

Chapter six

Remunicipalisation and workers: Building new alliances

By Christine Jakob and Pablo Sanchez

Remunicipalisation is a major political development that is taking shape globally. It is rooted in the failures of public-private partnerships (PPPs) and of privatisation generally speaking.

After a 20-year privatisation and outsourcing drive in many cities, policy-makers have started to draw up a balance sheet. Even global financial institutions such as the World Bank and the International Monetary Fund have acknowledged the mixed effects of privatisation, especially regarding its disappointing technical efficiency and labour productivity.¹ There is now increasing evidence in the water and waste sectors of an important trend in the opposite direction to counter well-documented negative effects on levels of inequality, child poverty and other social indicators.²

However, there is very little comparative analysis about the effects of privatisation on public sector workers. One reason is that workers affected by privatisation tend to be ‘bought off’ through early retirement schemes, while others do not even oppose it. Labour relations change for incoming employees of a newly privatised utility, creating a two-tiered system with senior staff keeping their privileges negotiated under public ownership.

Public sector workers tend to have higher protection through collective bargaining coverage and are less affected by precarious work. Once the private sector takes over, workers being transferred from the previously public employer may have a competitive advantage within the enterprise. This makes the privatisation versus remunicipalisation debate more complex because workers and their trade unions are not only concerned with efficiency gains or the

public good but need to look broadly at the ‘bread and butter’ issues behind such policy options.

On top of that, in some countries of the European Union, the status of public service workers and in particular their ability to act through collective bargaining and social dialogue has been undermined during the neoliberal reforms that followed the financial crisis. This adds to the complexity of the decision-making process for labour organisations.

For trade unions, privatisation tends to be bad news in terms of the general level of pay and working conditions. However, it would be overly idealistic to think that all trade union organisations oppose privatisation in all circumstances³ and support public management. This article draws some lessons and highlights some avenues for further investigation on remunicipalisation from the point of view of workers. As there is scant literature about the employment conditions of workers after remunicipalisation, this article tries to modestly contribute to a debate that will require further reflection.

Remunicipalisation under austerity

Each case of remunicipalisation is different because the conditions for taking back services in-house depend on the way they were first privatised. So it is very difficult to compare the effects of privatisation and remunicipalisation on workers.

However, the debates about remunicipalisation mirror those that took place at the end of the 19th century during the expansion of the organised labour movement in Europe. The rise of labour and social-democratic organisations made the demand for public services very popular among working class people, and especially organised workers. The society they envisioned would create publicly owned schools, transportation, electricity and water, among others. In many countries the rise of this new political force created the municipal model.

The main difference today is that we have a much more integrated global economy with transnational service providers, which did not exist during the previous wave of municipalisations and nationalisations, and the financing of

the economy is much more subject to speculation and the power of financial markets. In that respect it is important for the organised labour movement, and the trade union movement in particular, to rediscover a vision of society and not just deal with the ‘bread and butter’ concerns of their unionised members.

Local governments are facing budgetary cuts related with austerity policies implemented by central governments as well as European and international financial institutions. Some cases have made the headlines in France, Spain and Greece where it is often argued that public sector workers are “too expensive” or that it is difficult to sustain pension funds given the high levels of unemployment.

Remunicipalisation is an opportunity to rethink the ways public services are provided while protecting the living conditions of public sector workers and that of the communities they cater for. Remunicipalisation should re-open a debate about the values of the public sector: equal access to services for all citizens, accountable, democratic and transparent management with a decision-making process in which all stakeholders are involved.

In practice: remunicipalisation and the trade union movement

Once a remunicipalisation process gets started, workers’ organisations look at the way in which working conditions may be affected. There is a need to have a full understanding of the proposed legal status for the new utility in order to be able to improve the delivery of public services.

One of the first important steps is to look at what labour code will apply after the change of ownership because it can have an important impact in terms of job creation by the new municipal owner.

In several concrete cases, such as in France, unions have not openly supported remunicipalisation, in particular in the water sector, to avoid undermining the level of pay and employment terms and conditions. In the recent remunicipalisation in Montpellier the union movement was split, some trade unions having consulted only those employed in the company. Others did more comprehensive consultations. In the end those unions communicating about the type of company they wanted were key to garnering the necessary

support to continue with the process. An employer is normally bound to replace the employment contract keeping the same terms and conditions but it can start applying different ones to the new employees (due to the change in collective agreement). This can certainly be dangerous. So it is important for trade unions to discuss with each other what kind of ownership model they support and to be united in the remunicipalisation process.

Also the level of social dialogue with the new employer is important. For example, how will issues of outsourcing and subcontracting be dealt with in the new public structure? Therefore it is important for new employers to explain the potential gains for workers but also for trade unions to make the case among their individual members that remunicipalisation can create better companies.

This is quite problematic as trade unions tend to represent the interests and views of their affiliated (individual) members, not often do they represent the views of all workers. This might seem obvious but trade unions in their democratic decision-making process will consult those who participate in the organisation through paying dues and attending meetings. So it is likely that affiliated members have better working conditions and safer ones than others working in the subcontracted or outsourced sectors. This 'divide and rule' logic has been used in different sectors to increase profits for private companies but also to undermine labour density. Trade unions need to counter this trend by promoting the good of society as a whole and not just their members.

Therefore it is advisable for the trade union movement to see remunicipalisation as an opportunity to increase its influence in society and in the labour force as a whole.

Remunicipalisation is a reality

Remunicipalisation is defined as taking back municipal services that were previously under private management, for example under a long-term concession. It can also mean bringing regional services back into public ownership. This trend has built up over the last 10 years. A recent study⁴ shows that most remunicipalisation drives are happening in historic municipal sectors such as water and sanitation.

Despite continued financial and ideological pressures driven by neoliberal policies there are clear signs that municipalities in Europe are increasingly moving towards remunicipalisation and no longer see privatisation as a viable option. Some European trade union organisations such as the European Federation of Public Service Unions (EPSU) encourage their affiliates to promote remunicipalisation in their transnational meetings and through targeted research in this area.⁵

In Germany more and more municipalities are trying to reverse privatisation in the energy and gas sector and become themselves producers of energy. Some 72 new public energy companies have been created in Germany since 2005. In addition, more than 1,000 cooperatives active in the energy sector have been created. By 2016 over 2,000 concessions in the energy sector will come to an end in Germany, announcing a new wave of remunicipalisations.

A study in 2011 by Leipzig University of over 100 German municipalities concluded that the trend is moving towards greater provision by the public sector. Half of the municipalities with budget deficits plan some form of restructuring of municipal services, of which 41 per cent are considering moving towards inter-municipal cooperation and 36 per cent would opt for remunicipalisation; less than 3 per cent are considering privatisation.⁶

However, antitrust authorities and the courts are making it very difficult for municipalities to take back their water networks as they are obliged to publicly tender and then have to apply themselves to this call. There is currently an exemplary case in the municipality of Titisee-Neustadt where the mayor is challenging the constitutional court on this issue.

In Medina Sidonia (in the province of Cadiz, Spain), the water sector company was transformed into a multi-sectoral local company dealing with public street lighting, water, laboratory analysis and waste. The idea is to make economies of scale in order to generate savings and to create more jobs. The city's waste company was remunicipalised in January 2014 and it has increased its workforce in two months by almost 20 per cent.⁷ At a much bigger scale, the remunicipalisation of water in Paris in 2010 has led to the 'exporting' of public

worker know-how to other public companies trying to build solidarity and public-public partnerships.

Last but not least, remunicipalisation has helped to slow down the privatisation trend elsewhere around the globe. When private utilities are going back to public ownership many wonder why they privatised in the first place. This has fuelled debates about the benefits and interests behind privatisation that very often are linked to aggressive lobbying and corruption. For unions that defend a more democratic and transparent society this should be a motivating factor to encourage remunicipalisation as an alternative to privatisation.

In France, municipalities and regions continue to remunicipalise water services or public transport. Even in the UK, where the national government itself is pushing through privatisations in health care and prisons, outsourcing has rarely been used by municipalities, despite having to achieve cuts of 7 per cent per year: the *Financial Times* suggested that “local authorities have grown skeptical about the savings outsourcing can deliver, as well as fearing a backlash against private companies making large profits from the taxpayer.”⁸

Table 6.1 *Recent remunicipalisations in selected European countries*

Sector	Process	Countries	Factors
Water	Municipalisation of services	France, Hungary	Private failure, cost, control, contract expiry
Electricity	New stadtwerke, purchase of private companies	Germany	Private failure, cost, control, contract expiry
Public transport	Municipalisation of contracts and concessions	UK, France	Cost, private failure, public objectives, control
Waste management	Contracts brought in-house, inter-municipal incinerators	Germany, UK, France, etc.	Cost, control, contract expiry
Cleaning	Contracts brought in-house	UK, Finland	Cost, effectiveness, employment, contract expiry

Source: Hall, D. 2012. Re-municipalising municipal services in Europe. Report commissioned by EPSU to PSIRU, May. London: PSIRU. <http://www.epsu.org/a/8683> (accessed 23 February 2015).

Benefits of remunicipalisation

In addition to the reasons that have led municipalities to end privatisation, including cost-savings or regaining democratic control, there are numerous opportunities for the trade union movement emerging from remunicipalisation. *Remunicipalisation is an opportunity for trade unions to improve working conditions.* A private company running a long-term concession, especially in the water sector, tends to externalise key elements of technical know-how. This can be used as a bargaining chip during the renegotiation of the contract and it adds to its profitability to convince employers to keep the valuable technical knowledge of workers in-house because it is a profitable investment over the long-term for all workers. For organised workers the aim should be to improve the conditions of all the workers of a company in order to reach a level playing field between pay scales and unite rather than divide workers. A remunicipalised entity tries to make economies of scale to be able to improve employment and wages. This rationalisation can allow achieving broader social goals by generating discussions with workers on how to run the company better. For instance, in the municipality of Almada in Portugal a consultation with workers raised awareness on access to water as a basic human right. This resulted in an improvement of in-house services and a decision was taken to outsource only to local small and medium-sized enterprises.⁹

The improvement of governance and worker participation in the public company. The remunicipalisation process improved the transparency of local service provision in the cases of Paris, Naples and Hamilton.¹⁰ This resulted in a broader consultation with workers newly employed by the local companies. Remunicipalisation is not only about the renegotiation of wages and benefits but it also encourages consultation with workers on the general performance of a public company. Socially responsible companies should include decent work, social dialogue and should have at heart workers' participation.

Trade unions can gain from a better understanding of socially responsible standards in municipal companies. A public company with social, environmental and community goals that consults its workers (and their organisations) can serve as a model of progressive management. Further, working for a company that takes

into account social goals is more rewarding and motivating for workers. The current economic crisis and austerity measures have hit a number of European economies. It is essential that the trade union movement exemplify that you can make a difference locally if you start with your own workers. Medina Sidonia is a good example. The new multi-sectoral municipal company created more jobs and improved working conditions to ensure more effective service provision. The company also promotes sustainable public procurement with small and medium enterprises that are based in the city to maintain local jobs.¹¹ Insourcing can result in savings because it increases efficiency. This allows increasing the number of workers as Medina Sidonia did.

Remunicipalisation clearly can have major benefits and should be broadly supported by the trade union movement.



Christine Jakob is Local and Regional Government Policy Officer at the European Federation of Public Service Unions (EPSU).



Pablo Sanchez is Campaigns Coordinator at the European Federation of Public Service Unions (EPSU).

Endnotes

- 1 See the study by Hall, D. 2014. Public and private sector efficiency. A briefing for EPSU by PSIRU, September. Brussels: EPSU. <http://www.epsu.org/IMG/pdf/efficiency.pdf> (accessed 11 February 2015).
- 2 See sections 4 and 6 on public goods and equality in: Hall, D. 2014. Why we need public spending. Report for EPSU and PSI by PSIRU, May. Brussels: EPSU. http://www.world-psi.org/sites/default/files/documents/research/wwnps_en.pdf (accessed 23 February 2015).
- 3 The most comprehensive study by a workers' organisation is a study that the Canadian Union of Public Employees did about privatisation and remunicipalisation in Hamilton. Loxely, S. 1999. An analysis of a public-private sector-partnership: The Hamilton - Wentworth - Philips Utilities Management Corporation PPP. Ottawa: CUPE. http://www.archives.gov.on.ca/en/e_records/walkerton/part2info/partieswithstanding/pdf/CUPEppp.pdf (accessed 23 February 2015).
- 4 Lobina, E., Kishimoto, S. and Petitjean, O. 2014. *Here to stay: Remunicipalisation as a global trend*. Amsterdam: PSIRU, TNI and Multinationals Observatory. <http://www.tni.org/sites/www.tni.org/files/download/heretostay-en.pdf> (accessed 23 February 2015).
- 5 Remunicipalisation was promoted at the last EPSU Congress (see p. 53-54): http://www.epsu.org/IMG/pdf/brochure_resolutions_EN.pdf
- 6 Rothman, O. 2011. Renaissance der Kommunalwirtschaft – Re-kommunalisierung interessant zur Steigerung von Einfluss und Einnahmen. Study, 27 July. Leipzig, Germany: University of Leipzig. http://www.zv.uni-leipzig.de/service/presse/nachrichten.html?ifab_modus=detail&ifab_id=4191
- 7 The scale is too small to be able to make this a general rule but the team of 17 workers grew to 20 immediately after the remunicipalisation.
- 8 *Financial Times*. 2012. Savings from outsourcing doubted by state. 23 January.
- 9 Although technically not remunicipalised this company demonstrates how strong public ethos can benefit communities more broadly speaking.
- 10 See the Remunicipalisation Tracker for details on these cases: <http://www.remunicipalisation.org>.
- 11 Medina Sidonia has almost 12,000 inhabitants and in December 2014 it had 2,223 registered unemployed residents, see: <http://www.foro-ciudad.com/cadiz/medina-sidonia/mensaje-12415004.html> (accessed 1 February 2015).