have argued that outsourcing should not be measured in terms of quality service alone, they posited that outsourcing has also increased indirect costs (Alonson *et al.* 2015; Heires 2014; Tegerinna 2010). The implication of this finding is somewhat surprising. This is because, contrary to the expectation that outsourcing ideally should reduce the operational costs of the government, the views of the respondents were contradictory and inconsistent with those of other studies that have found fault with the premise that outsourcing is beneficial in terms of cost-benefit analysis (Lee *et al.* 2019; Alonso *et al.*, 2015).

The views of the interviewees were contrary to the results obtained from the survey. The interviewees believed that the government outsourced these services to avoid paying for benefits for employees and cleaning chemicals and in that way the expenses for the government are reduced. The views of the respondents seem to suggest that the government's running costs have been reduced but at a great cost to the outsourced workers. This result reflects the outcomes of a study by Lucket and Mzobe (2016). The authors in the study that investigated the riotous protest against outsourcing by university workers in selected South African universities pointed out that the public institutions achieved a reduction in their spending by retrenching the workers and outsourcing the support services, including maintenance, security, cleaning, and catering. Also, this is in line with Akbari *et al.* (2017) and Heires (2014) who found that organisations choose to outsource to reduce operational

costs and the contractors achieve their savings by dropping the workers' wages and benefits in order to maximise their gains. The findings are also barely distinguishable from the work of Alonso *et al.* (2015) which found that the application of outsourcing in public services cannot be said to have yielded the intended objective of reducing public sector size and its decentralisation objective seems to be merely political. The politicisation of outsourcing in the public domain was also emphasised by Froud *et al.* (2017).

On the question of how the workers perceive outsourcing, this study established that outsourcing impacts the employees negatively. Respondents reported that the wages they earned were barely enough to cater for their food costs and other necessities like paying for the education of their children, transportation, and clothing. Moreover, the workers end up in business with loan sharks trying to meet these needs which happens at a great cost to them. Also, they alluded to the fact that the ending of a contract after three years adds more stress to them because it means that their future is uncertain. From another perspective, some authors have alleged that the negative impact of outsourcing is borne by low-income workers who are mostly black (Lucket and Mzobe 2016; Doellgast and Pannini 2015). The insinuations from the respondents further raise concerns that outsourcing has further widened the gap between white and black public servants.

Concerning the sustainability of outsourcing, findings revealed that the respondents wished that outsourcing should end in the government departments. A majority of the respondents shared the same sentiment that the government should do away with outsourcing and that they wished to be employed directly by the government. Very little was found in literature regarding this finding. However, Lucket and Mzobe (2016) report that while students in South African universities were protesting for the '#fees must fall' campaign, most of the outsourced workers in public institutions took advantage of the protest to demand that public universities' management end outsourcing. More so, the workers were reported to have pitched their tent with the students to protest against low wages and poor working conditions under the outsourcing regime. The news reported that the workers were demanding the government do away with outsourcing and absorb them into its payroll (Hatshwayo 2020; Lucket and Mzobe 2016). Based on the results of this study and what other scholars have demonstrated against outsourcing, it could, therefore, be concluded that the government should review the decision to outsource support services.

## **Conclusion**

The researchers' aim in this investigation was to explore how outsourcing as a new public management strategy impacts on performance and human resource elements in public service delivery. There seems to be no consensus regarding the cost-benefit advantage of outsourcing as portrayed by earlier scholars, as recent authors have de-emphasised the cost advantage premise. This current study did not only base its analysis on value for money but considered other socio-political factors including the welfare of outsourced workers. This research has also joined the ongoing debate by empirically demonstrating that while outsourcing appeared to have significantly improved the quality of services rendered in the public department, it had a negative impact on personnel welfare. The evidence from this study suggests that the outsourced workers in the new public management outsourcing arrangement wished they were employed directly by the government.

This study has attempted to establish that outsourced workers in the public department perceive outsourcing to be exploitative. Although, the sample and the scope of this study may make generalisation almost impracticable, the insight gained from this study may be of assistance to the government to consider the plight of these workers and perhaps revisit the implementation of outsourcing support services to government departments. More so, the insights gained from this study may be of assistance to public administrators and policymakers. The study, therefore,

recommends that priority be given to the development of legislation or policies that will induce contract-companies to review the working conditions of the outsourced workers to a standard matching their counterparts under direct employment of a government department. The results of this study provide the basis upon which future researchers can conduct wider investigations across public establishments with a view to further elucidate this study's conclusion on this subject-matter.

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