

Public Sector Reforms and Outsourcing Services in Nigeria: An Empirical Evaluation

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Abstract: *The global economic recession forced many nations to seek for cost-efficient means of providing public services. One tool that was readily embraced by most countries including Nigeria is outsourcing. Since the advent of outsourcing of public services in Nigeria in 2004 as a strategic tool for public sector reform, it has not been subjected to systematic evaluation. This paper examines the performance of the Nigerian public sector outsourcing activities to ascertain the extent to which pre-determined objectives of the exercise has been achieved. Combinations of both primary and secondary data were used for this study. Primary data was obtained through the administration of questionnaire to procurement officers in the public service while secondary data were extracted from the records of selected public organizations. Findings show that outsourcing has a positive impact on quality and the effectiveness of service delivery of the affected government activities. However, the study did not find evidence of cost reduction, accountability and transparency in the outsourcing initiative. This study suggests a review of the outsourcing policy to ensure beneficial improvement in cost reduction while maintaining the quality of service.*

Key Words: *Outsourcing, Government Reforms, Public Service, Transparency.*

I. Introduction

Nigeria, in 2004, joined the League of Nations that embarked on serial public sector reforms of procurement process adjudged to be the Achilles heels of achieving prudence in public expenditure and fiscal discipline. Several factors were largely responsible for this rethinking of public sector all in-sourcing approach to procurement in Nigeria by the then Obasanjo-led Administration. First, the dwindling fortunes of global economy which sent varying waves of shock and recession across many national economies actually forced the hands of economic managers to invent ways of keeping down public expenditure to the barest minimum while striving to maintain the level of economic welfare and quality of public services (Manning, 1996 in Hamant, Needesh and Bhisum, 2009). Second, there was a groundswell of discontent globally about economies (mostly developing ones) that are public-sector dominated. Most of them were bedeviled by wastes, profligate management and corruption. For instance, by 1999 Nigeria could not account for and has little to show for over \$300 billion made from oil since the 1970s (Okonjo-Iweala, 2012). The experiences of most other African nations were far from being different (Meridith, 2011). This dismal performance of public institutions contrasts substantially with the performance of their private sector peers. The natural response to this trend was to embrace the tenets of the New Public Management (NPM) theory which in the main proposed the adoption and application of private sector principles and practices in the running of public sector organizations. The general thinking among scholars at the time was that adopting NPM model would ensure prudent and efficient usage of resources and aligning organizations' processes and resources towards quality services to the consuming public (Therkildsen, 2001; Pessoa, 2009). It is this thinking and philosophy that informed massive deregulation of various aspects of Nigerian public sector institutions through privatization and commercialization.

One of the media adopted to achieve this NPM model in the Nigerian public service was the outsourcing of certain public services deemed to be more prudently managed by the private sector rather than allowing it to continue in the hands of public sector. Prior to the Nigerian case, outsourcing had long aroused international interest as a component of public sector reforms programme aimed at achieving better government financial management (Ryna, 2013; Pontvaara, 2014; Matnangpili, 2010; Jenson and Stone Cash, 2004). Consequently, many countries across the globe (i.e United Kingdom, USA, New Zealand, etc) have adopted it and are increasingly using it as a means of driving down cost while maintaining services rendered to the public by government agencies (Guardian UK, 2008; Hunter and Healy 2001; Matnangpili, 2010). The central thrust of public sector outsourcing in Nigeria is to reduce wastes in public sector governance by giving out certain aspects of services hitherto performed by public institutions to private providers that are to be competitively hired and held accountable to deliver pre-agreed quality standards at a cost considered competitive (Adegogoye, 2006). By so doing, the over-bloated size of public sector employees and by extension, cost of governance is reduced.

The process is expected to usher in transparency, effective allocation of resources, efficiency, accountability, cost reduction, and value for money delivery in public expenditure (Obasanjo, 2004).

Since the advent of the Nigerian policy of outsourcing of some public services in 2004, there is paucity of empirical studies that have tried to assess the effectiveness of the experiment. It is this gap that this study seeks to fill by empirically evaluating public sector reforms in Nigeria using outsourcing. It particularly examines the extent to which the public sector outsourcing objectives have been achieved in the area of cost reduction, transparency, effectiveness, service delivery, accountability and efficiency. The paper also tried to ascertain the most influential factor(s) considered in the selection of vendors for the award of outsourcing contracts, and the quality of services rendered by these outsourced organizations.

1.1 Objectives of the Study

The main objective of this study is to assess the effectiveness and performances of outsourced public sector services with respect to cost reduction and quality of services delivery. The specific objectives are:

1. To examine the extent to which the public sector outsourcing objective have been achieved.
2. To examine the extent to which outsourcing influences the quality of services rendered to the public.
3. To assess the extent to which outsourcing impacted on cost appropriateness and value for money in service delivery.
4. To ascertain the most influential factor(s) considered in the selection of vendors for the award of outsourcing contracts.
- 5.

1.2 Hypotheses

The following hypotheses guided this study:

- Ho₁ Objectives of outsourcing in the Nigerian Public Sector have not been significantly achieved.
- Ho₂ There is no significant improvement in the quality of service delivery as a result of outsourcing in the public sector
- Ho₃ There is no significant reduction in cost of services as a result of outsourcing in the public sector.
- Ho₄ Vendor selection is not mostly influenced by the quality of work to be offered compared with the price quoted by the vendors, and the budgeted cost of the service by the organization.

We argue that for outsourcing practice to achieve its objective of cost reduction, improved service delivery, efficiency and effectiveness, transparency and accountability, vendors' selection must be given serious consideration. The article is divided into five sections. The first section introduces the topic of research, the second section discussed public sector reforms and outsourcing, its development in Nigeria and the theoretical bases for public sector outsourcing. The third part outlines the methodology adopted while the fourth part outlines the empirical findings from the study. The fourth section concludes with discussion on the link between outsourcing in the public sector, quality of services, and quality of vendors selected.

II. Review of related Literature

Public Sector Reforms and Outsourcing

Since 1980s, the wave of public sector reforms has cut across many countries of the world due to fiscal pressures. Public sector reform is defined as an attempt by the government of a particular country to change ways of executing its activities (Adejuwon, 2012). He further described it as an intervention plan that is aimed at raising the level of performance of the public service while keeping the cost of governance as low as possible. It is about strengthening the way that the public sector is managed. Schacter (2000) highlighted some of the problems that might precipitate government to start seeking for reform to include but not limited to: government trying to do much with limited resources, mismanagement of public resources by staff, weak accountability, poor delivery of public service, bad public programmes design, and irrational decision making (Schacter, 2000). The purpose of public sector reform is to totally overhaul the administrative machinery of the government in order to improve efficiency, effectiveness, and value for money to users of public goods, attract skilled workers, reduce government expenditure and build public and private sector confidence in government as regulator/service provider (Manning, 2003).

Public sector reform usually constitutes part of the comprehensive institutional and political reforms of a country with a focus on internal organizational matters such as the size of the organization, workforce, remuneration, promotion and career management. Public sector reform started in the developed world in the early 1980s and cut across the developing countries through the influence of the World Bank and those countries that have successfully embraced similar reforms (Fatile and Adejuwon, 2010 in Adejuwon 2012).

Many reform measures were inspired by the new public management (NPM) concept which advocates among other things for a cut in the direct public cost in order to improve use of resources. One of the major

tools advocated by the NPM and glaringly present in this wave of reforms, is outsourcing (Argentino, 2009). Since late 1980s, outsourcing has become a strategic fad of the government, researchers as well as practitioners. It has revolutionized the way business is being conducted around the world and has been gaining popularity in both the private and public sectors. It has really become a very important tool used by public sector managers for effective management of government resources (Steyart, 1998). Outsourcing through the process of tendering and awarding of term contracts introduces competition and rivalry; the key elements for lowering cost and achieving high standards in public sector delivery of service (Therkildsen, 2001). Core outsourcing objectives of most government organizations are to save cost and to achieve operational efficiency in executing their functions, and outsourcing has been considered as a business model that would help governments' executives achieve these objectives. Evidences from the UK and US federal and state governments indicate that the trend will continue as more and more organizations are embracing outsourcing as a business model that would enable them cope with reduced budget while at the same time maintaining the quality of service (Matnangpili, 2010).

There are various definitions of outsourcing by various authors but the concept remains the same. Outsourcing is the process of purchasing goods and services from outside vendors rather than providing them within the organization, which is called in-sourcing. Though cost is a principal factor in outsourcing but some qualitative factors such as quality, dependability of supplies are considered in taking outsourcing decision (Horngren, Foster and Datar, 2001). Public sector outsourcing is a situation where a government agency contracts with a private sector firm to execute a function or process on behalf of the government which remains accountable to the populace (Hunter and Healy, 2002). It is a contract between a government agency (the public sector) and a private sector firm for the provision of goods and /or services that were previously supplied by internal staff (Gariffiths and Figgis, 1997). Outsourcing is not entirely a new concept but what is actually new is its discovery as a useful tool that enables governments' world over in the management of their finances and its application has been enhanced by the growing popularity of the NPM concept (Gariffiths and Figgis, 1997; Matnangpili, 2010). Through outsourcing governments of different countries of the world have made the private sector become an active participant in the production of public goods and services. Outsourcing enables an organization to turn over or contract out part or all of its non-core functions or activities to the external service provider(s).

Practitioners and advocates of NPM recommend that government functions should be outsourced because it is a business model that combines technology and technical expertise in executing functions. This business model is scarcely found or practiced in government organizations (Matnangpili, 2010). Outsourcing focuses on non-core services (Ryna, 2013).

There are empirical evidences to show that outsourcing has been of great benefits to both the public and even the private sector. A number of research studies carried out have shown evidence of expenditure reductions. For instance Local authorities that outsourced refuse collection through competitive tendering and award of contracts to private operators achieved 22% cost saving (Domberger, Meadowcroft and Thompson, 1986 in Jenson and Stonecash, 2004). Outsourcing in the U.S. results in cost saving of 10-20% over the traditional delivery system and sometimes the cost saving is up to 40% (Seader, 2007). Analysts report that United States government spending on outsourcing activities grew up to the US\$11.4 billion by 2012. Countries identified as highly experienced and bigger spenders in the public sector outsourcing, are the US, Japan, India, Singapore, UK, Canada, and Hong Kong (Matnangpili, 2010).

Cost saving of 30% was reported by the Australian government in the year 2004 (Koch, Del and Keller, 2004). The review of 203 international studies on government outsourcing revealed that the level of cost savings was not the same. There are wide variations, and in some cases, outsourcing resulted in increased cost (Gariffiths and Figgis, 1997). Some researchers argue that the approximate savings from outsourcing is 6 – 12%, the savings of 20% often-quoted appears to be deceptive and is not likely that many public sector services can make a saving of such magnitude (e.g. Hodge, 1999).

The fact is that public sector outsourcing has carried a mixed record of success, failure, praise and criticism (Hunter and Healy, 2001; Carroll & Eger III, 2004). It was reported that the U.S. military task shifted to private contractors was a failure (Krugman, 2003). The reported result of savings from outsourcing is said to be transitory because outsourcing adversely affects workers conditions of employment (Quiggin, 2002). Outsourcing can only result to lower government expenditure and more efficient allocation of resources by lowering wages of employees and quality of services (Jensen and Stonecash, 2004). If the observed reduction in expenditure is as a result of lower real wages for workers, then there is no efficiency gain in outsourcing but a transfer of economic rent from workers to government managers (Quiggin, 1994). Some authors argue that outsourcing leads to a reduction in quality of services (Hart, Shleifer and Vishny, 1997). Contracting out services previously performed is a vital financial tool in the hands of government authorities but the public sector accounting does not factor in costs involved in management and monitoring of contractors (Prager, 1994). More so, the government rarely maintains good accounting records. Prager contends that if accurate costing is

made, it may be discovered that no cost saving is made from outsourcing and that government operations may even be more efficient than outsourcing. There is no consensus as to the cost reduction benefit of outsourcing.

Some researchers argue that outsourcing improves efficiency, and results in more prudent allocation of resources as a result of competition among providers of public services. Moreover there is no political interference in private firms. Successful outsourcing provides organizations with a number of benefits most of which result from improved efficiency (Carol & Eger III 2004). The issue of increased efficiency and cost reduction cannot easily be established because efficiency is a difficult attribute to measure as a result of inadequate information on operating costs and output. Changes in outsourcing expenditure at the contract level are difficult to analyze. Consequently, subsequent measurement of improvement in efficiency and cost reduction is a very difficult task (Jensen and Stonecash, 2004).

In outsourcing literature, there are evidences showing that organizations can take to contracting out services in order to improve service delivery. A study on security outsourcing of two Australian public sector organizations revealed that the managements of the two different organizations were respectively dissatisfied with the quality of service rendered by the security staff of the outsourced firms. The result was demand by the management for improved service delivery (Sciulli, 2005). Examination of the latest trends in the public sector outsourcing, reveals that outsourcing has become a way the public sector delivery of goods and services can be improved (Hart, 2007). Through outsourcing money can be saved by government executives and the services provided to citizens and businesses can be improved upon. They have used outsourcing as a means of transforming their operations and dramatic improvement in the public sector performance has been achieved (Hunter and Healy, 2002).

Accountability of government agencies can be improved upon through outsourcing because it forces the agencies to clearly specify the objectives of the service, the responsibilities of the service providers and the consequences of non-performance. Contract specification and the establishment of the expected outcomes would make measurement of performance of the organization in the delivery of the outsourced service very easy. On the other hand, accountability can be reduced especially where the terms of the contract are not properly stated, and there is no clear distinction of expectations from the supplier. This will give rise to shifting blame between the government executives and the supplier when the services are badly performed (Garriffith and Figgis 1998).

Other benefits include lower levels of capital investment, access to better skills or technology. Public sector executives are increasingly turning to outsourcing expecting to achieve improved service rendered to citizens, access to new sources of capital and cut down cost (Hunter and Healy, 2002). Contracting out a function saves government manager the cost of acquiring assets such as latest plant and equipment (Garriffith and Figgis, 1997). An organization may consider outsourcing a function if it lacks the in house skill required for the performance of a function. The function is then handed over to a supplier who is an expert in the field or a specialist in that function who may have well-trained, experienced staff and most current procedures and technology. Outsourcing functions in the field of engineering and computer services required such skills and competence. It equally saves the public sector the cost of training staff whose skills are occasionally required.

Outsourcing is not without risks. Loss of control imposes risk to an organization in the process of outsourcing. Though companies may gain the best knowledge, experience, and methodology available in an outsourcing engagement but they may lose some degree of control (Raiborn, Barfield and Kinney, 1999). Outsourcing lowers the level of privacy and protection that personal information requires. There is concern about data security especially in IT outsourcing and increase in unemployment. Outsourcing may result in increased dependence on suppliers by the organization. Thus, the supplier may arbitrary increase prices, reduce quality and worse still, fail in its service delivery (Horngren, Foster and Datar 2001).

The Evolution of The Public Sector Outsourcing in Nigeria

In Nigeria, outsourcing is not new; it has been in practice, albeit informally, among public sector organizations. What is new is that the procedure and processes have been formalized in line with what obtains in other countries. The formal practice of outsourcing in Nigeria stem from various reform initiatives introduced by the Obasanjo administration between 1999 and 2007. Prior to 1999, Nigeria was described as a poor country because of her dismal economic performance. All the indices for judging the economic position of a country were all in the negative. For instance, the per capita income was put at US\$310. Over 60% of the population fell below the poverty line (or lived below US\$1 dollar a day). Over 50% of the population was said to have no access to safe drinking water. Her poor economic state was attributed to economic mismanagement and corruption. Even though there were other areas of corrupt practices, award of the contract was a major means of corruption and mismanagement of the country's economic resources (World Bank, 2000)

Before the reforms were introduced, the quality of output in the public sector was low due to low staff morale; delivery of service was generally very poor. The public service was too hierarchical and rule driven

instead of service/customer oriented. The staff lacked initiative, drive and professionalism (Dambatta, 2008). The public service was filled up with low skilled workers who were poorly remunerated, and were full of corrupt tendencies and not committed to their duties (Ayuba, Tsado and Inyang, 2008). Between 1960 when Nigeria got her independence and 1999 when President Obasanjo administration took over the leadership of the country, the population of civil servants in Nigeria grew by 350% with the decline in efficiency and effectiveness. Moreover, a diagnostic study by the office of the Nigerian Head of the Civil Service in year 2002 revealed among other anomalies, that:

- The Nigerian civil service had about 60% of staff within the age bracket of 40years and above.
- Unskilled staff within grade level 01 – 06 constitutes about 70% of the entire work force.
- There was the prevalence of ghost workers as a result of poor personnel records, and the payroll control system.
- Presence of a non-transparent and corrupt procurement system (Ayuba et al. 2008).
The percentage distribution of Federal Civil Servants by their cadre as at 2005 was as follows: Directorate Cadre 1.7%; Non-Directorate Graduate officer cadre 10.0%; Executive, Technical and Clerical class 18.0%; Sub-Clerical, Miscellaneous and un-established grades 70.0% (Adegoye, 2007a).

Over population of the civil service resulted in government spending nearly 80% of its resources on recurrent expenditure, while the remaining 20% was deployed to capital projects (Obasanjo, 2005). This situation adversely affected national economic growth. The critical challenges facing Nigeria at this time include: how to eradicate corrupt practices in every sector of the economy, how to achieve sustainable democracy and good governance, improved human capital development, respect for supremacy of the rule of law, planned balanced economic development, and equity in the distribution of national wealth (Adegoye, 2007b). It was in response to these challenges that the government started putting in place policies and measures in 1999 to reverse the trend as well as ensuring the complete overhaul of the civil service hence the reforms. Additionally, the macroeconomic strategic plan christened National Economic Empowerment Strategy (NEEDs) was introduced in 2003 with the aim of changing the way government was doing its business by identifying the government's core business and sticking to them while allowing the private sector to run the business of providing other services for which they have comparative advantage over government (Adegoye, 2007b). It was envisaged that this would make government jobs to decline and subsequently, the cost of running government to reduce drastically.

The Legal Framework of Outsourcing and Procurement

In compliance with the recommendations of the Country's Procurement Assessment Report issued in the year 2000, the government quickly established "Budget Monitoring and Price Intelligence Unit (BMPIU)" known as Due Process Mechanism (Ekpenkhio, 2003) to evaluate contracts, determine the relevance, cost-effectiveness and sustainability of such contracts being awarded. The government also issued a new circular (No F. 15775) on guidelines for procurement and award of contracts in government ministries in the same year 2000. The circular spelt out in great details, the procedures and levels of approvals for the award of contracts by various levels of government authority.

In 2007, a Public Procurement Act was promulgated. The Act established National Council on Public Procurement and Bureau of Public Procurement. The Bureau became a regulatory body or authority responsible for the monitoring and exercising oversight function of public procurements, setting standards and developing the legal framework for improving capacity for public procurement in Nigeria.

In pursuance of the government reform plan of reducing staff strength of the public sector, minimizing personnel as well as redundancy cost, the government established Bureau of Public Service Reform (BPRS) in 2004, assigned with the responsibility of coordinating the implementation of the reforms (Ayuba, et al. 2008). The Bureau is an institutional platform for public service reform management and co-ordination (Matankari, 2008). Two Generic Guidelines one for reforms on Ministries, Departments and Agencies (MDA's) and another for Parastatals were prepared by the Bureau. One of the measures earmarked for delivering the civil service from its staffing problems was through the injection of new entrants for new orientation and attitude towards public service and resources, and disengaging the unproductive staff in the system. Services classified as non-core such as house cleaners, drivers, cooks, security men, messengers, and others were outsourced which involves promotion of partnership between the government and the private sector in order to eliminate the burden of the dwindling government funds.

Placing public procurement systems in the right position, at both federal and state levels is assumed to be one of the highest measures for controlling corruption and achieving value for money in public expenditure management. Procurement accounts for 80%-90% of government annual total budget/activities and affects economy and social lives of every Nigerian.

Theoretical Framework of Government Outsourcing

There are basically three theories that underpin the practice of outsourcing and they will be discussed very briefly thus:

Public Choice Theory

Public Choice Theory supports the execution of government activities in the same way private business activities are executed. The theorists argue that government employees are rational human beings who are interested in maximizing their personal income and influence (Gariffith and Figgis, 1997). Executives in government take part in government decision-making, and usually like to obtain large budgets and as many staff as possible not minding what is actually required for efficient administration. This leads to excessive growth of the government budget and distortion in allocation of the resource. Executives manipulate or monopolize government policies for their own selfish interest. In order to cut down on inefficiency, and this tendency towards hijacking government policy, researchers argue that policymaking should be separated from service delivery. Instead of the same decision makers to continue to maintain and expand their service delivery functions, such functions can be outsourced (Gariffith and Figgis, 1997).

Agency Cost Theory

Agency Cost Theory supports outsourcing by providing the analyses that helps the understanding of the structure of the relationship between the principal (client), and vendor (supplier) (Gariffith and Figgis 1997). This analysis became necessary because of agency problems, the problem of trust under conditions of uncertainty, and incomplete information. The problems are identified as adverse selection and moral hazard (Bolumole, Frankel, and Naslund, 2007). Adverse selection refers to a situation where the principal is not able to determine whether the agent will adequately perform the function which he is paid for. Moral hazard is a problem of the principal not being sure that if he assigns the task, that the supplier will be as hard-working and careful in accomplishing the assigned task as the buyer would if the task is not outsourced. Solutions to these problems are development of some safeguarding mechanism to guide outsourcing relationships, such as policies guiding remuneration, monitoring and methods, performance-based bonus, penalties, and attitude towards risk taking (Bolumole, Frankel and Naslund, 2007). The relationship compels the agent to perform his obligation to the principal and not to act in his own interest. Hence instead of employment relationship, a contractual relationship between the principal and the agent has been considered the best way to achieve maximum performance from the agent (Gariffith and Figgis, 1997). This makes for accountability possible because each party. Achievement of outsourcing objectives is heavily dependent on this theory (Griffin, 2010).

Transaction Cost Theory (TCE)

Transaction cost economic theory adopts a more economic approach to outsourcing processes (Urquhart, 2000). It is assumed to be the most utilized of all the outsourcing theories, and the best decision making tool which has helped organizations to decide whether to outsource (Perunovic and Pederson (2007). In this theory, the notion is that the organization's decisions to outsource should be based on the relative cost, which comprise the cost of production and transaction cost of the exchange between the supplier and the client. The transaction cost refers to the costs involved in evaluation of suppliers, in setting up and monitoring the contract as against the cost of producing the goods or services in-house (Urquhart, 2002). The outsourcing decision is expected to reduce the transaction cost as much as possible otherwise it is irrational (Urquhart, 2002; Bolumole, Frankel, and Naslund, 2007). All the theories are directly related to the study.

III. Methodology

The research methodology adopted in this study was the survey. Survey method was considered appropriate because the study involved an investigation of people's opinion or other manifestation through direct questioning. The scope of this work covered only cleaning and security services outsourcing in the public sector. The outsourcing focal point and proxies were Transparency, Effectiveness, Efficiency, Cost Reduction and Improved Service Delivery. The research used data derived from both primary and secondary data sources. The primary data were sourced from questionnaire and personal interview. The secondary data were sourced from the annual reports of three public sector organizations. These data were used to determine whether outsourcing has helped in reducing cost of operations in the public sector. Further secondary data were obtained from relevant academic journals (national and international), magazines, textbooks, and internet downloads. Others include publications of the Bureau of Public Procurement, the Budget Office, the Bureau of Public Services Reform, Public Procurement Acts, Federal Government Policies and Circulars.

Interview was held with key officers of the Bureau for Public Procurement (BPP), the Bureau for Public Service Reforms (BPSR), and some organizations under study. Copies of the questionnaire were administered to the officers involved in public outsourcing decisions, the Tenders' Board members, the

Technical Evaluation Committee, Procurement Planning Committees, and the Procurement Committees of the federal institutions under study.

The population frame of this study comprises the procurement unit of the ministries, department and agencies (MDA). A multi-stage sampling technique was used in drawing the sample size- this involves first choosing the organization before selecting the number of respondents. Out of a population frame of seventy-one a total sample size of 28 public sector institutions was selected using Yamane Taro's formula for deriving sample size from the finite population. The same formula was applied in selecting 251 respondents to whom the questionnaire was selected for administration. Out of a total of 251 copies of the questionnaire administered to procurement committee members, 210 copies were returned and 41 copies were not returned. Secondary data of three large MDAs whose annual report were complete, updated and available for the period under consideration were obtained for complementary corollary analysis. Simple percentages were used in interpreting the data. In analyzing the data, Principal Component Analysis was adopted; correlation analysis was used.

1.1 Findings

Ho₁ Most objectives of outsourcing in the Nigerian Public Sector have not been achieved.

Factor Analysis was used to determine this hypothesis and the results are presented in the table 1.

The data collected were subjected to the principal component analysis. Their eigen values, (which is the sum of the squared loadings), the percentage of total explained variance, the cumulative percentage explained by each component, plus the communalities (which is the proportion of the variance for each variable explained by all the 2 components) are summarized in table 1a.

The table shows that the rotated component which has 2 significant components together explained 93.078% of total variance, leaving 6.922% unexplained. The unexplained may be due to various other factors not involved in the analysis. To determine the significance of the variables that are related to each component, only those variables with high component loadings are considered. The high component loadings are in parenthesis.

From the component principal analysis and the interpretations of components, it can be seen that 5 variables on effective good clinical governance criteria were reduced to 2 components and then to a single component, which can be used to explain the variations in the components that have been significantly attained in terms of government objectives of outsourcing. The following under listed dimensions may be accepted and used as the underlying indices/components for the area studied in order of importance.

1. Improved service delivery
2. Increased efficiency
3. Increased effectiveness

These 3 major variables were reduced to single the (1) component which is "Improved Service Delivery". Having a total variance explained of 82.252% cumulative, "Improved Service Delivery" is the major component of outsourcing objectives that has been achieved.

With significant achievement of 3 of the five objectives, null hypothesis is rejected and alternative accepted. Therefore, some of the outsourcing objectives of the Nigerian public sector have been significantly achieved.

Ho₂ Quality of outsourced services in the Nigerian public sector has not significantly improved after outsourcing.

With Anderson-Darling Normality Test, this hypothesis was tested and results presented in Table 2a. (See also figure 1).

The mean response of the respondents is 2.479 ± 1.378 . This indicates that the respondents agree that outsourcing is more efficient. With the Anderson-Darling Normality Test Result shows an AD value of 22.150 which is significant as $p < 0.005$, this shows that the responses of the respondents that outsourcing has the benefits of more efficiency, more experience, better qualification and more hard work. Thus, this result reveals that the quality of service contracted out has significantly improved. Therefore the null hypothesis is rejected and alternative accepted.

Ho₃ There is no significant reduction in cost of services as a result of outsourcing in the public sector.

Data collected as shown in table 3 was analysed to determine whether outsourcing is beneficial to the public sector in terms of cost. The Paired samples statistics in tables 3a -3c show that the mean outsourcing cost for all the organisations is ₦92,228,321.32 on all the items while that of internal cost is ₦62,875,146. However, the difference noticed between outsourcing cost and internal cost (as shown by the mean values in the paired samples statistics table), is not significant. The result where $t_{cal} (2.641) < t_{critical} (2.776)$, and $p > 0.05$, confirms

this. Hence, outsourcing of services/functions does not significantly reduce cost of operations of the Nigerian Public Sector.

Ho₄ Vendor selection is not mostly influenced by quality of work to be offered compared with the vendor's price quoted and the budgeted cost of the service by the organization.

Out of the three alternative factors for vendors' selection, 41% of the respondents indicated that quality of work to be offered by the vendors is given uppermost consideration. Price quoted by the vendors has 32% while the budgeted cost by the organization attracted 27%.

ANOVA and Scheffe Test were used in analyzing the responses. The result is as presented in tables 4a – 4c.

One way ANOVA was used to analyze the responses together to ascertain the mean response of the three options that is significantly higher. The result of the analysis gave an f value of 7.675, and a significant value of 0.001 which shows that the ANOVA result is significant at $P \leq 0.01$.

Further analysis was carried out to find where the significance lies using the Scheffe test (table 8) and the result shows that "Quality of service offered by the vendor" was preferred above "Cost quoted by the vendor" and "budgeted cost by the organization" with the mean value of 3.58, against 3.41, and 3.27 respectively.

IV. Results and Discussion

The result of this study revealed that service delivery, efficiency and effectiveness have significantly improved in the Nigerian public sector. This was in line with the empirical work conducted by Hart (2007) which signified that through outsourcing, public sector delivery of goods and services can be improved. Also dramatic improvements in the public sector performance can occur (Hunter and Healy, 2002). This justifies the government reform initiative to engage in support staff outsourcing (SSO) services for lack of seriousness, dedication to duty, efficiency and effectiveness, and poor performance by the government staff that previously performed the functions. The improvement in service delivery may be attributed to improved efficiency even though efficiency is a difficult attribute to measure (Jenson and Stonecash, 2004). The efficiency measurement in this work was by people's opinion through questionnaire which may give a biased result.

Transparency and accountability objectives have not been significantly achieved through outsourcing in the Nigeria public sector. This signifies that contracts are not well specified in terms of responsibilities between government and suppliers (Garriffith and Figgis, 1998).

There is no evidence of cost reduction even though it was envisaged that outsourcing would drastically reduce cost of running government. The government claim of cost saving from the reform programmes of monetization and outsourcing actually resulted through the use of Integrated Payroll and the Personnel Information System (IPPIS). The system helped the Government to save over ₦500million from monthly salaries by eliminating ghost workers (Matankari, 2008).

In any case, many authors on the subject of outsourcing have emphasized that even though cost saving is important but the value for money should receive first consideration. Thornton (2014) states that the purpose of changing the way services are delivered in the public sector is not only to save cost but also to provide high quality service to meet the demands of the public. However some Governments considered cost saving as the most common and high profile driver for outsourcing services in the current economic climate. This makes the criteria for vendor selection to be weighed towards cost forgetting the quality of service, the transformation and innovative practice which were at the core of the reform initiative (Macfarlane, 2012).

Consideration of quality of service to be rendered in vendor selection actually yielded some benefits of improved service delivery, efficiency and effectiveness in government operations. With these benefits the Nigeria public sector outsourcing achieved value-for-money concept. A study carried out on managers of contract service providers revealed that the most important single factor for the public sector in the selection of a service provider was the value for money (VFM) (Roger & Martins, 2007).

However, the improved operation and efficiency should have resulted into cost reduction (Thornton, 2014). For this not being the case in the Nigeria public sector outsourcing indicates that the process of vendor selection has problems. The contract according to the procurement guidelines is awarded to the lowest evaluated responsive bid with regards to specification and standard (Bureau of Public Procurement, 2007). For this not resulting into cost reduction means that the guideline for selection of vendors are not followed. The procurement process plays a very important role. Non strict adherence to the process can contribute to the unsuccessful or wrong appointment of supplier. We, therefore, conclude that basing selection of vendors on only the quality of services to be rendered can only result into improved service delivery, efficiency and effectiveness and not cost reduction, transparency and accountability.

V. Conclusion

Outsourcing has been adopted in many countries of the world as a means of public expenditure management. Some countries have reported tremendous benefits while some others have failed in their outsourcing endeavor. Available evidence shows that countries that have tested the benefits of outsourcing have always planned to spend more on it in their budget. For instance, the UK public sector in 2007 planned to further outsource services worth £20bn reported to represent a growth of 50% over 3 years (Kebleresearch, 2007). The Nigerian public sector outsourcing has proved to be one sure way of improving public service delivery, increasing effectiveness and efficiency. This can be attributed to selection of vendors based essentially on quality of service to be supplied. It has not significantly helped the government in cost reduction and transparency/accountability. Some of the key reform thrusts of the Federal Government are to reduce the cost of operation, improve service delivery, efficiency, effectiveness, and accountability in government expenditure, and ensure transparency in government operations. Successful achievement of the existing unattained outsourcing objectives depends on the extent to which these recommendations are adhered to. The paper therefore recommends that outsourcing project in the Nigerian public sector be reviewed in order to achieve success in cost reduction, transparency and accountability in government financial management as experienced by many other countries of the world. Public sector managers should appreciate the government's objective of outsourcing and consider it above personal interest. There must be regular monitoring and evaluation of vendor's performance to ensure that the standard continues to improve, and performance criteria must be properly specified.

There should be adequate and proper sensitization of some key public officers because they are the key drivers of government outsourcing initiatives for achievement of objectives. They should be enlightened on the need for transparency and accountability in public service. There should also be continuous public enlightenment by the Bureau of Public Sector Reform through its publications on government reforms and outsourcing. The criteria for vendor selection as set out in the public procurement handbook must be strictly followed to ensure the transparency of operations. Any room for cost saving should not be neglected.

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List of Tables

Table 1. Assessing the Achievement of Organizations’ Objectives of Outsourcing

Objectives of Outsourcing	Frequency	Percent
Reduced Cost	45	16.48%
Improved service delivery	76	27.84%
Increased Efficiency	60	21.98%
Transparency/ Accountability	32	11.72%
Increased Effectiveness	60	21.98%
Others	-	0.00%
Total	273	100.00%

No response	9	-
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Source: Questionnaire Analysis 2015

Table 1a.
Factor Analysis

Rotated Component Matrix of Organisation's Objective of Outsourcing

Variables	Component 1	Component 2	Communalities
Reduced Cost	0.563	0.765	0.901
'Improved Service Delivery'	0.896	0.274	0.879
'Increased Efficiency'	0.869	0.928	0.962
Transparency/ Accountability	0.298	0.454	0.950
'Increased Effectiveness'	0.869	0.928	0.962
Eigen values	4.113	0.541	
Percentage variance explained	82.252	10.826	
Cumulative percentage	82.252	93.078	
Kaiser Normalisation (Varimax)	781	624	

Source: Statistical Computation (2015)

Table 2: Improvement in Quality of Services Contracted out.

Item	Frequency	Percent
They are more efficient	85	40.3%
They are more experienced	26	12.3%
They are more qualified	16	7.6%
They are more hard working	82	38.9%
No response	2	0.9%
Total Response	211	100.0%

Source: Questionnaire Analysis 2015

Table 2a: Determining quality of security and cleaning service

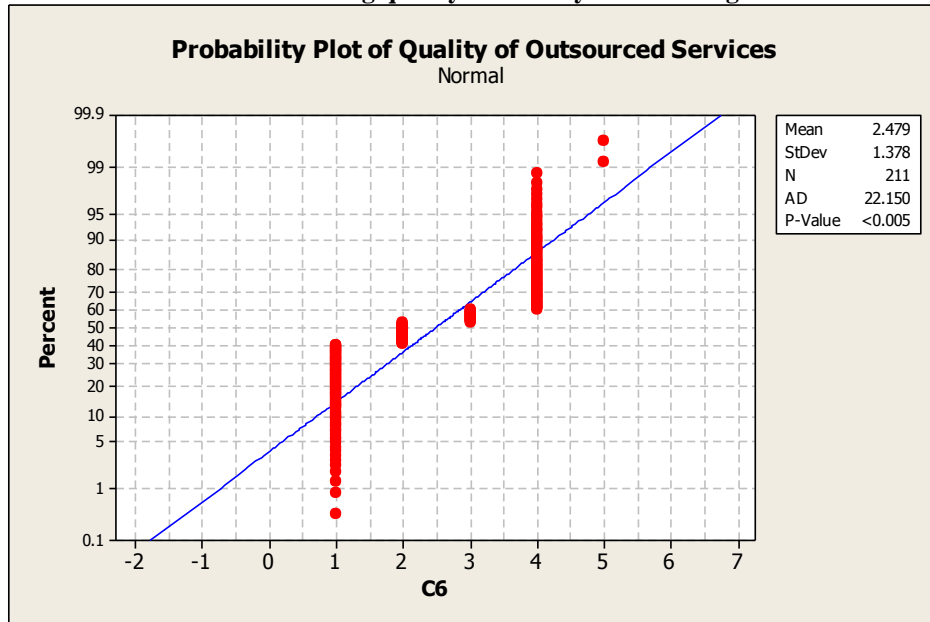


Table 3 Outsourcing and In-house costs of various services in the Nigeria public sector

Items	PS 1		PS 2		PS 3		Total	
	Outsourcing Costs	Internal Costs	Outsourcing Costs	Internal Costs	Outsourcing Costs	Internal Costs	Outsourcing Costs	Internal Costs
Security Services	26,334,650	16,800,790	100,080,000	60,048,000	-	-	126,414,650	76,848,790
Cleaning and Fumigation	21,876,312	17,501,049	81,840,000	57,288,000	99,445,940	69,612,158	203,162,251.6	144,401,207

Laundry Services	7,535,000	7,384,300	76,284,996	48,822,397	.	.	83,819,996	56,206,697
Maintenance of Flowers, Road & Trees	4,000,000	3,500,000	4,000,000	3,500,000
Catering & Consumables	21,673,805	19,072,948	22,070,904	14,346,088	.	.	43,744,709	33,419,036

Source: Some Nigerian Federal Parastatals, 2015

* PS represents Public Sector

Table 3a
Paired Samples Statistics

	Mean	N	Std. Deviation	Std. Error Mean
Pair 1 outsourcing cost	92228321.3200	5	76942574.75094	34409765.50139
Pair 1 internal cost	62875146.0000	5	53102024.30165	23747947.21627

Table 3b
Paired Samples Correlations

Pair 1	N	Correlation	Sig.
outsourcing cost & internal cost	5	.994	.001

Table 3c

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 outsourcing cost - internal cost	29353175.32	24854346.38929	11115201.61256	-1507571.79047	60213922.43047	2.641	4	.058

Table 4: Factors that mostly influence vendors' selection

	Disagree	Strongly Disagree	Agree	Strongly Agree	Total
Quality of service to be offered by vendor	10 4.7%	1 0.5%	66 31.3%	109 51.7%	186 88.2%
No Response					25 11.8%
Price quoted by vendor	6 2.8%	2 0.9%	90 42.7%	86 40.8%	184 87.2%
No Response					27 12.8%
Budgeted Cost of service	19 9.0%	7 3.3%	75 35.5%	83 39.3%	184 87.2%
No Response					27 12.8%

Source: Questionnaire Analysis 2015

Table 4a: Factors that mostly influence vendors' selection

	N	Mean	Std. Deviation	Std Error	95% confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Quality of service	186	3.58	.810	.059	3.46	3.69	2	11
Price quoted by vendor	184	3.41	.612	.045	3.32	3.50	1	4
Budgeted cost	184	3.27	.798	.059	3.16	3.39	1	4
Total	554	3.42	.755	.032	3.36	3.48	1	11

Source: Analysis of field data 2015

Table 4b: ANOVA

	Sum of Squares	Df	Mean Square	F	Sig
Between Groups	8.537	2	4.269	7.675	.001
Within Groups	306.468	551	.556		
Total	315.005	553			

Source: Analysis of field data 2015

**Table 4c
Homogeneous Subsets**

Code	N	Subset of alpha = .05	
		1	2
Cost to be saved	184	3.27	
Price by vendor	184	3.41	3.41
Quality of service	186		3.58
Sig		.192	.114

Source: Analysis of field data 2015