

Distinction between private and public sectors

When learning about an organisation, it is important to consider who the organisation belongs to. A bus company owned by the government, for example, is likely to have different priorities from a bus company owned and run by a private company intending to earn a profit.

This section will look at the how the priorities of organisations that operate in the private sector and organisations that operate in the public sector are different.



Figure 1. The public sector in Ireland.

Credit and copyright: The Government of Ireland

(<https://www.cso.ie/en/releasesandpublications/ep/p-rpbi/registerofpublicsectorbodies2020-final/>), CC-BY 4.0
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The private sector

Businesses in the private sector are owned and controlled by private individuals. Decisions about the business are taken by its owners; the government rarely takes part in decision-making.

Private sector businesses vary in size. They can be small businesses, owned and run by one person, or they can be huge multinational companies operating globally and run by shareholders. Private sector businesses provide many goods and services that people

need (such as cars, mobile phones, food or insurance) at a market price. Their business activities provide profit for their owners. However, these goods and services can only be accessed by people who are willing and able to buy these products.

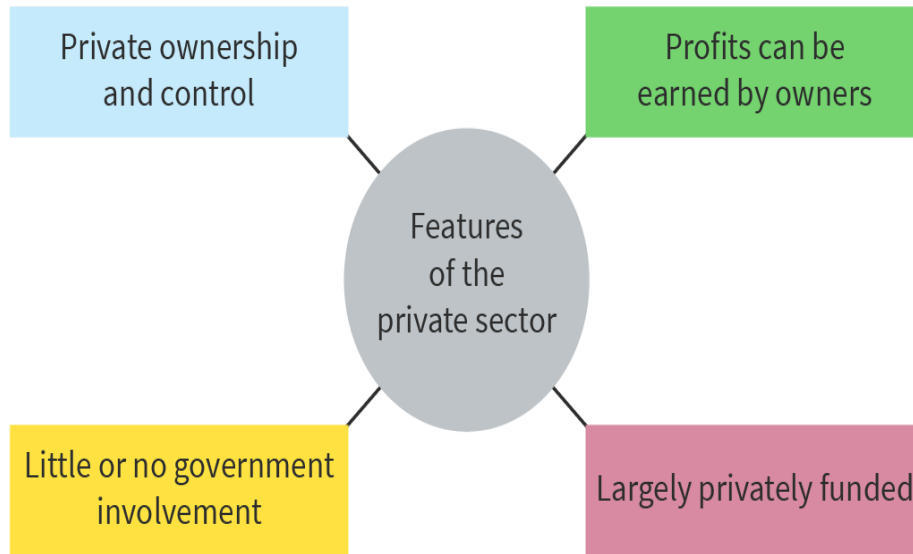


Figure 2. Features of the private sector.

The private sector operates in markets, which is one of the areas of the embedded economy described in [Section 1.1.3 \(/study/app/y12-business-management-a-sl-may-2024/sid-352-cid-174703/book/the-economy-id-36831\)](#). The private sector and its markets play an important role in the success of any economy by:

- creating employment
- helping the development and growth of the economy
- providing a wide variety of goods and services

The private sector consists of sole traders, partnerships, privately held companies and publicly held companies. You will find out more about these types of businesses in [Section 1.2.2 \(/study/app/y12-business-management-a-sl-may-2024/sid-352-cid-174703/book/forprofit-commercial-enterprises-id-36840\)](#).

International Mindedness

Economies around the world have different approaches to the private and public sectors. For example, the USA has a more free-market approach (and less government intervention), has fewer rules and legislation to start businesses, and may rely on the private sector to provide goods and services to residents. This can increase competition, innovation and research and development.

However in other countries, such as China, the government plays a greater role in the managing the economy, providing more goods and services through the public sector.

The public sector

Public sector organisations are created, owned and controlled by the government. The public sector provides essential goods and services including health care, education and emergency services such as the police and fire services. These services are underprovided by the private sector since they are not profitable to provide, or are unaffordable (inaccessible) to some members in society. The government uses tax revenue to provide these services to the public.

National governments often provide education, health care and protection to their residents through the public sector. National governments are often responsible for defence and transportation infrastructure, including roads, railways and airports. And as you learned in Section 1.2.0 (</study/app/y12-business-management-a-sl-may-2024/sid-352-cid-174703/book/the-big-picture-id-36838>), the governments in many countries also own and run universities. Other organisations run by national governments may include museums, hospitals and mail delivery services, as well as embassies, consulates, immigration services and customs offices.

Local governments also provide public services. They often own and run schools, hospitals, police forces and fire departments. Local governments may also be responsible for providing drinking water, for treating wastewater and for recycling or disposing of rubbish.



Figure 3. Providing public services.

Credit: simonkr, Getty Images

Examples of public sector businesses are the UK's public service broadcaster, the BBC, and the USPS (the United States Postal Service) in the US. Some organisations provide goods and services that are owned and operated by the public sector, such as the Dubai Metro (train) services in the United Arab Emirates (UAE). In this organisation, the costs of operations are funded by the UAE government, but commuters still have to buy a ticket to travel.

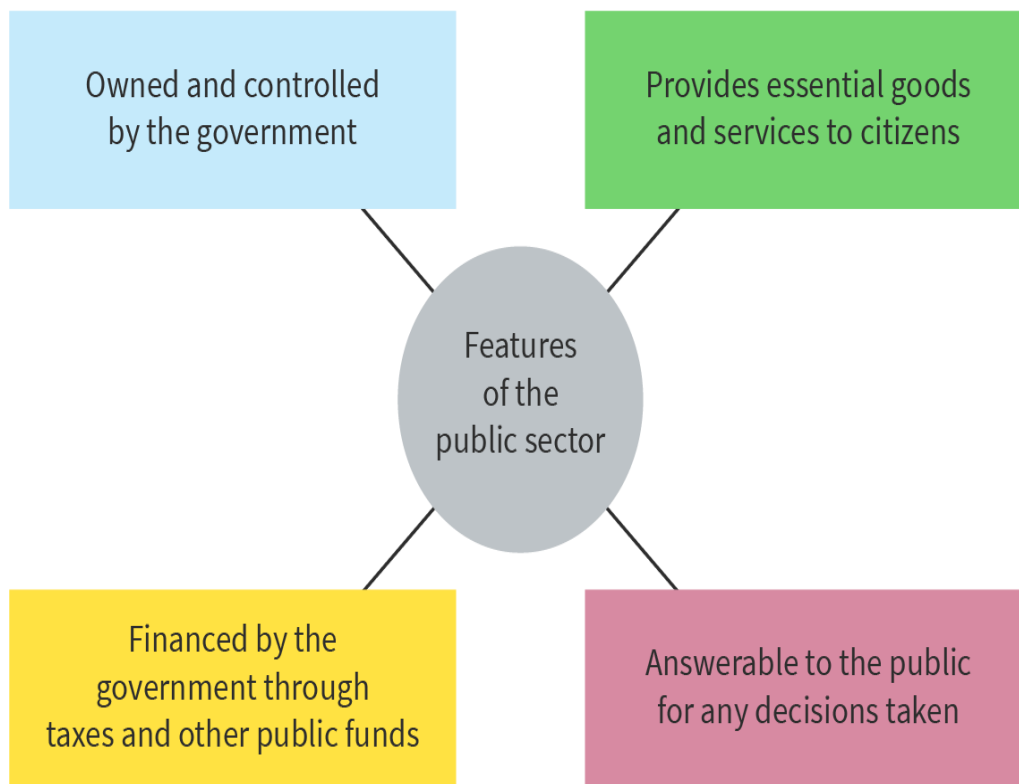


Figure 4. Features of the public sector.

To summarise, organisations in the public sector usually have the provision of services to the wider community as their primary objective, funded through taxes. Businesses in the private sector are usually driven by the need to provide goods and services to a more limited group who can pay for them, and they earn profits as a result.

Theory of Knowledge

Some countries deliver more of their essential social services for human needs like health care through the private sector. Other countries deliver more of these social services through the public sector.

- What assumptions, values and/or beliefs of a population may lead a country to prefer a private or public approach to meeting human needs?
- To what extent should the public sector collaborate with the private sector for the welfare of the society and the environment?

Activity

Learner profile: Thinkers

Approaches to learning: Thinking skills (critical thinking)

Health care, housing, education and infrastructure services such as building highways and street lights are provided both by the public sector and the private sector. However, the aims of both sectors are different. While both sectors aim to provide goods and services, the private sector earns profits. The public sector provides goods and services, but it is funded through taxation and can serve a wider range of people.

Watch the video below to compare and contrast the aims of the public and private sectors. As you watch, think about these questions:

- How are free education and health care provided by the public sector likely to be different from these services provided by the private sector?
- To what extent is the provision of goods and services for human needs only or mainly the responsibility of the public sector?

Private Sector vs. Public Sector



Video 1. The differences between the private sector and the public sector.

Case study

In the past ten years, the United Arab Emirates (UAE) has built state-of-the-art infrastructure, health care and education systems. The UAE provides a highly developed health care system through both the private and public sectors, and the level of care is high. In 2018, a Bloomberg health efficiency survey (<https://gulfnews.com/uae/health/where-does-uae-rank-in-global-health-care-1.2282271>) ranked the UAE in the top 10 most efficient health care systems in the

world. Technology-advanced medical facilities are of excellent quality. While UAE citizens receive free health care in the public system, expatriates (people from abroad working in the UAE) usually receive care in the private sector, where English is commonly spoken and many of the medical professionals have been trained in other countries.

Questions

1. Distinguish between the private sector and the public sector. [4 marks]
2. Explain why health care provided by the private sector might be more expensive than that provided by the public sector in the UAE. [2 marks]