

Lessons Learned --The UK experience of privatization of public services

Background

For some time, the Ontario Liberal government has been getting advice from England's Blair government and their consultants on restructuring government services. Last year one of Blair's key advisors was flown in to make a presentation to cabinet. McGuinty speaks highly of the British experience.

A delegation from the Ontario Federation of Labour including OFL leaders along with representatives from CUPE, CUPW, ETFO, OECTA, and OPSEU studied the "Transformation of Government" agenda in Britain first hand as it became evident that the Ontario Liberals are looking across the ocean for inspiration on restructuring and privatizing important public services.

The study tour included sessions with leading academics, union leaders, and community activists. They all told a part of the story of the fall-out from this restructuring. Briefly here are some of the lessons learned from this tour:

Setting the stage for fragmentation and privatization

As aptly put by Professor Allyson Pollock, the welfare state, which gives us public health care, public education, public systems delivering hydro, water and transportation, is the great-unopened oyster. Health and education alone account for up to 20% of western countries' GDP. A lot of money, and profit-making companies around the world want to use that money for profits. Also wealthy countries are wrongly convinced that they will have a trade advantage and economic benefit by developing the template for moving to competitive and private models for delivering public services, with a view to making profits from the export of the model.

The ruse is trying to move government debt off the books. Years of neglect of public services infrastructure led to a crisis requiring massive public expenditures. The public spin has been that if you can say the risk is all on the private sector consortium then it's not on the government books. In fact, Private Finance Initiative (PFI) financial accounting conceals how much the public is spending for, in the end, fewer services with less staff providing services. The only ones who benefit from these schemes are shareholders in the private companies whose purpose is to make money, not give the public quality services.

The recent philosophy of many western governments is that it doesn't matter who provides the service so long as it is publicly funded---government's role is steering not rowing. The government reinforces this philosophy by trying to delude the public that competition is a positive force leading to more efficiency in public services along with the assertion that somehow these models provide consumer choice. The real result is cookie cutter designed services that don't reflect community needs, that are designed without any public accountability, and which cost tax payers billions more dollars.

What's happened so far

The Blair government made the pitch that the public was getting new facilities after years of neglect. The government hid the fact that the profit making companies were not only financing the facility, but also running some or all of the associated services.

Private finance initiative deals worth £42.5 billion have been signed for 677 projects. The cost to the government is £135 billion. One fifth of the United Kingdom's public services, worth £60 billion, will be delivered by the private sector by the year 2006/07.

Experience in the UK shows that risk isn't transferred to the private sector. The government still has to bail out projects. All the contracts and how the consortiums are structured ensure they in fact bear no risk. In fact, PFI financial accounting conceals how much the public is spending for, in the end, fewer services with less staff providing services.

Compulsive tendering in most sectors expands. Professionals like teachers, doctors nurses, who had stayed public while administrative staff and payroll and cleaners were sent to the private sector are now being run by the private sector in the most recent expansion of the privatization and fragmentation of services.

The public's experience

Under Blair's reforms new hospitals built under private consortiums are coming in at five times the cost of publicly built hospitals. These private facilities are putting through 108 patients per bed per year, instead of the usual 54 patients per bed per year. This means people get pushed out sicker and quicker. Social services supports for people recovering at home are needs tested so most working people and their families have had to expend considerable funds.

New hospitals built by private companies are state-of-the-art, but smaller, with smaller rooms, less space. This also makes the rooms hard to clean and move emergency equipment around. This puts patients' health in jeopardy with slower response rates. England is fast becoming the 'superbug' capital of Europe.

There has been drastic restructuring of schools in the UK. Blair has set up 'city academies', neighbourhood schools controlled by private sponsors, and not school boards. In this scheme, a private sponsor puts up £2 million toward building a school. The Blair Government puts up the rest, usually about £30 million. They are exempt from control by the school board; from delivering national curriculum used by public schools and exempted from following collective agreements.

In one school, now with a private consortium as landlord, it was a regular occurrence to show up Monday morning to find no desks and chairs, as the consortium had rented them out over the weekend. Furthermore, if for example a school board or hospital is built under this scheme, you are locked in for the life of the contract. If public needs change over that time, government has no control. It is often prohibited even to affix anything to the walls without paying extra charges.

Historically, Britain had a school food program where all school children were fed nutritious meals, cooked by staff in school kitchens. This was contracted out to profit making companies who closed the school kitchens. Students in the school food program now get previously frozen sandwiches. Food quality and nutrition have gone down and these students are now stigmatized as the lunch bag meals clearly identify them as being 'needy'. Britain's students now have an obesity problem and there is no way to ensure students are getting healthy lunches.

Experience with private providers of student residences has been a nightmare. According to a survey published by the National Union of Students, privatizing university halls of residence to private firms had led to problems about who was ultimately responsible for students' accommodation and students were being offered rigid and inflexible contracts. Accommodation cost had rocketed yet the quality of accommodation was poor.

The unions' experience

Unions, and the Trades Union Congress have opposed these transformations of government schemes for three reasons: they destabilize the service; undermine community accountability; and they cost more.

Legislation initially protects existing workers. They are transferred to the private company and get to take with them their union membership and their collective agreement rights. Any new hires are not covered by the union or the collective agreement. Workers in a privatized service who still have a collective agreement keep their heads down. Working conditions can worsen over time.

A two-tier wage and benefit structure exists in many sectors. People working side-by-side, doing the same job can have vastly different rates of pay and benefits. Pensions are non-existent for many new hires. At the start of privatization, the lowest paid and most vulnerable part of the workforce was hit. Now privatization and competitive bidding is directly affecting all job classifications.

Initially not all unions were involved in the fight because they didn't see how it affected them. As well, not every sector realized that they could be next as the appetite for PFI, competitive bidding, market models and other forms of privatization ballooned in the UK.

Unions in the UK see the next stage looming. The next wave of privatization is occurring with municipal government work going to profit making companies. This includes the administration of government services like payroll, tax assessment, and bill payments. There is the capacity to run administration "off shore". For example, a profit making company will contract to take over the administration duties of a whole town and can contract that work to be done anywhere in the world, taking advantage of workers in poor countries.

Now UNISON, Britain's largest public sector union is leading a "positively public" campaign. The objectives are to stop privatization, raise awareness, develop support for publicly delivered services, and lead a public service alliance. The campaign has a twin track: stop privatization of public services and protect members who are transferred to

profit-making employers. The campaign is also “evidence based”. Researchers provide the evidence; show private sector failures; do critique of methodology; show good practices in public services, and get the information out to members and the public.

Lessons for Canada

Develop strong support for fight back campaigns

Many unions in the UK reflected that it was important to focus on a strong fight back campaign and mobilization of membership at the earliest possible stage. Sustaining the opposition to these privatization schemes is of critical importance to developing public support for public services and opposition to these privatization schemes.

Unions work together

Many unions and sectors within unions initially didn't see the importance of this fight to their membership. Now the privatization is reaching all occupational groups in all public sector unions. All working people have now felt the negative impact of the privatization in their daily lives as they are affected by the loss of quality public services. In addition, more obligations have been downloaded to individuals and families. The fight back needs to be strong and from all unions at the outset of these schemes.

Keep a firm focus on the impact on the quality of services and the impact on communities

Public support can be mobilized when people can understand the potential impact of these schemes on the community. The impact of loss of services, community accountability, and transparency are issues that can foster opposition to privatization. The record of cost over-runs, and massive profits made by the corporation needs to be exposed. Focusing only on job loss and erosion of working conditions is not sufficient.

Work in coalition with community advocates

Broaden the opposition by working closely with coalition partners. This will strengthen the messages around what these privatization schemes will mean to communities. It is important to understand how different communities will be impacted and this can be done through working in coalition with diverse social justice groups.

Work closely with academic and policy organizations

The groups have strong credibility in to expose the rhetoric behind the financing and administration of these privatization deals. These schemes are very difficult to explain to the public and academic and policy work can help bring unpack the deceptive claims by the government.

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