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PSA LINK

NO 6/2026

PSA SHOP STEWARD NEWSLETTER

Hidden costs of outsourcing in Public Service

Outsourcing public-service functions to private companies is often presented as a way to save money, improve efficiency, or bring in specialised expertise. However, experience - locally and internationally - has shown that the long-term consequences of outsourcing frequently outweigh the short-term benefits. Behind promises of cost savings lie serious risks to accountability, service quality, institutional capacity, and workers' rights.

When government departments transfer responsibilities to private service providers, they often surrender direct control over critical functions. Public institutions are subject to oversight, legislative scrutiny, and public accountability mechanisms. Private contractors, however, operate primarily according to commercial interests and contractual obligations. This creates a situation where decisions affecting citizens may be made with limited transparency and reduced public oversight. When services fail, accountability becomes blurred as departments and contractors shift responsibility between one another.

Private companies are fundamentally driven by profit. In an effort to maximise returns, contractors may reduce staffing levels, cut training budgets, or lower service standards. Whilst outsourcing may initially appear less expensive, hidden costs often emerge through contract-management fees, legal disputes, service failures, and costly contract amendments. Often, government departments become locked into long-term agreements that make it difficult to respond to changing service-delivery needs. Citizens bear the consequences when service quality declines or costs escalate.

The PSA has repeatedly highlighted that public services exist to serve people, not generate profits. Where profit motives take precedence, service quality and accessibility often suffer, particularly for vulnerable communities that rely heavily on government support.

One of the most immediate consequences of outsourcing is the impact on workers. Secure public-service employment, often accompanied by benefits, career-development opportunities, and collective-bargaining protections, can be replaced by temporary or insecure employment arrangements. Workers transferred to outsourced environments frequently face lower wages, reduced benefits, limited job security, and fewer opportunities for advancement. The most serious consequence of outsourcing is the gradual erosion of government capacity. When critical skills, expertise, and institutional knowledge are transferred to external contractors, the state becomes increasingly dependent on private providers to perform functions that should reside within government. Over time, departments lose the ability to develop internal expertise, manage services independently, and respond effectively to emerging challenges.

This dependence can become particularly problematic when contracts expire, service providers withdraw, or disputes arise.

The PSA has consistently argued that South Africa's developmental state requires a skilled, professional, and adequately resourced public service. Outsourcing often weakens this objective by draining expertise from government institutions instead of investing in their long-term growth and sustainability.

The effects of outsourcing extend beyond workers and departments. Citizens may experience delays in service delivery, reduced responsiveness, poorer service quality, and increased costs. In critical sectors such as healthcare, social services, infrastructure maintenance, security, and administrative support, service failures have far-reaching consequences for communities. The PSA maintains that strengthening internal public-service capacity is a more sustainable solution than outsourcing core government functions. Investment in training, recruitment, technology, and workforce development can improve service delivery whilst preserving accountability and public trust. Outsourcing is not merely an administrative or financial decision - it is a strategic choice that can reshape the public service and influence the quality of services provided to citizens.

Shop stewards have an important role to play in scrutinising outsourcing proposals, demanding transparency, protecting workers' rights, and advocating for the strengthening of internal state capacity. They must remain vigilant against measures that place short-term financial considerations above the long-term interests of workers, communities, and the public service. The PSA continues to champion for a capable, professional, and accountable public service built on decent work, strong institutions, and quality service delivery. Public services work best when they remain firmly in public hands, supported by a committed workforce.

