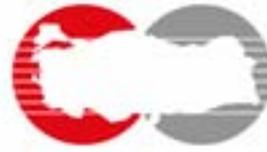


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*The Role of Labour Unions
in
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The Role of Labour Unions in Privatisation

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The basic demands and concerns

For those of you who do not know PSI – Public Services International – let me tell you who we are. PSI is the global union federation which represents public sector trade unions in 147 countries around the world. The affiliated unions, 619 in number, cover about 20 million public sector members. PSI is an autonomous body which works in association with global union federations covering other sectors of the workforce and with the International Confederation of Free Trade Unions (ICFTU) and, of course, with TUAC, the Trade Union Advisory Committee to the OECD. PSI is an officially recognised non-government organisation for the public sector within the International Labour Organisation and has observer status with other UN bodies such as the UNCTAD, UNESCO and ECOSOC. We have always been very active within the WTO.

Obviously, we are very active on all of the issues surrounding privatisation and related issues and it is something which our affiliated unions take very seriously. Asking a representative of PSI is somewhat like asking a pheasant to address a convention of chefs on the best way to butcher and dress a pheasant for a feast. It is quite likely that the pheasant will respond by suggesting that the chefs consider using a goose or a wild duck instead. And the goose substitution is not inappropriate since **some** of the enterprises and services which are the subject of privatisation are indeed geese which lay golden eggs – one reason why some corporate interests are so keen to see them privatised, especially privatised as monopolies. In much of central and eastern Europe a not insignificant number of golden eggs were scrambled into bank accounts by some rather dubious people.

I will now make a slight change of analogy. At an ILO meeting on the impact of privatisation and public sector reform on public services a couple of years ago, a representative of the World Bank – a man who is very positive to trade unions – was making the point about the need to consult trade unions but he was challenged by a worker delegate who wanted to know why the Bank did not recommend that workers and their unions be consulted from the beginning of the process. The delegate claimed that failure to urge that on governments was tantamount to saying to public sector workers that the Bank, the government and others could charge public sector workers with some deficiency, in their absence from the table, try them, in their absence from the table, find them guilty, in their absence from the table, sentence them, in their absence from the table and then, in a grand show of democracy, ask workers to take part in the decision as to whether they should be hung, shot or fried, to get back to the pheasant.

I want to pull together the actors and the points in these two analogies so that you understand why workers and unions react the way they do in so many privatisation issues. First of all, the World Bank. PSI, along with some other global union federations in other sectors, has been in discus-

sions with the Bank on the role of labour in public enterprise reforms – which, for the Bank, basically means privatisation. This is a very formalised relationship in which we have agreed on some principles, two in particular: that the Bank should encourage governments to look at all forms of reform, rather than assuming that privatisation is the only answer; and that the Bank would urge governments to involve workers and their unions in discussions, including negotiations, from the minute that reform was on the agenda, not waiting until the decision to privatise had been made. The Bank itself has not always been able to live up to that but it accepts these two principles as crucial to minimising conflict. And let's be frank: for some Bank staff, unions are still seen as the enemy, an impediment to their objectives, but they want less conflict and they see these principles as a means to reducing that conflict.

Second, and this is where I disagree with those who say that our mandate is not to discuss the whys and wherefores of privatisation but only the how: even if that is your view, governments are heading for conflict, avoidable conflict, if they do not show that they are prepared to look at all possible solutions to a problem. To tell workers that they have been found guilty before they have had a chance to present their case that the guilt lies elsewhere is an invitation to counterproductive debate. Many of our members are very familiar with the operations they run or deliver – often more familiar than are the managers. They know where there are inefficiencies, waste, poor work organisation, etc. To tell them that you do not care for their knowledge and expertise and then to expect them to be motivated by what you have unilaterally decided to do is, bluntly, pretty stupid.

Now workers are not all idiots. They can see when change is inevitable and, in some cases, they can see that the changes will involve pain for some or all of them. What they want is the opportunity to come at the situation in a partnership approach. Partnership **can** have sloppy and soft meanings but we believe that only strong social partners can enter an effective partnership. Each party must retain the right to promote and defend its own interests both within and outside of the partnership. That includes the government and nothing that I am saying involves the government having to surrender its rights to govern. But a refusal to engage in social dialogue leaves workers only the option of acting outside, only the option of oppositional unionism.

Neither should it be thought that partnership is easy for anyone. I recall several years ago when the right-wing labour government in New Zealand in the mid-1980s started its privatisation programme. The unions tried to negotiate many elements of that programme, some successfully. One thing they won was a very good redundancy package, so good that many more workers wanted to apply for it than was feasible. The union, as a social partner, had agreed to involve itself in decisions about where redundancies would occur. Workers who were not declared redundant took grievance claims against the union for **not** selecting them for redundancy. That cost the union but that's the thing about social dialogue and partnership: each side has to agree to act within the terms of the agreement.

A third element of this is that early discussions are essential, especially where a government is engaged in a broad-ranging privatisation programme, in order to get agreement on issues which will enter into each privatisation: severance payments, pension rights, employment guarantees, retraining and job-search assistance, relocation, etc. Failure to reach such cross-cutting framework agreements, apart from conflicts on any one privatisation, will add fuel to the fire as people see one group of workers being treated better or worse than others. Resentments will build and will become the basis of further distrust.

Our ideological position

Let me clear. Our recent World Congress reaffirmed that PSI is opposed without reservation to any and all privatisation proposals rooted in ideology. However, that implies that, in some cases, public sector unions will accept the inevitability or even the necessity of a particular privatisation.

The programmes of privatisation undertaken in central and eastern Europe are or have been of a substantially different nature from those promoted elsewhere and developments in that region are often poor material for arguments elsewhere. In general, PSI and its affiliates have been vigorous in asserting that reliance solely on free market solutions is and will continue to be a disaster for

many workers and communities. Democratically accountable services and enterprises delivering services and products to the community through workers whose trade unions are seen as free and democratic social partners in the negotiations over the shape of the state are essential elements of a democracy. Further, it is essential that this democratic structure in society permeate all levels of government, central, regional and local.

In the printed Appendix 1 to this paper, I have listed what we regard as the different forms of privatisation. I will not go through them here but you need to be aware of them to understand where we are coming from. Under those definitions, you can see why workers believe that they have the right to negotiate much of what a government wants to do to the services they are delivering.

Some affiliates are in opposition to every privatisation they have encountered, while others are not very alarmed by some of the privatisation initiatives they've seen in their countries – mainly transition economies. PSI has identified some tentative tests as to when privatisation might be something a union might choose to live with or no longer try to reverse. In essence, the real test is whether the proposed privatisation is for some reason one that has legitimacy within the country concerned or if it is just an example of ideologically driven decision making.

There are cases where the tests we have developed might indicate that a particular privatisation isn't an example of purely ideological decision making and might not appear to be an automatically bad thing in that set of circumstances.

There are situations where a service isn't offered at all within a country but should be and the public authority for some legitimate reason can't afford the costs involved in starting the service. (Simply choosing not to develop a sufficient tax base would not qualify as a legitimate reason.)

In effect, all these are limits on a purely anti-privatisation position. And note that, in this presentation, I am not trying to deal with the normal points we would raise in a discussion on privatisation because of the more narrow focus of this conference.

Similarly, it is not always privatisation or outsourcing themselves which threaten workers or service users. In a paper prepared for an OECD-APEC Workshop on Regulatory Reform in Beijing in September 2001, David Parker of the OECD argued that privatisation is often not just the wrong response to necessary public sector reform but that it may be irrelevant and harmful. If a government simply privatises a state monopoly, it has done nothing except transfer monopoly rights to the private sector. Further, he argues that doing this but establishing a regulatory regime may be either a chimera or even counterproductive. Instead, Parker argues, it is important for government to get the structure of the service/sector right in the first place. Without necessarily agreeing with the rest of his message, public sector unions recognise that restructuring may be a more threatening part of a public sector reform process than actual privatisation – which is why early consultation on the whole reform process is key. It is at this stage that cost centres, competition laws, unbundling of services and other elements of reform can have significant impacts on job numbers, pay, conditions, union negotiating strategies/capacity, etc. This is not to argue against restructuring proposals but to signal the need to see them in the context of the whole privatisation discussion.

In Appendix 2 to the paper, I have also listed a number of questions which unions bring to debates and negotiations on privatisation. Again, I am not going to go through those now but they give you a flavour of union concerns.

Quality services

An example of what our people increasingly want to talk about, whether public sector reform or privatisation is on the agenda or not, is quality public services. This has not always been the case – indeed, it can be said that in some countries, public sector workers have resisted change and unions have been seen as protecting their members' interests over and above other concerns. There have sometimes been good political reasons for that in countries where there has been open repression, political corruption and unwarranted attacks on the public service workforce. However, that is now seen by virtually all of our affiliates as a thing of the past. Quality is a first. Public sector unions are setting themselves up for defeat if they do not have and are seen to have quality ser-

VICES as an essential criterion in the first rank of priorities. To that end our recent Congress has just launched a global five-year campaign for quality public services.

We must, of course, be clear about what we mean by 'quality'. PSI, believes that quality public services essential for a person to be able to live in dignity and to be able to participate in a democratic society are a human right and that such services can be delivered only by quality workers (well-trained and imbued with the public sector ethos), with quality working conditions and with resources which enable users to expect quality every time. PSI and its affiliates believe that we should negotiate quality aspects of public services and demand quality management.

Support for social dialogue by all interested parties

What is also relevant to our discussions here today are the conclusions of the ILO Joint Meeting on the Impact of Decentralization and Privatisation on Municipal Services held in Geneva on 15-19 October 2001. These conclusions are the joint conclusions of governments, workers and employers and have been endorsed by the full tripartite Governing Body of the ILO. Among other things, the Conclusions note:

Public service reforms must be guided by the following basic principles:

- *accountability, transparency and openness of government policies and actions, specifically including structures and procedures to ensure the integrity of government's programmes and procurement;...*
- *the importance of maintaining and creating good working conditions and the application of core labour standards should be adhered to during the reform process for morale and performance of the public service and municipal workers;*
- *social dialogue with all relevant stakeholders as a prerequisite for designing, implementing and evaluating decentralization and privatization;*
- *adequate resources and training to enhance informed decision-making;...*
- *to ensure the equality of opportunity for all.*

Further, the Meeting went on to talk about the ILO concept of decent work in relation to decentralisation and privatisation, saying that:

The different ways in which decentralization and privatization are pursued may also impact on decent work. This could occur where the workforce is made redundant, workload and work intensity are increased, income levels, pension rights and health and other benefits are reduced or payments of salaries are received on an irregular basis. In this respect, there are particular problems for newly engaged workers. Gender equality may additionally be affected by such reforms, including reduced employment and pay for women and more casual working arrangements. Gender aspects of decent work should be given special attention when evaluating the consequences of decentralization and privatization. On the other hand, there are cases of well-designed and carefully implemented processes of decentralization or privatization with effective social dialogue and where the goal of decent work has been better achieved than before.

The role of social dialogue in the framework of decentralization and privatisation was obviously discussed at the meeting which noted:

Social dialogue is an essential prerequisite for designing, implementing and evaluating decentralization and privatization. Social dialogue is not a single event but a continuous process of consultation and/or negotiation among employers both public and private and workers' representatives which does not end when the reform is implemented. This process may be time-consuming and long, but it is rewarded by sustainable results and by ownership of all stakeholders in the decisions taken. The process may take place in several stages and

should be supported by an external dialogue between the municipality, as the responsible government structure, and the citizens and users.

When designing and implementing social dialogue, it should be made clear to all stakeholders whether a process of consultation or of negotiation is intended. Where the negotiation process results in an agreement, it should be enforced under relevant legal provisions. When external expertise and advice is required, all parties should, consistent with applicable procurement rules, be involved in the selection of the adviser and have equal access to such advice and adviser. Education and training is required for all stakeholders participating in the process.

Because of the time constraints, I cannot go into detail about successful social dialogue cases from specific countries such as South Africa, New Zealand or the UK but I would gladly answer questions on that if we get discussion time or could give people examples during one of the coffee or lunch breaks.

Summary and conclusions

In many countries, the public sector - and especially its enterprise sector - must be redesigned to suit the needs of each nation and people. This may sometimes involve privatisation. Such reforms, no matter the shape they take, should include the following principles, applied equally to both public and private providers of the service:

- Consulting and involving the workforce
- Democracy and accountability
- Decentralisation, where appropriate
- Equal opportunities and individual choice
- Quality employment
- Performance management which meets best practice standards
- Paying fees for some public services in appropriate circumstances
- The need to communicate clearly the extent and limits of public responsibility in any service.

These are all matters on which workers want to consult and, in some case, negotiate, with governments. Achieving these objectives should help to meet the very legitimate requirement of society that its public services and enterprises be managed efficiently and effectively in the interests of all, including the interests of its workers.

Appendix 1

By "privatisation" PSI includes, at least, all those policies/actions listed in the introduction of the PSI education workbook *Privatisation: a Trade Union Response*:

- abolishing or curtailing public services on the assumption that private provision will fill the gap;
- squeezing the resources of publicly-funded bodies to induce them to seek private funding;
- increasing the charges to users of public goods - "user pays";
- encouraging the private sector to share in public investment projects;
- promoting joint public/private (often foreign) production ventures;
- transferring to the private sector public policy responsibilities;
- encouraging private finance to build and operate public works;
- introducing private sector personnel and notions of efficiency and of management techniques into the public sector: creating a private sector "culture";
- facilitating private sector competition with the public sector by a policy of liberalisation and de-regulation;
- contracting out public services to private agents;
- selling land and publicly-owned housing stock;
- the sale of subsidiaries belonging to nationalised or public industries/companies;
- recapitalising public companies through private sector investment;
- the partial or complete sale of public companies to the private sector.

Appendix 2

The kinds of answers unions want addressed in discussions/negotiations about privatisation or public sector reforms:

1. Will clear and proven advantages, short and long term, accrue to taxpayers and users?
2. Will the conditions of employment of staff, including employment levels, be jeopardised, maintained or improved?
3. Will any alterations in present accountability to central or local government have demonstrable benefits for taxpayers and users?
4. Does the public have fully disclosed information showing that the true costs of any such proposal to the public are less than the long-term gains? Such costs should, for example, include the costs of any unemployment resulting from the proposal; the costs of all retrenchments and redundancies; and the costs of resulting monopolies.
5. Will the proposal increase or maintain levels of unionisation in the workforce or deprive some workers of collective bargaining and union rights?
6. Will the right of all citizens to receive the current services under equal conditions be safeguarded? Rights guaranteed by law must be secured if private firms are involved.
7. Will the supply (e.g. electricity, telecommunications, transportation) continue to cover the current geographical area or current service recipients in the future?
8. Will the private entrepreneur protect people against any possible errors? The liability of the private enterprise must be equal to the liability now accepted by the public authorities.
9. Will reliable protection be secured against a private monopolist dictating prices?
10. What tasks will be left to the public authorities (including their long-term costs) which the private enterprise is not expected to meet?
11. What will be the costs of control systems such as health and safety inspection to be established by the public authorities in order to monitor the performance of the task by the private entrepreneur?
12. Is there a guarantee of no significant loss of monetary, leave, service or other entitlements through any job loss or proposed financial compensation to workers?
13. Is the timetable for the proposal adequate to allow all necessary consultation, investigations and negotiations to be completed without undue pressure on workers, unions, affected communities and other parties?
14. Is there evidence to show that the population understands and supports the proposed privatisation?
15. Is there a need for the State to provide this service?
16. Will the accumulated knowledge and skills of public institutions be lost?