Liberalization and Privatization of Public Services and the Impact on Employment, Working Conditions and Labor Relations

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1. Introduction

The German service workers’ union verd.i threatened to call a strike after talks between verd.i and the management of German Telekom AG broke down in the wake of the restructuring of the country’s former publicly owned telecom service provider in late April. The management announced that it expected to save 900 million euro from outsourcing parts of the business into a new subsidiary. According to this plan 50,000 employees would be affected. As employees of the new service company they would no longer fall under the existing company agreement. As an immediate result, working hours would rise from thirty-four to thirty-eight hours per week. In addition, management wanted to cut wages by twelve percent. According to the union, however, overall wage cuts would, in some cases, amount to close to forty percent. The management argued that without severe cuts in labor costs, the incumbent could not compete with its competitors who not only work longer working hours, but also pay significantly lower wages. The conflict at German Telekom is a telling example of the impact of the liberalization and privatization of public services on employment, working conditions and labor relations. Supporters of liberalization and privatization have argued that the existence of multiple competing companies boosts efficiency and quality. The reality, however, shows that the introduction of markets and competition primarily increases the pressure on wages and working hours.

This paper deals with the impact of the liberalization and privatization of public services in selected countries and sectors in Europe. We will start, however, by highlighting the role of the public sector and public employment in the Fordist development model and labor regime that emerged after the end of the Second World War. We will also point to the challenges the public employment regime has faced as a consequence of neoliberal restructuring. In the next section we will sketch the politics of liberalization and privatization that have changed the provisions of public services in Europe. This will be followed by the presentation and analysis of empirical results, found by this research, on the impact of this policy on employment focusing on four main areas of transformation: the level of employment, wages and working conditions as well as trade union representation. The paper ends with some general considerations with regard to the lessons that need to be drawn from the liberalization and privatization of public services for progressive politics of work in a neoliberal era.

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1 Liberalization refers to the replacement of former monopolies through markets with multiple competing suppliers. Privatization, in contrast, means the transfer of assets from the state to private holders.
2. Employment relations in the public sector between Fordism and neoliberal restructuring

Apart from Keynesian demand-side deficit spending and the Fordist productivity-wage compromise, the expansion of the public sector played a key role in establishing full employment in the postwar decades. The public sector, however, not only created employment, it also developed a distinctive employment regime (Atzmüller/Hermann 2004a). There are important differences between the various sectors and activities that are commonly subsumed under public services. In addition national traditions of public administration and industrial relations systems have a strong impact on the regulation of public sector work. However, there are a number of characteristics that have a tendency to emerge in all public service sectors in all (Western) European societies. In a situation of full employment some of these characteristics could be gradually extended to private sector work – even if the public-private divide was never fully overcome (Corby/White 1999: 15). Such characteristics include the long-term nature of the public sector employment contract and the subsequent 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 very exceptional circumstances (ibid; Keller 1993). In some cases job protection went as far as requiring management to gain consent from the respective employee to be re-assigned to a new post within the same company. The high level of job security persuaded workers to take up a public sector job even if public sector salaries could hardly keep-up with private sector wages at the height of the postwar expansion.

Another key feature was the virtual absence of individual wage agreements. Wages were exclusively negotiated on a collective level and laid down in detailed wage schemes. The assignment to particular wage categories was based on objective criteria such as the level of qualification and seniority (Keller 1993). With few exceptions, this was also true for management, which consequently, earned significantly less than their private sector counterparts. Performance-criteria or performance-based supplements, widely applied in private sector companies, played no or only a marginal role. Not surprisingly, wage inequality within the public sector workforce was significantly lower than among private sector workers. The higher degree of income equality was also the result of the rigid application of the standard employment relationship standards.

The dominance of full-time contracts with full insurance coverage was not specific to public sector work. Yet the norm was applied nowhere more rigorously and restrictively than in public sector employment relations. Hence, while private businesses disposed large amounts of overtime hours to cope with growing demand during the postwar expansion, public employers took up additional staff. In doing so, some countries even departed from the standard employment model and introduced part-time jobs in order to give women the possibility to combine domestic and childcare obligations with paid employment. This was a deliberate strategy in Sweden where labor markets became increasingly tight in the 1960s. As these part-time jobs paid comparably decent wages they can hardly be compared with today’s mini jobs.

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 others things, were meant to make sure that economic pressure would not compromise the quality and security of services. They also gave the public sector employment regime an explicit political character, which later was attacked by privatization advocates. Public sector workers were subsequently less motivated by expected wage increases than by a general interest in the process of service provision. With the crisis of the Fordist growth regime in the 1970s, public sector wages at least temporarily, stopped lagging behind private sector salaries. In many cases, public sector workers were able to gain additional benefits and, in certain countries and areas, they even succeeded in negotiating shorter working hours and earlier retirement ages, making the public sector highly attractive as a reservoir for decent jobs for low and medium qualified workers. While in some countries these jobs were accessible mostly to white males/national citizens only, in others they presented one of the few acceptable employment opportunities for women, people of color and migrants.

The attractiveness of public sector jobs was also the result of the strength of public sector unions. The public employment regime was characterized by an extraordinary high level of centralization of industrial relations, comprehensive collective bargaining structures, strong work councils and a high density of union membership (Atzmüller/Hermann 2004a). Although bargaining was sometimes based on informal rights and processes, the organizational strength and the threat of public sector strikes made sure that the public employer would sit down at the negotiation table. Public sector unions were, not accidentally, among the most powerful unions in Europe. The high level of trade union organization, in turn, gave public sector employees a strong influence over the decision-making processes over the standards and norms that govern public employment. In some countries they also enjoyed additional co-determination rights that went beyond those granted in private sector enterprises. Privatization was therefore also a tool to weaken public sector unionism.

While the strength of the unions certainly was essential in shaping the public sector employment regime, even more important was the absence of markets and competition. The absence of markets and competition meant that the organization of public services and with it the structure of work and employment relations were not subordinated to the overall objective of profit-maximization. Instead other objectives, such as equal access and quality of services, were more important. On a very general level, the task was to support and protect all citizens independently of their income in all matters of everyday life and to enhance their social welfare. From this perspective it was acceptable, for example, that a nurse would talk longer than necessary to a patient in order to cheer him or her up before surgery. Under the profit-maximization paradigm the same conversation is suddenly seen as an obstacle to efficiency.

The process by which the provision of public services is subordinated to profit-maximization can also be described as commodification. A commodity distinguishes itself from a non-commodified good in that it is produced for exchange on the market and for the purpose of yielding a profit when it is exchanged (Leys 2001; McDonald/Ruiters 2006). This has all kinds of consequences. One essential consequence is that it must be produced at the lowest possible costs to make sure that profits will be significant – especially if competition is intense. Alternatively, companies can innovate and develop new products and services, but this possibility only partly exists in public services. The task of the public service sector is not to
develop new products but to guarantee the provision of existing, essential services. Costs can be reduced by the application of new labor-saving technology or by the deterioration of pay, employment and working conditions. While in some sectors the application of new IT technology certainly increased productivity, in other labor intensive services the possibility of substituting technology for workers has been limited. But even were new technology was introduced, management did not abstain from deteriorating employment conditions. The commodification of service provision hence entails the commodification of labor power.

While commodification describes changes in the nature of service provision, marketification summarizes the impact of profit-maximization on public service organizations. As a result of liberalization and privatization formerly public companies were split-up and transformed into a number of profit-seeking entities. Some activities, moreover, were outsourced to private providers who operated with a much cheaper workforce. In the language of the private management consultants who were heavily involved in the restructuring processes, the new entities are called cost or profit centers. At the same time bench marks were introduced to compare the performance of the company and its divisions with private companies and with incumbents in other countries (Atzmüller/Hermann 2004b). Marketification, hence, is a precondition for the introduction of performance targets and performance based reward systems, including major bonuses for cost-cutting management. The introduction of performance criteria in turn, has fuelled public sector wage disparity especially between management and the rest of the company. Of course, these developments stand in stark contrast to the traditional character of the public sector employment regime as outlined in the previous paragraphs. Yet this is precisely what public sector workers experienced in recent years.

3. The politics of liberalization and privatization

In contrast to the United States, most European countries created large public sectors in the postwar years. The public sector included nationalized industries, banks and public services (Parker 1999). Public ownership gave governments the possibility to actively intervene in the economy. Even in Britain, some 20 percent of GDP was produced by the public sector in 1975 (Leys 2001:39). In times of Keynesian macroeconomic governance, state-intervention was seen as a benign instrument to correct market failure. Market failure was expected in those areas where large investments presented a considerable barrier for new market entrants. A classical example is the network industries which were often nationalized in the postwar years, partly to compensate for a lack of private investors. But even in those countries where the networks were operated by private providers, there was no competition and the operators enjoyed a local or regional monopoly. Some essential services, moreover, were understood as being too important to be left to the free-play of market forces. Instead, they were provided by government administrations or public companies. More generally, public services were seen as an important instrument to improve social and geographical cohesion. The state-owned monopoly providers were obliged to offer equal access and service quality throughout the national territory.

However, the attitude towards state ownership shifted in the 1970s. In Europe it was Margaret Thatcher’s Britain that paved the way in the early 1980s. The new Tory
government privatized not only state-owned industries, but also public services such as British Telecom and various transport and energy providers. Other European countries followed the British example and started to disinvest in nationalized industries and banks in order to raise money to pay back dept which had increased considerably as a result of the postwar crisis. Outside Britain, public services mostly remained unaffected until the mid 1990s. However, in the mid 1990s liberalization and privatization processes started to creep into public services. Here the motive was not so much the reduction of the budgetary deficit, although this certainly played a role, but the belief that markets and competition would improve efficiency and quality – even if British experience had plainly shown negative or, at best, mixed results.

The European Union played a major role in promoting the liberalization of public services in its member states (Hall 2002; Raza/Wedl 2003; Hermann 2007). In a series of directives, the Council required member states to introduce legal measures that established a gradual opening of the public service markets. As a first step, the incumbents were transformed into private-law companies. In some cases, they were split-up into different firms, but more often vertically integrated enterprises created formerly independent subsidiaries for their distinctive areas of activities. As a result of liberalization, governments were required to reduce and finally abandon subsidiaries as they would distort competition. In many cases, the former monopoly providers were compelled to open up their technical infrastructure, and sometimes internal services, to their private competitors. To oversee this process and to guarantee third-party access, new independent regulatory authorities were established. The regulatory authorities could exert considerable pressure on the incumbents through a tight price policy. In some sectors, moreover, there was a reserved area, which at the start of the liberalization process was still exclusively catered by the incumbent. This was, for example, the case in postal markets where letters below a certain weight were excluded from competition. Over the years, however, these reserved areas were repeatedly scaled-back with the plan to eventually dissolve them entirely.

The first sector that became liberalized in this manner was the telecommunication sector. The telecommunication directive was adopted in 1990. It was followed by further directives on railways (1991), electricity (1996), postal services (1997) and gas (1998). Since then, most directives have been amended in order to guarantee full market access for private competitors. While telecommunication, electricity and gas markets are almost fully liberalized, the remaining reserved area in the postal services is expected to expire in 2009. The European directives did not require member states to privatize the former monopoly providers. However, in many cases governments took the opportunity to sell entire companies, or parts of the shares, to private investors. They did so not only to raise money, but also, and more importantly, in order to no longer be accountable; any changes such as the closure of post offices were now the responsibility of the new owners.

In any case, liberalization and privatization has not always increased competition. Instead it has sometimes triggered a process of mergers and acquisitions. Ironically, the result has been fewer providers than at the start of the liberalization process. On the other hand, some incumbents have become active outside their national boundaries and thereby transformed themselves from national monopoly providers to European, if not global, players. Moreover, in some countries, and especially in the new member states, certain public services are now provided mostly by foreign owned
companies. A dominant economic position within one country or on the European level has, however, not prevented these companies from restructuring work and employment relations. In fact, many of the changes described in the next section were introduced before liberalization and privatization in order to prepare the still state-owned monopolistic companies for the opening of the market and competition.

4. Effects on employment, working conditions and labor relations

In this section we will present the main results of our empirical research on The Impact of Liberalization and Privatization on Employment, Working Conditions and Labor Relations (Hermann/Atzmüller 2004c). The following sectors were included in the research: railways, public transport, post, electricity, natural gas and water utilities. The study contains empirical analyses (data collection, interviews, analyses of company reports and other documents) on the development of public services in Austria, as well as an evaluation and systemization of existing studies, reports and additional information (from national experts, trade union representatives etc.) from Germany, the UK and Sweden. Because of the limited scope of the survey, a lack of systematic research and a limited availability of data, the results cannot claim to be complete. We are, however, convinced that the main trends that we have identified can also be found in other sectors and countries that are not included in the survey. The changes will be summarized under for main subjects: the level of employment, wage costs and working conditions as well as trade union organization.

4.1 The level of employment

From a neoliberal perspective perceived inefficiencies in public services are the result of overstaffing. Consequently the scaling back of employment is a central goal of neoliberal restructuring. As the results in the areas investigated show, personnel reductions caused by liberalization and privatization can amount to fifty percent over a period of ten years. This is true, for example, of the electricity sector in Britain (minus forty-nine percent by 2001) but also for the railways in Germany (minus fifty-two percent from 1991 to 2001). Something similar can be seen in Austria, even if the liberalization process started here with a certain delay. Nevertheless, one of the main Austrian electricity providers has cut employment by twenty-nine percent between 1996 and 2002, the railways by twenty percent over the same period and postal services by eighteen percent. And even the community owned natural gas supplier in Vienna reduced employment by twenty percent. The breakdown of sector specific employment data, moreover, makes clear that in Austria the job losses at the former monopoly suppliers are not nearly compensated by the new jobs created by new service providers. However, it is important to note that this data still underestimate the extent of the labor turnover that takes places in liberalized and privatized enterprises. Detailed calculations for the German railways have shown that since the start of the liberalization process in 1990s between seventy-five and ninety of the personnel were replaced (personnel balance of recruitment and retirement).

With the exception of the UK, staff reductions in the areas and companies included in the survey, are usually carried out in “socially acceptable” ways – i.e. without forced lay offs. Instead employees are offered various schemes such as early retirement or redundancy payments above the legal requirement (golden handshakes) to voluntarily leave the company. According to our investigations, however, the voluntariness of
these measures must strongly be questioned. Company restructurings (for example the German railways and postal services) often force employees to quit because to move or commute to new company sites is not an option for them – especially for women with family obligations and lack of transport. Many employees and in particular older ones, moreover, leave the company because they can no longer stand the growing pressure of work and the increasing frustration and insecurity in the workplace. The character of the mode of reduction to a large degree depends on the strength of trade unions, the system of industrial relations, labor law and norms, as well as the general public opinion. Although dismissals are the exception, the threat of forced redundancies is, however, continuously employed by company managements to force trade unions and workers into agreements and cooperation on restructuring measures. The outsourcing of certain activities and tasks (for example cleaning services) represents a further form of personnel reduction in previous monopoly enterprises. Workers in cleaning companies or other outsourced services, with few exceptions, are confronted with substantial cuts in wages and a significant deterioration of working conditions (in Austria, for example, external cleaning staff employed earn about twenty-five percent less than the railways’ own cleaning personnel).

In countries with a strong social partnership tradition (Austria, Germany), “redundant” workers were even “parked” in the enterprises’ own employment agency and training organizations. These serve on the one hand for the reorganization of the internal labor market and the improvement of internal company “resource allocation.” In connection with retraining measures, however, workers are also trained and prepared for the external labor market and, as for example on the German railways, even hired out to other companies as agency workers. For the workers affected by such measures the transfer to an internal employment agency is usually seen as the dead end to their employment career and as an assault on their self-respect because as agency-employees they are subjected to a distinctive employment regime that has strong similarities with the public unemployment system (employees with the German railways’ own employment agency DB services, for example, have to accept job offers even if they entail significant losses in income; after refusing a job offer once, the next time they can be sacked).

Contrary to the neoliberal propaganda of positive job effects, employment growth initiated by the new providers cannot as a rule compensate for the personnel reductions in former monopoly suppliers. Furthermore, the durability and the quality of the newly created jobs in many cases must be questioned. Thus only about a tenth of the jobs lost in the German post office since 1999 were re-created by private post and courier services. At the same time, two thirds of the total workforce with the private providers are hired as marginally employed workers in so-called mini jobs.

**Training**

Alongside the personnel reductions mentioned above, we have also found substantial cuts in apprenticeships as service providers no longer see it as their responsibility to train young workers beyond their immediate requirements (for example on the German and Austrian railways, the German postal service and the Austrian electricity utilities). In addition, the conventional proclamations of improvements in training and further education which can be found in virtually all annual company reports of liberalized and privatized public enterprises are often far away from the truth. In the
case of a liberalized bus company in Austria, for example, the lack of investment in
the training of drivers and the resulting operational problems have led to repeated
assaults from angry passengers on drivers.

4.2 Labor and wage costs

A further point of attack for neoliberal-oriented restructuring is the supposed
(downward) inflexibility of the wages or the high level of labor costs in the public
sector. According to this argumentation, public employees, due to their protected
position, were able to draw above-market-level wages that have increased the costs of
service provision which in the end are paid for by tax payers and service users.

Measures that are aimed at the reduction of labor costs are therefore a central
component of the new management strategies in liberalized and privatized enterprises.
Although in the areas investigated immediate cuts in the basic wages are seldom, they
nevertheless exist. Thus employees in the privatized British bus companies were paid
“compensation” (or bribes) to accept the new wage systems, which among other
things also involved basic wage cuts. More widespread measures to reduce labor costs
are dismissals with the option of altered conditions of employment and the
employment of new workers on worse conditions. While in former monopoly
suppliers new entrants are paid according to a separate and typically unfavorable
wage scheme, new providers are often subject to no, or because they are part of a
different sector, to a worse collective agreement (postal service in Germany).

Moreover, international companies who quickly appear on the newly deregulated
public service markets often disregard existing regulations and pay company-own
wage rates (such as for example in the water utilities in Germany).

In the case studies we also found a range of other measures for indirect reductions of
labor costs, such as changes in seniority based wage increases (abolition of biennial
increases). We also found the reduction or creation of new wage categories. The
termination of company agreements in order to eliminate company-specific
supplements and bonuses as well as social provisions (sickness pay, family
allowances) and company pensions are also popular methods to cut wage costs.

Alongside these measures the survey revealed that the decoupling of working hours
and payment is a prevailing strategy in the transformation of traditional wage
structures and pay systems. Hence overtime pay and supplements for weekend work
and unsocial hours are to be saved by more extended calculation periods, while the
introduction of working hours accounts and the flat-rate payment for overtime hours
regardless of the number of hours actually worked (all-inclusive agreements) also help
to avoid the payment of overtime bonuses. The introduction of performance-related
wage components and the individualization of the forms of payment are also general
features of the restructuring of wage conditions.

In some sectors (postal service, local transport) there is even a reappearance of
payment-practices that were widely considered as outdated (piece rates for letter
delivery, wages dependent on customer frequency on the counter service). As we
were informed, in the Swedish bus sector large numbers of the drivers are employed
on a day-wage basis, which is used by the companies to balance out the labor shortage
that has come as a consequence of the worsening of working conditions created by
liberalization. According to the union, these workers are almost on an equal footing
regarding social security, but they receive no sickness pay. Because of the labor shortage in the bus sector, however, at least they can more or less choose their own shift patterns and route plans. This, however, has negative consequences for the working conditions of the full-time bus drivers, who are subject to company directives. In addition the case studies have shown that in some sectors new providers employ wage-dumping practices. Some sectors (postal service, local public transport), as a result, are threatened to become low-wage sectors.

4.3 Working conditions

Besides overstaffing and excessive wages, a third focus of neoliberal criticism is an alleged lack of efficiency and effectiveness in the provision of public services arising from the inflexibility of organizational processes, but also from the specific ethos of public organizations, which are oriented less on profit and productivity than on the quality of the service provided. Measures such as flexibilization, intensification and lengthening of working hours, individualization of employment contracts and the intensification of work and production processes are applied to ensure a maximum mobilization of workers in order to increase efficiency and effectiveness.

Changes in working hours

Flexibilization of working hours represents an essential strategy for raising competitiveness and productivity in the areas studied. This includes the greater use of part-time work, the extension of calculation periods and the introduction of working-hours accounts. Flexibilization is intended to improve the demand-oriented utilization of labor power and cut labor costs. In addition, in some sectors there has been an increase in long hours and overtime working to compensate for personnel reduction and partly also for losses of income (for example Austrian railways).

The flexibilization of labor utilization can not only lead to the lengthening of the (maximum) working day (lengthening of operating hours to improve services) but also to forced capacity-oriented cuts in daily working hours (with the aim of minimizing the hours for which the customers do not pay). The latter takes place especially in those services where there are high customer demands at particular times of day, such as for example in public transport or post-office counter services. Although there is hardly any incidence of a direct lengthening of daily or weekly working hours in the fields studied (with the exception of local transport in the UK), a range of indirect measures are applied to extend the working day. These include the reduction and shortening of breaks and rest periods in order to increase the “productive” part of the working day. This strategy is predominantly to be found in the labor-intensive sectors such as local transport. In Sweden, for example, drivers have responded to reductions in breaks with a “pee break strike.”

Furthermore, company managements have also demanded for cutbacks with regard to plant-specific additional work-free periods (plant-specific vacation, additional holidays). This has for example been pushed through on the railways in Sweden, where those who were employed with the company for a certain number of years could claim 36 days of vacation and retirement at 60, whereas newcomers now receive holiday and pension entitlements according to the general Swedish employment and social security regulations. Apart from this, in many sectors
company-specific and sector-specific pension regulations are being dismantled, which results in a lengthening of the working life.

**Flexibilization and individualization of employment conditions**

The case studies have shown that the relatively uniform working and employment conditions that were particular efficient in the different public sectors, have increasingly been called into question by liberalization and privatization. Collective agreements have been decentralized (in particularly in the UK), while along with the application of new management techniques performance-related and individualized contracts are introduced. A further essential element of the flexibilization of staff utilization is the use of precarious and atypical forms of employment. These include, above all, part-time work, short-term contracts, agency work, new self-employed workers and marginal employment. In connection with the increasing application of non-standard employment as well as the acceptance of different employment conditions for new employees, there also emerges new and deeper lines of segmentation and fragmentation in the public sector labor forces with older employees with full civil-servant status being on the top of the employment hierarchy.

**Changes in working conditions**

Even if data on the changes in working conditions in the public sector are difficult to be obtained, our interviews and additional information reveal a clear trend towards an increasing intensity of work and growing work-related constraints, as more work is to be performed by fewer employees. This is primarily forced upon workers by job enlargement, the downwards shifting of responsibilities with a simultaneous increase of control devices by headquarters (monitoring performance and cost-control) as well as the stimulation of internal and external competition through the use of cost and profit centers and international bench marks.

In some areas, rationalization and technological innovations – such as automated letter-sorting in letter-sorting centers - has also led to growing monotony of work. As a result of public sector restructuring and growing intensification of work, we have found increases as well as reductions in sickness-related absences depending on the employment situation of the affected workers. Stress levels, however, not only rise due to intensification but also as a consequence of permanent organizational restructuring and because of the need for inner-company mobility in the concentration and relocation processes. This naturally poses considerable problems, above all for women and for older workers too (for example the railway sector in Germany).

**4.4 Trade union organization**

From a neoliberal perspective, trade unions are a main cause of the supposed inflexibilities in public services, which is maintained both for the labor processes as well as for wage costs. In some countries (in particular the UK) liberalization and privatization were therefore pursued with the explicit objective of weakening the public trade union organizations.
In the countries and sectors studied all trade unions accepted liberalization and privatization, although sometimes after putting up some lengthy fights and public campaigns. In the end, however, unions gave in and where possible cooperated with company managements in order to have a say in the transformation process and as far as possible protect the rights and employment conditions of the existing workforces - often at the expense of new workers or workers of new service providers. In addition unions used concession bargaining to make sure that those employees that had to leave the company would receive appropriate compensation (including early retirement, redundancy payments, further training for the external labor market). Even if there are country-specific differences, liberalization and privatization in general has led to a significant decentralization and fragmentation of collective agreements and bargaining structures. This development seems to be particular marked in Britain, but also in Austria.

Moreover, although the trade union leaderships emphasize their success in averting forced redundancies and maintaining collective agreements, liberalization and privatization of public services have nevertheless fuelled growing conflicts within and also between trade unions (such as for example in the railway sector in Germany). Conflicts result from the fragmentation of employment conditions following from the application of different collective agreements for the same category of workers in different enterprises, but also in the same company. It should be evident that such differences can exacerbate already existing differences within the work forces and thereby undermine the basis for solidarity and trade union organization in the public sector. This process is further amplified by company managements which offer better employment conditions to certain groups of workers in order to intensify existing aversions and prejudices between workers that can be economically exploited. Another challenge that trade unions are confronted with in the liberalization and privatization process is the need to transform themselves from company to sectoral unions. Some of them, moreover, have to learn how to organize new members at the new enterprises, since in some countries union membership was almost mandatory at former monopoly suppliers. As a result of this strategic re-orientation, however, it can also be expected that public trade unions will in the future focus their resources on the protection of their members’ interests rather than on general political issues such as the fight for high standards in the provision of public services.

5. Conclusion

Liberalization and privatization have dramatically altered the character of the public sector employment regime. While public sector work in the postwar years was known for its extraordinary stable and uniform employment relations and sustainable working conditions, liberalization and privatization have fuelled individualization, insecurity, flexibility, mounting wage disparity, growing segmentation and increasing stress levels. Many of these developments are well known from the organization of work and employment in private sector companies. Hence while during the postwar decades public sector employment conditions were gradually extended to the private sector, now it is private sector standards that have come to dominate public sector work. Privatization advocates have welcomed this development as normalization and depolitization of public sector employment relations since they are now subordinated to the same efficiency criteria than private sector labor, and in particular to the overall
goal of profitability. Yet the dismantling of the public sector employment regime is not simply an eradication of public sector exceptionality. Instead it is part of a wider struggle over the commodity character of social provision and over the degree of commodification of labor power. The commodification of public sector labor, which due to the high level of job security was largely immune from labor market insecurities and which therefore presented an important counter-weight to private labor market pressures, will have wider repercussions for the quality of work and employment in the entire economy. The changes are therefore highly political. As Leo Panitch und Sam Gindin (2004: 51) have noted “the mechanisms of neoliberalism (the expansion of markets and competitive pressures) may be economic, but neoliberalism was essentially a political response to the democratic gains that had been previously achieved by the subordinate classes and which had become, in a new context and from capital’s perspective, barriers to accumulation.” (Italics in original.)

Liberalization and privatization of public services teaches some important lessons for progressive politics of work in the area of neoliberalism. Regulation of markets and competition is as important as strong labor standards and powerful unions. In fact they are a precondition for the development of a progressive employment regime. The example of liberalization and privatization of public services gives strong evidence that unions are already in the defensive once markets and competition have been introduced. As we have shown in this paper the introduction of markets and competition in public service provision has not only led to a deterioration of working and employment conditions; it has also substantially weakened the strength and influence of the unions. In today’s global economy progressive politics work can therefore not limit itself to the regulation of work and employment. Instead it must aim for limiting competition by regulating markets. The regulation of markets can still only be a first step, however. The long-term goal must be the replacement of markets by alternative and more democratic forms of economic coordination and distribution. A renewed public sector could be a perfect ground for experiments.
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