

# How have public sector spending cuts affected government outsourcing

[Business](#)



The impact of UK public sector spending cuts on the government outsourcing  
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Introduction

The core objectives of public spending cuts are to attain operational efficiency and reduce the government costs of public goods (Flynn, 2012).

The UK government is currently outsourcing public sector processes such as IT solutions for the social security programs, asset registration, taxation and pension. Outsourcing entails contracting out the public sector services to a private provider to provide services on behalf of the government. The UK government is reducing public spending in order to reduce the government debt and improve efficiency in public services delivery (Flynn, 2012). The private sector is currently creating new jobs while the public sector is slashing the workforce. The UK budget deficit is still high despite councils implementing budget cuts in highways maintenance, property service and refuse collection. Most of the government departments are considering outsourcing as a viable method of attaining value-added benefits to the services enjoyed by the citizens (Flynn, 2012).

Currently, the UK government outsources more than 80 billion pounds of public sector services and the figure is estimated to reach 140 billion pounds by the year 2015 if the current trend continues. The information technology department is one of the public sector departments that have experienced massive spending cuts. The UK government has axed 95 million UK pounds on IT spending thus leading to high job losses (Flynn, 2012).

The UK government has reduced spending on advertising and new contracts

with management consultants. The spending cuts are spread in construction, professional services, facilities management department and information and communication technology. The Efficiency and Reform Group is keen on cutting spending cutting the spending on advertising to only the essential advertisements (Flynn, 2012). The media companies such as Trinity Mirror have reported a decline in the value of the shares after the government froze new civil service recruitments. The department of Work and Pensions has made more than 70 million pounds in savings after reducing the spending on IT consultancy and marketing services. The government is also negotiating for cost reductions in the approved IT projects in order to reduce the overall costs of the projects (Flynn, 2012).

However, critics of public spending cuts have warned that the current slash on spending will slow down the economic recovery. For instance, Morgan Sindall construction Group warns that reducing the budget on school construction will negatively affect the demand for commercial buildings. Centrally, Capita Outsourcing Group is of the opinion that public sector spending cuts will create new opportunities for the company (Flynn, 2012). The UK private sector faces the largest potential loss due to public sector spending cuts since this will reduce the demand in some sectors. In addition, the outsourcing trend will open new business opportunities such as offender rehabilitation services that may be provided by the private sector or voluntary sector organisations. The construction sector will experience job losses and reduction in capital investment in the related sub-sectors such as machinery and office equipment sectors (Flynn, 2012).

Conclusion

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The UK public spending cuts will strengthen the outsourcing sector and maximize the capacity of the government to deliver public services. The citizens will benefit from value-added services due to efficient service delivery. The government will be capable of increasing the accessibility of services such as healthcare and pension services due to web-based applications that are provided by the outsourcing providers. The UK public spending cuts will harm the outsourcing providers such as marketing firms, media houses and management consultants. The profitability of the IT providers will decline while the construction firms will experience a decline in workforce.

Reference:

Flynn, N. 2012. Public sector management. London: Sage.