

An alternative to the market
The social, political and economic role of public services in Europe
ETUI-REHS, EPSU, SALTSA
Brussels, November 19-20, 2007

Brief report

1) Introduction

The joint EPSU/ETUI-REHS/SALTSA research initiative on developments relating to public services comprised of a series of elements:

- ✓ A “call for papers” on four major themes relevant to public services: the drivers of privatisation; the impact of the EU policies on public services; the effects of privatisation on employment and industrial relations; and the role of public services as a counterbalance to marketisation.
- ✓ Organisation of parallel workshops on 19 November 2007 to discuss a selection of the papers received. A Scientific Committee (made up of EPSU, ETUI-REHS and several established public service research networks) selected the papers to be presented and discussed in workshops. A number of papers is currently being chosen for publication in the ETUI-REHS “*Transfer*” and CIRIEC’s “*Annals of Public and Cooperative Economics*” in 2008.
- ✓ Presenting, expanding and discussing the results of the workshops at a Conference on 20 November 2007. The Conference aimed to encourage debate between academics and trade unions. A number of well-known academics were invited to make presentations linked to the four workshop themes.

The overall aim of the joint initiative was: to discuss the vital economic, environmental and social contribution of public services; challenge assumptions underlying current EU policies; and identify research questions that need to be covered in future research programmes.

125 participants took part in the November event comprised a mix of academics and trade unionists from 19 countries (see attached list of participants).

Background information, workshop papers and some of the plenary presentations made during the two days are available on <http://www.etui-rehs.org/research/Events/Current-events/Workshop-and-conference-An-alternative-to-the-market-Brussels-19-20-Novembre-2007>

2) Summary of debate in plenary session

Maria Jepsen ETUI-REHS and Carola Fischbach-Pyttel EPSU opened the Conference and explained the background to the joint initiative, and in particular the campaign for a EU legal framework for public services to counterbalance the EU’s

internal market and competition policies. Such a framework would provide a positive context to develop and improve public services.

Ben Fine, School of African and Oriental Studies, University of London UK began his presentation by asking why privatisation has been so pervasive, in spite of all the evident shortcomings. He gave five reasons for this:

- ✓ Multinational corporations seek outlets for over-capacity
- ✓ there is more labour available
- ✓ technology has blurred the differences between public and private sectors
- ✓ the fall of the Soviet block
- ✓ the growth of finance and proliferation of markets

He also pointed out that economists traditionally lacked a theoretical basis for dealing with questions of public/private ownership, and tended to focus on questions of regulation and competition instead. He then described the mounting evidence of privatisation failures (as documented, for example, by the World Bank) and the growing (and costly) public intervention needed to correct or compensate for the shortcomings of privatisation. This, he said, provided us with a window of opportunity to reassess the role and place of public services in society; to learn the lessons from the failures of privatisation and to join the dots between “*scholarship, rhetoric, and policy*”.

Public services, the drivers of privatisation, and EU issues

This session was introduced by David Hall, PSIRU, who looked at differences between the US and EU in terms of policy regarding the provision of electricity (see latest PSIRU critique¹). In the EU it is not possible for Member States to “opt-out” of the Internal Market for electricity for example, as is the case in the United States. However data on electricity prices in liberalised and non-liberalised US states support arguments that, at the very least, the benefits of liberalisation are questionable in terms of consumer benefits. Independent evaluation of, and stakeholder involvement, is needed in EU policy-making. He also referred to attitudinal surveys of perceptions regarding the free-market economy that show that people on the ground are much more critical of the marketisation of public services than politicians.

Jörg Hufschmid, University of Bremen, reported on the discussion in workshop I. The group noted similar “drivers” of privatisation as Ben Fine, stressing also the role played by of the international framework of GATS and the EU’s competition / internal market rules that see public services as an “exception” to the (superior-performing) market.

Barbara Sak, CIRIEC, reported on workshop II. The group stressed that the different social, cultural and local specificities of public services are not taken enough into account by the EU. The “citizen-consumer” must be at the centre of the debate on public services. Citizens do not all have the same interests and do not always want to be consumers. Consumers are increasingly showing that they don’t want to, or can’t, make the “right” choices about services (e.g. 90% of Portuguese consumers in a mobile phone survey were found to have made “wrong”, i.e., more expensive, choice). This reflects a more fundamental problem than just lack of appropriate information.

Also raised was the question of the role and place of the non-profit (or third) sector in the provision of public services. Introducing competition in the third-sector is

¹ www.epsu.org/a/1049

weakening its capacity to complement the public and private sectors. Public contracts are increasingly defining the relationship between public authorities and non-profit service providers, replacing a more partnership approach. Non-profit organisations (social enterprises) are also increasingly being taken over by profit-making companies.

The impact of the privatisation of services on industrial relations and collective bargaining

Introductory speakers for this session, which drew on discussion in workshop III were Christoph Hermann, Forba, and Thorsten Schulten, WSI. They gave an overview of current developments and concluded that a three-prong strategy is needed: to oppose further privatisation (and build on current resistance); to regulate better the liberalised markets; and to remunicipalise public services (e.g., in Germany 10% municipalities are currently bring services back in-house)

The discussion raised questions of productivity and efficiency in the public sector, and here it was said that difference between labour intensive and capital intensive sectors are more important. Also, efficiency tends to be equated with profitability. Good public services have a “knock-on” effect on productivity throughout the economy.

Public services as a necessary alternative to the dominance of marketisation

In this session Richard Pond, EPSU and London Metropolitan University, reported on the discussion in workshop IV. This had looked at certain European Court of Justice (ECJ) rulings that had been very aware of public service values, for example in relation to non-profit seeking. Clearly more could be done by the EC and Member States to protect public services from Internal Market / competition rules. Another key point was to acknowledge that problems within the public sector can be dealt with effectively within the public sector framework, without bringing in the private sector.

Massimo Florio, University of Milan, presented his research on price developments in the EU liberalised sectors. The research, which involved 7 European universities, concludes that the policy of privatisation, vertical disintegration and liberalization in electricity, gas and telecoms has had next to no impact on prices and consumer satisfaction. Productivity is not to be confused with profitability. Profit accumulation does not necessarily lead to investment. Shareholders had benefited most from liberalization, not consumers or workers. Final results from this research are expected to be published in early March 2008.

Question and answer session with Pervenche Beres MEP

Pervenche Beres, Chairwoman of the Economic and Monetary Affairs Committee of the European Parliament, updated participants on the latest developments regarding EU policy on public services, including the new Protocol on services of general interest (SGI) and Article 14 of the Lisbon Treaty. The European Socialist Party (PES), like EPSU, consider that the Protocol is not in itself sufficient to clarify the place of public services in Europe. She also referred to the good cooperation between the PES, ETUC and EPSU on these issues.

Public services: vital for the European economy and the Lisbon agenda:

In this concluding discussion, Jozef Niemiec, ETUC, Jan Willem Goudriaan, EPSU, and Werner Stengg, European Commission, took part. The panel addressed current EC initiatives regarding public services and other policy initiatives, such as more comprehensive impact assessments. The debate showed that there is a wide gap between current EC and trade ETUC/EPSU thinking on public services, and about the best way to develop and improve them.

3) Main conclusions

Maria Jepsen outlined a number of research questions raised by the debate:

- ✓ How does evaluation of the performance of public services take place; what are the criteria and what are the data? How could it be improved?
- ✓ What do European citizens want/ expect from public services/what are their preferences? What role do the expect public authorities to play?
- ✓ How do EU rules impact on public services - how do they change their organisation? What are the EU and other drivers that effect the development of public services?
- ✓ How do we define / measure productivity, quality and efficiency in public services?
- ✓ What is the relation between quality of public service provision and quality of working conditions?
- ✓ What is the role of capital (including private equity) and how does it influence the provision of public services? And linked to this, how is wealth distributed?²

Carola Fischbach-Pyttel underlined the broad political conclusions:

- ✓ We need to make use of the 'window of opportunity' to make the case for public ownership in the delivery of essential services as mounting evidence that privatisation has failed to deliver is now being taken into account, e.g., by the World Bank;
- ✓ The role played by private equity funds in piling up capital and turning to privatised services as investment opportunities needs to be addressed;
- ✓ We should make use of the mounting evidence, e.g., analysis led by Professor Massimo Florio, confirming the negative impact of liberalisation of public services, to support our arguments;
- ✓ We need to exploit the evidence for our political campaign to ensure that the public sector is seen as necessary and viable.

² The EU provides many statistics on the incidence of poverty in Europe and the distribution of income. But we have very little data (if any?) on how capital wealth is distributed.

In terms of the organisation, the workshops and plenary discussions were thought positive. We would recommend organising future events on similar lines, perhaps with a more specific focus in the workshop sessions; a better balance between trade union and academic research input; and a more limited number of research papers.

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