

Liberalisation and privatisation of public services and strategic options for European trade unions

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Summary

This article argues that liberalisation and privatisation of public services in Europe have had a significant impact on employment and working conditions. Our basic hypothesis is that companies affected by growing competitive pressures increase efforts to reduce labour costs. The consequences are, on the one hand, the reduction of public sector employment and, on the other, a transformation of the traditional public sector labour relations regime (LRR). While employees were previously treated as a relatively homogenous workforce, liberalisation and privatisation have fuelled divisions, fragmentation and individualisation. In some sectors and countries this has led not only to a substantial deterioration of employment and working conditions but also to the emergence of a two-tier workforce. From this perspective liberalisation and privatisation represent a considerable threat to workers and therefore the trade unions, which have at their disposal a number of strategies to respond to the new challenges, including fighting privatisation, demanding strong sector-wide regulations and campaigning to strengthen the public sector.



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Sommaire

Cet article souligne que la libéralisation et la privatisation des services publics en Europe ont eu un impact significatif sur les conditions d'emploi et de travail. Notre hypothèse de base est que les compagnies concernées par des pressions croissantes de la concurrence augmentent leurs efforts pour réduire les coûts du travail. Il en résulte, d'une part, une réduction d'emploi du secteur public et, d'autre part, une transformation du régime traditionnel des relations professionnelles du secteur public. Alors que les travailleurs étaient traités auparavant en tant que main-d'oeuvre relativement homogène, la libéralisation et la privatisation ont alimenté les divisions, la fragmentation et l'individualisation. Dans certains secteurs et pays, cela a mené non seulement à une détérioration substantielle des conditions d'emploi et de travail mais

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également à l'apparition d'une main-d'oeuvre à deux niveaux. Vu sous cet angle, la libéralisation et la privatisation représentent une menace considérable pour les travailleurs et, par conséquent, les syndicats, qui ont à leur disposition un certain nombre de stratégies pour répondre aux nouveaux défis, en ce compris la lutte contre la privatisation, les demandes en vue d'une réglementation forte à l'échelle du secteur et les campagnes menées pour renforcer le secteur public.



Zusammenfassung

Die Autoren dieses Beitrags argumentieren, dass die Liberalisierung und Privatisierung der öffentlichen Dienstleistungen in Europa bedeutende Auswirkungen auf Beschäftigung und Arbeitsbedingungen hatten. Sie gehen von der Grundhypothese aus, dass Unternehmen, die einem wachsenden Wettbewerbsdruck ausgesetzt sind, sich stärker bemühen, ihre Arbeitskosten zu senken. Dies führt einerseits zu einer Verringerung der Beschäftigung im öffentlichen Sektor und andererseits zu einer Änderung der traditionellen Systeme der Arbeitsbeziehungen im öffentlichen Sektor. Während Arbeitnehmer früher als relativ homogene Gruppe behandelt wurden, haben Liberalisierung und Privatisierung zur Aufspaltung, Fragmentierung und Individualisierung der Arbeitnehmerschaft beigetragen. In manchen Branchen und Ländern hat dies nicht nur zu einer erheblichen Verschlechterung der Beschäftigungs- und Arbeitsbedingungen geführt, sondern auch zur Entstehung einer Zweiklassenarbeitnehmerschaft beigetragen. Unter diesem Gesichtspunkt stellt die Liberalisierung und Privatisierung eine ernsthafte Bedrohung für die Arbeitnehmer und damit auch für die Gewerkschaften dar. Diesen steht eine Reihe von Strategien zur Verfügung, um auf diese neuen Herausforderungen zu reagieren, etwa die Bekämpfung der Privatisierung, die Forderung nach starken sektorweiten Regelungen und Kampagnen zur Stärkung des öffentlichen Sektors.



Keywords: privatisation, public services, trade unions, collective bargaining, fragmentation, two-tier workforce

Introduction

Since the 1980s, for both political and economic reasons, the public sector has been experiencing fundamental change in almost all European countries. Under the new hegemony of neoliberalism the public sector was widely considered to be bureaucratic, ineffective and too expensive. Moreover, since the previously dominant economic policy was leading

to growing budget deficits, public services were coming under increasing financial pressure. On top of this, the public sector has been confronted by two major developments: first, all European countries have experienced a wave of liberalisations and privatisations, often fuelled by European sectoral directives (for example, electricity, gas, railways, postal services); secondly – but connected with the first development – the public sector has entered into a process of internal restructuring that (often under the influence of so-called ‘new public management’) has led to the introduction of market-oriented mechanisms of public governance aimed at making public services more efficient and less costly. As a result, liberalisation and privatisation have led not only to the admission of new competitors and the transfer of ownership rights from public institutions to private organisations and individuals, but also to the transformation of public companies into private corporations, the breaking up of organisations and the introduction of cost and profit centres, outsourcing, private-public partnerships and, in the case of the United Kingdom, ‘private finance initiatives’. Forms of liberalisation and privatisation therefore vary significantly between sectors and countries (Hermann and Verhoest 2007).

In this article we will concentrate on the impact of liberalisation and privatisation on employment, working conditions and labour relations. Empirical evidence is drawn mainly from two studies, covering six countries and four sectors. Occasionally, additional sources are taken into account.¹ Our basic hypothesis is that these developments have put the affected companies under enormous competitive pressure to reduce labour costs. The companies have tried to transfer this burden to the workforce, leading to the emergence of new labour relation regimes (LRRs) that have no or only weak links to the traditional public sector LRR. We define an LRR as a coherent set of institutions (statutory regulations, collective bargaining, employee representation) regulating labour relations in a certain sector (Brandt and Schulten 2007). The withdrawal from the ‘more expensive’ public sector LRR in favour of new LRRs includes far-reaching changes in collective bargaining, employment conditions, wage levels, employee rights and employee representation. But trade unions have various strategic options to enable them to respond to these developments, which are discussed in the concluding section.

Labour relations in the public sector

There have always been significant national differences in Europe regarding the size, scope and organisation of the public sector, as well as the various sub-sectors and

1 The first study – *Liberalisation and Privatisation of Public Services and the Impact on Labour Relations* – is part of the PIQUE (Privatisation of Public Services and the Impact on Quality, Employment and Productivity) project, funded by the European Commission’s 6th Framework Programme (Project Number: CIT5-2006-028478). It covers six countries (Austria, Belgium, Germany, Poland, Sweden and the UK) and four sectors (electricity, postal services, local public transport and health care/hospitals). For more information, see: www.pique.at. The other study is based on earlier research on *The Impact of Liberalisation and Privatisation on Employment, Working Conditions and Labour Relations* carried out by FORBA on behalf of the Austrian Chamber of Labour; in addition to the aforementioned sectors this study also looked at the railway sector in Austria, Germany and Sweden.

activities that are commonly subsumed under public services. They have all influenced the development of labour relations. But there are also a number of common features and characteristics that could be found in almost all (western) European countries and that have created a distinctive labour relations regime in the public sector (Atzmüller and Hermann 2004; Bordogna 2007). Moreover, in the post-war period in a situation of full employment the public sector became to a certain extent a 'model employer', whereby certain practices were gradually extended to private industry (Corby and White 1999). There are at least five main characteristics of the traditional public sector LRR.

A *first* major characteristic has been the relatively strong position of trade unions in the public sector, with a trade union density very much above the average rate of organisation. Trade unions traditionally have had a strong influence at both political and workplace level, which has ensured that public employers sit down at the negotiating table, even if many public sector unions did not have formal bargaining rights. In some countries, public sector unions have also enjoyed additional co-determination rights that went beyond those granted in private sector enterprises. Due to the extraordinary strength of their unions, public sector workers were able to gain various additional benefits.

A *second* characteristic of the traditional public sector LRR is the relatively centralised collective bargaining structure (Bordogna and Winchester 2001; Nomden *et al.* 2003). While in several European countries wages and working conditions were formally imposed by statutory regulations rather than collective agreements (for example, Austria, Belgium, Poland and Germany [civil servants]), the unions nevertheless had a strong impact on the norms and standards that govern employment in the public sector through informal but comprehensive and highly centralised bargaining processes. In several countries centralised collective bargaining covered the entire public service sector, including a wide range of sub-sectors.

In contrast, individual wage agreements have been virtually absent in the public sector. Wages were negotiated exclusively at the collective level and laid down in detailed wage schemes. The assignment to particular wage groups was based on objective criteria such as qualifications and seniority rather than individual experience and the demand for specific skills (Keller 1993). With few exceptions, this was also true for management, which consequently earned significantly less than its private sector counterparts. Performance criteria or performance-based pay supplements, widely applied in private sector companies, played little or no role in public sector wage relations. Instead, wage differentials were based on seniority and specific pay supplements attached to certain workplaces or tasks rather than on individual performance. Due to the absence of individual wage agreements and performance-based pay supplements, income inequality was much less pronounced in the public sector than in private companies.

The relatively low degree of wage dispersion is a *third* major characteristic of the public sector LRR. While better qualified public employees have usually earned less than

their colleagues in private industry the opposite has often been the case for less qualified employees. Therefore, the public sector became a source of decent jobs for low- and medium-qualified workers. The absence of performance criteria also had an important effect on working conditions. Working conditions were seen as an essential part of a complex set of formal and informal rules that governed the provision of public services. These rules, among other things, were meant to make sure that economic pressure would not compromise the quality and security of services and that each client would get exactly the same treatment. They also gave the public sector LRR an explicitly political character (Atzmüller and Hermann 2004). Public sector workers were subsequently less motivated by expected wage increases than by what is known as the public sector ethos. On the other hand, the absence of individual incentives also meant that public sector workers sometimes lacked motivation.

A *fourth* main feature of the traditional public sector LRR has been the long-term nature of the employment relationship and, as a consequence, an extraordinary degree of employment stability. Many public sector workers had civil servant status or the equivalent, in the sense that they could be dismissed only in exceptional circumstances (Corby and White 1999; Keller 1993). In some cases job protection went as far as requiring management to gain consent from the respective employees' and/or works council representative to re-assign workers to new posts within the same organisation or company. The high level of job security persuaded workers to take up public sector jobs, even if public sector wages could hardly keep up with those in the private sector.

Fifthly and finally, the public sector was also seen as an important instrument of employment policy. Until the 1980s many European governments extended public sector employment in order to compensate for cyclical job losses in the private sector. Later on, the public sector led the way in offering relatively well-paid part-time jobs and so became an attractive employer for female employees in particular.

To sum up, the strength of public sector unions and the comprehensive and centralised bargaining structures resulted in the relative stability and predictability of working hours, a high degree of wage equality and employment security, shorter working hours and lower retirement ages. The distinctive character of the public sector LRR also contributed to the gradual decommodification of paid labour.

Impact of liberalisation and privatisation on labour relations

Liberalisation and privatisation of public services have fundamentally challenged the traditional LRR in the public sector. In liberalised markets former public companies and monopoly suppliers have been forced to transform their entire organisation into a private for profit business and have to compete with new private companies. Affected sectors and companies have been put under increasing competitive pressure to reduce

labour costs, and consequently try to transfer this market pressure to the workforce. As a result, new LRRs have emerged in liberalised and privatised sectors with no or only very weak links to the traditional public sector LRR.

The main characteristics of these new LRRs can be described as follows (see Table 1). Regarding collective bargaining liberalisation has usually led to a two-tier system with relatively stable bargaining structures at the level of the incumbent and a rather decentralised and fragmented bargaining structure with low bargaining coverage at the level of the new competitors. This corresponds to a union density that is relatively high within the former public monopolists but often rather low within the new competing companies, so that unions often simply do not have the organisational power to push for new collective agreements. As a consequence, the newly liberalised markets often lack sector-wide regulation or coordination of labour issues that might limit or even prevent competition on labour costs.

Liberalisation and privatisation have not only enforced a decentralisation and fragmentation of collective bargaining at sectoral level, but have also led to a growing fragmentation of labour regulation within companies. While under the public sector LRR the employees were treated as a relatively homogeneous workforce, there is a growing division between core and peripheral workers within privatised companies. One major form of privatisation is the contracting out of certain services and activities, which often entails new or even no collective agreements for the affected employees. The result is a two-tier workforce with significant differences regarding pay and working conditions. The same applies to the level of job security, which remains relatively high for the shrinking core workforce of the incumbent, but is rather low for the peripheral workers, as well as for the high proportion of temporary employees within the new competing companies.

Table 1: Labour relations before and after liberalisation

	Public sector LRR (before liberalisation)	LRR after liberalisation	
		Incumbent (former monopolists)	New competitors
Collective bargaining	Centralised wage setting	Bargaining at firm level	Decentralised, fragmented or no agreements
Bargaining coverage	High	High	Low
Union density	High	High	Low
Work status	Civil servants and public employees	Decrease of civil servants and increase of private employees	Private employees; self-employed
Workforce	Relatively homogeneous workforce	Two-tier workforce (strong division between core and peripheral workers)	

Job security	High	Relatively high for the shrinking core workforce; increasing number of employees with temporary contracts	Low
Competition on wages and working conditions	Low	High	

Source: Brandt and Schulten (2007).

The emergence of new LRRs was empirically established by a recent study on the impact of liberalisation and privatisation on labour relations, which covered four sectors (postal services, hospitals, local public transport and electricity) in six European countries (Austria, Belgium, Germany, Poland, Sweden and the UK) (Brandt and Schulten 2007). According to this study, one of the first things that former public companies often do after privatisation is to withdraw from the central public sector collective agreement in order to establish their own bargaining structures (mostly in the form of new agreements at company level). Evidence for this could be found in particular in the postal sector, local public transport and hospitals.

In the postal sector, for example, after privatisation the incumbents are usually no longer subject to public sector agreements but reach their own company agreements. But there are also significant variations between countries. In countries that traditionally have comprehensive collective bargaining systems with strong regulation at sectoral level (for example, Belgium and Sweden) the consequences of postal service liberalisation have been different from those experienced by countries with more decentralised or fragmented bargaining systems (for example, the UK, but also, to a certain extent, Germany). In the Swedish postal sector, there are different company agreements for the incumbent and for the main new competitor, though they are closely coordinated by the trade unions and therefore contain no major substantive differences. In contrast, in Germany the newly established postal companies have so far entered into no collective agreements, so that wages and working conditions are much worse than at the incumbent; since postal services are relatively labour-intensive, there is strong downward competition as regards labour costs in Germany (Brandt and Schulten 2008).

The tendency for privatised companies to withdraw from public sector collective agreements can also be found in local public transport. Private transport companies (for example, in Germany, Poland and the UK) have tried to obtain a competitive advantage over their public competitors through a strategy of wage dumping on the basis of no or separate collective agreements that provide for much lower wages and working conditions. In countries with more comprehensive collective bargaining systems, however, such as Belgium and Sweden, this strategy was not an option due to the strong sector-wide regulation.

Regarding the hospital sector Germany is the only European country that so far has shown a strong tendency towards the full privatisation of public hospitals and their sale to private for-profit hospital companies. All such companies in Germany have withdrawn

from the public sector collective agreements and made their own arrangements. In other countries the dominant form of privatisation in the hospital sector is still the contracting out of services, such as cleaning, catering, laundry, security and administration. For the employees in these sectors outsourcing usually means that they are no longer covered by the public sector agreement and have to accept a significant deterioration in wages and working conditions.

The establishment of a two-tier workforce could also be found in other sectors. As part of a reorganisation strategy enforced by liberalisation and privatisation companies have often established separate sets of labour regulations for the existing workforce and for newly hired employees, whereby the latter have had to accept much lower standards. As a result, different employees doing the same job are treated differently on the basis of different collective agreements, depending on their time of entry into the company. Examples of this can be found in public transport (for example, Poland, Austria and Germany), the postal sector (for example, Germany) and electricity (for example, Germany). The establishment of two-tier wage structures is often the result of concession bargaining between privatised companies and the trade unions. In the face of privatised companies' endeavours to reduce labour costs the unions often try to protect the working conditions of the existing workforce by agreeing to poorer working conditions for newly hired employees.

The impact of liberalisation and privatisation on employment and working conditions

Employment

The emergence of new LRRs in liberalised and privatised sectors has had far-reaching consequences for employment and working conditions (Hermann and Atzmüller 2008). While the expansion of public sector employment was an important factor in achieving and maintaining full employment during the post-war decades, in many sectors and countries liberalisation and privatisation have led to a significant reduction of employment (see Table 2). Employment has fallen contrary to the European Commission's assumption that nearly one million new jobs would be created in the liberalised network industries (European Commission 2003: 4). While there may have been a positive employment effect in telecommunications – although it remains to be seen whether this will be sustainable – in many other sectors liberalisation and privatisation have resulted in net losses of public sector jobs.

For example, in the electricity industry alone nearly a quarter of a million jobs have been lost in the past ten years (ECOTEC 2007: 26-27). In the EU-15, 31% of electricity sector jobs were lost between 1995 and 2004; in Italy and the Netherlands, the reduction amounted to 40 and 39%, respectively (*ibid.*). If we extend the period to the early 1990s almost half of all jobs in the British electricity industry disappeared after privatisation (*ibid.*: 66-72).

Table 2: Impact of liberalisation and privatisation on the level of employment

Sector	Countries	Period covered	Employment changes in %
Electricity	EU-15	1995-2004	- 31%
	Germany	1995-2004	- 34%
	Italy	1995-2004	- 40%
	Netherlands	1995-2004	- 39%
	Spain	1995-2004	- 34%
	Sweden	1995-2004	- 33%
	Gas	12 Member States (CZ, DK, DE, ES, IT, LV, LT, HU, AT, PT, SL, FI)	2000-2004
Postal services	Austria	1995-2005	- 25%
	Sweden	1995-2005	- 25%
	Germany	1995-2005	- 15%
Railways	5 countries (DE, IT, NL, SE, UK)	1996-2003	- 16%

Source: Hermann and Atzmüller (2008).

The electricity sector is not an exception: the same study also shows a 12% reduction in employment in the gas industry for six countries in only four years (*ibid.*: 57). The postal sector in several countries has also seen a decrease in employment following the stepwise introduction of competition. According to national labour force survey data the number of employees in Austria and Sweden decreased by 25% between 1995 and 2005, while in Germany job losses amounted to 15% over the same period. A study commissioned by the European Foundation for the Improvement of Living and Working Conditions reveals a similar employment fall in railways; on average, the reduction in five Member States amounts to 16% (European Foundation for the Improvement of Living and Working Conditions 2006a: 15). The reduction in employment in the unified railway sector in Germany amounted to a staggering 52% between 1991 and 2001, after which it started to grow again because of Deutsche Bahn's takeover of logistics companies (*ibid.*; Atzmüller and Hermann 2005: 108). If we look at the company level, a number of former state-owned railway companies have reduced employment by more than 50% since 1990; the Spanish and Portuguese national railway companies, for example, have cut employment by 70 and 80%, respectively (Hillal 2007: 4).

Despite massive job losses in European public service sectors, staff reductions in the areas and companies included in our survey were generally carried out in 'socially acceptable' ways, that is, without compulsory redundancies. The exception is the UK; in Austria and Germany, in contrast, employees were typically offered various schemes, such as early retirement or redundancy payments above the legal requirement (golden handshakes), to leave voluntarily. In Sweden, the former monopoly provider Posten AB launched a special restructuring programme within the framework of which the company

continued to pay ‘redundant’ employees their salaries for 18 months, while the workers were free to look for a new job. As part of the programme the company also paid for education and training for a maximum of ten months for each employee (European Foundation for the Improvement of Living and Working Conditions 2006b).

Wages and working conditions

Liberalisation and privatisation have led to a real cut in basic wages in only a few cases. One example is the privatised British bus companies whose employees were paid ‘compensation’ – or ‘bribes’ – to accept the new wage systems, which among other things also involved cuts in the basic wage (Atzmüller and Hermann 2005: 135). More widespread, however, are measures such as dismissals with the option of altered conditions, the employment of new workers on lower wages and new competitors paying less than the former monopoly suppliers. While in former monopoly suppliers new entrants are paid according to a separate and typically unfavourable wage scheme, new providers are often subject to no or, because they are part of a different sector, a worse collective agreement. Moreover, the international companies that have rapidly appeared on newly deregulated public service markets often disregard existing regulations and pay their own wage rates.

In some cases, such as postal services, liberalisation and privatisation have led to wage dumping. In Germany, for example, new mail operators mostly employ workers on the basis of so-called mini-jobs that pay little more than €400 a month (Brandt and Schulten 2008), while in Austria the new competitors rely heavily on self-employed mail deliverers who not only earn less than postmen employed by the Austrian Post but also lack any sort of employment security (Hermann 2008). At the same time, former monopoly providers have in many cases established low-cost subsidiaries in other countries where they apply the same wage-dumping practices for which they condemn their new competitors in their home markets. One example of this is provided in Germany by the incumbent Deutsche Post, which has accused a subsidiary of the Dutch incumbent TNT of pursuing a wage-dumping strategy, while in the Netherlands TNT has criticised a subsidiary of Deutsche Post for the same reason.

Less dramatic but nevertheless effective ways of cutting wage costs include changes in seniority-based wage increases (abolition of biennial increases) and the termination of company agreements in order to eliminate company-specific supplements, bonuses, social provisions (sick pay, family allowances) and company pensions. The outsourcing of jobs to external providers that pay significantly lower wages than in-house staff receive for the same work is also a popular method of cutting the wage bill. Last but not least, the introduction of flexible working hours and inclusive contracts that spare companies overtime payments are also measures that help to reduce wage costs significantly. But these measures are aimed not only at saving labour costs, but also at overcoming the relatively egalitarian wage structure in the public sector and the introduction of much wider wage dispersion (Van der Meer *et al.* 2007).

There are also cases in which liberalisation and privatisation have led to a lengthening of the working day. Examples again include local buses in Britain, but the German railway sector too has seen an extension of the collectively agreed working week, by one hour in 2005. But as with wages, indirect measures that lead to an extension of the working day are more widespread. Such measures include the reduction and shortening of breaks and rest periods, which is particularly widespread in labour-intensive sectors such as local transport. In Sweden, for example, bus drivers staged a so-called ‘pee break strike’ in protest against the elimination of breaks (Atzmüller and Hermann 2005: 161). Besides the elimination of breaks and rest periods, there have also been cutbacks in additional, establishment-specific work-free periods (establishment-specific vacations, additional holidays), and in some cases – for example, railways in Austria and Sweden – the abolition of company- or sector-specific pension regulations, resulting in the lengthening of working life.

Apart from the lengthening of the working day and of working life, liberalisation and privatisation have also led to a far-reaching flexibilisation of working time. This includes the introduction of averaging periods and working time accounts and, most notably, a surge in the use of part-time hours. The Austrian and German postal sectors, for example, have experienced a rise in part-time jobs of almost 30% since the mid-1990s; in Germany many of these jobs are marginal posts. Besides part-time work, other atypical forms of employment, such as fixed-term employment, agency work and self-employment, have increased as a result of liberalisation and privatisation.

In sum, the introduction of performance-based wages and wage components and of two-tier wage structures, the flexibilisation of working time and the use of atypical forms of employment have led to the individualisation and fragmentation of employment and working conditions. The result has been a dismantling of the traditional public sector LRR with its relatively uniform employment and working conditions. All in all, the liberalisation and privatisation of public services have also had strong distributive effects between both different groups of employees and capital and labour. The introduction of greater wage dispersion takes place mainly at the expense of low-qualified employees who had relatively well-paid jobs in the public sector. Moreover, as a recent study by the London School of Economics found, liberalisation and privatisation have been an important factor in explaining the decreasing labour share in most European countries and so have contributed to a redistribution of income from labour to capital (Azmat *et al.* 2007).

Strategic options for trade unions

Considering their predominantly negative impact on employment, working conditions and labour relations, it is not surprising that most European trade unions have a rather sceptical attitude towards the liberalisation and privatisation of public services. In principle, the trade unions have three strategic options to respond to these developments:

- they can launch political campaigns aimed at preventing liberalisation and privatisation;

- when liberalisation and privatisation are introduced the unions can push for social regulation in the affected sectors in order to defend jobs, pay and working conditions, as well as employees' participation rights;
- they can try to promote alternative policies to strengthen the public sector, including the return of certain privatised activities to public ownership.

Prevention of liberalisation and privatisation

In the 1980s and 1990s trade unions all over Europe ran numerous campaigns against the liberalisation and privatisation of public services. But under the hegemony of neoliberalism these campaigns were often condemned as backward-looking and the unions were accused of blocking 'necessary modernisation' in order to defend the position of a 'privileged' workforce. Since the unions were not able to gain broad political support, they often gave up principled resistance and concentrated on regulation of the social consequences for the affected employees. The European trade unions were largely unable to prevent the wave of liberalisation and privatisation in Europe, especially in network industries, such as energy, telecommunications and postal services.

During the last decade, however, public opinion has changed fundamentally, becoming much more sceptical. People have found increasingly that liberalisation and privatisation have not automatically led to better and cheaper services, but have often had the opposite effect. At the same time, planned privatisations have increasingly come to include parts of the social infrastructure, such as housing, health care and education. Against that background resistance to privatisation has become much stronger and has returned to the trade unions' policy agenda. In many European countries the trade unions, together with other social organisations and movements, have created broad political alliances running joint campaigns against further privatisation (Marcon and Zola 2007). In the UK, for example, there is currently a broad political campaign, endorsed by the trade unions and various other organisations and individuals, organising resistance to further privatisation of health services under the slogan 'Keep our NHS public' (www.keepournhspublic.com). In Germany, an alliance called 'Bahn für alle' ('The railways for everyone') is currently campaigning against privatisation (www.bahn-fuer-alle.de). Interestingly, this alliance is supported by most German trade unions, but not by the railway workers' union, Transnet, which endorses railway privatisation. Finally, in the Netherlands the Dutch Trade Union Confederation FNV has launched a 'Time-Out' campaign, which is demanding a moratorium on further liberalisation and privatisation unless it can be guaranteed that negative consequences for working conditions and service quality can be avoided (FNV 2007).

In recent years, such campaigns have in a significant number of cases been able to prevent liberalisation and privatisation, for example in the water industry (Marcon and Zola 2007). In some countries the possibility of a referendum has proved a useful

instrument against privatisation policy for trade unions and other social movements. This applies particularly to Switzerland (Zimmermann 2008), where these referenda are most widespread, but also to Germany, where there have been an increasing number of (partially successful) referenda against privatisation at local level (Mittendorf 2008).

Since the European Union is one of the major drivers of liberalisation and – more indirectly – also privatisation, the prevention of such developments has become a prominent issue for trade union policy at European level. The European Transport Workers' Federation (ETF), for example, has successfully campaigned against a European regulation on public transport that originally foresaw a binding obligation for public tendering, which would have constituted nothing less than a promotional programme for private transport companies. The postal section of UNI-Europe has also launched a European campaign against the full liberalisation of postal services, planned for 2011. Probably the most spectacular case was the transnational campaign against the liberalisation of the port transport industry, which caused the EU to withdraw its draft directives after dockers all over Europe organised joint protests and industrial action (Turnbull 2006).

Finally, the European Trade Union Confederation (ETUC) and the European Federation of Public Services (EPSU) have launched a campaign for a European Framework directive for services of general (economic) interest (Kowalsky 2008). The aim of such a directive would be to give public services in Europe a legal status that makes clear that they do not fall under rules of competition policy in the European Single Market. In keeping with their national traditions EU Member States should have the opportunity to promote public services as a politically regulated sector that is not entirely subject to the rules of the market. This campaign has also provided the European unions with a framework for integrating the whole range of their activities against liberalisation and privatisation at European and national level.

Social regulation in liberalised and privatised sectors

In sectors that have already been liberalised the main challenge for trade unions is to promote new social regulation that is able to prevent downward competition at the expense of the employees. As we have already seen, the collective bargaining structure of liberalised sectors is decentralised and fragmented. A major task for the unions, therefore, is to coordinate their bargaining policy at sectoral level in order to lay down at least some minimum standards. Since after liberalisation newly established companies often have a rather low union density a major precondition for sectoral coordination is a strengthening of trade union membership in these companies.

A strategy for sector-wide social regulation could be supported by the state through the extension of collective agreements, the determination of sector-wide minimum wages and standards or the linking of public procurement and collectively agreed standards. The

latter has been used, for example, in the Belgian local public transport sector where public tenders contain a special clause referring to working conditions in the public sector that have to be guaranteed by the private contractor (Brandt and Schulten 2007: 57).

In countries with a high union density and more comprehensive collective bargaining systems (for example, the Scandinavian countries and Belgium) the unions seem to have fewer problems coordinating wages and working conditions at sectoral level. In contrast, the unions in Germany have so far not been able to establish sector-wide working standards in most liberalised sectors. In the postal sector, for example, wage differences between the former incumbent and newly established competitors can be up to 60%. The unions campaigned successfully for a sector-wide statutory minimum wage that came into force in January 2008 (Brandt and Schulten 2008).

A second major challenge related to liberalisation and privatisation is to avoid the creation of a two-tier workforce. The latter systematically undermines the basis for solidarity among employees and constitutes a permanent threat, even to the relatively well-situated core workforce. In the UK, for example, the unions have run a broad 'fair wage campaign' to end two-tier workforce systems in the hospital sector, demanding the same wages and working conditions for hospital employees working for private subcontractors as for hospital employees in the National Health Service (Bach and Givan 2007). As part of the so-called 'Warwick Agreement' in 2005 the unions and the Labour government reached an in-principle commitment to end the two-tier workforce in public services. In the same year the unions and the Department of Health concluded an agreement with private contractors that employees such as hospital cleaners, porters and catering staff would, in future, receive the same pay and working conditions as NHS staff (Bewley 2006).

Another strategic point of influence for trade unions could be the policy of the regulatory agencies that have been established to promote liberalisation. In some countries, for example Switzerland (Zimmermann 2008), these agencies already have some competences in maintaining and controlling labour standards. In order to strengthen the social regulation of liberalised markets, unions could demand that the tasks of these agencies be more socially balanced and that the unions themselves should become involved in their supervision.

Finally, the social regulation of liberalised markets has become a policy issue at European level. In the recent EU regulation on public transport from 2007, for example, the trade unions managed to include a paragraph according to which public authorities are free to impose certain social standards in order to 'ensure transparent and comparable terms of competition between operators and to avert the risk of social dumping' (European Union 2007).² A similar passage can also be found in the new EU

2 Regulation (EC) No 1370/2007 of the European Parliament and of the Council of 23 October 2007 on public passenger transport services by rail and by road and repealing Council Regulations (EEC) Nos 1191/69 and 1107/70, OJ L 315, 3.12.2007, pp. 1-13.

Directive on postal services that explicitly emphasises that ‘social considerations should be taken into due account when preparing the opening up of the postal market’ (European Union 2008).³ Moreover, according to the EU Directive on public procurement, public authorities are always free to lay down certain social standards in public tenders (European Union 2004).⁴

Strengthening the public sector

The prevention of liberalisation and privatisation, as well as their social regulation are defensive strategies, however. A more active strategy would require provisions on strengthening the public sector. In some countries the unions have launched campaigns to improve the image of the public sector; examples are Unison’s ‘Positively Public’ campaign in the UK (www.unison.org.uk/positivelypublic/index.asp) and ver.di’s ‘Genug gespart’ (‘Enough economisation’) campaign in Germany (www.genuggespart.de). The crucial element of all such campaigns is the linkage between the working conditions of public service employees and service quality, which might create a basis for broad social alliances between workers and consumers.

All over Europe there are already a number of good examples of local authorities breaking with the neoliberal logic of liberalisation and privatisation, and in some cases they have even started to remunicipalise certain services, such as public transport, energy supply and waste disposal (Little 2007). These examples show that alternatives are possible and could be further developed. Therefore, the European trade unions, together with other social organisations, should enter in a broad transnational dialogue on the organisation of modern, efficient public services that offer good working conditions, high quality of services with universal access and democratic participation for citizens and employees.

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3 Directive 2008/6/EC of the European Parliament and the Council of 20 February 2008 amending Directive 97/67/EC with regard to the full accomplishment of the internal market of Community postal services, OJ L 52, 20.02.2008, pp. 3-20.

4 Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts, OJ L 134, 30.4.2004, pp. 114–240.

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