

MULTINATIONAL COMPANIES IN THE CLEANING INDUSTRY:
LOCAL GOVERNMENT PRIVATISATION, TRADE UNION
RESPONSES AND THE EUROPEAN DIMENSION.

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THESIS SUBMITTED FOR DEGREE OF

DOCTOR OF PHILOSOPHY

DEPARTMENT OF SOCIAL AND ECONOMIC RESEARCH

FACULTY OF SOCIAL SCIENCE

UNIVERSITY OF GLASGOW

NOVEMBER 1992

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Multinational Companies in the Cleaning Industry: Local Government Privatisation,
Trade Union Responses and the European Dimension.

Summary

This thesis is concerned with the industrial relations consequences, of the compulsory introduction of competition, into the provision of local authority cleansing services. It seeks to show how financial savings and improvements in performance are achieved, primarily, at the expense of public service workers.

Jobs, wages and conditions of employment have all been slashed, as contractors and local authority direct service teams attempt to keep costs down. Trade union organisation and resistance has been undermined by new forms of ownership and control.

The ideological and economic justifications for competitive tendering are investigated, and placed in the context of expanding public sector employment and increasing trade union organisation during the post war period. The contract service industry, which has exploited the growth of contracting out in the public and private sectors, is described, with specific reference to the multinational operators which now dominate it. Detailed profiles of the key multinational service companies are included, with descriptions of their industrial strategies and employment practices.

The impact of European integration on public procurement is analysed, along with a brief description of the forms of public service provision adopted throughout the European Community. The nature of industrial relations in European public cleansing is investigated, and this study includes a detailed report on the impact of privatisation and multinational contractors domination of public services, on cleansing workers in France.

The core of the research is provided by a series of case studies, which are concerned with the impact of competitive tendering on cleansing workers terms and conditions, trade union organisation and the nature of industrial relations, in a number of individual local authorities. The conclusions drawn from these studies are combined with empirical evidence, on the employment consequences of privatisation in a selection of additional authorities, to demonstrate the price paid by public service workers during the CCT process.

The dual impact of privatisation and the internationalisation of capital in the contract service industry, indicates a fundamental break in the pattern of public service employment and local government trade unionism. Current policy is examined in the light of these findings and recommendations for a reappraisal of policy are outlined.

Acknowledgements

Firstly, I would like to thank my supervisor, Dr Charles Woolfson, for his support and encouragement. It was the balance of his advice, when required, and the freedom he granted me to develop my work, that has enabled me to complete this thesis on schedule.

I must thank my Mother, without whose support I could not have undertaken the project, and Sarah who helped me to get it finished.

I would like to thank Jeremy Landor for stimulating my interest in the cleaning industry and providing me with valuable resources at an early stage of the research. Thanks are also due to Ian Millar at the STUC, for helping to organise assistance with the European dimension of the research, Donald Magregor of the GMB, for help with my case study preparations, the PSPRU and Jon Sutcliffe at the LGMB, for their constant supply of information, and the many others that I pestered during my three years of study.

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Chapter 1

Introduction

Chapter 1: Introduction

Section 1: Background

This thesis is concerned with the labour market and industrial relations consequences of the Government's Compulsory Competitive Tendering (CCT) legislation. It relates specifically to those services concerned with cleansing, i.e. refuse collection, street cleansing and the cleaning of buildings, and considers the impact of multinational contractors' involvement in the provision of these services.

The cleaning sector is an often neglected but substantial field of economic activity, employing up to one million workers. Some researchers have considered the status of employment in the private sector contract cleaning industry, but limited attention has been paid to the concerns of cleansing workers in the public sector. An interest has only been provoked when workers have withdrawn their labour, as in the refuse collectors' and ancillaries' disputes of the late sixties and early seventies and during the 1978 - 1979 'winter of discontent'. Even then, industrial relations analysts tended to concentrate on wider aspects of public sector employment relations and the immediate causes of industrial militancy.

The introduction of CCT and the wave of interest being shown in local authority cleansing contracts, by foreign based multinationals, has created more specific requirements. There is a need to understand the Government's reasons for promoting a change in the nature of service provision. The consequent changes in the nature of employment in the public cleansing services must be considered. Attention must be given to the aims and strategies of multinational service contractors and to the future forms of trade unionism in the sector.

CCT is the most direct attempt by the Government to impose market conditions and an enterprise culture, on the administration of public services. The implications for the future of local government services and the workers that provide them are far reaching. The CCT initiative will extend well beyond the cleansing sector, bringing with it new forms of work organisation and different patterns of industrial relations.

This thesis has attempted to consider these issues from the standpoint of the trade union movement, in recognition of the the conflicting interests of the workers affected by the initiative and the employers, politicians and academics advocating it. This has been done through the qualitative illustration of a decline in workers terms of employment and trade union authority, within an economic framework accepting Marxist definitions of value, labour and class. The study does not seek a place in Marxist literature but it does aim to illustrate trade union concerns about the CCT process, within an economic framework which allows those concerns to be expressed with authority and legitimacy. The thesis aims to move beyond the neo-classical arguments about cost savings, efficiency and quality that have dominated previous analyses of competitive tendering, by considering the human cost that is incurred when these considerations are paramount

The main contention of this thesis is that the changes brought about by the Government's CCT legislation, have led to a dramatic deterioration in the terms and conditions of employment, of local government cleansing workers. Trade union activity and bargaining power has been seriously undermined. Since the Government considered trade unions and council employees' working practices to be the main obstacles to efficient public services, it is argued that any savings or benefits derived from the CCT initiative, have been achieved at the expense of the existing workforce. The competitive pressures of the contract cleaning industry and the employment practices of the multinational contractors have reinforced these trends.

The evidence used to justify this position was drawn, largely, from case study analysis, conducted in France and in a series of local authorities in Britain. Additional empirical data was gathered on a sample of UK local government cleansing contracts won by private contractors. Detailed company profiles were also prepared on each of the major private contractors.

Section 2: Thesis Structure

The thesis is divided into nine Chapters which can be broken up into four parts. Chapters 2 and 3 are concerned with establishing a background to the issues under consideration. The emergence of the CCT legislation is described and explained and this is followed by an analysis of the private sector contract cleaning and waste collection industries. Chapters 4 to 7 provide the focal element of the thesis. The four chapters each relate to different aspects, the key private contractors, the European experience of privatisation, the CCT experience in Britain and trade union responses. Chapter 8 provides a summary of the data collected and relates it to other academic studies. The final chapter draws together the conclusions of the research and makes a series of recommendations in relation to the findings.

Chapter 2 is mainly concerned with the political economy of competitive tendering. It investigates the historical context of direct service provision and the role of the trade unions in its downfall. The Government's desire to reduce the power of public sector trade unions was a major motivating force behind their support for CCT, but there were also other economic arguments. Consideration is given to the growth of contracting out in the private sector, the reasons for it and how these, and other pressures, pushed the Government into the privatisation of NHS and local authority services. The details of the legislation that followed, are then described.

Chapter 3 provides a sectoral analysis of the private cleansing services industry. The extent and significance of cleaning in modern society is identified. This is followed by an analysis of how and why the contract cleaning industry emerged in response to the needs of society and the economy. The structure of the industry and its increasing domination by multinational operators, is then explained.

Chapter 4 is concerned with the structure and strategies of the key multinational contractors, which are targeting local authority cleansing contracts released as a result of the CCT legislation. Three different types of company are identified and then thirteen detailed profiles are provided, on each of the major operators. Their finance, history, overseas operations, corporate strategies and UK tactics are all investigated. At the end of each profile there is a section on employment practices. These sections contain information on the conditions of employment on selected contracts held by the companies which is analysed further in Chapter 8.

Chapter 5 examines the European context to the issues under consideration. The impact that the single European market is likely to have on Britain's CCT legislation is analysed, along with its effects on the tendering strategies of the multinational operators who already disregard national boundaries. The extent of privatisation of local authority services throughout the Community is then described. Finally, the industrial relations of the European cleansing industry is investigated along with the employment consequences of privatisation in French local authorities.

Chapter 6 is perhaps the single most important, since it contains detailed analysis of the impact of the 1988 Local Government Act in a series of authorities throughout Britain. There are nine case studies, considering a variety of types of cleansing contract in authorities of a mixture of political complexions. Contracts that have been won by private contractors and by in-house units are included. Detailed consideration is given to the authorities' preparations for competition, the

involvement of trade unions and the workforce in those preparations and the employment consequences of them. Where services have been privatised, the research is extended to look at the contractors' employment practices and changes to patterns of industrial relations. The main findings of these studies are summarised at the end of the Chapter.

Chapter 7 investigates the trade unions' responses to CCT and the changes brought about as a result. A summary of the unions' approach to competitive tendering, prior to the 1988 Local Government Act, is followed by a description of current national policies. Innovative local responses to problems associated with CCT are then described. The response to CCT in Newcastle, which involved an extension to traditional trade union activity, is analysed. This is followed by a description of the attempts by the TGWU to recruit contract cleaning workers at Heathrow Airport, another group of workers who have suffered as a result of competitive tendering.

Chapter 8 draws together much of the data and evidence collected in the previous four chapters. This is compared to the results of other studies which have investigated the employment consequences of competitive tendering. The effects of CCT on jobs, wages and conditions are illustrated and this is followed by a description of the structural impact on industrial relations. The significance of the multinational contractors' increasing dominance of privatised contracts is then addressed. Finally, the results of the research are set against those studies that have come out in favour of competitive tendering, challenging the Government's claims that the policy generates real efficiency gains.

Chapter 9 develops a series of firm conclusions, in line with the main contentions of the thesis indicated in this chapter. These conclusions are related to current thinking within the field of Industrial Relations and are followed by a series of recommendations, on how trade unions should respond to the situation.

Chapter 2

The Privatisation of Local Authority Cleansing Services: A Political Context

Chapter 2: The Privatisation of Local Authority Cleansing Services:

A Political Context

Section 1: A History of Direct Service Provision.

The Background

Prior to the introduction of competitive tendering for local authority services, under the provisions of the Local Government Act (1988), the employment of council workers to organise and carry out such services as refuse collection, street cleansing and the cleaning of public buildings, was regarded as standard practice. That status was the result of a long and fairly stable development of British local government and its responsibilities prior to the 1980's.

The growth of municipal responsibility for the maintenance of general good health and welfare amongst the population, in the late 19th century, led to some of Britain's earliest experiences of public sector service delivery and the employment of thousands of local authority cleansing workers. Even in the context of a free enterprise economy as typified by the Victorian era it was widely accepted that some services, which were essential, did not have the same characteristics as those usually provided by the private sector. The 'public' nature of a service such as street cleansing, where everyone benefits regardless of who pays, meant that such work had to be funded, and the limits of its provision determined, by state authorities. In this context it rapidly became the norm for those authorities to assume complete control of the services in question by providing them directly.

The Growth of Private Provision

Once patterns of service delivery were established, with public cleansing placed very firmly within the state sector, the role of private operators in local authority cleansing was relegated to one of occasional assistance. The contracting out of some public service work developed in the post war period, but this was at a time of expansion in local government and had little to do with any political desire to restrict the growth of the public sector, or even to improve efficiency. The growth of private involvement was tied in with the massive growth that the economy was experiencing and the consequent reluctance of workers to take low paid, unskilled jobs in the public sector. Private operators were able to help local councils and health authorities overcome their labour shortage problems by offering improved terms and conditions, free from the restraints of national local government bargaining (Ascher 1987).

During this same period, outside of local government, many private companies found that by contracting out their own non-core activities, such as cleaning services, they would avoid the complications involved in hiring appropriate staff, dealing with industrial relations problems and providing the materials to keep their premises clean. This gave a boost to private cleaning contractors who were able to undercut existing rates, cutting companies' cleaning costs by up to 30% (Low Pay Unit, 1977).

These developments helped persuade Harold Wilson's Labour Government, facing a sterling crisis and BoP problems, to contract out one third of central government cleaning in 1967. Costs were cut by 30%, but the move resulted in 3,500 redundancies and cleaners being offered jobs by contractors at £14 per week compared to the £19 that they got as government cleaners. (Low Pay Unit, 1977). In 1970 the government transferred another third of its cleaning to contractors, making it the biggest single customer of the contract cleaning industry.

The introduction of private service provision at a central government level was not based on any ideological commitment. It was more a reflection of the lack of centrality that cleaning had in relation to the role of the civil service. In contrast, within the local authorities and health service, cleaning activities remained very much at the heart, or essential to the hygienic running, of operations and consequently the position of direct labour remained largely unchallenged.

Section 2: Trade Unions and the Public Services

Throughout the post war period trade unions in the public sector had been growing stronger. Trade unions were regarded as having a legitimate counterveiling role to play and Government's adopted a "hands off" approach towards their development. Enormous growth in public sector employment resulted from the expansion of the economy and growth of public services in the 3 decades after the war and this was accompanied by an ever faster rate of growth in the appropriate trade unions (see Table 1).

Union	1949	1966	1975	1980	1991
NUPE	150,250	248,041	507,826	692,000	651,000
COHSE	51,319	67,588	143,479	207,000	210,000
NALGO	189,261	348,528	542,918	753,000	744,414

Table 1: Major Public Sector Unions Membership 1949 - 1991

Source: Capital & Class, 1979; Ascher, 1987; and the individual unions.

The growth in membership levels accompanied the full employment policies pursued by successive post war governments and gave the unions considerable power in collective bargaining, which resulted in consistent improvements in their member's wage levels. The emergence of economic difficulties in the 1960s put a strain on

these developments which worsened when the Wilson Government decided to adopt a policy of wage restraint. The trade unions had initially supported the move, but public sector workers became increasingly resentful towards the Government, as they felt that they were bearing the brunt of attempts to keep wage settlements down, particularly once devaluation in 1967 had led to accelerating inflation. In four of the six half yearly periods between Labour's 1966 election victory and the summer of 1969, pre-tax real wages fell (Panitch, 1976). As public employees views hardened, the conflict became more visible with an escalation in strike activity. In 1967 less than 3 million days were lost to strike action, this rose to 6.8 million in 1969 and to 11 million in 1970 (Panitch, 1976).

In 1969 an unofficial London refuse collectors' strike began, which soon developed into the official 'Dirty Jobs' strike of 1970. The stronger refuse collectors were brought out on strike around a high profile public campaign, which eventually resulted in a large pay rise. This was followed by the hospital ancillary workers dispute of 1973, which had a less dramatic effect on pay but improved shop steward organisation in the health service and resulted in substantial union growth (see Table 1). This changed the balance of power in local government and the NHS, giving trade unionists much wider control and influence than they had before (Capital & Class, 1979). In the period from 1966 to 1975 dustmen's wages rose from an average of £10.96 per week to £30.00 and hospital porters' wages from £10.63 per week to £30.52. (Elliott & Fallick, 1981). Ascher (1987) points out that, in stark contrast to the situation today, the public sector unions were increasingly viewed as highly effective protectors of public employees from state manipulation.

The power struggle which emerged from these developments ensured that industrial turmoil reigned through the years of the Heath Government, elected after pledging to reform trade union law in 1970. Temporary calm only returned in 1974, with the election of a Labour Government and the introduction of the social contract, which

gave trade union leaders a wider national influence. A return to income restraint in 1976 broke the peace and ultimately led to the 'winter of discontent' 1978 -79, which saw waves of industrial action in the public sector, made all the more visible by the accumulation of rubbish heaps in the streets as binmen sought to regain their position in the industrial pay league.

The return of the Conservatives to power in 1979 did not bring immediate respite, as public sector workers and especially health service workers fought a series of bitter disputes, with ancillaries at the forefront of the campaigns. By this time the Government, already convinced that trade unions were enjoying excessive power, was determined to take action against the public sector unions with a strategy built around a programme of privatisation (see Coates & Topham, 1988, Gamble, 1988)

Section 3: Privatisation and the Contracting Out of Support Services

Privatisation and Competitive Tendering

The term privatisation had been used to describe any shift in economic activity from the public to the private sector (Heming & Mansoor, 1988). Theo Thiemeyer has cited 15 different uses of the term at a European level, which range from the total transfer of ownership of public undertakings to the private sector, to a simple increase in the margin of autonomy enjoyed by public enterprise management (ETUI, 1988).

Different methods are applicable in different circumstances. Within the cleaning industry, techniques adopted have centred around the practice of contracting out. Contracting out involves the contracting of one organisation with another to provide a particular good or service. This practice has been widely used in both the public and private sectors with the aim of improving technical efficiency and achieving considerable cost savings (see Hunt, 1990, Parker, 1990) as well as to exploit the

relative expertise of different organisations. The term usually refers to activities which could be provided 'in-house' by the contracting organisation itself and consequently it has a practical relevance when considering how to transfer the provision of public services from direct labour to private firms.

The method by which authorities and companies usually award contracts is known as competitive tendering (C.T.). Under this arrangement different organisations respond to a service or job specification, issued by the contracting body, with their own "tender". Provided each of the tenderers has demonstrated an ability to do the work, the contract is generally given to the one offering to do it for the lowest price.

In most circumstances this creates few changes to existing work structures or relationships since contracts are simply being renewed or relate to new work such as the building of a bridge or tunnel. The contractors' employees will be put to work on another contract if a tender is unsuccessful. Where CT is related to the possible privatisation of public services, a new scenario emerges, which involves the possible end of public sector employment for the direct labour force and its substitution by an entirely different form of labour.

The New Right

During the economic and industrial difficulties of the 1970s there emerged in Britain and other countries, such as the United States and France, a new school of economic and political thought known as the "New Right". One of the central tenets of this disparate philosophy, has been the need to force back the frontiers of the state with a transfer of production of goods and services from the public to the private sector (ETUI, 1988).

Dunleavy (1986) cites 3 major reasons for New Right advocacy of privatisation. Firstly, state agencies are put into competition with contractors, forcing the authorities to reveal information previously hidden by public sector accounting methods and block budgets. Putting school cleaning services out to tender immediately highlights the trade off between different levels of cleaning standard and their cost. This enables a debate about 'real' requirements, from which a true allocation of resources can be achieved. Secondly, contractors are seen as more efficient in meeting specific requirements, since they are themselves specialised in satisfying those needs. Thirdly, privatisation is presented as a means by which trade unions' restrictive practices, such as overmanning and strict demarcation lines, can be broken in the highly unionised public sector.

The economics of the "New Right" are founded on a belief in individualism and an atomistic view of society where each individual economic actor behaves so as to enhance his own self interest. The interaction of these interests creating an outcome which optimises the interests of society as a whole. In this context, individualism and freedom from state oppression become reliant upon competitive private markets, the minimalisation of state expenditure and the elimination of trade union restrictions (ETUI, 1988).

A 'New Right' Conservative Government

1979 saw the election in Britain of a Conservative Government, under the leadership of Mrs Thatcher, wholly committed to this philosophy and yet almost paranoically aware of the threat that the trade union movement posed to it, in ideological and in practical terms (see Gamble, 1988). Conservative politicians had seen the growth of public sector trade unionism across the post war period and witnessed the industrial strife of the 1970s, which had contributed to the defeat of the Party in 1974 and ironically to Labour's downfall following the 'winter of discontent'.

The Ridley Report of 1978, on which much of the Conservative manifesto was based, argued that extensive restrictive practices reduced the ability of industry to adapt to changing market conditions and forced wage levels above their 'natural' levels, thus limiting profits and fuelling inflation (Painter, 1990). Consequently, various policy measures were adopted during the 1980s to ensure that trade unions were drained of their power but as the Economist noted:

"The most effective way to reduce public sector unions power is to end the state monopoly in the service they provide".

(NALGO,1986).

Competitive Tendering and the Trade Unions

Ascher (1987) and Whitfield (1983) have detailed how trade union positions are threatened by the introduction of competition into the provision of public services. The labour intensive nature of activities like refuse collection, street and building cleaning, means that price competition largely comes down to the minimalisation of labour costs (the CCMA estimates that the average labour content of a cleaning contractors total cost is 90% [Sheffield City Council, 1988]). Consequently, competition involves job losses and downward pressure on wages and conditions, undermining union credibility and membership levels.

Real problems are posed for union organisation by the hostile attitude of contractors and the tendency towards casualised, insecure and part-time employment in the industry. Following privatisation, active trade unionists are reluctant to seek employment with contractors, fearing discrimination and being unhappy with a deterioration in terms. A vicious circle of de-unionisation is set into motion which the unions find very hard to resist.

Hence a government committed to the principle of free markets and openly anti-union in outlook, was naturally drawn towards a policy of CT for public services, which seemed to embody every aspect of their "New Right" philosophy.

The Environment Secretary at the time of the 1988 Local Government Act's introduction, Nicholas Ridley, summed up the Government's attitude:

"The root cause of rotten local services lies in the grip which local government unions have over those services in many parts of the country..... Our competitive tendering provisions will smash that grip once and for all. The consumer will get better quality services at lower cost".

(Local Government Chronicle, 4 April 1988)

Section 4: The Privatisation Boom

Driven by a series of interconnected forces, including ideology, anti-unionism and political lobbying, the contracting out of council work and health authority support services emerged as the spearhead of the Government's privatisation programme. The concepts involved are not new. Private enterprise has always had its place within public service provision and sub-contracting had long since been used to offload non-core activities in the private sector, which has been reflected in the growth of the contract cleaning industry (see Chapter 3).

The Foreign Experience

Experience overseas further undermines the idea of a revolutionary breakthrough in public policy thinking. Whilst there are competing attitudes towards how best to

provide public services throughout Europe and the World, there are consistent levels of private sector penetration into the market. Private sector provision of municipal and health authority cleansing services has been expanding in Europe, Japan and North America throughout the post war period (Digings, 1991; Ascher, 1987), reflecting specific local requirements as well as economic and political changes.

In the order of 60% of US refuse collection has been privatised (Touch Ross 1987). Similar figures exist for France and Germany and extensive public - private division of responsibility and co-operation in the delivery of municipal services prevails throughout the European Community (EC) (Digings 1991). European health authorities have turned even more extensively to the private sector for the provision of cleaning services, with 50% of such activities provided by private companies in France and Belgium, 60% in Germany and Denmark and 70% in Sweden (Ascher, 1987).

Overseas motivations for turning away from 'in-house' services and the employment of direct labour have not been so strongly influenced by ideology as in Britain. The specific circumstances of small rural authorities have often revealed technical and efficiency problems related to economies of scale, easily overcome by contracting out or joint arrangements with private firms. The same solutions were adopted by many French councils only compelled to provide such services in 1975 and Spanish authorities responding to the growth of 'shanty' towns on the outskirts of cities in the 1950s.

Most privatised cleansing operations in Europe have had that status for many years and are generally a reflection of the particular difficulties faced by individual authorities. In some circumstances those difficulties have been associated with internal labour problems, in others the need to cut costs or eliminate over bureaucratic provision of front line services. In all cases though, contracting out represents a local

response to the issues in question. Where ideology has had an impact, as in the Netherlands, the principle of voluntary implementation has been preserved. In the US where a powerful New Right philosophy has emerged, its practical influence has developed in a gradualised and fragmented fashion, with the contracting out of municipal services stretching back to the early 1970s (Williams, 1980, Savas 1982).

British Policy Boom

This is all in dramatic contrast to the British experience of privatisation in the 1980s which has assumed the characteristic of a public policy 'boom'. Dunleavy (1986) has identified 4 key features apparent in the development of C.T. initiatives in this period, which prove consistent with such an analysis:

- 1 A major marketing campaign
- 2 Strong interaction of the corporate campaign with party political objectives
- 3 A firm ideological belief in the efficiency of the central innovation
- 4 Large scale shifts in the behaviour of whole categories of organisations

1 Throughout the late 1970s 'New Right' think tanks, such as the Institute of Economic Affairs (IEA) the Adam Smith Institute (ASI) and the Centre for Policy Studies (CPS), had mounted a sustained campaign in favour of CT for council and health authority ancillary services (eg Buchanan et. al., 1978; Forsyth, M, 1979, 1980, 1983). These were given professional legitimacy with the publication of discussion papers by other bodies, such as the Royal Institute of Public Administration (RIPA, 1977). The large contract cleaning firms helped the campaign with their own marketing programmes, stressing

the broad range of services they could provide and ensuring rapid penetration into the new public sector markets with aggressive pricing policies.

There is clear evidence that 'loss leaders', involving cross subsidies from the profitable parts of the firms' activities, were adopted in the scramble to achieve a position of market leadership in new NHS and local authority markets (JNHSPRU, 1990; NAO, 1987). Although in some instances this was a reflection of the companies own lack of knowledge of the new market. Roger Goodman, Sales and Marketing Director with Initial put it that:

"Some contracts resulted in the companies concerned suffering significant losses. The main cause for this was their significant lack of experience in providing services for this particular market".

(M J 28 July 1989 quoted in JPRU, 1990).

- 2 Of greater significance in the influencing of public policy has been the intimate relationship between the contract cleaning industry and the Conservative Party. Between 1983 and 1987, 29 Conservative MPs were identified as having direct or indirect links with a total of 17 contracting companies. 16 MPs were directors or advisers to 13 groups of companies with contracting interests and another 11 were consultants or directors of public relations firms representing contractors (JNHSPRU, 1987). There are further links between the Party and the main privatisation pressure groups such as the ASI, Aims of Industry and the Public and Local Service Efficiency Campaign (PULSE), each of which has at least half a dozen associated Conservative MPs. The extent of the contractors' involvement with the Party is illustrated by the contribution of over £1million to Conservative Party funds during the key privatisation years 1983 - 1988 (JNHSPRU, 1988).

Certain politicians have demonstrated their commitments openly, actively promoting CT policies. David Evans MP, spoke in favour of contracting out at the Conservative Party Conference of 1981, when he was a councillor in St Albans and chairman of Brengreen Holdings, since taken over by BET. Michael Forsyth MP has been something of a guru for the contractors, promoting their interests through his PR firm Michael Forsyth Associates, which also shares an office with the pro-privatisation group PULSE. Forsyth, who since his election to Parliament in 1983 has had a lower profile, has also produced a series of pamphlets for the ASI including Reservicing the NHS, 1979, Reservicing Britain, 1980 and the Myths of Privatisation, 1983, which have informed much of the Government's privatisation policies.

- 3 The activities of Michael Forsyth and other promoters of contracting out were instrumental in pushing the Government into action only in as far as they were telling them what they wanted to hear. The ideological commitment of the Government to the principles of competition and private provision were unquestioned. What the publications and arguments coming from the contractors provided, was a policy programme and rationale that was ready assembled. With the backing of a Department of the Environment (DOE) commissioned report from Coopers and Lybrand, to illustrate possible cost reductions in excess of 10% (Coopers and Lybrand, 1981), the Government was ready to dismiss trade union and administrative opposition and begin a major privatisation drive.
- 4 The outcome of these forces has been an experience of contracting out wholly distinctive from that in other parts of the world. CT has been applied rapidly, across local authority building contracts, Government departments, NHS ancillary services, local authority manual services and is now being proposed for local council and NHS white collar support services. The debate over the

merits of the policies has sat very much on the sidelines, whilst central government dictated to local agencies in the face of a heavily weakened opposition. Contracting out offers Conservatives the opportunity to set markets free from bureaucratic 'abuses', whilst stifling the power of trade unions who were best placed to exploit those 'abuses'. As the Economist put it in September 1983:

"The real purpose of contracting out, as with state industry privatisation is as much to weaken the unions monopoly as to save money".

(Quoted in Ascher, 1987).

Section 5: The Countdown to Competitive Tendering in Local Government Cleansing

Competitive Tendering for Local Government Building Works

In 1979 a consultative paper was released which contained a series of proposals for local government reform. The paper found its way onto the statute book as the Local Government Planning and Land Act (1980). This included a system for achieving greater efficiency in local authority direct labour organisations (DLOs) through the setting of 5% target rates of return on capital and the use of C T in the allocation of a certain percentage of building and highway maintenance work, above a given volume.

There was wide opposition to the Act in the trade unions and local government circles, which led some authorities into a process of contract manipulation designed to deter private sector interest. The legislation survived though and has been extended, subjecting increasing levels of work to competition. Ironically, the

opposition of some councils exposed the loopholes in the law, which ensured that future legislation covering other activities, namely the Local Government Act 1988, would be of an altogether tougher nature.

Whilst CT was being tested on local authority building contracts, cleaners were feeling the effects of contracting out in the Ministry of Defence (MOD) which put its cleaning work out to tender in 1980. The policy was later extended to the DHSS and tax offices as part of the Government's aim to reduce the number of civil servants (Sheffield City Council, 1988) and achieve savings, by virtue of the job losses and reduced pay and conditions imposed by successful contractors (LRD, 1987).

CT in the NHS

From 1980 the Government, through its Health Minister Gerard Vaughan, encouraged District Health Authorities (DHAs) to put ancillary services (cleaning, catering and laundry) out to CT on a voluntary basis. A circular was issued, entitled Revised Guidance on Contractual Arrangements and Co-operative Schemes, which stressed that the commitment to CT was strong and that authorities should implement the proposals wherever possible.

The publication of Michael Forsyth's 'Reserving Britain' (1980) and 'Reservicing Health' (1982) and the resurgence of public sector trade union militancy in the NHS strikes of 1980, 1981 and 1982, gave a significant boost to the campaign for compulsory CT in the health service. The arguments presented in 'Reservicing Health' suggested that contractors could provide services more cheaply through improved efficiency and elimination of restrictive practices. The point was made that savings could be used to provide better patient care, an attractive "argument" for a government accused of running down the NHS.

The Government's commitment to CT became so entrenched that the findings of a joint MoD - DHSS study on the relevance of the MoD's tendering experience for the NHS, were largely ignored. The study highlighted the possibilities that standards would fall as a result of reduced employee commitment and lowest cost methods and that the industry might not be able to cope with significant amounts of new work in any case (Ascher, 1987).

A draft circular was published in February 1983 formally asking health authorities to put certain ancillary services out to tender. Once again there was a significant degree of opposition amongst administrators and trade unionists who had been given forward warning of the plans when the circular was 'leaked' during the NHS pay dispute in June 1982. Much of this opposition seems to have stemmed from the Government's determination to impose the requirements on the health service, with few concessions to critical comment or analysis (Ascher, 1987; Maily, 1986). The loss of control and inability to perform as a "good" employer, which derive from the process of CT, have also been noted as areas of management concern (Cowan, 1984; Maily 1987).

The only relevance of the consultation period to the Government, was its illustration of the hostility that existed to the proposals. The impact of this hostility did not lead to the scrapping of the plans, it resulted in toughened legislation which took account of possible resistance. Efficiency savings would go directly to individual authorities as a source of financial incentive to motivate management, staff were to be "kept informed" of developments rather than be engaged in full consultation and timetables were imposed for the implementation of proposals.

On the 8 September 1983 the Government issued 'circular HC (83) 18, Competitive Tendering in the provision of Domestic, Catering and Laundry Services', which asked all DHAs in England (similar ones were issued in Scotland and Wales) to draw up plans to submit their ancillary services to tender by the end of 1986. Regional

timetables were to be submitted to the DHSS by April 1984 based upon DHA timetables completed by February 1984.

Most health authorities, being opposed to the legislation, ignored the circular or disrupted the process by asking for extensions or submitting incomplete timetables. By February 1984 only half of the 192 English DHAs had submitted timetables and consequently very few contracts were put out to tender in this period. Of the 21 contracts that were put out by April 1984, 19 were won by private contractors, reflecting the political attitudes of the awarding authorities. Those that had co-operated fully with the proposals were largely Tory led DHA's keen to show support for the Government. Other cases included contracts for new hospitals, where the authorities were compelled to tender before establishing an in-house service team, and where capital investment in the services was planned, which was forbidden without a prior CT exercise.

With the implementation of the final directive in April 1984, CT began to spread much more rapidly through the Health Service, although not without considerable and sometimes bitter trade union opposition (discussed in later sections). Between 1983 and September 1987, 84% (by value) of all ancillary contracts had gone out to tender (Sheffield City Council, 1988), but as the process of tendering widened, the degree of private contractors success narrowed, despite government attempts to improve their competitive position. In the face of declining private sector interest and more effective in-house tendering, the Government illustrated its commitment to privatisation, as opposed to competition, with a series of measures to improve the contractors market share:

- DHAs were forbidden from suspending or terminating contracts without DHSS permission.

- The "Fair Wages Resolution", requiring contractors to pay NHS ancillary staff rates, was abolished and "Fair Wages" clauses were banned from ancillary service contracts.
- DHAs were instructed to put redundancy payment costs into tender prices over a 3 year period rather than 1.
- "Equal Opportunity" claims were to be removed from contracts and specifications simplified.
- Health authority members who were clearly resisting the implementation of CT were sacked.

Despite these moves there has been a consistent decline in the proportion of NHS contracts held by the private sector. In March 1984, 74% of all contracts and 90% of domestic (cleaning) contracts were won by private firms. By December 1989 the overall figure had fallen to 23% and the figure for domestic contracts to 27%, probably due to aggressive 'market building' tenders from contractors and a commitment to privatisation amongst many of the authorities who were the first to award contracts (JNHSPRU, 1990).

Scottish Health Service Developments

From the point that the DHSS circulars on CT were sent out, HA's in Scotland interpreted them differently than their English counterparts. The Government paper relating to Scotland was seen as merely offering a recommendation which HA's saw no need to implement. The HAs argued that they were continually reviewing services with a view to providing an efficient health system whilst achieving "efficiency savings" without the use of CT.

This position was upheld in conjunction with a public Scottish Health Campaign promoted by the STUC and supported by delegates from church, union, political and community organisations. The strategy (described in chapter 7) was completely effective, with strong public and cross party (though not expressed openly) support, until 1986 when Tayside Health Board broke the taboo and put a series of contracts out to tender.

In the face of opposition in Scotland the Conservative Government adopted a familiar tactic and toughened its stance. 'Misinterpretation' of the Government's position was ruled out with the publication of circulars demanding implementation of the policy and, with Michael Forsyth as Scottish Minister for Health, CT spread rapidly, with private contractors securing a similar proportion of contract awards as they have achieved in England. CT has also been carried into new areas by Scottish authorities without compulsion, as the Health Service adopts a generally more market orientated approach.

The extension of CT to other NHS services is a reflection of how strongly the Government remains committed to the policy, despite the failure of private contractors to win even a quarter of the work available. Even in the absence of private provision, competitive pressures are regarded by the Government as essential to the achievement of efficiency savings and the reduction of trade union power which lies at the heart of their objectives.

The point was clearly put by the pro-privatisation body PULSE when commenting on the extension of the range of services to be privatised:

"Instead of having one, monolithic in-house organisation providing services there will be a welcome fragmentation, and the natural consequence of that is decreasing unionisation. The unions may continue to have members among the firms involved, but competition means they know there are other companies available to do the job if they go on strike".

(Today, 4 April 1988)

Section 6: Competitive Tendering in the Local Authorities

Voluntary Competitive Tendering

Whilst private contractors have always been used in local government, the development of the use of CT which culminated in the Local Government Act of 1988 came out of the problems associated with the 1978 - 79 'Winter of Discontent'. During the public sector strikes of that period the power of refuse collectors and street cleaners to fundamentally disrupt essential public services became highly apparent. The build up of rubbish and litter created an appalling sanitation crisis which, in some areas, went on for several months. Some authorities responded to the situation by employing private contractors to clear away the rubbish mountains and many began to question the monopoly power enjoyed by their own direct labour forces which they viewed as lying at the heart of the 'problem'.

Local authorities, and their refuse collection services in particular, have been associated with restrictive practices, unwarranted bonus payments and inefficient 'task and finish' job structures (under this arrangement, once the work for a day is done the workforce is free to go home). During the 1970s, attempts were made in various authorities to end 'task and finish' but where the practice was in place it was regarded by the trade unions and men as being "untouchable". The bonus schemes existing in the industry were also seen as outdated by many local authority managers

but they had been built up on the back of local trade union and shop steward power and were consequently hard to modernise without provoking major opposition. As the Chief Inspector of Audit for the year ended March 31 1979 stated:

"Many bonus schemes have become little more than a complicated and expensive method of calculating a man's pay and have weakened local authorities financial control over an important part of their budget. Having lived with bonus schemes for so long and enjoyed their benefits, workmen will not readily agree to change course...."

(Audit Commission, 1984)

The mixture of local authority resentment towards their manual employees' working practices and the problems posed by industrial action led to an interest, in some town halls, in the proposals for CT coming out of academic circles. In Southend District Council the Conservative Administration decided to investigate the possibility of putting its refuse collection and street cleaning services out to competitive tender, when, in the aftermath of the national local authority stoppages of 1978 - 79, their manual workers stayed out on strike to secure a wage settlement.

The authority did not want to further undermine industrial relations stability and so moved cautiously, undertaking a four month study into the implications of its proposals and engaging in full negotiations with the trade unions. The unions made it clear that they were totally opposed to the idea and achieved national prominence with a series of demonstrations designed to prevent the tendering exercise. Without a no compulsory redundancy agreement though, trade union resistance was swiftly broken and the council pressed ahead with its plans, eventually awarding the contract, which began in April 1981, to Exclusive Cleaning.

Tremendous interest was generated by the Southend experience across local government and a debate ensued which concentrated on the possible cost advantages

of privatisation, illustrated by a projected annual saving in Southend of nearly £500,000. The policy was soon after adopted in the London Borough of Wandsworth, a marginal borough which had fallen under Tory control in the May 1978 London municipal elections. The Borough was led by Christopher Chope, a Thatcherite, who was keen to establish the council as a 'flagship' Tory authority.

Local authority workers in Wandsworth had a reputation for militancy which the new administration was keen to dampen and so, upstaged and yet enthused by events in Southend, the Council moved to put its street cleaning service out to tender, awarding the contract to Pritchards who began operations in February 1982. Whilst the unions had been opposed to privatisation of the service, the campaign lacked bite and this encouraged the council to press ahead with further CT initiatives. Having failed to privatise the refuse collection service in 1980 the authority was now more confident and in March 1982 decided to seek tenders.

The unions responded with massive industrial action on 19th April 1982 which saw refuse collectors and other groups on strike, virtually paralysing council operations. Private contractors were brought in to break the strike, which resulted in picket line clashes and the disabling of vehicles during the course of a very bitter dispute. Conservative victory in the May 6th local elections led to demoralization amongst the workforce who were becoming increasingly isolated by a lack of practical national support and after six weeks on strike they voted to return to work on the basis of management proposals.

Victory for Christopher Chope and his administration in Wandsworth gave confidence to a series of other Conservative authorities who were experiencing industrial relations difficulties in their cleansing departments. During the period 1981 - 88, 90 tenders were issued for waste collection and cleansing services by

Conservative authorities and 41 of the contracts were won by private contractors (Sheffield City Council, 1988).

The Campaign for Compulsory Competitive Tendering

Despite industrial relations problems being the common factor amongst privatising authorities it was the search for efficiency savings which formed the backbone of pro-privatisation propaganda during the CT 'phoney war' from 1981 -88.

The arguments in favour of privatisation were given a major boost with the publication of Michael Forsyth's 'Reservicing Britain' by the ASI in 1980 (Forsyth, 1980). The pamphlet argued that public services were endemically inefficient due to the lack of incentives which derived from local authority DLO monopolies and that only competition could ensure financial efficiency based upon public accountability.

The DOE's own investigations into the provision of local authority services offered some support for this position. The Report, 'Service Provision and Pricing in Local Government' produced by Coopers & Lybrand and published in September 1981 (DOE, 1981), suggested that local political considerations often came before the implementation of appropriate policy solutions. A lack of financial expertise was identified alongside unsatisfactory costing systems. The paper identified the need for an updating of bonus schemes, in line with the suggestions of the Chief Inspector of Audit for local authorities in 1979, and also called for flexibility on the part of local authorities in the introduction of CT for the provision of their services. The Report did not argue that in-house provision should necessarily be replaced by private, or even that it should be subjected to competition. The point was made that flexibility of approach and local autonomy were also important factors in the delivery of suitable local services (DOE, 1981).

If Coopers & Lybrand were not convinced of the need for CT the government and senior Conservative politicians certainly were. They started to actively encourage local authorities to contract out and following the experience of Southend and Wandsworth there was something of a privatisation rush during 1982 and 1983, amongst those authorities keen to embrace the ideology of 'Thatcherism'.

After the Conservatives were returned to power in the General Election of 1983 local authority contracting out in the major cleansing services lost its momentum. The reduction in trade union power associated with high levels of unemployment, falling membership levels and anti-union legislation and severe financial pressures within local government had combined to generate greater efficiency in local authority services without recourse to privatisation. Productivity in refuse collection increased in real terms by 25% between 1978 and 1984, across in-house and private operations, promoting the Audit Commission to note:

"Comparison of the performance of privatised refuse collection with DLOs shows that it is not inevitable that privatised services should be less costly. Indeed, many DLOs are doing as well or better than those services that have been privatised. The difference is likely to be attributable as much as anything to the quality of management".

(Audit Commission, 1984)

The Government was still committed to the extension of CT in local government though and, with the election to Parliament of Michael Forsyth, author of 'Reservicing Britain' and Christopher Chope, ex-leader of Wandsworth Borough Council, that commitment was unlikely to be buried.

In April 1984, frustrated by a lack of initiative from the Government, Christopher Chope introduced a Ten Minute Rule Bill (Hansard, 1984) calling for a range of local authority services to be submitted to compulsory CT (CCT). Ten minute rule bills

are generally used to promote an issue among MPs and provide an indication of back bench feeling, and whilst the Bill was lost by a margin of 3 (with reluctant Ministerial abstention) the point had been made that back benchers were ready for legislation.

In February 1985 the Government's plans were published by the DOE, Scottish and Welsh Offices in a consultative document entitled 'Competition in the Provision of Local Authority Services' (DOE, 1985). Lessons had been learned from the experience of previous legislations on local authority DLOs and NHS ancillary services and consequently the proposals were even tougher, although provision was made for a longer consultation period of 10 weeks.

The circular outlined plans to make CT mandatory for local authority refuse collection, street cleansing, building cleaning, grounds and vehicle maintenance and catering services from 1987, with authorities having to meet specified financial targets in each area. The Secretary of State was also to be granted powers to extend the coverage of the legislation and to take action against authorities seeking to undermine it.

Opposition was widespread, particularly in the trade unions and Labour local authorities who regarded the proposals as a further attack upon their autonomy, borne out of a hostility towards public sector employment in general. Even several Conservative authorities and politicians made their misgivings clear, arguing that central government's role was not to impose on local government a format for fulfilling its functions, but to provide a framework with appropriate incentives to achieve locally defined objectives.

The consultation period was used to gather information, advice and opinions, which came in abundance from the many interested and affected groups, reflecting the

different interests of those concerned. The Government's support for the interests of the private contractors was confirmed once more with the decision to press ahead with the legislation, which was published as the Local Government (No 2) Bill on 26th June 1987 and received its second reading in the House of Commons on 6th July 1987.

The publicity surrounding the Government's initiative generated a certain interest in CT which resulted in a voluntary three fold increase in the number of councils contracting out services in the period from April 1987 to March 1988. Even with these developments though, contracting out was still on a relatively small scale with the private sector holding £140million of work out of a local authority spending total of £37.2billion in 1987/88.

The Local Government Chronicle concluded on 8th July 1988 that:

"The majority of local authorities remain unconvinced of the benefits of contracting out and continue to have no services handled by the private sector. Sometimes this has been a policy decision, in others the interest is apparently just not there".

(L C G, 1988)

Section 7: The Local Government Act 1988

The consultation paper, 'Competition in the Provision of Local Authority Services' which was released in February 1985, outlined the Government's objective of promoting:

"a wider acceptance of the principles of competition across the whole range of Local Authority activities".

The paper argued that:

"in order better to promote the efficient, effective and economical carrying out of all functions local authorities should be subject to an explicit statutory duty to have regard to value for money in relation to the exercise of all their functions".

(D O E, 1985)

To this effect a Bill was introduced in June 1987 entitled the 'Local Government (No 2) Bill 1987' which received the Royal Assent as the Local Government Act 1988 in April 1988.

Part 1 of the Act relates to the introduction of Compulsory Competitive Tendering (CCT) into the provision of a series of public authority services referred to as "defined activities." It begins by defining those authorities which the legislation refers to. These are:

- County, District, Parish and Community Councils in England and Wales
- Regional, Island and District Councils in Scotland
- Development Corporations established for the purposes of a New Town
- The Commission for the New Towns
- Any Police Authority
- Any Fire Authority including the London Fire and Civil Defence Authority
- Metropolitan County Passenger Transport Authorities

- Authorities established under the Local Government Act 1985 (waste disposal)
- Joint Education Committees and ILEA
- Water Development Boards in Scotland
- The Scottish Special Housing Association

Coverage

The original "defined activities" affected by the legislation were refuse collection, building cleaning, other cleaning, school and welfare catering, other catering, vehicle maintenance and the maintenance of grounds, although the management of sports and leisure facilities was added in November 1989.

The relevant cleansing services, which this thesis is concerned with, can be described in greater detail:

Refuse collection: includes household and commercial waste collection

Building cleaning includes the cleaning of the interior of authority buildings and of windows inside and out. The common parts of residential blocks are included but individual homes are excluded as are police buildings

Other cleaning refers to street cleansing, including litter removal, street sweeping, gully emptying and the cleaning of road signs

The Secretary of State was given powers to extend the scope of the Act to cover additional activities as he sees fit without recourse to further legislation.

The Act does provide for various exemptions though, namely where the work forms only a minor part (less than 50%) of the job of someone mainly engaged in other activities, or where the work performed is only on a very small scale, where the gross cost of the service was less than £100,000 in the previous year (the deminimus rules). Also made exempt was emergency work, defined as 'work which is calculated to avert, alleviate or eradicate the effects or potential effects of an emergency or disaster involving or likely to involve danger to life or health or serious damage to or destruction of property'. Work carried out by employees living in tied accommodation or working on training commission schemes is also excluded.

These exemptions have been strictly interpreted as the Government is keen to ensure the legislation is not abused. The feeling was that similar provisions in the Local Government Planning and Land Act 1980 were exploited by some authorities and that this experience was not to be repeated (Flynn & Walsh, 1988).

The Process

The legislation only applies when authorities want their own employees to carry out work which is regarded as a "defined activity". Local authority employees cannot be given the work without recourse to the CT process, however where an authority decides to give the work to a private company or has already done so, there is no requirement that the contractor should face competition. Nevertheless it was stated in the consultative document 'Competition in the Provision of Local Authority Services' that:

"It is of the essence of the Governments policy that competition between Local Authority direct employees and outside contractors should be fair".

(DOE, 1985)

In relation to this aim the Act laid out a 6 point process by which work should be put up for competition.

- 1 The authority must advertise its intention to put a contract out to tender in at least one local newspaper and one trade publication. The advertisement must, describe the work; give information regarding the inspection of a detailed specification; advertise the availability of the specification for a reasonable charge; outline the deadline for receiving replies; and state that the council will invite tenders for the work.
- 2 The times, places and charges contained in the press notice must be adhered to and must be reasonable. When the specification is made available it must state the time period when the work is to be carried out.
- 3 "Not less than 3 months nor more than 6 months after the publication of the notice formal tenders must be invited from at least 3 companies expressing an interest". If less than 4 apply for information then all of them must be invited to tender.
- 4 A written bid must be submitted by the authority's direct service/labour organisation (DSO) on the same basis as the private sector.
- 5 In deciding who is awarded the contract the authority must not "act in a manner having the effect, or intended to have the effect of restricting, distorting or preventing competition."

- 6 In carrying out the work the authority must comply with the detailed specification produced at the start of the process.

The Timescale

The fear that private contractors would not be able to cope with a flood of new work onto the market and the realisation that this would undermine the competitive process prompted the Government to phase the introduction of the legislation. Tendering has been phased in over a 3 year period in each of the services. Authorities were allocated to different groups and a timetable drawn up for each of these groups which stated the latest date by which each of the services must be put to tender. The deadlines began on 1st August 1989 and continued at 6 monthly intervals until 1st January 1992. The schedule was organised such that no authority was engaged in more than one tendering exercise at a time, whilst the flow of contracts onto the market in each activity was staggered. In this way neither the authorities nor the contractors would become overwhelmed by additional workloads.

Table 2 demonstrates how this timetable was applied in the London Boroughs and Metropolitan Districts:

Defined Activity	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6
Collection of Refuse	1 Jan '92	1 Aug '91	1 Jan '91	1 Aug '90	1 Jan '90	1 Aug '89
Cleaning of Buildings	1 Jan '90	1 Aug '89	1 Jan '92	1 Aug '91	1 Jan '91	1 Aug '90
Other Cleaning	1 Aug '89	1 Jan '92	1 Aug '91	1 Jan '91	1 Aug '90	1 Jan '90
Catering for Schools & Welfare	1 Jan '91	1 Aug '90	1 Jan '90	1 Aug '89	1 Jan '92	1 Aug '91
Other Catering	1 Aug '90	1 Jan '90	1 Aug '89	1 Jan '92	1 Aug '91	1 Jan '91
Vehicle Maintenance	1 Aug '91	1 Jan '91	1 Aug '90	1 Jan '90	1 Aug '89	1 Jan '92

Table 2: Competition by Activity and Date in London Borough and Metropolitan District Councils.

Source: D O E, 1988

The Act also defines the minimum and maximum contract periods applicable to each of the defined services. Tables 3 and 4 below illustrate the timescales relating to cleansing services:

Activity	Minimum Period Years	Maximum Period Years
Collection of refuse	5	7
Cleaning of buildings	3	4
Other cleaning	4	6

Table 3: Specified Periods for Cleansing Services in Authorities with Education Functions:

Source: Scottish Development Department, 1988

Activity	Min. Period Years	Max. Period Years
Collection of refuse	5	7
Cleaning of buildings	4	6
Other cleaning	4	6

Table 4: Specified Periods for Cleansing Services in Authorities Without Education Functions.

Source: Scottish Development Department, 1988

Enforcement

If a Local Authority DSO wins a contract then it must keep a separate trading account for that specific defined activity and for all others thereafter. The income on each of these accounts is determined by the figures agreed in the contract and cannot be subsidised or assisted by cross subsidy from other accounts. Each account is required

to meet financial objectives determined by the Secretary of State. These have been defined as an overall 5% rate of return on capital, except for in building cleaning and sports and leisure management, which are only required to break even, since so little capital is employed.

Authorities are obliged to prepare annual reports on each of the defined activities to demonstrate their effectiveness in achieving statutory objectives and to describe the allocation of work across contracts. Copies of this report must be sent to the authorities external auditor and the Secretary of State by 30th September in England and Wales and the 31st October in Scotland. The Report must also be advertised in the press and supplied to interested individuals for a reasonable charge.

Most UK local authorities now make a distinction between their "client" and "contractor" functions. The "client" determining service requirements, contract specifications and awarding contracts. The "contractor" preparing bids, operating contracts and maintaining the accounts for each of the trading activities as outlined above.

If an authority is thought to have contravened any of the conditions placed upon it, the Secretary of State can issue a notice known as a section thirteen (S13) which requires the authority to prove they have not contravened the conditions, or to justify their position. A council could be pulled up for a series of reasons:

- failing to adopt the proper tender procedure for a "works contract"
- failing to fulfil the 6 conditions of the CT process
- failure to keep proper accounts
- failure to meet the Secretary of State's financial objectives
- failure to record relevant items in the annual report

If an authority fails to provide a response which satisfies the Secretary of State he can direct them to cease carrying out part or all of the work in question, or place new conditions on the operation of the contract. Additionally he can issue a further directive which prevents the authority from performing ANY defined activity.

The Secretary of State also has considerable powers which enable him to discriminate between individual authorities to alter the conditions relating to individual activities and to establish regional variations in the conditions to the CT process. He can change the financial objectives to be met and the rules on divisions, accounting and annual reports. Furthermore he can alter any individual aspect of the tendering process.

Contract Compliance

Part 2 of the Act includes a list of "non-commercial matters" which authorities are not to consider or ask questions about when evaluating tenders for any supply contract.

The non-commercial matters are defined as follows:

- The terms and conditions of employment by contractors of their workers
- Whether the terms on which contractors contract with sub-contractors constitutes the contracting of self employed persons for their services only, ie: the use of "lump labour"
- Any involvement of the business activities or interests of contractors with irrelevant fields of Government policy

- The conduct of contractors in industrial disputes between other persons
- Business activities in or the use of supplies from any particular country or territory, eg: South Africa
- Any political industrial or sectarian affiliations or interests of contractors or their directors, partners or employees
- Financial support or lack of financial support by contractors for any institution to or from which the authority gives or withholds support
- Use or non use by contractors of technical or professional services provided by the authority under the Building Act 1984 or the Building (Scotland) Act 1959

The Secretary of State also has powers to add any other matter to this list or to review the categories currently listed. Any company which feels it has suffered loss or damage as a result of being excluded as a contractor, on the basis of "non commercial" criteria, can take legal action against the authority. Additionally, judicial review can be opened against the authority.

If an authority decides to exclude any contractor from any part of the tendering process then it is obliged to inform them and provide them with reasons if requested.

There are areas where authorities remain free to ask questions about "non commercial matters". The provisions of section 71 of the 1976 Race Relations Act require authorities to promote good race relations and equal opportunities, and in relation to that obligation they may question contractors about terms and conditions, workforce

compositions and arrangements for promotion, transfer or training. These freedoms are not extended to questions about the employment of women and the disabled.

Authorities can also question prospective contractors about health and safety legislation and can ask a company to show that it is of sound financial footing. All the questions which can be asked are specified by the Secretary of State. Whatever autonomy that authorities do retain under the conditions laid out in the CT legislation is undermined by the wide variety of provisions for enforcement contained within it.

The local authority manouvering around the requirements of the 1980 'DLO legislation' encouraged the Government to include strong policing mechanisms in the 1988 Act. The requirement that authorities do not act to restrict, distort or prevent competition ensures that DSOs must come up with very competitive tenders if they are to win contracts.

Updating the Legislation

In the early stages of implementation the legislation demonstrated many areas of uncertainty and differences of opinion which forced a certain degree of re-thinking.

In April 1990, the Government issued a draft circular entitled "Local Government Act 1988 Part 1. Competition in the Provision of Local Authority Services", which was designed to plug what were seen as loopholes in the legislation. The paper made it clear that the Government planned to turn the tables further in the favour of private contractors. Authorities were to be more accommodating in the granting of depot space for contractors use; contracts themselves were not to be lumped together in order to deter potential competitors; and cleaning contracts of more than 200 buildings were to be regarded as 'anti competitive'. The draft circular also sanctioned the use of loss leader bids by private contractors whilst retaining the requirement on

local authority DSOs to show a 5% rate of return on capital. The draft circular permitted the offsetting of DSO redundancy costs against contractors bids, but argued that with a 50% chance of losing the contract in the next round, this should be built into the present tender cost.

The draft circular proved highly controversial and it was not until March 1991 that the circular was published in its final form. The contentious proposals on loss leaders, redundancy costs, performance bonds and contract packaging were dropped. The circular did maintain that depot facilities should be offered to contractors; that large scale packaging of contracts should be discouraged; that performance bonds should represent no more than 15% of annual contract value; and that the redundancy costs of DSO staff to be laid off anyway, as a result of preparation for competition, should not be included in estimating potential redundancy costs.

The circular was accepted as largely reasonable by local government bodies but the Government had further plans to shake up the CCT laws.

In November 1991 the consultation paper "Competing for Quality. Competition in the Provision of Local Services" was published and outlined plans to extend CCT into local authority white collar services and housing management. Perhaps of more significance though, the Government plans to remove what it sees as local authority obstacles to more private sector bidding.

The proposed legislation would scrap current rules on redundancy costs; prevent favouritism to in-house tenders; simplify specifications to make tendering easier for outside bidders; and provide companies with "documentation that gives all potential contractors scope to innovate and does not tie them down to past practices".

The re-election of the Conservatives in April 1992 suggests that these proposals will now be carried through.

Section 8: Concluding Comments

The growth and development of CCT must be considered within the framework of the political and economic changes of the late 1970s and 1980s. Based upon a commitment to New Right philosophies, the Conservative Government, first elected in 1979, has progressively extended the influence of the private sector in the British economy across a range of activities.

The Government's ideological commitments dictate that private enterprise is inherently more efficient than public and that the public sector affords too much power to trade unions. The introduction of CCT into the provision of local authority services has provided an opportunity to test that assertion.

The remainder of this thesis will begin to examine the nature of private provision of public cleansing services. Crucially it will examine whether private operators are genuinely more efficient than public or whether they merely inhibit trade union organisation and solidarity, enabling an attack upon cleaning workers jobs, pay and conditions in the pursuit of enhanced profits.

Chapter 3

The Contract Cleaning Industry

Chapter 3: The Contract Cleaning Industry

Section 1: Cleaning

The scale and significance of the cleaning industry has become increasingly apparent over the past 2 or 3 decades. The growth of contract cleaning, the attention being paid to environmental issues and the development of privatisation initiatives affecting cleansing services have focussed attention on the industry.

Cleaning work includes housework, domestic service, street cleaning, hospital and school cleaning, cleaning of offices, banks, factories, warehouses, transport stations, buses, trains, police and fire stations, window cleaning, the cleaning of buildings, laundry and dry cleaning services, gully emptying, drain cleaning, pest control, sewage and toilet cleaning, cleaning of vehicles, aircraft, boats, oil rigs and industrial machinery, hotel and shop cleaning, refuse collection and waste disposal, amongst other jobs. Associated with this work is the manufacturing, distribution and marketing of cleaning materials used in the delivery of services.

The entire industry employs, on conservative estimates, around 1,000,000 workers (Key Note Report 1990) and about 300,000 of these are employed in cleaning services directly (Key Note, 1992). The jobs done by those workers have been organised in very different ways during different periods. Much modern day housework was historically done by paid domestic servants in middle class homes and is now increasingly being done by home helps in the homes of professionally employed women. Private refuse collection services were replaced by municipal ones which are now increasingly being carried out by private contractors. Directly employed company cleaners or office 'chars' have been progressively pushed out of their jobs by contract cleaning companies.

There are now 2 main types of employment in the cleaning industry. Direct labour, employed by institutions which organise and supervise their own cleaning work; and contract cleaning, where cleaners are employed by a specialised cleaning or industrial services company, which is contracted by other organisations to provide the services they require. Since the 1960s there has been a continual growth in the proportion of work carried out by contractors with consequential shifts in the pattern of cleaning workers employment.

Section 2: The Growth of Contract Cleaning

Contract cleaning, which concentrates on the routine cleaning of building interiors, took on a significant role during the 1960s when the buoyant economic conditions led to recruitment difficulties in both the public and private sectors. In these circumstances it proved more convenient for many companies to hand their cleaning problems to specialist firms with expertise in attracting the right type of employees. Initially, there was little emphasis on cost or quality considerations in justifying a move away from direct labour. Industrial companies were simply keen to get rid of responsibility for a peripheral activity creating unnecessary difficulties.

Unfair competition

Despite the lack of cost considerations, competition led to problems, associated with pricing strategies, in the early days of the industry's expansion. Ascher (1987) refers to a "pseudo-trade association" amongst a group of small firms outside London who were said to be fixing prices with the aim of gaining contracts from older established companies. The profit margins existing at the time also allowed for the emergence of a phenomena known as 'contract selling'. This was an arrangement by which contracts were won by established contractors and then sold on to smaller firms who took full responsibility for meeting the terms of the contract. The highly competitive

tenders placed by the major players, were generally unworkable in practice and led to declining performance standards and bankruptcies amongst the smaller operators.

The CCMA

Two developments in 1967 helped improve the contract cleaners image. The Government's decision to use contractors to clean Civil Service buildings represented a major vote of confidence, especially as the Labour Party were in power at the time. In the same year, many of the companies involved in the industry formed a trade association, the Contract Cleaning and Maintenance Association (CCMA), to improve their reputation, which had been spoilt by heavy competition and 'cowboy' operators. They established a 'Code of Good Practice' covering issues such as safety, insurance, industrial relations and fair trading to separate themselves from the less reputable practices which had characterised the industry. Certain conditions were placed on membership in order to exclude the smallest and potentially unreliable operators. The association changed its name to the Cleaning and Support Services Association in 1990 but has maintained the same functions and represents companies responsible for around 80% of contract cleaning in the UK (Key Note, 1992). Current conditions of membership are a requirement that the contractor has been operating for at least 12 months and has a turnover in excess of £250,000 per annum.

Cost benefits

During the 1970s contract cleaning expanded rapidly, exploiting its improved image which coincided with a boom in office occupancy and, by this time, an increasing awareness of the potential for cost cutting that contractors provided. Aside from the convenience of using industrial service companies, economic difficulties and rising labour costs in the 1970s generated boardroom and academic interest in the cost benefits of sub-contracting. Studies on the efficiency benefits of contracting out

waste collection (see Savas,1977 and 1980) combined with analysis of the pursuit of non-profit goals within economic institutions to strengthen the contractors position.

Academics argued that the internal provision of services could result in market distortions deriving from manager's and bureaucrat's pursuit of individual utility maximisation strategies (Buchanan, 1978; Leibenstein, 1966; Migue and Berbager, 1972; and Niskaven 1972, 1978). Sub-optimal outcomes are said to derive from a natural human risk averseness and the avoidance of conflict and competition within large economic units. It was argued that the growth of corporations grants greater and greater opportunity for such economic 'abuses', as managers become increasingly separated from the front line role of the institution, and as the number of decision makers grows, bringing their own individual preferences with them and taking control away from shareholders and political representatives (Dunleavy, 1982; Leibenstein, 1966, 1975; Williamson, 1975; Wilson,1973). The suggestion that internal competition would eliminate, or at least limit, the inefficiencies associated with non commercial utility maximising behaviour, found evidence in the studies cited by Savas (1980).

As many large companies sought to rationalise their operations during the economic downturns of the 1970s and 1980s the claims of business service companies that they could provide cost savings of around 20% became more attractive. Specialist contractors could escape the inefficiencies identified in Leibenstein and Williamson's work, which were closely associated with the bureaucracy of departmentalised enterprise. Furthermore, the removal of the cost burdens that go with the continual renewal of cleaning and maintenance equipment, releases capital resources for other purposes. The use of contractors also enabled greater flexibility in the use of labour, as whole divisions of activity were turned over to companies happy to comply with fluctuating work requirements.

The desire of many enterprises to refine their own operations and to concentrate on core activities was wholly compatible with the aims of industrial service companies. Contract cleaners and other service firms could exploit the economies of scale that specialisation brings to achieve greater competitiveness. Client companies could release managers into more profitable activities and avoid the industrial relations and personnel problems associated with in-house service teams. As Neil Ryder, BET's Corporate Affairs Director puts it:

"Why, companies ask, should they struggle with the problems associated with managing a workforce in areas of activity about which they know little or nothing?"

(Cassell, 1991)

An expanding market

The interest in contracting out amongst private sector corporations created a substantial market for potential suppliers. The number of cleaning firms rose during the 1970s from around 800 in 1971 (Ascher, 1987) to 2,800 in 1979 (Dti, 1987). The rapid growth in the number of contract cleaning firms was a reflection of the profits that could be made by replacing in-house workforces in private companies. Competition was relatively light in relation to the quantity of contracts available and profit margins were often as high as 20%. These rates were often sustained by the willingness of clients to enter into long term contract arrangements (Sheffield City Council, 1988).

Section 3: The Structure of the Industry

The industry is characterised by a lack of barriers to entry which has enabled a range of companies to operate and compete with one another, despite variations in size and

status. Little capital is required and other start up costs are low. Contractors seek out work rather than advertise it, they need only a small office for administration and can quickly recruit staff through newspaper advertisements. There are only limited economies of scale which offer few advantages. Larger firms can use their bulk purchasing power to obtain discounts on equipment and supplies but the labour intensive nature of the industry ensures that these are limited. Labour makes up around 90% of a contractors total cost (CCMA, 1988) and so competitiveness tends to come down to how far the workforce can be squeezed. Alan Raven, former chair of the CCMA sums it up:

"The contract cleaning industry has always been attractive to those wishing to go into business but without capital or a specific trade to offer. It is widely thought that office cleaning is a relatively simple way of earning a living. Little equipment is needed and the work takes place on the client's premises. The management skills needed in the early days of company development are little more than the energy to recruit and motivate others to work unsocial hours on relatively low pay".

(CCMA, 1987)

Increasingly, the industry has become dominated by large operators whose activities extend beyond contract cleaning and beyond Britain. Whilst the number of small to medium firms has continued to increase (in 1991 there were 5,345 companies offering contract cleaning services and 71% had sales of less than £100,000 a year. [Key Note 1992]) they are usually locally based and concentrate on office and industrial cleaning.

Some companies identified the nature of the commercial sector's demand for business services and recognised that it extended well beyond office cleaning. The wish to concentrate on core activities in modern corporations led to a demand for multiple support services which could handle the whole range of a business's operations. The

larger companies were able to diversify into such activities, an example of which was laundry services.

Demand for the provision of clean work wear grew dramatically in the 1970s as a result of safety clauses in collective bargaining agreements. The larger contract cleaning companies were well poised to exploit this demand, as client company directors were put off by the investment required to provide in-house services and the further diversification of management expertise that would be necessary. Additional services have since been added to create 'service supermarkets' which can provide workwear, toilet supplies, safety wear, waste disposal, property maintenance, security, cleaning, catering, plant hire, transport, telecommunications and information systems, amongst others. This development has helped create an extremely lucrative industry in which only the major operators can compete. The Oxford Forecasting Unit calculated that the total business support services market was worth £42.5 billion in 1990 or 5% of GDP (Cassell, 1991).

The importance of the sector was illustrated on 1 January 1991 when a business services sub-sector was created within the FT Actuaries index. The index will concentrate on companies involved in practical services such as cleaning, waste disposal, maintenance, security, recruitment and property services.

Many of the leading operators in the business services sector, such as BET, did not begin in cleaning or even any of the other activities listed. They shifted capital into the industry as it developed and have led the way in offering new services as a means of consolidating their position. Activities associated with cleaning remain the bread and butter of most support service companies though, and developments in that sector during the 1980s were crucial to the shaping of the industry in the run up to the introduction of CCT.

Falling profits - Expanding markets

The major economic recession of the early 1980s created conflicting pressures within the industry. Large scale industrial and office cleaning had formed a major part of contractors' investment base during the 1970s but the contraction of manufacturing and related office work caused a decline in the scale of private sector cleaning. This work reduction extended across the range of cleansing services, waste collection and disposal, laundry services, specialist industrial cleaning, office cleaning and others.

Where contracts were maintained there was extreme pressure for cost reductions. By now, companies were seeking much more than convenience in the organisation of building maintenance services and saw the contractors as a means to achieve further reductions in overheads. Regular competitive tendering replaced the lucrative long term contracts existing previously, as clients sought better value for money (CCMA, 1987). The impact on profit margins was dramatic, with the average falling from 5.0% in 1985 to 2.6% in 1990 (see Figure 1). This was followed in 1991 by a sharp rise to 4.3%, reflecting the major contractors' new approach and the continued expansion of the market.

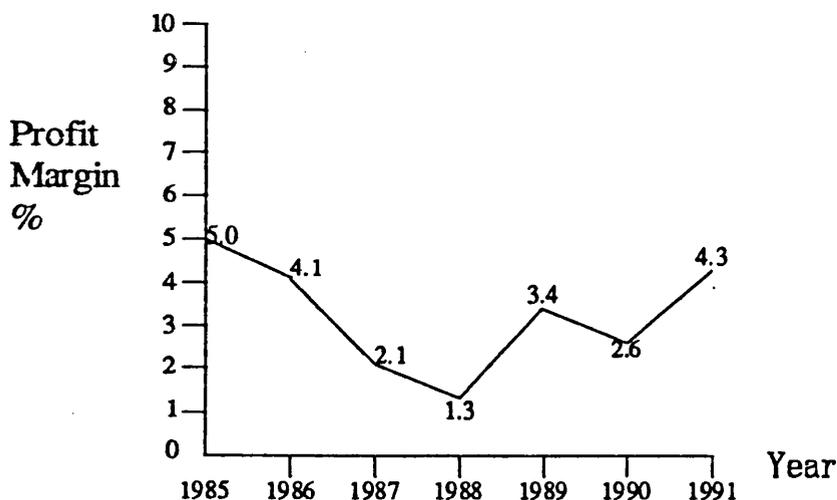


Figure 1: Contract Cleaning Profit Margins 1983 - 1991

Profit rates have been particularly hard hit by enhanced competition. The number of operators in the contract cleaning industry has continued to expand during the 1980s rising from 2,800 in 1979 (Dti, 1987) to over 5,000 in 1991 (Key Note, 1992), reflecting the ease with which a firm can be established and the push towards cost effectiveness in the economy as a whole. Many companies were drawn towards the idea of contracting out ancillary services as a result of recessionary pressures but tighter specifications and increased competition for the ensuing contracts, has made the market far less favourable to potential investors.

An ICC Report put it that:

"This sudden change of fortunes for some contract cleaning companies, the falling margins and the large number of loss making companies illustrated that this can be a high risk industry and with returns on capital falling it may become less attractive to investors".

(ICC, 1988)

The irony is that despite the recession and falling profit rates the market has considerable growth potential. Whilst sales grew by only 23% between 1980 and 1984 compared to an inflation rate of 36% (Ascher, 1987), the commercial cleaning market was estimated to be worth £2.5 billion in 1985 and £4.0 billion in 1990, (Key Note, 1992), with contractors' share of the total rising from 33% to 42% over the same period (Key Note, 1990). Indeed the rate of sales growth itself has been increasing with an annual growth rate of 10% between 1985 and 1987 and a rate in excess of 17% over the past 5 years. The Report behind these figures suggests this growth has not been turned into profits, as a result of the high cost of labour in terms of the amount of turnover devoted to wages. As long as prices are held in check by heavy competition and labour costs continue to rise, a declining profit rate is inevitable (Key Note, 1990).

Section 4: Multinational Domination

Office cleaning

The main basis for market growth and for individual contractors' increased sales is not the creation of entirely new cleaning work but the transfer of work from in-house workforces to contractors, or from one contractor to another (Key Note, 1990). Developments in the industry during the past decade have combined to create substantial increases in the amount of work fitting into these categories and has attracted the interest of major transnational conglomerates.

The desire of recession hit companies to 'farm out' peripheral activities such as cleaning, and the Government's desire to contract services out, to achieve reductions in public spending and public sector employment (Sheffield City Council, 1988), was a clear indication of the industry's potential. Predictably, multinationals were quick to see the opportunities that presented themselves and set about establishing a dominant market position.

During the mid-1980s British based capital sought to monopolise the industry through a series of interconnected policies. The first and most dramatic of these was the aggressive predatory approach adopted by major corporations such as BET and ADT (previously Hawley group). Market share was bought up with the purchase of just about any medium sized competitor prepared to sell (details of takeovers are listed in the company profiles in Chapter 4). The companies taken over by the major operators had themselves grown by acquiring smaller contractors, creating a pyramidal pattern of ownership in the industry (Manchester City Council, 1989). The determination to restrict competitors has been so pronounced, that success by a small cleaning company in terms of them winning an attractive new contract, merely increases the likelihood of takeover (Whitfield, 1984). Many acquisitions were also

justified on the basis of extending the geographical base of operators beyond the South East of England as work moved beyond the private office and into the public sector on a national basis (Ascher, 1987).

Prior to the implementation of the Government's CCT legislation the major contractors had managed to carve up around a half of the cleaning market, with the multinational BET far and away the market leader (see Table 5).

Companies	Percentage Market Share
BET	24.1%
ISS (Mediclean and Servisystem)	4.1%
OCS	3.9%
Godfrey Davis	2.7%
RCO	2.7%
Taylorplan	1.0%

Table 5: Market Share in the Contract Cleaning Industry

Source: Key Note, 1992

An expanding range of services

The vast sums of money spent on achieving these market shares was not part of some corporate vanity exercise, it was based upon anticipation of a growth explosion in the industry. Recognising the Government's interest in privatisation and an increasing awareness of environmental issues, industrial service giants and established cleaning operators saw the need to establish a visible market presence as the new work came on stream.

The transnational conglomerates and some independent companies such as Brengreen Holdings (prior to its takeover by BET in 1986) saw how the public sector market was likely to develop and prepared themselves accordingly.

Cleaning work in the public sector goes beyond the usual ancillary support services required by any large enterprise. Activities such as refuse collection and street cleaning are at the forefront of a local authority's role and require considerable expertise and experience if they are to be provided adequately.

The additional needs of local authorities and other public sector bodies were identified, and the major contractors began to expand the range of services they could provide, just as they were doing in the private sector. Eric Harrison, then chief executive of BET's main cleansing division, Initial Contract Services, put it in 1988 that:

"There is a growing emphasis on the provision of on site management to ensure the correct supervision of an ever-increasing range of services that more and more of our larger customers are seeking just one source for services. Starting with the basic cleaning requirements, these services range from the supply of toilet rolls to complete waste collection and disposal. It's the practice of one-stop shopping and something that we will be providing on a much broader basis".

(Cleaning, February 1988 quoted in Manchester City Council, 1989)

Widening the range of services is intended to have two main effects. On the one hand it fits in with the CCMA's objective of restoring the industry's profit margins. By encouraging the client to pay more, for a broader set of services, 'cowboy' outfits offering a cheap but basic alternative can be squeezed out (Sheffield City Council, 1988). By shifting work into areas more reliant on capital investment, such as specialist cleaning and refuse collection, competition from small entrepreneurial firms is pushed out of the growth areas and into the ultra competitive market for small, private sector office cleaning. Small firms with public sector contracts who feel the pressure of this strategy become ripe for takeover by the large companies, who are then in a position to seek the expansion of any contracts acquired.

In the battle to win contracts, multinational corporations have been able to use their immense power and experience to further distort the principles behind competitive tendering. Experience of privatisation and contracting out in different countries is utilised in developing tendering tactics, with takeovers and mergers accompanied by predatory pricing strategies. This has involved the use of loss leader bids in order to undermine the competition and establish a market presence, with the aim of long run profitability (JNHSPRU, 1990; NAO, 1987; Bickerstaff, 1984; Whitfield, 1984, 1992). In as far as the private sector has achieved success in tendering for support services in the NHS, the multinationals have led the way. By February 1992 contractors had picked up only 31% of NHS cleaning contracts (PSPRU, 1992), but in 1990 64% of these were held by the transnational conglomerates BET and ISS (JNHSPRU, 1990), a significant improvement on their position in the industry as a whole.

The domination of these companies in the NHS is illustrative of the importance that they attach to the public sector market. Much of the in-house cleaning sector, worth over £2.6 billion (Key Note, 1992), is in the state sector and with a Government wholly committed to the principles of privatisation (see Chapter 1) there was little time wasted in encouraging a movement of that work onto the open market. Contractors have not been satisfied with persuading public authorities to privatise services. They and their representatives put increasing pressure on central Government to force authorities to subject contractible activities to competition (the readiness of the Government to embrace these desires has been well documented in the previous chapter).

Refuse collection and street cleaning

The extension of the competitive tendering initiative into local government was long anticipated by the industry and much sought after by the major contractors. The high

capital intensity of refuse collection services, in relation to other cleaning, suggested a market in which the 'irritance' of competition could be minimised. Total municipal expenditure on waste collection and cleansing was estimated to be £740 million per annum in 1989 (Sheffield City Council and SCAT, 1990), an attractive basis for investment for any company in the industry which had the necessary capital.

Several of the larger cleaning contractors and conglomerates were prepared for an expansion of work in this sector, having diversified into refuse collection in the early '80's as part of the strategy to offer a complete service range. Takeovers and mergers proliferated and traditional waste disposal companies who had built their business on trade refuse were left behind. Of the 30 domestic refuse collection contractors served by the private sector prior to the introduction of the Local Government Act 1988, 26 went to cleaning companies who had diversified, 17 of those went to companies owned by BET or ADT (Manchester City Council, 1989), demonstrating the degree of concentration that existed in the run up to CCT's implementation.

Yet the fragmented and labour intensive nature of business within the industrial services sector means that competition is still fierce in some areas and is always threatened in others. This would suggest that the struggle for market domination will intensify and will be fought out amongst the larger firms. Of the companies quoted in the new FT business services sub-sector, only BET is big enough to appear in the FTSE 100 and is, in any case, currently re-examining its whole organisational approach. The stockbrokers James Capel put it that:

"Concentration within a highly fragmented industry has barely started but will inevitably gather pace as the industry matures, competition grows fiercer and the organisational and financial advantages of larger scale companies over independents or one-man-bands are brought to bear".

(Cassell, 1991)

Section 5: Cleaning Services and the Continental Challenge

The dramatic growth in the market for cleansing services and the limited experience of British operators in meeting the needs of the public sector (LRD, 1988), did not go unnoticed on the Continent. Prior to the introduction of competition into the provision of public authority services, there had been little foreign interest in the UK cleaning industry. British companies like BET, ADT (now based in Bermuda, closer to its major US interests) and Brengreen Holdings (prior to BET's takeover) established a presence as multinational cleaning contractors in the 1980s, with contracts in the Far and Middle East, Africa and the United States, but competition in the UK was mainly provided by small local companies.

The unique combination of the British CCT policy initiative and moves towards a single European market, encouraged various multinational service companies on the Continent and elsewhere to get involved (Padden, 1991). The European Service Industries Forum points out that there are more than 50 service companies in Europe whose annual revenues exceed £1 billion (Cassell, 1991). With UK companies being relatively slow in the recognition of the market's new potential (competition has rarely been fierce) there was clearly an opportunity for these corporate giants to exploit.

Acquiring water interests

The possibility of overseas contractors becoming involved in the battle for the provision of British local authority cleansing services became more apparent when French water companies began acquiring interests in their English and Welsh counterparts. There are 5 or so private water companies in France which provide around 70% of the country's supply. The 3 largest, Générale des Eaux, Lyonnaise

des Eaux - Dumez and SAUR, a subsidiary of Bouygues, are involved in a wide variety of other activities largely based on public services. The lack of market share left in the French water industry encouraged them to diversify and look abroad for new opportunities. The major companies have won many contracts to supply water in developing countries, but only recently saw the potential of the UK business.

Prior to the privatisation of the 10 British water authorities in 1989, French multinationals set about buying up the privately owned statutory water companies, who work alongside the large regional water authorities, supplying around 25% of the Nation's water. The French got control of 42% (by turnover) of the sector by buying stakes in 15 of the 29 statutory companies (SCAT, 1988). Establishing a strategic foothold in the industry was seen as the best preparation for expansion after privatisation (FT, 23 April 1988). As Jean-Pierre Tardieu, director of CGE put it:

"It gives us the opportunity to look and learn, to meet the people in charge and find possible future partners. When the water authorities are privatised we will already have some experience in the UK to help us".

(FT, 17 May 1988)

It quickly became apparent that stake building in the water industry was to be part of a wider attack on the market for local authority services. The Water Industry Unions Committee, after meeting with representatives of the Confederation Générale du Travail (CGT), in Paris, reported that:

"they will seek to extend their activities to include transportation, energy, municipal cleaning and domestic services, refuse collection, electricity, communications, television, funeral services and many more".

(SCAT, 1988)

Officers of the National and Local Government Officers Union (NALGO) concluded after discussions with representatives of the companies involved, that:

"They see themselves developing in Britain along similar lines to their French experience".

(Guardian, 27 October 1988)

NOTE: Individual company strategies and the different continental contexts of contracting are outlined in Chapters 4 and 5.

A multinational environment

Multinational corporations are always responsive to regional economic and political changes (Newby, 1985), with the country by country expansion of operations reflecting a gradual process of learning and risk avoidance (Caves, 1982). An economy will prove particularly attractive if it can offer the right business environment along with the potential for cost minimisation. Comparison with other markets in which the industrial service transnationals operate, suggests that the UK offers greater opportunities for market expansion following the introduction of CCT. There are few constraints on terms and conditions of employment compared with other EC member states, few fully prepared domestic competitors due to a lack of experience in public service contracting, a Government wholly committed to the private sector and methods and standards of provision easily reconcilable with EC norms (Chambers, 1990; Burton, 1991).

The professionalism of the 'Continental Challenge' still took the industry by surprise. Across the country there was an interest in local authority cleansing contracts from major Continental companies. They had established subsidiaries and joint ventures, recruited leading domestic managers with knowledge of the UK industry and

prepared impressive evidence of their considerable international experience (Digings, ND).

Richard Barlow, then chief executive of Sitaclean Technology, the British subsidiary of SITA which is owned in turn by Lyonnaise des Eaux - Dumez, explained the enthusiasm when he said at the Conference of Local Government Personnel and Management Services Society in Manchester:

"The market potential in Great Britain is something we regard as unique. 500 local authorities seeking refuse and street cleansing tenders is obviously an opportunity which no major service contractor can afford to ignore".

(Donaldson, 1990)

The attraction is understandable when we consider that the UK municipal cleansing market is now worth some £800 million a year (Burton, 1991). With a volume of work constantly coming on stream in an industry where waste management companies have operated internationally for years. The atmosphere created by the movement towards a single European market has merely encouraged a development which these contractors would have led in any case. As Len Turner, Vice Chair of the Association of London Authorities (ALA), said in his foreword to the ALA's publication 'The Continental Challenge':

"1992 and the Single European Market have come early to local Government".

(Digings, ND)

In these circumstances it was not surprising to see a rapid expansion in the scale of foreign competition, with interest from the Spanish cleansing company FOCSA, owned by the construction and business services conglomerate Con-y-Con, increased activity from the Danish services corporation ISS, Taylorplan owned by the Berkeley

Corporation from Australia and interest in other activities like catering and grounds maintenance from firms based in Holland, Spain and France. After a while, the US waste companies BFI and Waste Management Inc., who had led what foreign interest there was prior to CCT, renewed their intervention, having established a presence in the more developed Continental market.

By mid-1991 foreign based companies and their subsidiaries had secured 69% (by value) of privatised street cleaning contracts, 23.4% of combined privatised refuse/cleansing contracts and about 30% of privatised refuse contracts (Burton, 1991). Only around 25% of all refuse collection and street cleaning contracts are controlled by the private sector but the concentration of work in multinational contractors hands has become highly apparent, as illustrated by the figures above.

The influence of contractors from overseas should not be underestimated. Companies such as Général des Eaux, Lyonnaise des Eaux and ISS are truly giant. The tradition of public service contracting is much more established on the Continent than in the UK and these contractors have exploited that tradition. They are into the provision of the whole range of public services, as distinct from having a private sector support service function and they will exploit that expertise in their desire to monopolise the British local authority cleansing market. Some privatised British water authorities such as Severn Trent and Wessex are already taking a lead from their French counterparts, with ambitious attempts to break into the waste management industry and it is unlikely that the parallels will end there. Indeed Severn Trent has already been expanding internationally buying a Belgian sewage treatment company, Aquafin.

The following 2 chapters of this thesis will provide profiles of the leading companies and an examination of the European experience of contracting out local authority services.

Chapter 4

The Major Cleaning and Waste Management Contractors

Chapter 4: The Major Cleaning and Waste Management Contractors

Section 1: Introduction

Private sector competition for the provision of local authority cleansing services is increasingly dominated by a few large companies. Several firms have targeted the market and the tendering strategies adopted have combined with widespread acquisitions to create a movement towards concentration that looks set to continue.

The market leaders can be placed into three main categories:

I Multinational Service Conglomerates

These companies operate in diverse sectors of the economy, from media and retail, to cleaning and laundry, but increasingly they are trying to integrate their services so as to cater for the every need of public and private sector organisations.

The best known example of this type of company in Britain is BET, but internal reorganisation and the growing presence of overseas based service companies has threatened their position.

II Multinational Service Specialists

These are service companies whose core activities are cleaning, security, laundry and related areas. They too are interested in service packages but the extent of their activities is not nearly as flexible.

Typical companies in this category are ISS Servisystem from Denmark and OCS in Britain.

III Privatised British Water Authorities

Following the example of their French counterparts, who are market leaders in the whole range of private services, on a multinational scale, the privatised British water authorities have started to diversify their own operations, with cleansing services very prominent.

The involvement of Southern Water and Welsh Water with an overseas conglomerate (Profile I vii), Wessex Water with a foreign based specialist (Profile II v) and Seven Trent's independent purchase of the Biffa waste management company leaves this group of operators a little less defined than the two conventional categories listed above.

The following profiles consider the history, structure and approach of the main contractors fitting into the above categories, and are listed in Table 6 below. Whilst every attempt has been made to provide an accurate account of each company's present status, the ownership of cleansing contractors is constantly changing and consequently certain details may now be out of date.

Company	Category	Nationality
B.E.T. PLC	Multinational Service Conglomerate	U.K.
Lyonnais des Eaux - Dumez	Multinational Service Conglomerate	France
Compagnie Generale des Eaux	Multinational Service Conglomerate	France
FOCSA S.A.	Multinational Service Conglomerate	Spain
A.A.H. Holdings Plc	Multinational Service Conglomerate	U.K.
Ocean Transport & Trading PLC	Multinational Service Conglomerate	U.K.
Bouygues SA *	Multinational Service Conglomerate	France
ISS Servisystem A/S	Multinational Service Specialist	Denmark
OCS Group Ltd.	Multinational Service Specialist	U.K.
Taylorplan Services Ltd.	Multinational Service Specialist subsidiary	U.K. - Australia
Browning Ferris Industries Inc.	Multinational Service Specialist	USA
Waste Management Inc. *	Multinational Service Specialist	USA
Severn Trent PLC	Privatised British Water Authority	U.K.

* Both Bouygues and Waste Management Inc. are engaged in joint ventures with Privatised British Water Authorities.

Table 6 : Multinational Cleansing Contractors bidding for Local Government Contracts

Section 2: Multinational Service Conglomerates

Profile I: B.E.T. PLC. (U.K.)

Background

B.E.T. began trading as the British Electric Traction Company in 1896. It was founded in order to pursue interests in two fields, passenger and freight transport and electricity generation and distribution.

The Company soon became the UK's leading tramway operator, but when its leases ran out and local authorities took over the tramways in the 1920's, BET acquired a range of other interests in laundry, cleaning, printing, publishing and gas manufacture. Major diversification followed the nationalisation of its power interests in 1947, which provided the funds for a series of takeovers. The Company moved into broadcasting, leisure and plant hire, and extended its interests in printing, publishing and transport, with several major overseas acquisitions.

A significant interest in the cleansing industry developed with the groups gradual stake building in the cleansing and textile maintenance company, Initial, between 1950 and 1973, by which time BET held a 40% share. The real shift into this sector, as a central activity, came with the rationalisation of company strategy and a decision to concentrate on contract services during the late 1980s.

BET had become vulnerable to takeover and asset stripping by the middle of the last decade, due to unimpressive results in too disparate a group of companies (NALGO, 1990). The Company anticipated rapid growth and higher returns in the industrial services sector and began to concentrate its activities, with the objective of achieving market domination.

A massive programme of acquisitions was launched involving the purchase of suitable companies, using the funds raised from the sale of subsidiaries no longer fitting into BET's plans (Landor N.D.). The result is a multinational contractor aiming to provide any ancillary service that is required by a broad range of customers in the public and private sectors. As the company puts it :

"BET's core business is the customers chore business".

(FT, 24-6-89)

Financial Performance

In 1991 BET had a turnover of £2790.5 million and pre tax profits stood at £217 million compared to a turnover of £2694.5 million in 1990, with greater profits of £322.3 million.

Whilst the Company conveys an image of itself as a service supermarket its activities can still be divided into three main groups. Business Services which accounted for £1226.4 million of turnover in 1991, Plant Services £745.7 million and Distribution Services £442.1 million, other interests contributed £376.3 million to sales. Business Services was the only section of the Company's operations to show an increase in its contribution to operating profits with a 7% rise. This was itself lower than the rise in revenues which amounted to 18%, reflecting the falling margins in cleaning and other activities.

BET has a truly international presence with its shares traded in New York, Toronto, Montreal, Paris, Amsterdam, Zurich, Frankfurt and London. Within the Business Services group, which includes the Company's cleansing activities, UK operations account for over half of revenues and profits but important contributions come from continental Europe and North America.

Cleaning Interests

Cleaning services form the backbone of BET's Business Service operation generating around one quarter of its revenues. The bulk of its cleaning contracts are held in the UK where the Company has established itself as a clear market leader, holding a 24.1% share in 1990, with a turnover of £325 million, through its subsidiary Initial Contract Services Ltd. (ICC, 1991).

The Initial group was bought by BET in 1985 when £173 million was paid for the 59% of shares not already owned. BET made around 200 acquisitions in the second half of the 1980s. Many were in the cleansing services and were incorporated into Initial's operations. The remaining 19% of shares in Advance were bought in 1985, giving BET control of Hoveringham Waste Control and Biffa Waste Services. This was followed in 1986 with the £33 million purchase of Brengreen (Holdings) plc which included the Exclusive group of companies, pioneers of local authority cleansing services privatisation. Also in 1986, the HAT group, with a turnover of some £240.2 million, was bought for £114.6 million and Reckitts Cleaning services was bought for £12.75 million in 1987. In 1988/89 a total of 85 companies were bought world-wide at a cost of £304 million, the largest of these was the purchase of Pritchard Services, Provincial Cleansing and Progressive Cleaning from BET's principal competitor in cleaning services, ADT, for £45 million (NALGO, 1990).

This highly predatory strategy gave BET a virtual monopoly in the public sector cleaning market in the run up to the introduction of CCT. The Company had around 80 contracts in local government and was the leading contractor in the MOD, British Rail and the British Airports Authority. Only ADT's sale of its hospital cleaning subsidiary, Mediclean, to ISS, prevented complete domination of the NHS market, where BET already has 34% of all privatised cleansing contracts (JNHSPRU, 1990).

During 1989 various acquisitions were made which extended the Company's cleansing interests overseas. In the United States, Arcade in New York City and Southern Services in Atlanta were bought, confirming America's position as BET's fastest growing market (NALGO, 1990). In Europe the Company has cleaning interests in France, Belgium, Holland, Ireland, Germany and Spain and in the Far East they have contracts in Hong Kong, Malaysia and Singapore.

BET's cleansing subsidiaries were gradually absorbed into its environmental care group Initial Contract Services. The group was reorganised in 1988 to account for the wave of takeovers and for a shift in company policy, based on a commitment to support services provision in general. The group was split into 5 divisions, Commercial Services, Industrial Services, Contract Services, Waste Services and Manufacturing. These divisions are engaged in just about every aspect of cleansing, hygiene, maintenance and laundry services, including the manufacture of most of the products which the Company's employees actually use. By 1989 Initial had grown into a vast organisation employing some 80,000 cleansing operatives in nearly 300 locations (Webster, 1990). In 1991 the group generated about one half of BET's total operating profit in the Business Services division.

Further refinement of BET's cleansing interests came with the decision to sell Biffa, Initial's waste disposal operation, which included Exclusive cleansing. The group was sold to the Seven Trent water company in May of 1991, for £212 million, eliminating BET's involvement in waste management.

UK Activity and Tactics

BET's basic strategy is to offer a wide range of clients, in the public and private sectors, a complete range of support services designed to enable them to concentrate on their own core activities. The Company's Annual Report of 1990 put it that:

"BET is a network of inter-related companies offering a broad range of contract staff and equipment to provide the support services required by its industrial, commercial, construction and public sector customers. By contracting out, these customers are able to raise the levels of efficiency and quality in these services up to that of their mainstream operations".

(BET, 1990)

It is the depth of activity which is essential to BET's approach. By offering such a broad range of services the Company is trying to set itself apart from the competition.

As an Initial director put it:

"It is the principle of one-stop shopping and something that our competitors will find difficult to provide".

(NALGO, 1990)

BET had to go through a major period of adjustment itself to develop the strategy, conducting a programme of disposals and acquisitions which left the Company with severe debt problems. The objective was to establish an early dominant position in support service markets which were showing rapid growth. The quickest and most assured route to market leadership was to buy up the competition.

In its effort to attract customers, BET claims to be able to provide a complete support service package. If it does not have a company capable of fulfilling a required function, it will buy one or employ the existing in-house workforce and utilize their knowledge and experience (Landor, N.D.). The Company's ability to provide the full range of ancillary services lies at the heart of its marketing approach towards private businesses. BET has exploited the international trend towards the contracting out of peripheral activities and has sought to widen its scope, recognising that the narrower the definition of a client's core business, the wider the market is for their own business. Additionally, by encouraging a move towards contract packaging the Company hopes to move away from the more competitive parts of the industry, since 'cowboy' operators will not be able to offer the same breadth of service. This in turn is aimed at creating an improvement in profit margins, which have been squeezed over the last few years. They will be encouraged by one of their customers', ICL (UK), assertion that this form of contract is employed to get better use of their own managers and resources, rather than to achieve cost reductions (FT, 11-3-91).

BET has been a major promoter of contracting out in the public sector. They have consistently lobbied the Government to allow private companies to provide ancillary services for public authorities and have made no secret of their support for the privatisation stance of the Conservative Party. Former cabinet minister and chairman of the Conservative Party, Norman Tebitt MP, sits on the Board of Directors and over £100,000 has been donated to the Party in the last five years. The support given to privatisation initiatives in the NHS and local government, is not surprising when we consider how closely the activities concerned fit in with BET's business interests. As the Guardian commented:

"If BET did not exist it could have been invented as a vehicle for privatisation"

(quoted in Landor, N.D.)

The decision to concentrate on industrial services, initially proved highly successful for BET, with a rise in pre-tax profits from £92.8 million in 1985 to £322.3 million in 1990. Through that period the Company felt it had an unbeatable strategy based upon penetration of a 'recession proof' market. Things turned sour for the Company during 1991 when debts built up during the period of acquisitions, came home to roost in the middle of a severe recession. BET's shares plummeted on the London stock exchange from 135p to 67p, recovering to 100p in February 1991 on rumours of a re-financing attempt on the Company's heavy debt burden. Whilst these rumours were denied, the Company has since replaced its chief executive with John Clark, a man committed to cost reductions. As he stated at the time:

"I am a great believer in cost leadership".

(Owen, 1991)

The debt and gearing problems faced by BET, became more acute with the realisation that the Company was not immune from the recession. As one industrial analyst put it:

"While it was felt that service companies would generate cash during a downturn, the severity of the recession has meant that this cash generation has not always been there".

(quoted in Owen, 1991)

The difficulties were being felt in services like recruitment and plant hire whose demand is directly linked to the customers own business performance. Even services like cleaning were seen as increasingly vulnerable, as lay offs and cost cutting initiatives intensified. These problems were reflected in a 33% drop in pre-tax profits in 1991. Despite these difficulties BET was the only major cleansing firm to be included in the new Business Services subsector of the FT Acturies Index.

BET has increasingly been relying on the positive impact that a recession can have on the attraction of contracting out, to companies looking to cut costs. The rapid expansion of the public sector market has also been crucial to the maintenance of the Company's workload, and this is reflected in Initial's dominance of domestic contracts in the NHS and building cleaning contracts in local government (see Table 7). Initial has been the most assertive of the private contractors, submitting tenders for local authority work all over Britain. The Company has submitted loss leader bids to win major contracts and is now intent on pricing up properly and emphasising quality, in the hope of winning more profitable contracts with authorities who are happy for a private firm to do their work. This approach has had some success with both Gloucestershire and Berkshire County Councils agreeing to transfer their whole DSO operations to BET. The Company is also keen to see a move away from simple cost considerations in the allocation of contracts, having identified the potential for

greater profits, if other aspects such as quality become more important. As the 1990 Annual Report says:

"We have been disappointed at the continuing emphasis on price, at the expense of quality built into the competitive tendering process. We welcome the recent statement by the British Labour Party, which promises to establish quality specifications against which public and private contractors can compete fairly".

(BET, 1990)

Service	Company	Contracts won	% of contracts won	% of contracts won by private companies	Average value £	% of contracts by value	% of contracts privatised by value
Building Cleaning	Initial Cleaning Services	6	0.9	2.1	197,585	0.5	3.4
	Initial Contract Services	30	4.4	10.5	176,847	2.0	13.4
Refuse Collection	Initial Cleansing Services	1	0.3	0.9	975,000	0.2	0.9
Other Cleaning	Initial Contract Services	2	0.7	2.8	10,473	---	---

Table 7 : BET: UK Local Government Cleansing Contracts. April 1992.

Source: LGMB, 1992. Note: Some refuse collection contracts include street cleansing services. For the purposes of calculating percentages, contracts run by Management Buy Outs are regarded as having been privatised.

The limit to BET's ability to dominate markets is illustrated by its possession of under 17% of the local authority building cleaning contracts which have been privatised, in contrast to the 34% of privatised domestic contracts it now holds in the NHS, where its only serious competitor is ISS. Perhaps even more significant was the sale of the Company's waste disposal division, Biffa, in May 1991. Prior to the sale, the Company's Chief Executive at the time, Nicholas Wills, pointed out that

BET could not afford to expand as quickly as the world's major players in waste management:

"The world leaders in the waste market will be committing substantial resources in the UK".

(Owen, 1991)

It should be noted though, that the sale of this operation, for £212 million, reduced BET's gearing (borrowing less investments, short term deposits and cash as a percentage of shareholders funds and minority interests) from 87.5% to 35% (BET, 1991).

The Workforce

BET's strategy revolves around a movement of its interests into activities where earnings per worker are high (sales per employee were £19,454 in 1991). Such sectors are generally labour intensive with remunerations in contract cleaning making up 69.2% of sales in 1991 (ICC, 1992). In these circumstances, profit levels are dependent upon the suppression of wages and other labour costs. Consequently, the average remuneration of employees in the Initial group was only £3,548 in 1991 (Key Note, 1992). This partly reflects the number of part-time workers employed but is also illustrative of the low levels of pay in the cleaning industry.

As the winning of a contract tends to depend upon the price of a bid, particularly in a recession, there is a further downward pressure on the wages of all contractor's staff and this goes hand in hand with the job losses of those workers employed previously, whether directly or by another contractor. Initial itself has shed around 15,000 jobs since its reorganisation in 1988 with employment levels falling to 64,354 (Key Note, 1992), although many of the lost jobs were in the manufacturing division.

Neither BET nor Initial pay a national rate of wages, they set levels locally depending on the local jobs market. As a member of the CCSA they do claim to pay Whitley council rates for health service contracts, but this gives no guarantees on job numbers or other conditions such as sick pay, pensions and annual leave.

On most contracts no company sick pay is provided and since many workers are employed for less than 16 hours per week, there is no statutory provision in many cases either. Annual leave is generally granted on the basis of 1 weeks holiday in the first year of service, 2 in the second and 3 in the third, but few workers stay with the Company for as long as 3 years.

The Company states that it recognises the freedom of its employees to be members of a trade union but will only grant recognition where in excess of 50% of the workforce are trade union members.

A detailed example of Initial's impact on cleansing workers terms and conditions on a public sector contract is provided in case study 3 in Chapter 6. A summary of conditions on various contracts is provided in Table 8 below.

Contracting Authority	Union recognition	Job losses	Rate of pay	Hours	Sickness benefit	Annual leave	Pension scheme
Tayside Regional Council (Contract cancelled) 1989	No	300	£2 p.h.	Reduced to 15 from 17.5	None	1 week for each year of service up to max. of 3 weeks	None
Gloucestershire County Council 1989	No	190+ high turnover	Cut but then raised to £3 p.h. due to staff shortages	Reduced	None	As above	None
Rotherham Met. Borough Council 1989	No	Insignificant, but very high turnover	£2.15. Had to bus workers in from Manchester	Summer recess and hours reduced	None	2 weeks after 1 years service	None

Table 8 : Conditions of Employment on Selected Initial Cleaning Contracts

N.B. Unless stated, terms are those imposed at time of award of contract. National Local Government Manual Workers wage rates and conditions are listed in Appendix 1.

Profile I ii: Lyonnaise des Eaux - Dumez (France)

Background

Lyonnaise des Eaux began life in 1880 by providing water, gas and electrical services to French local authorities. Nationalisation of French gas and electricity distribution in 1946, forced the Company to concentrate on and expand its water services, but the limits to growth in this sector forced a re-examination of strategy (Digings, N.D.).

During the 1970s the Company sought to expand its range of services both domestically and internationally. By 1990 the group controlled 720 consolidated

companies engaged in water distribution and treatment, energy creation and distribution, technical management, waste management and cleansing, communications, mortuary services, golf course building, health care, car parks, toll roads and, following the merger with Dumez, construction and development. Its interests now extend across Europe, the Middle East, South East Asia and the Pacific regions, North and South America and Africa, creating an increasingly global presence. This growth is based upon a recognition that:

"The management of municipal services and the construction of major projects will be awarded to groups that, like Lyonnaise des Eaux - Dumez, have a chain of permanent locations plus international support networks".

(Lyonnaise des Eaux - Dumez, 1991)

Financial Performance (Exchange Rate April 1990 : FF 9.34 to £1)

In 1990 Lyonnaise des Eaux - Dumez had a turnover of 72 billion French Francs and made profits of some FF 1, 425 million compared to a turnover of FF 68.3 billion in 1989, generating net earnings of FF 726 million. Construction and development became the group's largest interest in 1990 providing revenues of FF 35.1 billion. The original core business of water and environmental services still returned a healthy 23.4 billion francs in revenue and produced by far the biggest contribution to Company profits, with FF 1,053 million out of a total of FF 1,425 million.

Whilst the group's interests are scattered throughout the world there is a clear concentration of activity in the developed world, with Europe and the United States providing 90% of the Company's revenues. The indications are that the balance of activity is likely to change within those boundaries, with business in the rest of Europe (outside of France) expanding at the fastest pace.

Cleaning Interests

Lyonnaise des Eaux - Dumez claims to be the largest cleaning contractor in Europe (SCAT, 1989), and operates its waste management services through a subsidiary named Société Industrielle de Transport Automobiles (SITA), in which it has a 75% stake. SITA is a large established multinational company in its own right, with sales of FF 3.5 billion in 1990 (Lyonnaise des Eaux - Dumez, 1991).

Takeover activity in French waste management, resulted in the ownership of a series of different subsidiaries, which were rationalised in 1988 into 20 separate companies, operating on a regional basis, and all under SITA's direct control. The group now provides refuse collection services for over 2000 local authorities in France, representing around 7.5 million citizens (SITA, 1989) and, increasingly, the Company provides a service package dealing with all aspects of the municipal cleansing problem.

SITA is also a major manufacturer of cleansing vehicles. This was re-emphasised with the purchase of le Materiel de Voirie (LMV) in 1987, since renamed Sita Materiel de Voirie (SMV). The merger of activities in waste collection vehicle manufacture with the German group, FAUN, has created an organisation well placed to exploit future opportunities throughout Europe.

International Expansion

In 1989 the Lyonnaise group chairman, Jerome Monod, anticipated that by 1992 half of the groups profit would be generated overseas (FT, 21-3-89). The chairman later put it that:

"We intend to achieve a significant market share in all of our businesses and in all of the countries in the unified market. By significant I mean between 5 and 20 or 25% of each national market. In some places we are doing it through joint ventures or partnerships, in other countries, like the UK, through acquisitions".

(FT, 27-4-89)

In the cleansing sector international expansion has not been confined to Europe. SITA has waste collection and industrial cleaning operations in Malaysia, Singapore and Hong Kong. In the United States the Company is engaged in waste treatment projects. In the former French colonies of Gabon, Cameroon and Ivory Coast, SITA provides a range of cleaning services and has further interests in the United Arab Emirates and South America.

Despite these global interests the Company's central strategy is to expand its operations in Europe. SITA's 1989 Report gave two reasons for this approach:

"firstly to ensure the company has a sufficiently broad based European outlook by 1993 and secondly to counter the offensive launched by American groups, who have recently pulled off several takeovers in community countries".

(SITA, 1989)

The policy has so far concentrated on Spain, where the Company has an established market share through its CESPAs subsidiary; Belgium, where SITA took control of the specialist cleaning company, Fusiman Industrial Cleaning, and has since expanded its waste collection and treatment services with a 49% stake in PAGE; and Italy, where a 40% stake in Soraro, and a joint venture with the public works company Pivato, has expanded the Company's presence considerably.

Priority has now been given to the UK market, in response to the conditions created by the introduction of CCT, water privatisation and the importance of Britain in

relation to the Single European Market. As a Confederation Générale du Travail (CGT) appraisal of Lyonnaise des Eaux's activities put it in 1989:

"Lyonnaise des Eaux exploits the failure of the public sector in order to create new sources of profit, at the same time they support attacks on public provision of services and participate actively in privatisation. Everything which is dismantled from the public sector becomes, for them, a source of profit. It is also a jumping off point for their exploitation of the Single European Market".

(CGT, 1989)

UK Activity and Tactics

Lyonnaise des Eaux's interest in the UK began with the purchase of several statutory water companies in 1987/88 which was said to be done in preparation for the privatisation of the 10 English and Welsh water authorities in 1989 (see Table 9). Certainly the timing of the acquisitions were compatible with such a strategy but it seems clear that there were additional incentives. The French felt that the British statutory water companies could provide a basis for diversification into related services, because of their local links and customer base (FT, 28-4-89).

Company	Type	Initial Stake	Approx. Value	Present Stake
Anglian Water	Privatised	9%	£43.8m	9%
Wessex Water	Water	6%	£10.3m	---
Severn Trent	Authorities	2%	£10.2m	---
Essex Water Company	Statutory	98%	£47.6m	79%
East Anglian Water Company	---	90%	£21.6m	77%
Newcastle & Gateshead	Water	99%	£39.1m	80%
Sunderland & South Shields	---	99%	£35.9m	79%
Bristol Water Company	Companies	18%	£5.0m	---

Table 9 : Lyonnaise des Eaux's Investments in UK Water Companies.

Sources : Lyonnaise des Eaux, 1990; Lyonnaise des Eaux - Dumez, 1991; FT, 19-12-89.

Jerome Monod was quick to encourage the Company's British partners to extend their activities into waste management, arguing that:

"If you distribute water in a large territory you must also ensure that this territory is clean. You are thus forced to take an interest in industrial and urban waste disposal and treatment".

(FT, 27-4-89)

The regional spread of Lyonnaise's acquisitions also suggested preparation for future activity, on a national basis, in other markets such as public cleansing. Certainly the Company's interest in the privatised water authorities proved to be limited (see Table 9), and the stakes established in Seven Trent and Wessex Water were disposed of in November 1990. These companies have launched or acquired major waste management operations of their own, and Jerome Monod had already made it clear that he does not like sharing power with competitors, when he lapsed the Company's interest in the Bristol water company following stake building by its rival, CGEA. The sale of its stakes in Wessex and Seven Trent clearly demonstrates how the priorities of Lyonnaise des Eaux - Dumez do not lie exclusively in water.

SITA first entered the UK cleaning industry with the acquisition of a British cleaning equipment manufacturer, Municipal Vehicles and Equipment Ltd. The company was acquired at the time of the purchase of its previous owner LMV in 1987. This was followed in August 1988 with the incorporation of a wholly owned subsidiary, Bucksdene Limited. In November, the company, whose specific purpose was to tender for refuse collection and street cleaning contracts put to tender as a result of the Local Government Act 1988 (Cooper Paul, 1990), changed its name to Sitaclean Technology Limited. Interests in UK waste management were broadened further with the purchase of Midland Landfill, the operator of 8 British landfill sites, in 1990.

Sitaclean appointed Richard Barlow as its chief executive. As the former chairman of Exclusive Cleaning Services he had experience of the early privatisation of British refuse collection services, in Southend and elsewhere. The Company claims that he:

"spearheaded that company's growth to market leadership in public cleansing services".

(LGPRU, 1989)

Whilst Sitaclean Technology is a newly formed company it is set apart from other opportunist contractors by the enormous financial backing and practical expertise that it can call upon from its French parents. Richard Barlow argues that French involvement provides three key advantages; wide experience in competing for contracts; financial security and new technology (FT, 28-4-89).

The Company was fairly aggressive in the first round of tendering for contracts, and managed to get onto around 60 shortlists out of the one hundred or so contracts for which they applied. More recently, contracts have been targeted, but the Company has continued to show a willingness to tender in any part of the country, for contracts of varying sizes and has consistently placed competitive bids. By April 1992 this had resulted in the securing of 10 refuse collection contracts worth an average of £1.5 million p.a. and 1 street cleansing contract with a similar value (see Table 10). However, in its first two years of trading, Sitaclean recorded significant losses, £447,554 in the first year to 31st December 1989 and £496,783 the following year.

The losses incurred by Sitaclean confirm that their French parents have adopted a long term strategy in relation to the UK public cleansing market. A substantial early presence is being established with the objective of winning contracts with a higher financial return in the future. This approach is consistent with SITA's commitment to what might be termed 'contract building'. This is a process by which a highly

collaborative relationship is built up with the local authority, enabling the Company to secure long term contract commitments and to sell a series of additional and more profitable services (see the case study on French public cleansing in Chapter 5).

The development of this approach in Britain was indicated by Richard Barlow in his assertion that Sitaclean would not necessarily deliver the cheapest tender, but one that would provide the best value for money (Donaldson, 1990).

In its attempts to move into the Scottish refuse collection market Sitaclean targeted Glasgow, and engaged in a joint venture with Lilley Ventures of Glasgow, called Lilley Sitaclean (Scotland) Ltd. The subsequent tender was outbid by both the DSO and FOCSA Services, but demonstrated a willingness to engage local expertise in their tendering strategy.

Service	Contracts won	% of contracts won	% of contracts won by private contractors	Average value in £	% of contracts by value	% of contracts privatised by value
Refuse Collection	10	2.7	9.3	1,557,031	3.4	14.5
Other Cleaning	1	0.4	1.4	1,479,281	1.2	7.1

Table 10 : Sitaclean Technology's UK Local Government Cleansing Contracts - April 1991.

Source : LGMB, 1992. Note : Refer to Table 7.

The Workforce

Sitaclean made it clear before they won any contracts that they made no guarantees to employ all former DLO workers where they were successful in securing local authority work. Indeed the company has stated that.

"We expect to be able to make improvements in productivity and performance and will use less people"

(TUSIU, 1989)

In France enhanced productivity has been achieved with the use of advanced technology, which has resulted in considerable job losses over the last decade, and attacks upon the pay and conditions of the Company's staff (CGT, 1989). Despite assurances from Sitaclean that they will pay higher rates than local authorities in Britain, the Company conditions of service booklet suggests a considerable down grading of other benefits, with cuts in annual, sickness and maternity leave entitlements, reductions in overtime rates and no standard pension scheme. Furthermore, the Company has indicated that it is not interested in entering into a national agreement with any union and that union recognition will be a matter for the contract manager on each site. Union recognition is not ruled out though, and employees do have the right to join a trade union. A fuller picture of the nature of employment with Sitaclean is provided in Table 11 below and in case study 4 in Chapter 6.

Contracting Authority	Union Recognition	Job Losses	Rate of Pay	Hours	Sickness Benefit	Annual Leave	Pension Scheme
Babergh District Council 1989	No. TGWU is main union	Minimal. No compulsory redundancies	Wages freeze	Loaders 40 Drivers 45	Statutory scheme	15 days 20 after 5 years	No
Blackpool Borough Council 1990	No but NUPE retains membership	16%	Wages freeze and no weekend increment	Loaders 40 Drivers 45	Statutory only. Dismissals for repeated absence.	As above	No
Rossendale Borough Council 1990	Recognition of GMB only	33%	£189 pw + profit share (was £155 + bonus)	Loaders 40 Drivers 45	After 1 years service	As above	No
Erewash District Council 1989	Recognition of GMB only	Insignificant	£2.80-£3.20 p.h. New recruits £2.55 p.h. Equalised 1991 £2.91-£3.38 p.h.	39	Yes, but schemes' coverage has been reduced	16 days, increased to 20 in 1991	No

Table II. Conditions of Employment on Selected Sitaclean Refuse Contracts

Profile I iii: Compagnie Generale des Eaux (CGE) (France)

Background

CGE began life as a water distribution contractor in 1853. The Company has grown to become market leader in the industry in France and water remains the core business, despite a movement into a range of other services.

CGE now provides engineering, heating, construction, healthcare, communications and waste management services throughout Europe and the USA. The group has a turnover in excess of £11 billion and the broad base of its activities suggests that it is likely to expand further. As the Company President, Guy Dejouany put it:

"In... markets that deal directly with the environment and which are, in fact, closely intertwined with the water business the combination of

our own size and the huge high growth global market puts us in the paradoxical position of a mature company facing extensive new opportunities...

"The environment will be tomorrows wealth."

(CGE , 1990).

Financial Performance (Exchange Rate: April 1990: FF 9.34 to £1)

In 1990 CGE had a turnover of FF 117 billion, making it France's fifth largest company. The group generated net profits of FF 2.2 billion. These figures compared to sales of FF 98.5 billion with profits of FF 1.83 billion in 1989.

Around 20% of the Company's sales come from activities based outside of France, with the USA and UK the key growth markets.

Whilst water remains the group's core business it no longer dominates the sales figures. Public works and construction now account for over 35% of turnover with water contributing 24%. Urban maintenance and waste services generate around 5% of group sales.

Cleaning Interests

CGE has a series of subsidiaries in the cleaning sector, the most important of which is Compagnie Generale d'Enterprises Automobiles (CGEA) which uses the corporate name Onyx. CGEA operates around 800 contracts in France, and other subsidiaries hold another 40 or so more, with many others overseas.

Expansion in this sector has relied on internal growth, acquisitions, co-operation with competitors, local partnerships and the extensive use of new technology. CGEA is now Europe's largest provider of street cleaning services and provides a refuse collection service for 5.5 million people with the assistance of 4,000 employees. It is

backed up by the group's cleansing equipment manufacturer SEMET, the leading French firm in the field:

"technical innovation, puts it [CGEA] in a prime position in an environment where the management of labour used to be a dominant factor."

(CGE, 1990)

CGE now provides the full range of cleansing services from street sweeping and domestic refuse collection to industrial waste collection, treatment, disposal and reclamation. The ability to manage these functions is central to the Company's aim of being a single source public service contractor. The breadth of the group's activities allows them to continually expand the range of services sold to each authority.

International Expansion

Aside from its domination of the French urban cleansing market, CGEA has major interests in other parts of Europe and elsewhere. The bulk of its foreign operations can be found in Spain where it provides refuse collection services for around 2 million people.

The extent of CGEA's activities abroad is not as great as those of its rival SITA, the Lyonnaise des Eaux subsidiary, but interests have been built in French territories overseas, in South America and, crucially, elsewhere in Europe, particularly in Germany and the UK.

UK Activity and Tactics

CGE launched a broad attack on UK public service markets in the late 1980's. The Company was deeply involved in the stake building in the UK statutory water companies in 1988, through its subsidiary General Utilities Ltd (see Table 12)

COMPANY	CGE'S STAKE
Folkestone	100%
Lee Valley Water	100%
North Surrey Water	100%
Bristol Waterworks	29.9%
Colne Valley Water	28.2%
South Staffs Waterworks	23.9%
Tendering Hundreds Waterworks	16.2%
Mid Southern Water	15.0%

Table 12: CGE's Initial Stakes in the UK Statutory Water Companies.

Source: SCAT, 1988

Two of these companies, Colne Valley and Lee Valley, have since merged with Rickmansworth Water to form Three Valley Water Services, a wholly owned subsidiary of General Utilities.

The stakebuilding in these water companies was not necessarily a prelude to a larger intervention in the UK water industry, following the privatisation of the 10 water authorities in 1989. As Jean Claude Baron, the director responsible for corporate development in Britain and the US put in:

"Obviously we are interested in privatisation, but we are far from deciding what course of action we will be following."

(FT, 8-8-89)

The desire to expand the Company's interests in the UK, was illustrated by CGEAs purchase of a controlling interest in the Norwest Holst construction group in 1989.

This group has since diversified into water services, contract catering and healthcare. A majority stake has also been acquired in AMI Healthcare, the UK's largest quoted private medical company, and a share obtained in the broadcasting company TVS entertainment, mirroring the parent company's broad range of domestic activities.

The key objective was to find partners rather than to make acquisitions though, so that a base for further diversification could be established. This process began in October 1988 in a 50:50 joint venture, named Cory CGEA, between CGEA and the British waste disposal and transportation firm Ocean Environmental Management Limited. The Company was subsequently named Cory Onyx Limited and was formed specifically to tender for local authority refuse collection, street cleaning and ancillary service contracts in Great Britain.

The new Company saw its strength lying in a combination of established Continental technologies and expertise, and British environmental management skills. The Cory Onyx general manager Mike Blundy, recruited from Exclusive Cleaning Services, pointed out that:

"CGEA viewed the UK market as an enormous opportunity - they recognised there were no major contractors bidding for street cleansing contracts. It was a golden opportunity but they didn't have the knowledge of how the UK market works. In turn Ocean Environmental needed a partner and obviously CGEA had the experience and innovation in street cleansing".

(Burton, 1989)

The Company set itself an ambitious target of winning £30 million of contracts in its first 3 years, but it remained fairly selective in its choice of targets, concentrating on larger towns and cities, particularly in the South. Once the first contracts were secured, problems emerged over what approach should be adopted. The French directors wanted to use the style they are accustomed to, which involves the use of

technology and a close collaborative relationship with the local authority. As Mike Blundy puts it:

"Because the French are so much further into the contracting business the local authorities have got the confidence in the good contractors and they're prepared to discuss ways of developing services, which is what we hope to do".

(Burton, 1989)

Differences of attitude eventually led to the collapse of the partnership. CGEA sold its 50% stake in the Company to Ocean Environmental and Cory Onyx became Cory Environmental Municipal, a wholly British owned waste company which now holds 16 local authority contracts for refuse collection and street cleaning.

As early as December 1988 CGEA was busy arranging an additional intervention into the British waste management industry. Through Offertest, a specially formed company heavily backed by CGEA, an offer was made for the Wistech environmental services group. Wistech Plc was formed out of a management buyout of Wimpey Industrial Services Ltd from George Wimpey PLC in 1983. The Company was restricted from engaging in any business in competition with the Wimpey Group for 5 years.

With the lapsing of that restriction Wistech became an attractive proposition for waste management predators. The connection with CGEA was taken a step further in May 1990 when a joint venture deal was completed, with the French group taking a 40% stake and a 40% stake in Wistech itself. In 1991 CGE purchased the remaining 60% of shares in the Company through its subsidiary Sarp Industries. CGEA then went on to buy out L&C Waste Tech, a small Scottish based waste management firm, and incorporated it into the Wistech business.

The Wistech operation has itself been put into the shadows by CGEA's purchase of a majority stake in United Environmental Systems, the holding company of the leading refuse contractor, UK Waste Control. This has proved by far the most effective way of breaking into the UK local authority cleansing market for CGEA, which is now the clear market leader, operating under the name of Onyx UK Ltd, registered in March 1990. Despite the number of contracts Onyx operates (see Table 13) the Company made the considerable pre-tax loss in the period to December 1990 of £5.5 million, adding credence to the claims that CGEA is operating a "loss leader" pricing strategy (Padden, 1991).

Service	Company	Contracts won	% of contracts won	% of contracts won by private companies	Average value in £	% of contracts by value	% of contracts privatised by value
Refuse Collection	Onyx UK	11	3.0	10.3	1,952,958	4.3	18.3
Other Cleaning	Onyx UK	11	3.9	15.5	585,683	4.6	27.0
Other Cleaning	Wistech	1	0.35	1.4	166,334	0.1	0.6

Table 13 CGEA's UK Local Government Cleansing Contracts April 1992

Source: LGMB, 1992. Note: Refer to Table 7

The Workforce

In France, CGEA recognises the major trade unions and industrial relations are now relatively calm in its cleansing divisions. However, this was not the case in the period immediately after the privatisation of cleansing services in Paris, when there was a spate of strike action followed by heavy job losses. This pattern was repeated when CGEA secured the contract to clean the Paris Metro, resulting in heavy automation, job losses, reduced terms and conditions and trade union divisions.

CGEA's cleansing operations in France rely very heavily on the automation of services, to produce increases in productivity and to replace labour. This approach is planned for use on the Company's UK contracts and can be expected to accelerate as Onyx UK consolidates its market position. At this stage the emphasis on financial criteria in the CCT process means that the workforce is being forced to increase productivity levels, without recourse to the technological resources at the Company's disposal, with inevitable negative consequences for the employees.

An impression of the nature of employment on one of Onyx's contracts is provided in case study 2 in Chapter 6 and a general perspective provided by Table 14 below.

Contracting Authority	Union Regulation	Job Losses	Rate of Pay	Hours	Sickness Benefit	Annual Leave	Pension Scheme
Liverpool City Council 1991	Initially no. Now GMB only	260 by Onyx. DSO had previously shed 133 in preparation	Loader reduced to £160 p.w. from £187. Driver £190 from £210	Increased to 40 from 35	Reduced provision	3 weeks rising to 4	No
London Borough of Camden 1991	No	5 DSO applicants turned down	Reduced to £185 p.w.	Increased to 40 from 35	Reduced provision	15 days	No

Table 14: Conditions of Employment on Selected Onyx Contracts

Profile I iv: FOCSA S.A. (Spain)

Background

Fomento de Obras Y Construcciones SA or FOCSA is mainly owned by the huge Spanish property, construction and investment conglomerate Construcciones Y Contratas (Con-y-Con).

FOCSA was founded in 1900 and is itself one of Spain's leading construction groups. It has over 60 subsidiaries, engaged in a wide range of activities including refuse collection, waste disposal, cleansing, construction, water and sewage, ground maintenance and environmental engineering. The Company describes itself as:

"the largest European contractor for municipal public services".
(Digings, N.D.)

Financial Performance (Exchange Rate April 1990 177 pesetas to £1)

In 1990 the FOCSA group had a turnover of nearly 174 billion pesetas, generating pre-tax profits of over 8.5 billion pesetas. This contrasts strongly with the performance of the British subsidiary FOCSA Services (UK) Ltd which has recorded losses in each of its 3 years of operation. The Company's loss for the financial year to the 31 December 1991 was £1.46 million, giving an accumulated loss of £2.8 million. Turnover continues to grow however, rising from £1.45 million in 1990 to £6.3 million in 1991.

Cleaning Interests

Whilst FOCSA is essentially a construction company it has a major urban cleansing operation in common with its competitors in the Spanish construction industry.

The Company has operated cleansing contracts in Spain since the 1920s and now serves over 17 million residents, having built up a 70% market share in the Country's domestic refuse collection and street cleaning industry (Sheffield City Council, 1990). Their main competition in that market is the French company CGEA (see profile 3).

FOCSA have foreign interests of their own in Paraguay, Venezuela, France and the UK.

UK Activity and Tactics

FOCSA established a UK subsidiary, FOCSA Services (UK) Ltd in April 1989 as part of its plan to expand its interests in Europe and to exploit the opportunities provided by the introduction of CCT.

The Company has steadily built up its presence and had 5 local authority contracts by 1992, employing 500 people and generating a turnover in excess of £6 million (see Table 15).

Service	Contracts won	% of contracts won	% of contracts won by private companies	Average value in £	% of contracts by value	% of contracts privatised by value
Refuse Collection	4	1.1	3.7	1,904,543	0.9	3.8
Other Cleaning	1	0.6	1.4	1,990,768	1.6	9.4

Table 15: FOCSA's UK Local Government Contracts - April 1992

Source: LGMB, 1992. Note: Refer to Table 7

The pattern of FOCSA's bidding has been fairly scattered, but has tended to avoid targets in London favoured by the French contractors. There is clear evidence that the Company has been 'feeling its way' in the market, submitting wildly fluctuating tenders, even within the same authority. In Nottingham, FOCSA put in a competitive street cleaning tender but placed a very highly priced bid for the City's refuse collection service.

There have also been suggestions that the Company has been using loss leader bids in order to secure a strong early presence in the market. Brighton DC referred their street cleaning contract to the Office of Fair Trading after FOCSA undercut the DSO by around £400,000 p.a. In Stockport the Company agreed with council officials that their bid, which was £1 million p.a. cheaper than the DSO's, was "under resourced" but that "resources would be made available within the quoted price" (PSPRU, 1990), a clear indication of inter company subsidisation. In Perth and Kinross FOCSA had to pull out of a street cleaning and refuse collection contract at the last minute, saying they could not operate the contract at the price submitted.

FOCSA has faced difficulties on many of its contracts, missing bins in Torbay, uncleaned streets and strike action in Stockport, low standards in West Devon in the first few weeks of the contract and a strike followed by complaints about the Company's depot arrangements in Brighton. Fines associated with these problems and the under resourcing of the Company's tenders have contributed to FOCSA (UK)'s accumulated losses of £2.8 million to December 1991.

The Workforce

FOCSA has over 12,000 employees, 500 of whom now work in the UK. In Spain these workers are fully unionised and the Company has a collective agreement with the General Union of the Comisiones Obreras confederation which covers their cleansing operations.

FOCSA has not been so keen to recognise unions in Britain and this led to strike action in both Brighton and Stockport which has since been resolved with recognition being granted. In both cases though, FOCSA sought single union agreements in preference to general recognition. However, pressure in Stockport forced a concession on this issue (see case study 5 in Chapter 6).

There have been other difficulties for FOCSA's new employees, associated with job losses and reduced terms and conditions which are summarized in Table 16 below.

Contracting Authority	Union Recognition	Job Losses	Rate of Pay	Hours	Sickness Benefit	Annual Leave	Pension Scheme
Stockport Metropolitan Borough Council 1990	After strike action. Initially for GMB only	25%-200 reduced 150	£119.34 - £140.79 p.w. + reduced bonus	39 hours Compulsory Saturday overtime	Statutory scheme	4 weeks	SERPS scheme
Brighton Borough Council 1990	Recognition of GMB only	10 + high rate of dismissals and turnover	Reduced by c. £40 p.w. with allowances	As above	As above	4 weeks	No
Torbay 1991	GMB only	14	Same basic cut bonus	As above	As above	4 weeks. 5 after 5 years	No

Table 16: Conditions of Employment on selected FOCSA Contracts

Profile I v: A.A.H. Holdings Plc (UK)

Background

AAH Holdings is a major services company with interests in healthcare, building supplies, consumer products, transport and environmental services.

Financial Performance

In 1991 AAH Holdings had a turnover of £1122.3 million and pre-tax profits of £28.7 million which compared to sales of £1011.5 million and pre-tax profits of £32.8 million in 1990. £3.6 million of the 1991 profits came from the groups environmental services division.

Cleaning Interests

The group's waste management interests are operated through its subsidiaries Tyler Environmental Services Ltd, R.B. Tyler (Plant) Ltd and Tyler Waste Management, which have established a sizeable presence in the UK local authority cleansing market.

These companies came out of the R.B. Tyler Group, established in the 1960s and they entered into the local authority refuse collection market in the mid-1980s. Since then, the Tyler companies have had a good deal of success through internal growth and acquisition, returning profits in each of the last 5 years.

AAH Holdings had a total of 33 refuse collection and street cleaning contracts and has now acquired several more with the acquisition of Charlesplant, who also operate vehicle maintenance contracts (see Table 17).

The Tyler companies are proving highly successful at extending the range of services they provide for individual authorities. In each of the London Boroughs of Wandsworth, Croyden and Barnet, Tylers have secured contracts for more than one service. In Wandsworth the Company now provides refuse, street cleaning, grounds maintenance and school transport services.

Service	Company	Contracts won	% of contracts won	% of contracts won by private companies	Average value in £	% of contracts by value	% of contracts privatised by value
Refuse Collection	Charlesplant	2	0.5	1.9	402,477	0.2	0.9
Refuse Collection	R B Tyler	2	0.5	1.9	1,319,256	0.6	2.6
Refuse Collection	Tyler Environmental	8	2.2	7.5	890,013	1.6	6.8
Refuse Collection	Tyler Waste Management	5	1.4	4.7	1,015,248	0.9	3.8
Other Cleaning	Charlesplant	5	1.8	7.0	283,207	1.1	6.5
Other Cleaning	R B Tyler	1	0.4	1.4	1,487,283	1.1	6.5
Other Cleaning	Tyler Environmental	5	1.8	7.0	313,753	1.2	7.1
Other Cleaning	Tyler Waste Management	5	1.8	7.0	447,698	1.7	10.0

Table 17: AAH Holdings UK Local Government Contracts - April 1992

Source: LGMB, 1992. Note: Refer to Table 7

International Expansion

Tylers have an operation in Germany which is involved in contract work, concentrating on land maintenance.

The Workforce

AAH employed over 1200 people in its environmental services division in 1991 and the Company states in its Annual Report that managers have a specific responsibility to communicate effectively with their employees (AAH Holdings, 1992). This desire to communicate is practiced through internal structures though, and not the trade union movement. In their tender for the Wandsworth refuse contract the Company told the local authority that they had 'no objection' to union recognition. On winning the contract the local manager stated:

"this company has a policy that we do not recognise a union. They [the employees] have every right to belong to a union. We have just said we will not recognise it".

(TSUIU, 1989 b)

On this same contract in Wandsworth pay rates were cut, hours increased, holidays reduced and sick pay restricted, as illustrated in Table 18 below.

Contracting Authority	Union Recognition	Job Losses	Rate of Pay	Hours	Sickness Benefit	Annual Leave	Pension Scheme
London Borough of Wandsworth 1987	No	Heavy losses under previous contractor BFI	Cuts in pay	40 hours	After 1 year	20 days	No
Herismere District Council 1991	No	30%	Reduced by c. 30%	40 hours	After 1 year	15 days	No

Table 18: Conditions of Employment on selected Tyler Contracts

Profile I vi: Ocean Transport and Trading Plc (UK)

Background

Ocean Transport and Trading was established in 1865 as a shipping company. It is now engaged in a range of activities including international freight and distribution and marine, environmental and energy services. The shipping side of the business has been played down in recent years but the group is still one of the largest transport companies in Europe with a turnover in excess of £1 billion.

Cleaning Interests

Ocean Transport and Trading has 2 main environmental service subsidiaries. Ocean Environmental Management has an established history in a wide range of domestic

and industrial waste management services in the UK. Its main activities have centred on river transport and landfill disposal of domestic refuse from London.

In 1988 Ocean Environmental moved into the domestic refuse collection market through a joint venture with the French giant CGEA originally named Cory CGEA. This was a 50:50 joint venture and was subsequently renamed Cory Onyx Ltd (see Profile Iiii). The Company had a very specific purpose as outlined in Ocean's Annual Report for 1988:

"Cory Onyx will compete for local authority refuse collection and street cleansing contracts which are being put out to tender in accordance with the recent changes in Government legislation."

(Ocean Transport and Trading PLC, 1988)

Following reasonable success with 2 major refuse contracts in London, CGEA pulled out of the venture selling its 50% share to Ocean Environmental. Since then the Company has traded under the name of Cory Environmental Municipal Services Ltd and has established itself as a market leader in domestic refuse collection, winning 13 local authority refuse contracts by April 1992. Despite its success, Cory still made a loss of £812,000 in the year to December 1990, which followed a loss of £400,000 the previous year (PSPRU, 1990 a).

Service	Contracts won	% of contracts won	% of contracts won by private companies	Average value in £	% of contracts by value	% of contracts privatised by value
Refuse Collection	13	3.6	12.1	955,784	2.8	11.9
Other Cleaning	1	0.4	1.4	300,000	0.2	1.2

Table 19: Cory Environmental's UK Local Government Contracts - April 1992

Source: LGMB, 1992. Note: Refer to Table 7

The Workforce

Whilst not being overtly anti-union the Company has not welcomed unions and offers recognition only where the majority of staff are already members. This is not surprising since the Company regularly cuts jobs and worker's terms and conditions in its attempts to raise productivity on its contracts.

In Bromley, the number of refuse rounds was cut from 30 to 24 with the result of a 33% reduction in staffing levels. In Waveney redundancies on the refuse collection and street cleaning contract were accompanied by cuts in holiday entitlements and sickness benefit. See Table 20 below for full details of changes in terms and conditions on 2 of Cory's contracts.

Contracting Authority	Union Recognition	Job Losses	Rate of Pay	Hours	Sickness Benefit	Annual Leave	Pension Scheme
London Borough of Bromley 1990	Yes	25-33%	£4.13 - £4.56 per hour	Driver 45 Loader 40	None in 1st year then 1 week full pay + 1 weeks half pay each year up to 4+4	15 days 1st year 20 days 2nd year	SERPS
London Borough of Tower Hamlets 1989	Yes	Minimal	£4.13 sweeper/loader £4.56 HGV driver	HGV Driver 45 Other drivers and loaders 40	None in 1st year then 1 weeks full pay + 1 weeks half pay each year up to total of 4 weeks F.P. + 4 weeks H.P.	15 days in 1st year then 20 days	SERPS

Table 20: Conditions of Employment on Selected Cory Environmental Contracts.

Profile I vii. Bouygues S. A. (France)

Background

Bouygues was founded in 1952 as a construction company specialising in apartments and institutional buildings. It has grown into an international multi-service giant covering 12 different trades. The Company is now involved in building, high-tech engineering, leisure, foods, communications, public utilities, energy networks, waterproofing, off-shore on-shore maintenance and extraction, property, road building and public works in 64 different countries around the world.

Financial Performance (Exchange Rate: April 1990 FF 9.34 to £1)

In 1990 Bouygues had a turnover of FF 56,727 million, an increase of 20% on the results for 1989, generating profits of FF 801 million. The Company's public service arm provided 9% of Group sales which were themselves heavily concentrated in the home market. Nearly three quarters of the Company's turnover was from activity in France in 1991.

Cleaning Interests

Bouygues moved into public utilities and the environmental services market with the acquisition of Saur, France's 3rd largest water distribution and treatment company, in 1984. Saur's main activity is the distribution of drinking water but they are also involved in energy production, sewage systems, research and development, design engineering and construction and public cleansing.

Saur is a major company in its own right, with forecasted turnover of FF 6.8 billion in 1991 (Saur, N.D.), and 11,000 employees working on projects throughout the

World. The group's cleansing services account for 5% of turnover and are operated through a specialist subsidiary named Coved.

Coved is involved in all areas of public cleansing from refuse collection, processing and recycling to street cleaning. The Company is active throughout France operating landfill and waste disposal sites and providing refuse collection services for around 2 million people. A 16% share of all privatised municipal cleansing services in France has been won in just 5 years. This includes a contract in the Parisian district of Sèvres, breaking the Lyonnaise des Eaux - Générale des Eaux duopoly in that City.

Coved works closely with other Saur groups in water distribution and sewage management in order to provide a complete public utilities package to French local authorities. This capacity lies at the heart of its growth strategy. As the Company puts it:

"Whatever short or long term problems may arise SAUR is ever present, at the heart of the community".

(Saur ND)

International Expansion

Saur has become a market leader in European public utilities, developing major interests in Spain, Italy and the UK. The Spanish interests date back 10 years, providing water, sewage and public cleansing services. In Italy, a joint venture named SIGESA, founded in 1990, is active in water and sewage services, refuse collection, processing and recycling and even mains gas distribution. Saur has also had operations in Africa since 1960, which now generate 37% of Group revenues (Saur, N.D.) and plans to expand into eastern Europe:

"With European integration now well underway, the new openness and desire for progress in the East are opening up great new development opportunities".

(Saur, N.D.)

UK Activity and Tactics

As with the other French water companies Saur's interest in the UK began with the purchase of stakes in a series of statutory water companies in the late 1980s, through its subsidiary Cementation Saur Water Industries, which was jointly run with the UK Group, Tafalgar House (see Table 21).

Company	Stake
Rickmansworth Water	27.7%
Colne Valley Water	25%
Lee Valley Water	20%
North Surrey Water	20%
West Kent Water	4%
Folkestone and District Water	2.5%
Mid Sussex Water	1.5%

Table 21: Saur's Initial Stakes in the UK Statutory Water Companies

Source: SCAT. 1988

In 1989 a series of recommended takeover bids led to 4 water companies, Eastbourne, West Kent, Mid Sussex and Mid Southern joining the Saur Group proper, under the direct ownership of Saur Water Services Plc.

Having established this base Saur UK entered into a 50:50 joint venture with Southern Water in late 1989. The Company, named Stalwart Environmental Services, was to provide refuse collection and disposal services for domestic and industrial customers. The joint venture aimed to combine Southern Water's knowledge of the British local authority and industrial markets and their regulatory

machanisms, with Saur's experience in providing local services. As the Southern chairman put it:

"I think we bring together complimentary skills".

(FT, 1 September 1989)

Difficulties were anticipated in breaking into the local authority market, but moderate success has been achieved with Stalwart Environmental winning 4 contracts to date (see Table 22).

Service	Company	Contracts won	% of contracts won	% of contracts won by private companies	Average value in £	% of contracts by value	% of contracts privatised by value
Refuse Collection	Stalwart Environmental	3	0.8	2.8	820,174	0.5	2.1
Other Cleaning	Stalwart Environmental	1	0.4	1.4	504,340	0.4	2.4

Table 22: Stalwart Environmental's UK Local Government Contracts - April 1992

Source: LGMB, 1992. Note: Refer to Table 7

In early 1990 Saur added to this development with another 50:50 joint venture, this time with Welsh Water. The new company, Cambrian Environmental Services, was formed to provide solid waste collection and disposal services and municipal, industrial and commercial cleansing in Wales and neighbouring parts of England. The aim was to build their market share through internal growth and acquisitions, a strategy which has proved fairly successful. By May 1991 the Company had 5 contracts, 3 won by internal efforts and 2 with the acquisition of the Fosse Group (initially a management buy-out of Stratford-on-Avon's DSO) in February 1991.

Service	Contracts won	% of contracts won	% of contracts won by private companies	Average value in £	% of contracts by value	% of contracts privatised by value
Other Cleaning	4	1.4	5.6	337,250	1.0	5.9

Table 23: Cambrian Environmental's UK Local Government Contracts - April 1992

Source: LGMB, 1992. Note: Refer to Table 7

Despite winning contracts, both Stalwart Environmental and Cambrian Environmental made losses in their first year of trading. Stalwart lost £239,000 and Cambrian £798,000 in the year to March 1991, suggesting a determination on the part of the parent companies to become established in the market.

The Workforce

Stalwart Environmental has proved to be fairly anti-union and on its contract in the London Borough of Harrow has refused union recognition, with NUPE officers claiming that workers are afraid to join a trade union for fear of being sacked. There is a "works committee" on which management and personnel officers sit with "appointed" workside staff. There is however no grievance procedure and no safety representatives. The conditions of employment on this contract are summarised in Table 24 below.

Contracting Authority	Union Recognition	Job Losses	Rate of Pay	Hours	Sickness Benefit	Annual Leave	Pension Scheme
London Borough of Harrow 1990	No	Beats were Driver + 4 now Driver + 2	£220 + £20 bonus. No rise for 2 years.	Increased to 39 from 38	Reduced coverage and no bonus	15 days in 1st year then 20. No bonus on holidays	No

Table 24: Conditions of Employment on a Stalwart Environmental Contract.

Section 3: Multinational Service Specialists

Profile II i: ISS Servisystem A/S(Denmark)

Background

ISS began as a small Danish security company in 1901 moving into cleaning services in 1934. The Company diversified into a series of other services in the post war period but the emphasis was increasingly placed on cleaning.

Dramatic growth was achieved through acquisitions and international expansion, leading ISS to its current position of world leadership in building cleaning services, employing 135,000 staff in Europe and North and South America.

Financial Performance (Exchange Rate: April 1990 Danish Krone 11.4 to £1)

In 1991 ISS had a turnover of DKr 11.8 billion and consolidated net profits of DKr 244 million. This compares with sales worth DKr 9.36 billion and profits of DKr 202.6 million in 1990.

Group sales are heavily concentrated in the cleaning services (see Table 25) in First World countries throughout Scandinavia, Europe and North America.

Service Area	Turnover (%)	Operating Profit (%)
Cleaning and maintenance	80.4	69.9
Security services	9.8	9.5
Canteen services	2.0	1.2
Sales of cleaning products	1.4	4.7
Linen services	3.1	6.2
Energy services	2.9	(2.4)
Other	0.4	10.9

Table 25: ISS Results by Service Area 1989

Source: ISS, 1989

Cleaning Interests

ISS did begin as a security firm at the beginning of the century, but it was through this activity that the Company expanded into cleaning. Cleaning, like security, was seen as a service which other firms could delegate rather than organise themselves. In recognition of this, ISS formed the Danish Cleaning Company in 1934.

Once established the Company based its growth on an expansion into other cleaning services such as window cleaning and the export of its service philosophy to other countries. Whilst ISS has got involved in a series of other business services and increasingly provides service packages in line with market trends, cleaning is likely to remain the dominant group activity for some time.

International Expansion

ISS's international interests date back to 1939 when the Company opened a subsidiary of its cleaning company in Malmo, Sweden. This was followed in 1952 by a movement into the neighbouring Norwegian market.

It was not until the 1960s and 1970s that serious interests were developed outside of Scandinavia, and 'Internationalisation' became central to the Company's growth strategy. Modest market shares have since been built across Europe and North America, through acquisitions and organic growth, leaving the Company well placed to expand further in the World's richest markets. ISS is already market leader in building cleaning in the USA, Denmark, Norway, Brazil, Austria, Greece and Sweden, and is now looking at opportunities in Eastern Europe and Asia.

UK Activity and Tactics

The UK has become a major part of ISS's operations over the past few years as a result of acquisitions and increased opportunities, resulting in the movement of ISS Europe's headquarters to London in 1989. Chief Executive Paul Andreassen put it that:

"The UK is one of our most exciting markets by virtue of privatisation and the use of private service companies in the public sector, so it was natural for us to place our European HQ in London".

(FT, 6-9-89)

Growth in the UK is expected to come largely from public sector contracts, especially in the Health Service. This explains the purchase in January 1989 of Mediclean from ADT, with some 80 hospital cleaning contracts, a turnover of £27.7 million in 1989 and 6000 employees. This firm, now known as ISS Mediclean Ltd, operates alongside ISS Servisystem Ltd, the main UK cleaning division, which operates 20 local authority cleaning contracts alongside private sector responsibilities.

Expansion has been rapid, with Mediclean's turnover doubling in the three years since ISS acquired it, and this growing strength in the UK public sector cleaning market is

being used as a basis for further expansion throughout Europe. As Mr Andreassen says:

"The potential in hospitals is enormous, but it is not an easy market. We shall use the know-how we gained with Mediclean as the basis for developing services in the rest of Europe".

(FT, 6-9-89)

This explains the Company's willingness to stand a loss from ISS Mediclean of £0.5 million in 1989, which was only just offset by ISS Servisystems UK profit of £0.6 million.

In terms of market share, ISS has a fairly strong position in the NHS which is not paralleled in the much more competitive local authority market. ISS only has one serious competitor in the NHS, BET, which has a 34% share of privatised cleaning contracts in comparison to ISS's 32%. In the local authority market ISS has only 2% of privatised cleaning contracts (see Table 26).

Service	Contracts won	% of contracts won	% of contracts won by private companies	Average value in £	% of contracts by value	% of contracts privatised by value
Building Cleaning	20	2.9	7.0	240,780	1.9	12.8

Table 26: ISS Servisystems UK Local Government Building Cleaning Contracts
- April 1992

Source: LGMB, 1992. Note: Refer to Table 7

The Workforce

By 1989, following the acquisition of ADT's office cleaning operations in the USA, ISS had a world-wide workforce of some 115,000 with 13,000 working in the UK. The Company makes much of its attempts to improve the status of these workers

despite the traditional image of cleaners as low grade employees. An emphasis is placed on training and education, designed as much to reduce high staff turnover rates as to improve the quality of service. As ISS director Ib Goldshmidt put it:

"We need job satisfaction, and if we don't do something about it , we just won't get the staff we need".

(FT, 5-4-89)

ISS operates a training programme, called the Partner Project, which is aimed at devolving responsibility and decision making to its employees. The project has gone hand in hand with an attempt to generate a sense of common purpose in the Company through share issues to the workforce, which have left the employees with an 8% stake in the Company.

This commitment to the workforce and its ability to make decisions for itself, does not extend as far as welcoming trade union organisation. The Company is willing to recognise unions, but only when 50% of the workforce on a particular contract are already members. Such a situation is very unusual with the high rates of labour turnover created by pay cuts and declining conditions on ISS's public sector contracts. The Company's largest contract, for building cleaning in Lincolnshire, was won on the basis of a cut in cleaners pay from £2.24 to £1.70 per hour and reduced terms and conditions, with a consequential decline in standards flowing from staff shortages and high turnover (SCAT, 1988a). The contract has since been renewed and the unions totally isolated, despite continued low rates of pay and a lack of other employment benefits (rates of pay have since increased to £2.70 per hour compared with NJC rates of £3.11 per hour).

Profile II ii: OCS Group Ltd (UK)

Background

The OCS group of companies started operations in 1900 as the New Window and General Cleaning Company. It has grown to be one of the largest cleaning contractors in Britain and remains privately owned by the Goodliffe and Bowthorpe families.

The Group has expanded into related areas such as hygiene, workwear, carpet cleaning, store cleaning, security, laundry, office refurbishment and window manufacture, but the cleansing division remains the dominant activity.

Financial Performance

In the year to 31st March 1991 OCS achieved sales of £188 million, an increase of 7.3% on 1990, which generated profits of £9.5 million, slightly down on 1990.

Cleaning Interests

The Company's core business remains cleaning services, which are largely operated through the subsidiary, Office Cleaning Services Ltd, which has over 50 branches throughout the UK. Office Cleaning Services provides cleaning and ancillary services to business and public sector clients and achieved a turnover of £58 million in the year to March 1991. The bulk of the Company's work is in the private sector contract cleaning industry, where it has a 4% share of the market (Key Note, 1992).

Difficulties have been experienced with public sector contracts, with OCS being sacked from its NHS contract at Addenbrookes hospital, Cambridge and receiving

bad references from eight out of ten local authorities for whom they had done school cleaning work (PSPRU, 1991).

OCS is a highly resilient company though, and has continued to pick up both local government and Health Service contracts (see Table 27). The Company now operates in the Health Service under the name of Hospital Contract Services and has been awarded registration under BS 5750 in respect of all sizes of contract, endorsing its own Quality Assurance policy.

Service	Contracts won	% of contracts won	% of contracts won by private companies	Average value in £	% of contracts by value	% of contracts privatised by value
Building Cleaning	23	3.3	8.0	165,757	1.1	7.4

Table 27: Office Cleaning Services' UK Local Government Building Cleaning Contracts - April 1992

Source: LGMB, 1992 Note: Refer to Table 7.

OCS does not limit itself to cleaning contracts and has responded to developments in the industry with a flexibility allowing it to provide:

"what the customer asked for"

(Key Note, 1992)

This ranges in practice from an individual service to a complete support services package. The Company's ability to meet these requirements is illustrated by the transfer of Wokingham DCs entire, loss making, DSO to the OCS subsidiary, Cleanmaster, in March 1992. The contract requires the provision of street cleaning, road mending, sewer and drainage maintenance and grass cutting services. OCS has little or no experience in some of these areas and will make use of the knowledge of

the existing staff in order to fulfil its responsibilities, a tactic used widely by market leader BET.

International Expansion

OCS has expanded overseas in the last decade acquiring interests in the Far East and Canada and in several EC countries. OCS has major joint ventures in both Spain and Holland, where a stake is held in the major Dutch services group Vendex International's cleaning subsidiary, CEMSTO, which in turn owns 20% of OCS.

The Workforce

OCS has a workforce of nearly 30,000 but has a history of poor labour relations, particularly in the NHS, where it had problems on its infamous Addenbrookes contract and more recently at Ely Hospital, Cardiff, where there have been regular disputes over hygiene, recognition and victimisation, ending in agreement to accept union recognition in early 1992 (PSPRU, 1992a).

In local government, the Company, eager to win more contracts by keeping costs down, but aware of the need to achieve its work requirements, has moved away from its earlier policy of imposing heavy job cuts. On its huge Cleveland school cleaning contract the Company cut jobs by just 6% but cut individual cleaners hours heavily and cut rates of pay by 18%, along with the usual policy of cutting additional benefits such as sick pay, holidays and pensions (PSPRU, 1992).

Profile II iii: Taylorplan Services Ltd. (UK - Australian parents)

Background

Taylorplan was established in 1983 as a UK subsidiary of the Australian contract cleaning and catering company Berkeley Commercial Co (Management) Pty Ltd. It is now technically owned by the Singapore registered C S Facilities Pte. Ltd. but it is the Berkeley Commercial Co. directors who sit on Taylorplan's Board.

Financial Performance

Taylorplan has been described as technically unreliable by accountants Price Waterhouse and the Company only recorded its first profitable year of trading in 1990. In 1990 the firm had a turnover of £27.6 million making profits of £132,000, this followed losses of £40,000 in 1989 and nearly £400,000 in 1988.

Taylorplan's financial position has been quite unstable, with periods when the Company was technically insolvent, only maintaining operations due to a complicated pattern of finance within the Group. Loans have been made to subsidiaries from the parent company and assets written off in an attempt to balance the books, although the situation seems to have settled down with Taylorplan's movement into profitability.

Cleaning Interests

Taylorplan was established in order to compete for NHS contracts in 1983, aiming to secure both cleaning and catering work. In practice the Company has been far more successful in winning cleaning contracts, especially in the health service.

Cleaning interests are the main factor behind Taylorplan's new found profitability, with the Group's cleaning division producing pre-tax profits of £568,000 on a turnover of £14.5 million in 1990.

Various catering interests were disposed of in 1990 and 1991, focusing activity more closely on cleaning, although Taylorplan has declared its intention of bidding for sports and leisure management contracts in the future.

The Company has suffered from the degree of uncertainty that surrounds its financial performance. Even Conservative authorities with a strong commitment to competitive tendering, such as the London Borough of Westminster have expressed concern about Taylorplan's ability to fulfil its obligations. In 1988 it was put to the Council that:

"The City Treasurer has reservations over accepting Taylorplan's tender a greater than usual degree of risk exists".

(PSPRU, 1992 b)

The Company has pulled out of two school cleaning contracts, in Suffolk when adequate resourcing of the contract led to unprofitability, and in Warwickshire when only 50 of the 350 cleaners required for the work could be recruited. They have still won, and are operating, 13 other local authority contracts (see Table 28) and have around 20 NHS contracts.

Service	Company	Contracts won	% of contracts won	% of contracts won by private companies	Average value in £	% of contracts by value	% of contracts privatised by value
Building Cleaning	Taylorplan Cleaning	8	1.2	2.8	175,751	0.5	3.4
Building Cleaning	Taylorplan Services	3	0.4	1.0	165,932	0.2	1.3

Table 28: Taylorplan's UK Local Government Building Cleaning Contracts - April 1992

Source: LGMB, 1992. Note: Refer to Table 7

The Workforce

Taylorplan is not determindly hostile to trade unions and has granted recognition on several contracts, although they do prefer to keep the workforce informed through:

"informal meetings, company newsletters and training sessions"

(TUSIU, N.D.)

The Company also has a history of paying low wages and providing poor conditions. In Warwickshire the offer of £2.80 per hour to cleaning staff led to the recruitment problems mentioned above, and to the firms withdrawal from the contract three days before it was due to commence.

Contracting Authority	Union Recognition	Job Losses	Rate of Pay	Hours	Sickness Benefit	Annual Leave	Pension Scheme
London Borough of Kingston Upon Thames 1991	No	No figures	£3.50	Hours reduced	Statutory scheme	None	No
Mid Glamorgan County Council 1992	Under consideration	1600 reduced to 1200	Range £3-3.15. DSO planned £3.20	Reduced by 16% Avg. 12 ¹ / ₂	None	2 weeks	No
Hounslow D H A 1990	Yes	232	£2.96 p h (tender was 3.10)	Reduced by 17%	5 days benefit for each year of service	12 days - 15 days after 2 years	No

Table 29: Conditions of Employment on selected Taylorplan contracts.

Profile II iv: Browning Ferris Industries Inc. (BFI) (USA)

Background

BFI is the world's second largest waste disposal company (SCAT, 1990). They are based in Houston, Texas, USA and have contracts throughout North America and others in Australia, Hong Kong, Italy, the Netherlands, Spain, the UK, New Zealand and Venezuela.

The Company was only incorporated in 1970 but expanded rapidly with a series of acquisitions. Initially concentrating on the more profitable businesses of commercial and industrial waste collection and disposal, BFI moved into domestic refuse collection when those markets became exhausted. This also led to international expansion during the 1980s creating an empire employing 27,000 people in over 625 locations.

The Companies' stated objective is:

"to provide the highest quality waste collection, transportation, processing, disposal and related services to both public and private customers world-wide".

(BFI, 1990)

Financial Performance (Exchange Rate : April 1991 \$1.77 to £1.)

In 1991 BFI had a turnover of \$3.18 billion, an increase of 7% on the 1990 figures, which generated \$65.18 million in profits, down 75% on 1990.

By 1991 the Company was suffering from the recession's effect on waste services and new environmental legislation which forced a special charge of \$246.5 million. In this context, the importance of BFI's foreign interests took on an added significance and foreign revenues have grown from \$260 million in 1989 to over \$540 million in 1991.

US Activity

BFI is the second largest waste management company in America but it has only established that position with the aid of a series of uncompetitive and illegal practices.

A profile of the Company by the Public Services Division of the US trade union federation, the AFL - CIO, states that:

"BFI has often failed to comply with the standards laid out in its contracts and has commonly disregarded government environmental regulations and business laws in its quest for profit.... BFI leads the industry in the total number of legal cases with which it is involved".

(quoted in SCAT, 1990)

BFI gained a strategic early control of the USA's main landfill sites and then used its monopoly power to stop others opening sites, increase tipping fees and reduce its own collection charges, by integrating its collection and disposal activities (TUSIU, 1989a). In Toledo, Ohio in 1988 the Company was found guilty of price fixing with Waste Management Inc. In 1981 they had decided to allocate customers among themselves; to refrain from competing for the business of each others recognised customers; to submit uncompetitive or deliberately high quotations to each others customers; and to raise and maintain prices for waste services in the area. Similar arrangements were uncovered in Cleveland, Ohio (SCAT, 1990).

The Company claims that these practices are no longer employed but the executive at the centre of the Ohio case is now on the BFI board, and the Company continues to find itself in court.

The dubious practices linked with BFI have stretched as far as accusations of links with organised crime, leading to truck bombings and even murders in the pursuit of market domination (TUSIU, 1989a). One thing that is not in doubt is the presence that the Company has achieved in North America, holding 760 municipal contracts in 1991 and operating around 9000 solid waste trucks and vehicles (BFI, 1991).

International Expansion

BFI's first overseas interest was its Spanish operation established in 1973. This was followed by expansion into markets across Europe, Asia, Australasia and South America. Europe has been at the centre of BFI's international strategy and a major operator was bought in the Netherlands in 1987, where BFI is now market leader. This has formed the base for further European development, the Dutch city of Utrecht being chosen as the home for BFI Europe. The opening of another office in

Brussels has made it quite clear that the Company intends to be well placed to exploit the European Single Market to be completed in 1992.

UK Activity and Tactics

BFI's first penetration into the UK waste business came in 1985 with the acquisition of Wastecare Ltd from Grand Metropolitan. The chief executive of the UK business stated then that:

"we want to be a significant force in British Industry"

(TUSIU, 1989a)

The Company, now named BFI Wastecare, only had 3 UK contracts at the time but despite its attempts to expand further into UK municipal refuse collection, has not made much progress.

BFI's most significant action in the run up to the introduction of CCT was the purchase of a major waste disposal site in Warwickshire in May 1989. The move mirrors the Company's US strategy of integrating the whole process of waste management, from collection to disposal and recycling.

Despite its bold claims though, BFI has only won 4 local authority contracts to date (see Table 30), having adopted a cautious strategy towards tendering in the early stages. This led to losses in excess of £4 million in the year to September 1990.

Service	Contracts won	% of contracts won	% of contracts won by private companies	Average value in £	% of contracts by value	% of contracts privatised by value
Refuse Collection	4	1.1	3.7	3,350,000	1.5	6.4

Table 30: BFI Wastecare UK Local Government Cleansing Contractors, April 1992

Source: LGMB, 1992. **Note:** Refer to Table 7

Its' biggest contract is a joint refuse collection and street cleaning service, worth £5.5 million p.a., with the Royal London Borough of Kensington of Chelsea. There was no in-house tender and the Company was in fact under cut by its competitor UK Waste Control. BFI already had a close relationship with the Authority though, having previously held a contract to provide refuse collection services in Chelsea.

The Workforce

BFI has a history of anti union activities and this practice has been continued in Britain. The Company does not encourage union membership and makes a point of resisting recognition. Recognition was achieved by unions in Wandsworth, after a struggle, but the degree of enthusiasm the Company has for its employees' interests is better illustrated by the insecurity of their employment and the nature of their terms and conditions, as illustrated in Table 31.

Contracting Authority	Union Recognition	Job Losses	Rate of Pay	Hours	Sickness Benefit	Annual Leave	Pension Scheme
London Borough of Wandsworth 1987	No	38.4%	£137-173 pw incl. bonus	40 Loaders 42 Drivers. From 35	After 13 weeks	20 days 25 after 5 years	After 1 year
RLB of Kensington and Chelsea 1989	No	20%	£146-201 pw incl. bonus. From £182-234 pw	40 Loaders, 42 ¹ / ₂ Drivers. From 35	After 14 weeks	15 days	No
Solihull Metropolitan Borough Council 1986	No	44.9%	£125 pw From £143	40 Loaders 42 Drivers From 35	After 13 weeks	15 days	No

Table 31: Conditions of Employment on Selected BFI contracts

BFI Wastecare was in fact taken to court for breaking the Fair Wages resolution in respect of refuse collectors' wages in Wandsworth, and at the time the Company's QC stated that:

"there is no purpose in privatisation if local authority rates are to be the comparables".

(TUISU, 1989a)

In Kensington and Chelsea things got so bad that only around 20% of the Council's former workforce stayed with the Company, compared to a starting point of around 60%. Even the Conservative council was forced to call for an increase in wages in a report by the Council's Director of Engineering (SCAT, 1989a).

BFI's commitment to a lowering of workers remuneration is accompanied by an expectation of a significant intensification of work as illustrated in Table 32 below, which relates to work schedules on the contract with the RLB of Kensington and Chelsea.

Workload	Council Employees	BFI Employees
Loads to tip per day	3	2
Tonnage per vehicle per day	11	16.5
Number of collections per crew per week	980	1800
Over time as a percentage of normal working time	10	5
Bonuses as a percentage of basic pay	56.5	0

Table 32: Comparative workloads for Refuse Collectors employed directly and by BFI Wastecare in the Royal London Borough of Kensington and Chelsea.

Profile II v: Waste Management Inc. (USA)

Background

Waste Management Inc (WMI) is the World's largest waste company (MJ, 7-13 June, 1991). Based in Oak Brook, Illinois it has contracts throughout the USA and Canada, Saudi Arabia, South America, Australia, New Zealand and Europe. It offers solid waste, hazardous waste, environmental technology and energy services both domestically and internationally.

WMI employs over 62,000 staff and serves over 25 million people around the world and continues to expand on a global basis; increasingly targeting Europe as its key developing market.

Financial Performance (Exchange Rate: April 1990 \$1.64 to £1.)

In 1990 WMI had a turnover of over \$6 billion, earning net profits of over \$684 million, compared to revenues of over \$4.4 billion and net profits of over \$562 million in 1989.

These revenues came from five different sources, with North American solid waste collection and disposal dominant, but with International Services becoming increasingly important. By 1990, WMI's revenues from foreign sources had risen to \$956.5 million.

US Activity

In an industry which has become big business over the past two decades, Waste Management Inc. has established itself as market leader by getting into new activities ahead of its rivals, adapting rapidly to regulatory changes and engaging in anti-competitive practices. WMI rarely admits that it has infringed legal regulations or committed environmental violations, but often pays fines in respect of such allegations. The fines are seen as a cost incurred in running the business. Between 1981 and 1986 WMI paid out \$31 million in fines for environmental violations (SCAT, 1991).

The Company paid \$250,000 in 1989 and \$100,000 in 1990 to settle price fixing disputes in Rochester, New York State. They paid \$725,000 to settle market allocation charges against the South Florida subsidiary, and paid out \$1 million for price fixing in Toledo, Ohio in 1987, and they now face further charges of bid rigging and price fixing in the same area.

Whilst flouting the law in this way the Company has, at the same time, exploited Federal environmental regulations to expand its market share. As the environmental rules were tightened, smaller independent operators were forced to upgrade their services or sell up. Cities which had their own systems for collection and disposal of refuse were forced to contract services out to the larger operators with the technology, to satisfy the new regulations (FT, 8-1-91). In the USA new legislation

has put the future of around 50% of existing landfill sites in jeopardy, whilst WMI has already ensured that their facilities will be up to standard (MJ, 7-13 June, 1991).

Following this strategy, WMI has built up the largest solid waste operation in North America, holding contracts with 1500 municipalities, serving over 9 million households and holding over 840,000 commercial contracts in 1990 (WMI, 1990). Despite its methods WMI remains a highly respected company (FT, 22-11-91).

International Expansion

Waste Management Inc. has a history of international operations which stretches back to the mid-1970s. Europe is at the centre of its foreign plans and the Company is already active in Denmark, Italy, Germany, the Netherlands, Spain, Sweden and the UK and is looking to expand into France.

Much growth has taken place in the last two years through a series of acquisitions across the continent. This has led to a rise in revenues from less than \$50 million a year to almost \$1 billion. As the Company's 1989 Annual Report notes:

"Internationally the Company moved strategically in 1989, positioning itself strongly in Europe. Waste Management Inc. made acquisitions of both solid waste and hazardous waste businesses, anticipating the sizeable opportunities we expect to derive from the consolidation of Europe in 1992".

(WMI, 1989)

The Company is also placing itself in anticipation of a wave of environmental awareness and regulations about to sweep Europe. Whilst initially concentrating on waste collection and disposal, WMI expects the EC to regulate the industry in the same way as in the USA, and they are planning to move forward on that basis,

hoping that this results in the same levels of competitive concentration achieved in the US market.

In March 1992 the Company confirmed this approach by announcing its plans to sell 20% of its international operations in a share placing aimed at raising £405 million, to exploit the opportunities expected to come out of tightened environmental regulations in Europe. A Chicago based investment adviser has confidence in the plan, stating in January 1991 that:

"We think they're (WMI) well positioned. Europe is the next big opportunity".

(FT, 8-1-91)

UK Activity and Tactics

WMI's first interest in Britain was a subsidiary named UK Waste Management Ltd., established in 1983 (this firm should not be confused with the NFC plc subsidiary, Waste Management Ltd). The parent company then decided to concentrate its interest on continental Europe and no further direct interest was shown in the UK waste business until 1991.

In February 1991 a joint venture was launched with one of the smaller of the privatised UK water authorities, Wessex Water, called Wessex Waste Management. On formation, the Company had £125.5 million worth of funds available. Waste Management International put in £62.75 million and Wessex Water a similar figure funded by the sale of 18.14 million new shares to Waste Management, giving them a 14.9% stake in Wessex, which may rise to 20% before the end of the decade.

Wessex Waste Management aims to get involved in the collection, disposal, treatment and recycling of waste; the operation of industrial treatment plants; the creation and operation of landfills and incinerators; and waste to energy conversion schemes. The Company has been talking to the owners of incinerators throughout the Country and is aware of their need to update standards in order to meet new regulations and clearly has the resources to fund such investment.

It seems that Waste Management have joined with Wessex in order to exploit their political expertise and experience of the British regulatory environment. New regulations in the waste industry resemble those prevailing in the water industry with which Wessex is highly familiar.

For Wessex Water the deal provides an opportunity to diversify into a higher margin activity than its core water business where profits are restricted. The determination to succeed in waste management is demonstrated by the Company's suggestion that profits from non regulated activities (i.e. not water) could contribute as much as its water business, within 6 to 7 years.

Wessex shares WMI's view of the opportunities in the industry, acknowledging the growing need for expertise, technology and investment, due to the tougher legal requirements, but is also keen to exploit the opportunities arising from the Government's CCT legislation.

Waste Management Europe's Managing Director, Mike Collier, has said that he believes the UK Waste Management industry is ripe for consolidation and will follow the US pattern, with smaller operations being replaced by larger, more technologically advanced sites (no doubt run by his Company).

Wessex Waste Management's operations are to be built up through a combination of joint ventures, start ups and acquisitions. This strategy resulted in the purchase of Wimpey Waste, the UK's fifth largest waste company, in October 1991, for £105 million, confirming that the Company's main interest is in the disposal and treatment of waste, rather than its collection. Indeed Wessex Waste Management had no refuse collection contracts by the beginning of 1992, although there are plans to move into this market.

The Workforce

Like its US rival BFI, Waste Management Inc has been no friend of trade unions in its domestic market. Whether this attitude is to be extended to the UK is at present uncertain. Having no local authority contracts, it is difficult to speculate on how Wessex Waste Management will look after its employees in this sector. However, Wessex Water makes its opposition to any national pay bargaining clear in its 1991 Annual Report, stating that :

"Freed from national arrangements for determining pay and conditions, we have made good progress on providing more flexible employment packages".

(Wessex Water, 1991)

Section 4 : Privatised British Water Authorities

As indicated in the introduction to this Chapter, this category is rather less defined than the other two, largely due to the fact that the newly privatised water authorities have preferred to enter the UK cleaning market in partnership with more experienced operators. In the earlier profiles on Bouygues SA (I vii) and Waste Management Inc. (IIv), we saw how Southern Water, Welsh Water and Wessex Water had all become

involved in the cleaning services, reflecting the French pattern, where the main water companies dominate the entire environmental services market.

Severn Trent is the only one of the British water companies to have entered the waste management and cleaning market in a major but independent fashion.

Profile III i Severn Trent PLC (UK)

Background

Severn Trent was one of the ten regional Water Authorities of England and Wales privatised in 1989. It is now one of the one hundred largest UK companies and claims to be one of the "major water and waste management companies in the world" (Severn Trent 1991). The Company quickly saw the opportunity to widen its activities following privatisation and has expanded its interests overseas, into a range of research and development programmes and into the field of waste management. Water remains the groups core business, with Severn Trent Water Limited employing 7,182 of the companies 7729 employees in 1991.

Financial Performance

In 1991 Seven Trent had a turnover of £627 million earning pre-tax profits of £249 million, compared to a revenue of £544 million and profits of £130 million in 1990.

Whilst UK water services are the group's main interest, other trading activities had a turnover of £25.7 million in 1991 rising from only £5.7 million in 1990. International expansion was reflected in the increase in profits from non-UK activities from £1.4 million to £11.3 million.

Cleaning Interests

Severn Trent's 1991 Annual Report States:

"Our purpose is to be a world leader in the water business, to establish ourselves as a successful international corporation founded on a strong home water utility base, and to develop a substantial earnings stream in other appropriate business".

(Severn Trent, 1991)

The Company sees waste management as one such appropriate business and has sought to expand into the field ever since it was privatised. In September 1990, a £74 million hostile bid was made for, and a 29.9% interest acquired in, the Caird group, a major waste management company owning the refuse collection firm Enviroman. The offer was lapsed in October 1990, following unsatisfactory performance by Caird, and Severn Trent's stake was sold a year later for about £16 million. The determination to make a significant entry into the waste business continued though and resulted in the purchase of the leading UK waste management company, Biffa, from BET, in May 1991, for £212 million.

Biffa made profits before interest, of £17.8 million in 1990, although this fell to £49,000 in the year to March 1991. Turnover remains over £100 million and Severn Trent chairman John Bellak has said the acquisition means that waste management will account for around 15% of the Group's total turnover (FT 14-5-91).

Severn Trent now faces the dilemma of wanting to operate a substantial unregulated (non-water) business, having paid an inflated price for Biffa (rumoured estimates valued the Company nearer to £170 million [FT, 14-5-91]), whilst the water industry watch-dog, OFWAT, seeks to ensure the separating of core and non core businesses

within the privatized water companies. Responding to this requirement Severn Trent has stated that:

"The money to buy Biffa was raised in the financial markets"

(MJ , 14-20 June , 1991)

The purchase of Biffa is the largest move out of the regulated sector made by any of the UK water companies and gives Severn Trent a broad national spread in waste activities along with overseas interests through Biffa's Belgian operation.

International Expansion

The similarity of Severn Trent's approach to that of their French rivals, Lyonnaise des Eaux, Generale des Eaux and Saur, becomes clearer when considering their international presence. The Company has won consultancy and operating contracts in India , the United States, Australia and Europe. Local partners have been found in all cases and local offices established in the US and throughout Europe, where the Company has substantial interests in Belgium, and is in talks with German and Italian local authorities.

Part of the attraction of the Biffa purchase was the Company's interests in Belgium and transnational partnerships, demonstrating Severn's desire to have a wide ranging service presence in all its geographic markets. This approach is for more in line with the French water companies than with other UK water companies who have been content with consultancy and management contracts overseas (FT, 22-1-91).

UK Activity and Tactics

Severn Trent Waste, the Group's waste management division, is dominated by the recently purchased Biffa Waste Services. Biffa provides the full range of waste collection, management and disposal services, including landfill services and higher margin activities such as chemical waste collection and disposal.

The Company has a wealth of experience in contracting for public sector cleansing contracts. The Group includes Exclusive Cleansing Services who secured the privatised cleansing contract in Southend in 1981 against a back drop of bitter trade union resistance. Biffa used that start to expand its interests and emerged as the clear market leader in the run up to CCT's introduction, holding 14 contracts at one stage in the mid-1980's.

The Company has benefited from political goodwill in various Conservative controlled authorities, with contracts being renewed against no competition in Arun, North Norfolk, Chiltern, Southend, East Hampshire, Medina and Vale of White Horse.

The introduction of competition for other contracts, under the provisions of the CCT legislation, has affected Biffa's domination of the market. The Company has only once managed to retain a contract when faced with competition, in South Kesteven, and that required Government intervention to overturn the local authority decision.

Biffa is one of the few businesses with waste disposal interests, to be interested in local authority waste collection work, which generally has lower profit margins. Early entry into the market benefited the Company but increasing competition has threatened its position and this is reflected in BETs willingness to sell, and the decline in profits to only £49,000 in the last financial year.

In response to the more difficult conditions created by CCT, the Company has tended to concentrate on small Conservative authorities, presumably more sympathetic to private operators. They have also argued for much longer term contracts over a ten or twenty year period, which might "engender a better feeling of partnership".

It is not clear whether the Company will continue with the same approach now that it is under Severn Trent control. It is likely that with a new sense of direction Biffa will become more aggressive in its tendering approach, widening its national and international presence in line with Severn Trent's objectives. It is also likely that the Company will be encouraged to improve its quality and services in return for higher prices from its customers in an attempt to improve the business' profit margins. This would be consistent with the groups overall approach, as outlined in the Annual Report for 1991, but is highly dependent upon the level and nature of competition in the market as a whole.

Service	Contracts won	% of contracts won	% of contracts won by private companies	Average value in pounds	% of contracts by value	% of contracts privatised by value
Refuse collection	17	4.6	15.9	631,811	2.2	9.4

Table 33: Biffas UK Local Government Contracts - April 1992

Source : LGMB, 1992 Note: Refer to Table 7

The Workforce

Employment with Biffa is generally characterised by a sense of insecurity generated by the heavy job losses imposed when the Company wins local government contracts. Biffa has also tended to be very anti - union in attitude, rarely agreeing to talk with

trade unions or grant recognition. This position is illustrated by the Company's statement in Chorley that:

"It is not our intention to enter into any form of recognition agreement with NUPE either now or in the future.

(PSPRU ,1990a)

Whether this attitude changes under the Company's new ownership is not yet clear but a fuller picture of Biffa's employment record to date is provided in the summary of terms and conditions provided in Table 34 below.

Contracting Authority	Union Recognition	Job Losses	Rate of Pay	Hours	Sickness Benefit	Annual Leave	Pension Scheme
Carlisle City Council 1989	No	33%	Similar	Loaders 40 Drivers 45	None in first year	15 days after 1 year 20 after 5 years	Serps based
East Hampshire District Council 1989	No	Reduced to 33 men	Loaders £145. Drivers £170 per week	As above and no job and finish	None in first year or for first 4 days	As above	No
North Norfolk 1989	No. TGWU members on Refuse contract	20%	Slightly more basic but bonus was cut	As above with 20% higher work rate	None in first year	As above	No
Forest of Dean District Council 1989	No	33%	No information	Loaders 40 Drivers 45	As above	As above	No

Table 34: Conditions of employment on selected Biffa contracts

Section 5 : Other Major Contractors

Other important players in the UK local government cleansing industry include:

In refuse collection and street cleaning:

1. Attwoods plc, an American and UK waste management company, heavily backed by the Canadian waste services operator, Laidlaw, which holds around 30% of the shares. The Company trades in the UK through its subsidiaries, Drinkwater Sabey and Taskmasters Cleaning Services, who between them hold 10 street cleaning and 3 refuse collection contracts.
2. Cleanaway, a joint venture between GKN and the Australian conglomerate, Brambles Industries. The firm has concentrated on waste disposal and operates several landfill sites, but it has recently bought the Caird Group's dry waste collection business, Enviroman, for £5.4 million. This confirms the Company's desire to expand into the UK local authority domestic cleansing market and leaves them with 3 small refuse collection contracts.

In Building Cleaning:

1. RCO and the Davis Group companies, Sunlight and Pall Mall, are major contract cleaning and support service companies in the private sector, with substantial public sector interests, particularly in the Health Service, and can be expected to make a more concerted attempt to win local government contracts in the future. RCO already earns more than half its income in the public sector.

2. Securiguard operates in the Health Service and local government through its subsidiaries Mediguard and Academy Cleaning Services, which has ten local government cleaning contracts.
3. Another company to look out for is Serco, which is targeting local government and Health Service ancillary contracts in a big way, declaring an interest in the entire range of local authority activities being subjected to CCT.

Section 6: Whose Tendering in Scotland?

In general, private contractors have been far less active and successful in Scotland than elsewhere in the UK, winning less than 10% of all contracts subjected to tendering in CCT's first three phases.

Contracts that were won, tended to go to smaller operators than those dominating in England and Wales, reflecting the size of the contracts themselves. Of the eight refuse collection contracts going to private operators in the first three phases, seven were contracts with Orkney Regional Council and each one of these went to a different firm.

The other refuse contract went to L & C Wastetech Ltd, who have since been taken over by Onyx UK, owned by the French giant CGE. This leaves Onyx as the only one of the major contractors to have a contract in Scotland, although several others have been indicating a strong interest. Sitaclean Technology had bid for 6 refuse collection and street cleaning contracts by the end of March 1991, L&C Wastetech for 4. Initial, the cleaning arm of BET tendered for 8 building cleaning contracts and the Scottish branch of OCS for 3.

The only major Scottish contracts to go to a private firm in the cleaning services were 2 of Strathclyde Regional Councils 12 building cleaning contracts and Fife Regional Council's major building cleaning contract, which were won by Southdown Cleaning and Maintenance. Southdown had no history of local government work and had a turnover of only £410,000 in the year prior to bidding.

Following Southdown's victory in Strathclyde, 1400 cleaners were made redundant and wages were cut from £2.60 to £2.25 an hour. Holiday pay and sick pay were scrapped, hours cut and 14 cleaners were sacked for challenging the deterioration in working conditions.

The multinationals continue to show an interest in the Scottish market and are now targeting their bids more effectively. Onyx UK came extremely close to winning Edinburgh's refuse collection contract and FOCSA did win the refuse collection and street cleaning contract in Perth and Kinross but had to withdraw three days before the contract began, as the Company had under resourced its tender. FOCSA also came close on the Glasgow City Council refuse collection contract, the largest single contract put out by any authority in the UK. That particular contract was also of significance since it saw Sitaclean Technology involve itself in a joint venture with Lilley Ventures, a local firm which came close to winning the Council's street cleaning contract several months earlier. It will be surprising if the major private contractors do not make significant gains in Scotland during the second round of tendering.

Chapter 5

The European Context

Chapter 5: The European Context

Section 1: The Single European Market.

By the first of January 1993, the European Community (EC) aims to have removed the remaining physical, technical and fiscal barriers to trade in goods and services between its member states. This objective is dependent upon agreement being reached on a long list of 'directives' proposed by the EC's bureaucracy, the European Commission. The programme stems from a decision, made in 1985, by EC heads of government, to step up the movement towards a single European Market. This was, after all, the idea that originally inspired the Treaty of Rome from which the EC emerged (see Cecchini, 1988; Lambert, 1988; and Palmer, 1989).

The Role of Multinational companies

The policy emerged from a tangle of political and industrial interests which largely bypassed debate and criticism over everything but the technicalities of implementation. Jacques Delors, the President of the Commission, and other 'Eurocrats' were in need of a theme around which to mobilise support for an expansion of European authority. This came from Europe's major industrialists who had already benefitted from the EC's development. Over the last twenty years the top one hundred European companies have increased their share of the EC's Gross Domestic Product (GDP) from one fifth to one third (TICL, 1988). They now realised the need to take advantage of having the largest home market in the world if they were to compete effectively with Multinationals from the US and Japan. To do this, the restrictions created by national boundaries and associated technical differences within the EC would have to go. These desires were articulated informally and through semi-formal bodies such as the Round Table of European Industrialists and had a considerable impact on the content of proposals and the member states' commitment to them (Duning & Robson, 1988; Lambert, 1988; IRIM, 1985).

There seems little doubt that the inspiration behind the moves towards a single market is the defence of European capital's profitability, with only limited attention being paid to the interests of labour and the wider social consequences of the plan. As the Conservative MEP, James Elles, put it:

"In short, 1992 signals that Europe's time has come and those who are aware of the potential this represents will be tomorrow's winners. By the natural laws of competition when markets are opened up, there will be both winners and losers".

(Elles, N D)

The Single Market and the Privatisation of Public Services.

Barnes, Campbell and Pepper (1989) have argued that open competition in the public sector is a pre requisite to a 'completed internal market. The use of open tendering arrangements in the public sector sets an example to the private sector and demonstrates the economic 'benefits' of such a system, as well as providing national governments with the opportunity to demonstrate their commitment to the European ideal. This position has clear parallels in the British Government's domestic attempts to open up the public sector to competitive pressures, leading Padden (1991) to note that the Procurement Directives fit into the wider debate about contracting out and privatisation. As Elles notes:

"It (1992) is confirmation of the major policy line taken by the British Conservative Government over the past decade for privatisation and market liberalisation".

(Elles, N D)

It was noted in Chapter 4 that the major multinational cleansing contractors have already been turning their eyes towards British local government and Health Service work, made available by the Government's CCT legislation, establishing firm

operational bases and actively tendering for contracts. This led Len Turner, vice chair of the Association of London Authorities, to note that:

"1992 and the Single European Market have come early to local government".

(Forward to Digings 1989)

Yet the imposition of CCT on British local authorities and the consequent interest of European contractors in the work made available does not isolate the UK from the impact of new European public procurement legislation as outlined below.

The Public Procurement Directives

The liberalisation of European public procurement is part of the programme to create an internal market by the end of 1992. The EC Commission is keen to see competition extended to all areas of public procurement if only because it accounts for 15% of total Community spending (22% in the UK). Despite the size of the market only a tiny proportion (less than 0.114 per cent of the EC's GDP) of public contracts have been awarded to companies not based in the country of the public bodies concerned (Cecchini, 1988), and this led the EC to prioritise the area of reform.

In relation to this aim a draft directive was circulated at the end of 1989 which seeks to extend the Commission's public contracting rules to public services. When implemented, by late 1993, the Services Directive will affect all the defined activities presently subject to CCT under the Local Government Act 1988. The Directive was submitted along with others which are already agreed and which strengthen the rules on public works and supply contracts, introducing new compliance rules covering purchasing by public utilities and new rules providing a right of redress for unsatisfied contractors. The Public Services Directive will be the final part of an EC jigsaw covering all forms of public contracts for works, supplies and services.

The Directives lay down procedures for all contracts above a specified value, in the case of services 200,000 Ecu, equivalent to about £132,000. Contracts are to be advertised in the Official Journal of the EC, technical specifications are to be laid out in European standards whenever possible, time limits must be applied to the submission of tenders, selection rules and procedures must be specified in advance and must consider either price alone or a combination of factors which identify the "most economically advantages" tender, the results of the exercise must be reported in the Official Journal of the EC, and unsuccessful contractors have an additional right to know the reasons for their non selection.

The importance of the Directives to British local authorities is brought home by the fact that these requirements are only triggered where the local authority chooses to expose services to competition by tender (Cirell & Bennett, 1991). Since this practice is compulsory in the UK it is the Governments CCT legislation which forces the applications of the EC regulations.

The Impact on British Local Government

The EC Directives are motivated by very different forces to those which promoted the British CCT legislation. The Directives seek to eliminate national discrimination and to open up trade in public sector goods and services, they do not aim to improve efficiency in local government or to achieve value for money in service provision.

Although the Cecchini report does claim that:

"By not encouraging intra - EC competition the public sector pays more than it should for the goods it needs and in so doing, supports sub-optimal enterprises in the community".

(Cecchini,1988)

What the EC rules specifically avoid is any compulsion on local authorities to involve the private sector, even in a 'market testing' capacity, in the provision of their services. As the Commission puts it:

"Community procurement rules do not interfere with public authorities decisions as to buying in the market place or satisfying their needs with their own means".

(European Commission, 1990)

By contrast the UK's CCT legislation challenges the in-house provision of certain local authority services and the EC Directives ensure that that challenge is not contained within the local economy. The combined effect is to compel local authorities to 'test the market' for various services on an EC - wide scale (Pinsent & Co, 1992).

The Community rules will hit UK local authorities harder than those in other parts of Europe. As CCT is unique to Britain only British local authorities will automatically face the new regulations as they do not have the option of keeping services in-house without facing competition first. Additionally, as UK local authorities tend to be larger than on the continent, France has around 36,000 compared with under 500 in the UK, the contracts they submit for tendering will be longer and will consequently exceed the Community threshold more often and will tend to be more attractive to contractors interested in cross border tendering.

The thresholds for triggering the application of the new public procurement rules are an additional problem. As the sum of ECU 200,000 refers to the total value of a contract and not annual value as in the diminimus provisions of the Local Government Act 1988, a six year building cleaning contract with an annual value of only £22,000 would be subject to the Commissions procedures. In effect this leaves virtually no contract unaffected. Furthermore, the size of local authority DSOs in

Britain means that their own purchasing might well be subject to the regulations, imposing added administrative burdens on the DSO and authorities concerned.

In general, it is felt by UK authorities that the Directives will bring few benefits, but will be time consuming and costly to implement, particularly as the thresholds and time limits do not correspond with the UK's domestic regulations, generating further confusion and delays (AMA, 1991). It is a widely held belief that the provisions of the Directives will not attract new waves of contractors in any case (Padden, 1990). One authority has already placed over eighty notices advertising supply contracts in the Official Journal without receiving a single positive response (Burton, 1991a).

There are two areas where local authorities and trade unions have had some hope that the EC regulations might weaken the provisions of the 1988 Local Government Act. The draft Services Directive specifies that a contract must be awarded either to the lowest priced tender or to the tender which is most economically advantageous on the basis of quality, technical merit, aesthetic and functional characteristics, technical assistance and service, delivery date, delivery period or period of completion and price. However, opting for the 'most economically advantageous' alternative under the EC rules may not prove reconcilable with the factors specified in the Government CCT Circulars which are more strongly worded:

"The Secretary of State believes that a decision to reject a lower bid in favour of the DSO will be consistent with the duty of the authority to avoid restriction, distortion or prevention of competition only if it can be shown that there were sound reasons to justify rejection of the lower tender".

(DOE, 1991)

The DOE regard the CCT legislation as placing extra constraints over and above, but not in conflict with, the Community rules (Pinsent & Co, 1992) but the introduction of the ECs criteria for the 'most economically advantageous tender' could undermine

the current regulations whereby price is the principal consideration in the allocation of contracts.

The second but less hopeful area for local authorities and trade unions is in the field of contract compliance. Under EC rules an authority is permitted to ask contractors to indicate that they have taken account of the obligations relating to employment protection and working conditions applying to the works or service in preparing their tender. This wording seems to conflict with the exclusion of non-commercial considerations under the Local Government Act 1988. However, authorities are not allowed to reject a tender on account of an unsatisfactory response which rather knocks the teeth out of the provision.

The Impact on the Multinational Assault on UK Public Cleansing Services.

Two of the services, listed as defined activities under the UKs CCT legislation, which are particularly affected by the ECs draft Services Directive, are building cleaning and refuse collection. It is in these services that European based multinationals have been targetting their own activity over the past five years, using the opportunities generated by privatisation initiatives in the Health Service and local government.

Precisely because of this established involvement in the UK public sector cleansing market the EC Directives are likely to have only a limited impact upon the companies strategies. Through acquisitions, joint ventures and independent initiatives, several leading European Service Companies (See Chapter 4) have established strong operational bases in the UK and are in a position to tender for a variety of public contracts regardless of the provisions of the EC Public Procurement Directives (Padden, 1991). However, use may be made of the ECs enforcement procedures where contractors feel agrieved about the methods used and decisions of individual authorities in the tendering process.

The Social Charter.

There is no doubting that the EC Directives, culminating in the completion of the Single Market, will lead to considerable re organisation within the European economy and will have a profound impact on the regions labour force (Cecchini, 1988; Emerson, 1988; Lambert, 1988; TUC, 1989). As Emerson notes:

"Adjustment to new conditions gives rise to major costs The restructuring of the productive system, the shift of employment to other areas, the mobility and retraining of labour and the regional distributive effects are all aspects which make the adjustment to new market conditions costly in social and political terms".

(Emerson et al, 1988)

Furthermore, it is more than likely that the changes made by Europes leading industrialists will be in favour of the interests of capital at labour expence. Cecchini outlined the potential for such a development in his report on the economic and employment implications of creating a Single European Market:

"EC integration gives management a supply - side shock - a market sent opportunity to promote new ways of organising work".

(Cecchini, 1988)

It was this situation which led eleven of the twelve Member States of the European Community to adopt the 'Community Charter of Fundamental Social Rights' (EC, 1989a) at Strasbourg in December 1989. The Charter lays out certain standards to be applied to labour in Europe, on aspects such as freedom of movement, jobs and pay, living and working conditions, social protection, freedom of association, training, equal opportunities, information and participation, health and safety and treatment of the young, elderly and disabled.

At the European Summit in Maastricht in December 1991 political wrangling led to the decision to drop these social issues from the union treaty. The eleven Member States other than Britain agreed to adopt a 'protocol on social policy', which includes most of the provisions of the social charter and is now binding on them alone.

However, this did not set aside the existing Treaty provisions on social policy, already legislated upon on the basis of majority voting. Where EC rules allow for majority voting any legislation agreed is binding on all twelve Member States. This category includes all health and safety law and, if the Commission gets its way, regulations on working time, training, the treatment of subcontractors abroad and some aspects of part-time work. Such provisions would have some effect on workers employed in the public cleansing industry, but without an all embracing charter for workers rights, enshrined in EC law, such as the draft Vredling Directive, dropped due to multinational corporate pressure (see Barnouin, 1986; Gold, 1986) the prospects are bleak. In this respect the fact that the social element in the ECs Public Service Directive is so limited is not insignificant.

The isolation of Britain, in its opposition to a social element within the Internal Market, does suggest that there might be some movement on the Government's part as time goes on. Certainly a change of government would result in an immediate reversal of policy, but even without that situation emerging the existence of more extensive provisions for workers protection in all the other Member States, might encourage moves towards harmonisation, particularly if multinational companies begin to adopt single employment practices across the Community.

Section 2: The Privatisation of Local Government Cleansing Services in the European Community.

The structure of local government in Europe is very varied, with most countries having a regional tier of government beyond the local authority system which prevails in Britain. However, it is normally the localised level of government which has responsibility for cleansing services. In practice, the size of authorities on the continent often demands that several join together in order to provide these functions.

More significantly, there is nothing unusual or controversial about the contracting out of public services in other European countries. There is a far more deep seated tradition of privatisation amongst continental local authorities who rarely have access to large scale direct service organisations of their own.

The extent of privatisation tends to vary across the Community and has developed in an inconsistent fashion, moving in ebbs and flows as local conditions have dictated. The key factor in this pattern of development has been the compulsory nature of competitive tendering elsewhere in Europe, and the widespread practice of awarding contracts on the basis of the most economically advantageous tender rather than which is the cheapest.

Digings (1991) provides a detailed account of the nature of tendering procedures in the different member states of the EC with an indication of the extent of privatisation. Some of these observations are summarised below.

Germany

In Germany whilst there is a potential preference for the privatisation of local authority services on the part of the federal government, the policy is not actively

promoted. However, privatisation is on the increase and cleansing services such as refuse collection, street cleansing and building cleaning are commonly put out tender. As much as 75% of the countries refuse services are privatised. The smaller the local authority the more likely it is to use private contractors in the provision of services.

Whilst the contracting out of council functions is quite common in Germany the companies doing the work tend to be locally based and modest in size. The multinationals identified in Chapter 4 have not established a significant presence.

France

The testing of local authority services against the market is neither compulsory, nor encouraged by central government in France. The small scale and rural nature of many local authorities has led them to involve the private sector in the provision of many services though. This has increasingly been the case since 1975, when the provision of a weekly refuse collection service became compulsory for the first time. For many municipalities with limited resources there was no option but to turn to the private sector and today around 60% of all domestic refuse collection is privatised.

▼

This was not the practice in the larger towns and cities until more recently, when during the 1980s the City of Paris began to contract out its cleansing services (this development is described in more detail in the case study in Section 3 below).

The private provision of public cleansing services in France is dominated by three large conglomerates, Compagnie Générale des Eaux, Lyonnaise des Eaux - Dumez and Bouygues SA, through their respective subsidiaries CGEA, SITA and Saur (see Company Profiles in Chapter 4).

Italy

Italy retains an extensive municipal enterprise system which in many large cities takes care of everything from electricity and gas supply to milk distribution, but major privatisation initiatives have still emerged in Rome and Naples. Corruption and organised crime have provided the main obstacles to contracting out in these cities but in smaller rural authorities private provision of refuse collection and other services is commonplace.

Multinational operators such as Waste Management Inc, BFI, Lyonnaise des Eaux and CGE are now building a substantial presence in the country. Particularly in the industrialised North and this is placing heavy competitive pressures on smaller local firms.

Spain

In Spain there is a long history of co-operation between local authorities and private contractors. The smaller Spanish municipalities, like others in Europe, have always relied on private operators or joint arrangements to fulfil their responsibilities, but even the cities of Madrid, Barcelona and Seville began contracting out as far back as the 1920s and '30s.

Also the transition from dictatorship under General Franco, to democracy in 1977, brought a rapid expansion of public services which could only be provided at short notice by private operators.

The market is dominated by very large domestic companies with a base in the construction industry who built a relationship with local authorities through their public works contracts. These companies include FOCSA (see Chapter 4) which

claims to have a 70% share of the Spanish cleansing market, although this is probably over ambitious.

CGE, Lyonnaise des Eaux - Dumez and Waste Management Inc all have significant interests of their own in Spain, built up through a mixture of acquisitions and joint ventures. About one hundred municipalities are served by the subsidiaries of these companies, with CGE companies collecting refuse from around two million people.

The Netherlands

In the Netherlands there is a strong ideological commitment to privatisation. This is a part of a strategy to reduce public spending and the number of public sector employees. Consequently, the privatisation of local services is widespread and has been further induced with the squeezing of local authority finances, which has encouraged the search for cost cutting measures. Around seventy five per cent of municipalities have considered privatisation measures and over forty per cent have contracted out their building cleaning services. A similar proportion use private operators to provide refuse services although this is a much more established practice, often used by the smaller authorities. Councils of both the left and right have employed these measures despite the lack of compulsion, which reflects the genuine financial pressures that have been brought to bear.

The market is not concentrated but is shared out among around thirty firms who tend to serve one authority each. Local firms compete against the American multinationals, WMI and BFI (see Chapter 4) whose European headquarters is situated in the Netherlands.

Belgium

Contracting out of services such as refuse collection is commonplace in Belgium despite the lack of compulsion or even the advocacy of privatisation measures from the central government. Some cities such as Ghent and Antwerp rely heavily on direct services but other like Liège have made significant movements towards private provision, awarding a ten year refuse contract to a transnational joint venture between Cocherill - Sambre from Belgium and Lyonnaise des Eaux - Dumez of France.

Denmark

Direct service has been the traditional form of provision for municipal functions in Denmark although cleansing services, amongst others, have recently come under the threat of privatisation. The Government has been encouraging councils to look at the potential for contracting out in their authorities and has listed the services it sees as suitable, including all the cleansing functions. In total, around fifteen per cent of public cleansing is contracted out in Denmark.

Cleansing in Denmark is dominated by the giant cleaning multinational ISS Servisystem which has around fifty per cent of the total cleaning market. Waste Management has registered its interest in refuse collection though and now has a Danish subsidiary providing refuse services for several small towns.

Others

In Greece, Portugal, Ireland and Luxembourg whilst there is some private provision of small council building and maintenance work, cleansing services such as refuse collection and building cleaning are largely provided by direct labour. There is a

greater private sector presence in the smaller authorities of Greece and Portugal and there has been some experimentation with contracting out in Ireland, but the scale of these operations is limited.

So there was already significant scope for the development of private cleansing contractors' European markets before the UK embarked on its CCT initiative, and whilst the flow of cross border tendering in Europe has been limited the level of activity in general has been significant. As Digings notes:

"Europe is already a Single Market in most public services. The dismantling of any remaining restrictions may make internationalisation simpler, but the process is well underway already".

(Digings, 1991)

Section 3: Industrial Relations in the European Cleaning Industry

The history of privatisation in Europe and the associated activity of the multinational contractors now sweeping in on the UK public cleansing market provides an opportunity for us to review the industrial relations position as it has developed across Europe.

Summaries of the nature of employment in the cleansing industry in Spain and Belgium will be followed by a detailed case study of public cleansing and the impact of privatisation on trade union and workers rights in France.

Industrial Relations in Spanish Contract Cleaning

The basic system of industrial relations in Spain is a democratised version of the one inherited from the Franco era. Minimum wages and conditions are established in the

private sector by the 'Convenios' (Conventions). These are bodies in which employers and workers representatives negotiate and set legally binding minimum for their industry. Employers are represented by their Association and workers by the unions in proportion to the votes each received in elections to the statutory workplace committees. Workplace committees negotiate at the level of the enterprise with the aim of ensuring implementation of the Convenio and obtaining top up agreements at local level.

Within the cleansing industry Convenios are made at the level of the Province, which is usually a large urban area. The Convenios tend to represent only around fifty per cent of employers due to heavy non membership of trade associations by 'cowboy' operators. The workforce is represented by two trade unions, the socialist UGT (Union General de Trabajo) and the communist CCOO (Comissioner Obreas). Both suffer from Spains low union membership rates although their influence goes well beyond the 15 - 20 per cent who do join. The CCOO tends to be the dominant union within the cleaning industry.

Despite this formalistic structure, which allows for union representation, one of the major problems in the industry is ensuring the implementation of Covenio clauses allowing for union activity. The main private contractor, FOCSA, is a unionised company though and has signed a collective agreement with the General Union of the CCOO which covers the full range of public cleansing services.

Public cleansing is completely privatised in Spain and contractors have a highly co-operative relationship with local authorities whether they be to the right or left politically. The unions still formally oppose the arrangement and the ending of contracting in favour of direct employment of cleaners remains a basic objective, although it is not perceived as being realisable. With this assessment in mind the unions have won the right for cleaners to remain in their jobs when a contract is won

by another contractor. So when a company wins a new contract, responsibility for the existing workforce comes with it. This is not as satisfactory as securing direct employment but it does provide the employees with some security and the union with a stable workforce around which to organise.

Conditions of employment in the Spanish cleaning industry are not good, a European Federation of Cleaning Industries report on the cleaning industry in Europe found that the minimum wage in the Spanish cleaning industry in 1989 was ninth placed out of ten European countries at only 3.33 ECU per hour, (although this was higher than Spains national minimum wage of 2.29 ECU per hour [EFCI, 1990]).

There has been pressure to lower conditions in recent years from multinationals such as Pritchards, now owned by BET. Landor (1986) notes Pritchard's determination to raise profits and break union organisation by:

- " -imposing tighter work discipline*
- reducing the power of workplace committees*
- buying off leading union members*
- cutting the workforce*
- cutting lower paid casual staff during peak periods".*

(Landor, 1986)

Whilst workers have shown a willingness to resist these pressures, it is becoming an increasingly difficult struggle with the increased presence of multinationals from France and the United States who have ideas of their own about the organisation of work.

Industrial Relations in the Belgian Cleaning Industry.

Conditions in the cleaning industry in Belgium are determined by a national Collective Agreement arrived at following negotiations between government,

employers and unions. The unions are represented by the two main federations, the FGTB (Federation Generale des Travailleurs en Belgique) and the CSC (Centrale des Syndicats Chretiens) who both organise cleaners in the public and private sectors. This Agreement tends to have some authority with the larger companies but as there is no effective shop steward organisation in Belgium smaller companies tend to ignore it.

Union membership rates amongst cleaners are between fifty and sixty per cent, which seems reasonably high but is in fact well below the national average of eighty five per cent, so high because of certain bonuses, known as the thirteenth month, paid by the union. The unionisation of cleaners is relatively low due to the predominance of migrant workers in the industry who come from countries where union membership results in persecution and who are untrained in literacy skills and trade union consciousness (Landor, 1986).

The cleaning of public buildings has been largely contracted out in Belgium and the process is now spreading to other services. The unions are formally opposed to this development but have not managed to fight it successfully and are increasingly resigned to a rearguard defence of workers conditions.

The industry is dominated by foreign multinationals such as Censtobel, owned by the Dutch services group Vendex, ISS Servisystem (see chapter 4) and Temco Service Industries of the USA. As in the UK the smaller companies are being swallowed up by giant international corporations attempting to monopolise the market. This has resulted in ingenious methods of improving profitability in the Censtobel has a ingenious methods of improving profitability at the expense of the workforce. A union representative in the Censtobel subsidiary of Vendex explained:

"Censtobel has a Commercial Service which estimates the cost of each contract by measuring the area to be cleaned and calculating how many hours per day it will take to clean. For example One hundred workers doing three hours a day each. After about six months or a year, twenty of the cleaners are sacked. The remaining cleaners have to work 20% harder to fill the gap. The price remains the same for the client The company is then paying twenty less salaries and the remaining workers do not earn more".

(Landor, 1986)

The Director of the Company put it another way:

"After a number of years it is possible to clean the same premises in two thirds of the man hours. This is made possible by better chemical products and machinery. In the long term we intend to buy more robots".

(Landor, 1986)

The conclusion is the same, that workers will lose their jobs in the pursuit of enhanced profitability.

Productivity is also raised on the basis of work studies checking up on employees effort levels, increased specialisation and the lowering of standards. As the Censtobel Director put it:

"We have also changed the way we clean. Thirty years ago everything was cleaned Now we only clean the bits that look dirty".

(Landor, 1986)

Temco Service Industries took this a stage further with its offer to cut clients costs by using the company's "visible cleaning" programme, which literally meant cleaning the bits you can see.

It is not only jobs and standards that have come under attack though, hours have reduced, meal breaks denied, workers employed on trial without pay, migrant

workers not paid for the work they have done, workers sacked for being pregnant and victimisation of trade unionists.

There are particular problems for the migrant workers that make up the bulk of Belgium's cleaning workforce associated with their lack of knowledge of their own rights. Workers are often sacked after sickness and are told to sign voluntary declaration of redundancy forms without knowledge of what they are signing. The number of hours they work is often filled in after a contract is signed along with other malpractices. The workers form a pool of cheap labour which is easily abused and from which replacements can readily be drawn.

The problems are worsened by the fact that most sites do not have a union representative and full time officers are often tied to their office, leaving no contact between the workforce and union. Even the employer is rarely seen by the employees, leaving them open to abuse by 'cowboy' and multinational operators alike.

In Belgium the demand for a return to in-house labour is not a viable solution due to institutionalised racism. Migrant workers cannot be employed in Belgium's public services, so to take the services in-house would result in the migrant employees being thrown out of work. Public services wanting to tap the cheap migrant labour are consequently forced to contract out the work, re emphasising how cost benefits are achieved at the expense of public service workers.

Case Study: Privatisation, Workers Rights and Multinational Strategies in French Public Cleaning.

Introduction

This case study provides a description of how the privatisation of local cleansing services has developed in France. The reasons for its growth, the major contractors approach to the resulting opportunities and the impact on trade union organisation and workers conditions are all analysed. There is an emphasis on Paris in the study since this is where the research was largely conducted.

Information has been drawn principally from interviews with trade union officers, shop stewards and company managers conducted during September and October 1991. A full list of those interviewed is noted in Appendix 2. Written data and information was also obtained from union and company documents and from other sources as cited in the text.

Local Government and Public Service Provision in France

France has traditionally been fairly centralised in its administrative functions. The importance of local authorities has only become significant in the post war period and particularly over the past twenty five years. Following the fall of the Paris Commune in 1871, Paris did not elect its own mayor again until 1977, between which time the City was governed by the French state.

France now has an extensive system of regional and local government which comprises 22 regions, 96 metropolitan departments and over 36,000 municipalities or communes. The municipalities themselves are relatively small, rarely having more

than 2000 residents and they often group together in and around cities as *communautes urbaines* (urban communities) or districts, in order to provide certain services. The city of Paris, excluding its suburban hinterland, is a metropolitan department in its own right with twenty individual *arrondissements* (administrative districts or boroughs).

The municipalities have tended to have responsibility for the provision of basic public services such as urban cleansing and have always had the freedom to choose how to deliver those services, whether directly or through the employment of private contractors. The small scale of most authorities has resulted in a high rate of involvement of the private sector in the more technically based services, particularly refuse collection as the regular provision of this service was only made compulsory in 1975.

It is also perfectly normal for municipalities to combine together to provide services in all regions of France and there are many thousands of *sydicats spécialisés* (specialised associations), providing a single service for several authorities and several thousand other *sydicats mixtes* (mixed associations) and *SIVOM* providing multiple services.

Up to eighty per cent of domestic refuse collection services are now provided by private contractors and the voluntary contracting out of other services is now spreading rapidly. Political considerations have rarely been the motivation behind this development, although the privatisation of services in Paris did not conform to this trend and the political complexion of authorities does seem to affect which contractors are favoured in the allocation of contracts.

The procedures for public contracting in France are codified in the *Code des Marchés Publics* (CAP) (1989). This is a five volume collation of legal matters relating to

public procurement, Book III of which is concerned with local government. The CMP was used as the basis for EC legislation on public procurement and consequently there are few variations in the procedural arrangements established by the European Commission and the French authorities.

The Cleansing Contractors

There are three companies in France which dominate the market for local authority cleansing services. Compagnie Générale des Eaux (CGE), Lyonnaise des Eaux-Dumez (LdE) and Bouygues. Each of these enterprises has been profiled in Chapter 4 but it is worth noting some further details about their French operations and strategies.

CGE and LdE, operating through their cleansing divisions CGEA and SITA, are the market leaders with well over one hundred local authority contracts each for refuse collection and street cleansing services. The construction group Bouygues, which only moved into public cleansing in 1985 through its environmental services arm, Saur, is catching up fast, having already established a market share of around twenty per cent.

All of these companies are involved in a vast range of activities aside from cleansing services and consequently co-ordinated strategies have been adopted to expand their public sector presence in a variety of functions.

Jacques Delattre, who is responsible for organisation and privatisation issues in the Federation CGT des Services Publics, argues that the ability to deal with all of a town's service problems, enables contractors to charge a mark up on the cost of providing services. He explains:

"As towns face financial difficulties they see the companies as bringing in fresh money, including areas which have nothing to do with the public service such as financing cable TV, new metro etc. Of course these areas are profitable but only in the long run. The town needs quick money but the companies require some quick profits to offset the expenditure on long term projects. So it is almost compulsory for the towns to give companies profit immediately in some areas to satisfy their demands. These areas include refuse collection, cleansing and water distribution".

Dominique Geoffray, a LdE manager in Paris sees no problem with this approach. He believes that all three of the major companies have the same strategy and explains that:

"If a local authority wants to privatise one of its services, all three companies will be able to provide it, so each company will ask the mayor what is his big priority, whether it be a sports complex, a new school, a cultural facility, a big crossroads or whether it is he wants to improve the local environment. In exchange for being offered the contract you will pay cash for the other investment which he wants, which will have nothing to do with the services you are contracting for".

The extent to which this strategy can be applied, depends on the will of the authority mayor. In some cases the mayor wants to avoid problems and so contracts all of his services with one company but in others there is a fear of dependency on one company and responsibility is shared between contractors or with the authority itself.

The crucial factor for the companies is to secure contracts when they first become available to the private sector, as this appears to be the only point when competition is evident. Digings (1989) notes how contractors and local authorities collaborate closely on the management of any investment in public cleansing services and Dominique Geoffray confirmed this approach:

"After a contract is won, in the future we negotiate with the mayor to keep it. He may want some small changes in the service or he may want funding for a major urban project, so we will give it provided the scheme is going to be there long enough to get a return. If we were

not to co-operate then the mayor might refuse to negotiate on the renewal of other contracts. He can threaten you with competitive tendering which is otherwise not compulsory in France".

"In all cases we tend to arrive at a good compromise with mayors once we have established our credentials on a contract".

This explains the companies willingness to put up with initial losses on their cleansing contracts and to cross subsidise. As Lde's Monsieur Auclaire put it:

"sometimes the return of equity is calculated not only on the term of one contract but across two or three contracts. It is better for everybody to have each contract equilibrated but sometimes, in accordance with local needs, it is possible to equilibrate across several contracts".

The CGT's Jacques Delattre argues that since this collaborative approach is the main strategy of the companies it will be applied globally and Dominique Geoffroy gives support to that position stating that:

"We would like the same co-operative approach in the UK, but we must first prove we can improve services so people realise we are good partners technically, that we are financially strong and that we have good relations with our clients. The second time around it is then easier for us to win contracts for our services".

Each of the companies in question aims to be able to deal with all of a municipal authorities problems, from burial services to public works contracts and so they all have a series of subsidiary companies dealing with each of these activities which act independently but are still part of a wider corporate strategy. Even within a particular activity though, there can still be a variety of companies trading. For example the SITA group, which is the cleansing division of LdE, has itself got thirty four subsidiaries, which Jacques Delattre claims compete against one another for local authority contracts. Monsieur Auclaire of LdE argues that the system of subsidiaries is only used so that the company is adapted towards each local market where it operates. He points out that there tends to be only one company operating in

each area and where this is not so, the companies do not generally compete with one another.

This practice of dividing the market up between Group subsidiaries, seems to have been taken a stage further in some areas with the sharing out of contracts between the different groups. The President of LdE, Jerome Monod, is an ex-General Secretary of the RPR, the French party of the Right, and there is certainly a tendency for the company to win contracts with authorities controlled by the RPR. Conversely Socialist and Communist authorities tend to favour CGEA, although both companies will work with authorities of any political make up (Dingings, 1989)

In Paris the division is clearest, with CGE controlling contracts for virtually all activities on the South bank of the Seine and LdE doing likewise in the North. This follows the allocation of twenty five year water distribution contracts on that same basis in 1985, giving each company a virtually impregnable operational base, although Saur have been establishing a presence in the South West of the City.

Privatisation of Cleansing Services and the Impact on Working Conditions.

In most French towns and cities cleansing services are provided entirely by the private sector or by an in-house labour force, but dependance upon private operators has accelerated dramatically in services such as refuse collection over the past fifteen years. Guy Yesle, General Secretary of the GGT's refuse collection branches says that French local authorities argued that they could not afford the necessary modernisation of their services operations but that the multinational contractors could. He says that they used this as an excuse for privatisation.

Where public services have been modernised Guy Yesle claims that they provide a healthy and efficient service. In contrast, the private sector's pursuit of profits means inadequate resources are applied to contracts. He points out that:

"You have three dustmen to a truck with the local authorities but only two men to a truck in the private sector. Where a man collects ten tonnes of rubbish in the public sector he must collect twenty tonnes in the private sector".

Landor (1986) quotes a Tunisian working as a cleaner in the University of Jussieu in Paris who confirms this trend:

"If you are cleaning a building belonging to an organisation it is better that they employ you. It is not that the money is better because that is based on the minimum wage. But you have to work much harder if you are working for a contractor. A study was done at the University and they found that you had to work three times harder for a contractor than you did if you were employed directly on a full staff of cleaners".

(Landor, 1986)

Jacques Delattre argues that the contractors pursuit of profits from public services is always achieved on the back of its employees and the residents it serves, he says:

"There is no example of a private company collecting [refuse] at a lower cost than the public service. Even if during the first six months they operate with a lower cost to the market, very quickly the reality of the cost appears and working conditions are reduced".

This has become much more of a problem since a change of law 122 - 12, in 1985, which had required contractors to take on the in-house workforce who were generally well organised. Now contractors can bring in new workers and can employ them on different terms and conditions, creating insecurity and undermining trade union solidarity and organisation. Workers who are re employed lose all their rights to benefits built up through long service such as seniority, holiday pay and bonuses.

Changes in the organisation of work have not made the situation any better. In the private sector refuse collection is organised on a 'job and finish' basis which encourages the workforce to hurry the work in order to get finished early. Whilst this practice has been widely used in the public sector in Britain and is generally popular with workers, it does have clear implications for safety and quality issues which require additional monitoring. Aside from these problems British refuse workers will have sympathy with Guy Yesles claim that the speed with which work is completed under a 'job and finish' system encourages management to allocate additional work to the refuse gangs, often cutting the number of employees in the process.

In contrast to the attractiveness of an early finish for refuse workers, contractors in the cleansing services are increasingly moving towards the introduction of night time working. This will enable a more efficient use of equipment which will be employed 24 hours a day and can be justified in the public mind with claims that it will reduce Paris' enormous traffic problem. The CGT is opposed to this development since as Daniel Gavard, a CGT shop steward argues:

"It is worse for a man's health to work at night and the maintainance of safety is far more difficult, since it is dark and cars move much faster at night so there would be more accidents".

The concern for health and safety is a legitimate one for a man who has worked for a private contractor for twenty five years and never known one of his workmates reach the age of retirement with his company. He says that:

"All have died before they could retire or were not able to work for five or ten years prior to the statutory age of retirement due to the bad working conditions".

Trade Union Organisation and Migrant Workers

The two unions which organise cleaning workers are the CFDT (Confederation Francaise Democratique du Travail) and the CGT (Confederation Générale de Travail). Both of these organisations are confederations of separate unions and cleaners are organised in appropriate sections such as the Syndicat des Services Publics in the CFDT and the Fédération des Services Publics in the CGT. The CGT's members in the private sector are now concentrated in the union's transport section, the Fédération nationale des Syndicats de transport while CFDT's members are more scattered across the different associations.

The biggest problem that the French trade union movement faces is falling membership levels. The CGT has only 500,000 compared to three million fifteen years ago. The effect of privatisation has been to worsen this situation. Guy Yesle estimates that the CGT has a membership of only seven hundred workers in the private cleansing sector, less than one per cent of the workforce. The CFDT is in an even weaker position with around two hundred members. Old ties and solidarities have been broken up with the redefinition of job titles and the farming out of work.

Private contractors have further undermined union organisation and solidarity by employing very large numbers of immigrant workers. Jacques Delattre claims that migrant workers are deliberately employed to break national collective agreements and existing terms and conditions. These workers are under permanent threat due to the prevailing racist atmosphere in France and receive only the bare minimum of conditions and rights as guaranteed under the country's social code. They are blamed for unemployment and other problems in France and the insecurity this generates is used to exploit them. Although the Code Penal (Penal Code) provides a framework for fining employers who refuse to employ or sack someone on the grounds of ethnic origin (Digings N.D.). Daniel Gavard of the CGT points out that it is hard for the migrants to protect themselves from this abuse since many have language and literacy difficulties and are in any case delighted to have a job of any nature when they first

arrive in France. He argues that it takes time for the workers to develop a political and trade union consciousness.

The CGT has tried to recruit migrant workers within the cleansing sector and does represent them through their shop stewards, but no specialised recruitment strategies have been devised which target this group of workers and no attempts have been made to establish educational programmes which might overcome the unions difficulties in this area. This might be related to the fact that the proportions of immigrant workers employed in the industry are falling rapidly. Whilst up to ninety per cent of cleansing workers in Paris were once immigrants, the proportion has dropped to around fifty as the pressures of unemployment have forced young white workers to accept less attractive jobs.

There is a certain amount of resignation amongst union officers to the low levels of membership in the cleansing sector. Alain Dubourg, General Secretary of the Air France section of the CGT's Transport Federation argues that the only way around the problem is to 'talk, talk and talk' which he accepts is not a very efficient method of recruitment, but the union is in decline, facing hostile employers in an industry which is increasingly privatised.

Fortunately for the trade unions their influence amongst cleaners goes well beyond their levels of membership, and workers voting in the elections for shop stewards consistently return trade union representatives, with the CGT predominant. The CGT generally wins around fifty per cent of the vote in the elections, for shop stewards and in elections to the *Comites d'Enterprises* (Company Councils), with the CFDT and Christian FO (Force Ouvriere) splitting the other fifty per cent.

The unions have an undeniable influence amongst cleaning workers and whilst that influence is generally applied at a local level and on individual contracts, their

pressure has managed to secure national collective agreements for workers in the industry. In 1981, after 15 years of struggle, the Convention Collective des Locaux was signed which guarantees minimum working conditions for 20,000 largely unorganised office cleaners.

However, local pressures mean that wages and conditions vary enormously across jobs and between regions in the industry. French dustmen employed directly, outside of Paris have the same minimum salary of around FF 6,000 per month but this is topped up by a variety of local bonuses. In the private sector conditions fluctuate wildly from one company to another due to the influence of different collective agreements. Within companies such as SITA and CGEA there can be further variations due to the complex pattern of subsidiaries that exists.

It is virtually impossible for the unions to alter this uncoordinated pattern, since, as Jacques Delattre explains:

"there is a difficulty in making people understand that wherever they are they have a common interest. A cleaning worker on the Metro will not consider himself to be in the same situation as a dustman in the private sector".

"It is even difficult for us to make a dustman from another part of France see that he has a common interest with a dustman from Paris. People identify themselves with their own town and even their own mayor despite him being their boss."

Whilst many of these difficulties would be eased by a return to the in-house provision of cleansing services the unions see no prospect of this happening. Guy Yeslte put it in no uncertain terms:

"The unions' fight against privatisation is unwinnable. It cannot be prevented".

Jacques Delattre explained that whilst the CGT sees privatisation as a 'robbery of public goods' the multinationals have real support at a government level and in many town halls, so if anything, the movement towards private provision is likely to spread further. Resistance has prevented the complete privatisation of public cleansing services but this does not open the door to bringing refuse collection services back in-house although this does remain the CGTs stated aim.

So the unions have concentrate on other issues such as ensuring good public services are provided, where workers have time to do the job. This means an opposition to the 'job and finish' system, resistance to movements towards 24 hour cleaning and traditional union activity aimed at protecting the workers wages and conditions.

The Privatisation of Cleansing Services in Paris

The Privatisation Programme

Private companies have been involved in the provision of refuse collection services in Paris since the 1920s but privatisation policies have only been actively promoted since the election of Jacques Chirac to the Mayor's office in 1977.

Chirac faced major industrial action from the City's cleansing operatives in 1979, which lasted for 2 months and forced him to request the assistance of the army to clean the city up. This experience demonstrated the strength of the unions in Paris and encouraged Chirac to seek curbs on their power. One way to break their grip was to split up the cleansing services where they were strongest.

A strategy was developed to reorganise cleansing in Paris which included a progressive privatisation programme. Up to this point the private sector's only

contribution to the City's cleansing service had been to provide the drivers for the refuse trucks. Now private contractors were to be invited to manage and staff the entire refuse service for 6 of the 20 Paris Arrondissements with similarly organised public services in the other districts. The proportion of work held by the private sector has been gradually increased since then, up to its present level of around 50%.

The privatisation programme was accompanied by a massive modernisation initiative, with dustbins being replaced by 'wheelie bins' and mechanised lifting equipment and the introduction of various other new street and pavement cleaning vehicles and machinery (see Diggins, 1989). This revolution in cleansing methods was accomplished in close co-operation with the private contractors, CGEA and SITA, who have shared the costs of investment on the basis outlined above.

There is no question that the reorganisation has resulted in a dramatic improvement in cleansing standards in the City but this is due more to the enormous increase in resources applied to the problem than to any revolution in management techniques. Paris spends £68 per resident per annum on public cleansing compared to £17 in London (Barlow, 1990). Yet the apparent success of this investment has led to the extension of the privatisation programme to a range of other services such as central heating, water distribution, waste incineration, coffin building, catering and house building. Since CGE and LDE provide each of these services they have naturally benefitted from the policy and have established a virtually unshakeable and highly lucrative oligopoly in the Parisien public service market.

Jean Louis Machecourt, General Secretary of the Syndicate CGT du Nettoyement de Paris (Paris public sector cleaners union) argues that there was not even any competitive process involved in the privatisation of the refuse collection service. Prior to privatisation CGEA provided 25% of the City's refuse truck drivers and

SITA 50%, and these companies gained the same proportions of the refuse contracts when privatised. He says:

"There was no competition, the choice was made beforehand with SITA getting the same two thirds share. Although 'officially' there was competition".

The Impact on Workers Terms and Conditions

The contractors were first introduced in 1982 to break a strike by cleansing workers who were resisting the City's reorganisation plans. They were successful in that objective and have enjoyed the benefits of helping to force new conditions on the workforce ever since. The City had been worsening the cleaners terms of employment in order to make the service more commercial in a blatant preparation for privatisation. Francis Combaud, a CFDT shop steward says that:

"It became obvious they were going to privatise, they introduced 2 new shifts and then threatened to move over to night shifts to make the service more competitive

The first offer was to work from 6 pm to midnight, over 5 days, but this only made 30 hours so they decided we also had to work Saturdays

Previously workers worked 5 days one week, 4 days on the second and only 3 days on the third week so the new schedule meant a big increase in the number of days worked. The unions naturally refused the offer and negotiations continued for 8 months, at which point the Administration agreed that the offer was unacceptable and so decided to privatise the service instead".

Combaud points to the fact that services have been split up into smaller sections which has dispersed workers and broken down the solidarity that had existed. Rather than all being cleansing operatives some workers now collect refuse and others are known as technicians or cleaners, earning different salaries. Only the dustmen in the

public service have managed to remain undivided and retain their wage rates. They have a special status in France which gives them an extra FF 1100 per month over and above the rates agreed in the Convention Collective (TACAP) along with a series of other benefits such as a 38.5 hour week and retirement at 55 for drivers and 60 for loaders.

In the private sector workers work a 6 day week of 5 hours a day which results in a considerable wages shortfall of about FF 1500 per month compared with the public service. SITA employees are covered by a collective agreement dating from 1966 which offers very favourable conditions, 26 days leave with additional allowances for marriages, births and deaths, enhanced sickness benefits and early retirement. However, the Agreement has never been updated and SITA has increasingly shifted work to its subsidiaries such as SPEED in order to bypass it.

The mechanisation of services has resulted in 3 man collection teams being replaced by 2 man teams and the need to get the most out of the machinery means that shifts are being worked virtually around the clock, forcing employees to work increasingly unsocial hours. The heavy investment in additional cleansing services in Paris has ensured that most workers have been kept in employment though, and the overall cleansing workforce across the public and private sector has remained fairly constant at around 10,000.

The 1990 Public Refuse Service Dispute

Despite the declining conditions of employment of cleansing workers Jean Louis Machecourt insists that the public service is cheaper than the private one. In 1990 the refuse service was 57% run by the public sector and 43% by the private sector and yet the public service accounted for only 40% of the cost. This was used as the basis for a pay claim in 1990. The demand was for an increase of FF 1500 per

month, justified by arguing that if all the work done by the private sector was brought back in - house, it would save Paris FF 23 million per annum.

The CGT led the demands for the pay rise after over two hundred discussion meetings and a final decision at a mass meeting attended by 1200 workers. After several days the movement was joined by the other trade unions and a degree of unity was achieved. This was the first time such a situation had existed since parts of the service had been privatised. This non - existence of a collective agreement for most private sector workers, before 1990, meant that they were often used to break strikes, collecting their own loads at night and the strikers by day. During the strike in activists and private sector workers refused to collect the public service workers refuse.

There were disputes about strategy, with CFDT asking for a much more modest increase based upon a percentage rise, but this was rejected by the workforce who held out for twenty four days in an increasingly bitter dispute, which involved strike breaking trucks from cities with administrations sympathetic to Chirars' politics, private contractors from outside of Paris and retaliatory attacks upon refuse trucks by the strikers. In the end of the workers settled for a rise of FF 150 per month.

Whilst the unions achieved a degree of co-ordination in this strike not seen since the introduction of private contractors, clear divisions of attitude remain. Jean Louis Machecourt points out that refuse collectors are organised in three different CGT organisations, for the City of Paris, for LdE and for CGE and in four different union federations, which does not ease the path to unity. Jean Pasquier, a CFDT shop steward adds that since his union is the minority one there is a feeling that it must address issues in its own way so that it is dominated by the CGT and retains a voice. This encourages the disunity and widens the gulf between the two union federations.

The Lessons of Paris

There are clear distinctions between the experience of the privatisation of public cleansing services in the U.K. and in France and the rest of Europe. Not least the fact that a competitive process is compulsory in Britain and that in-house service organisations regularly participate in that process. However, the experience of public cleansing workers employed by private contractors and the hostility shown towards trade union organisation in the companies who are providing the main competition to DSO's in Britain is not something that British local authority workers, or their trade union representatives, will welcome.

In the following Chapter a series of case studies, on the impact of CCT in various British local authorities, will provide a clearer picture of whether this experience is being or will be repeated in the U.K.

Chapter 6

The Impact of CCT on Local Authority Cleansing Workers and Trade Union Organisation: The Case Studies.

Chapter 6: The Impact of CCT on Local Authority Cleansing Workers and Trade Union Organisation. The Case Studies.

Section 1: Introduction and Methodology

The following chapter consists of a series of case studies relating to the introduction of CCT into the provision of UK local government cleansing services. The studies aim to illuminate the approach adopted by local authorities and trade unions towards the CT process and the outcomes of it, in terms of workers jobs and conditions and levels of trade union organisation and influence.

This predominantly qualitative style of research was adopted for a variety of reasons. The use of case studies enables us to gain an indepth appreciation of the impact of CCT as it has unfolded in different local authorities. Different pressures such as local political conditions, industrial traditions and other subjective influences have provided varying environments and experiences which would not have come out in a structured quantitative survey. By engaging in first hand fieldwork activity it was possible to get a feel for the research in question and then develop it to maximum effect, identifying the sources of high quality material and presenting the information in an undistorted fashion (see Dean, Eichhorn and Dean, 1969).

Attempts were made to support the results with quantitative research methods, involving the use of a coded questionnaire to be distributed amongst trade union area officers, but this approach proved impractical. The considerable pressures on the officers concerned led to the firm conclusion that response rates would not be sufficient to justify this type of research. Instead telephone questioning of officers and documentary evidence was utilised to provide basic data on the employment consequences of privatisation. Information was collected on twenty two privatised cleansing contracts which is tabulated in the sections titled 'The Workforce' in the

company profiles in Chapter Four. The details of this survey are analysed further in Chapter Eight.

The methodology has taken account of the specific criticisms which have been levelled at case study techniques such as a tendency towards over generalisation and a lack of control (Stouffer, 1950; Campbell and Stanley, 1963). I have avoided any focus on one specific situation and attempted to use a broad comparative approach. The nine case studies in this Chapter consider the circumstances in authorities in several regions of the UK with an allowance for different political complexions, various defined activities, the influence of several private contractors and the prevalence of successful DSOs.

In the presence of comparative case study-methods, Donald Campbell (1979) has withdrawn his earlier criticisms and advocated the approach as a means of feeding "qualitative common sense knowing" into evaluation research (Bulmer, 1986). As Rist (1984) argued:

"Qualitative data can give the policy-maker a 'feel' for the setting, the program, and the participants that reams of statistical printouts can never match."

(Rist, 1984)

Since the introduction of CCT and its impact upon local government workers has been an ongoing process, the need for dynamism in the evaluation of the development is essential. As Weiss and Rein (1972) have argued what is important in social research is not so much the outcome of a programme but the process by which that outcome was achieved. So the aim is as Bulmer (1986) puts it:

"to build up a near-to-complete description of the community or institution before intervention, the nature of the intervention, and the new system which develops after the intervention. Thus an indepth analysis of resistances to change, the part played by administrative and political considerations and the interpersonal dynamics of programme implementation can be provided, in a way that the more rigorous but more distant approach of the randomized experiment cannot."

(Bulmer, 1986).

Information for the case studies was drawn mainly from unstructured interviews with trade union officers, shop stewards, local government officers, company managers and other observers. In each case approaches were made to representatives of all these parties. The nature of the research led some company managers to resist my approaches and in these situations the local press, correspondents and council documents were used to provide an alternative source of opinions and data. In all but one of the cases local authority officers were able to provide an additional management perspective which balanced the eager co-operation of interviewees from the workforces and trade unions.

The case studies in question are tabulated in Table 35 below to summarise the contracts under investigation. The predominance of Labour authorities in the study reflects the Party's dominance of local government during the period of research and the fact that many pro-privatisation Conservative authorities had already contracted services out prior to the CCT legislation.

Indeed one of the crucial aspects of this thesis is that it is the first major academic study of the implications of competitive tendering in an environment where the exercise is compelled rather than being introduced voluntarily. The experiences associated with earlier initiatives that were introduced on this basis are already well

documented (Ascher, 1987; Centre for Public Services, 1991; LGIU, N.D; Sheffield City Council, 1988, 1990; Wandsworth Trade Union Publications, 1983).

Case Study	Authority	Location	Political control when contract awarded	Service	Contractor
1	Brighton	South	Labour	Street cleaning	FOCSA
2	Liverpool	Merseyside	Labour	Refuse collection	Onyx UK
3	Rotherham	North	Labour	Building cleaning	Initial Contract Services
4	District Council	Midlands	Conservative	Refuse collection	Sitaclean Technology
5	Stockport	North West	Liberal Democrat led - N.O.C.	Refuse collection & street cleaning	FOCSA
6	Manchester	North West	Labour	Refuse collection & street cleaning	DSO
7	Mid Glamorgan	Wales	Labour	Building cleaning	DSO and Taylorplan services
8	Glasgow	Scotland	Labour	Refuse collection	DSO
9	Ealing	London	Conservative and Labour	Building cleaning	DSO

Table 35: The Case Studies

Section 2: Case Study I. Street Cleansing in Brighton.

Introduction

The study is concerned with a Borough council situated on the south coast of England, with a population of around 140,000 people. Until the mid 1980's the Authority was dominated by the Conservative Party but now has a Labour administration which has consolidated power during the last decade. The Council has had a position of outright opposition to CCT on ideological grounds since the

introduction of the legislation, and the privatisation of its street cleansing service must be seen in this context.

The Councils Policy

The attitude of the Brighton Borough Council towards CCT was set out in July of 1988 at a meeting of the Authority's Policy and Resources Committee by the Council leader. He stated that:

"The proposals for compulsory competitive tendering are a thinly disguised attack on the provision of services to the community through democratically elected local authorities."

(Bassam, 1988)

The Council leaders' report pointed out that:

"unless the Council acts positively, [the Act] could affect the security of employment of parts of its own workforce."

The need to avoid such a situation led the committee to agree that they:

"will ... be sure that the services which [they] provide meet the real needs of the community and that [the] workforce is well organised and equipped to ensure that tenders for the Councils services are won by [the] in-house direct service organisations."

(Bassam, 1988)

The Council's Assistant Director of Technical Services, argues that keeping all of the Authority's services in-house is a fundamental part of the Council's political doctrine and not something that was to be sacrificed easily.

From this statement of principle the Authority developed a strategy which involved the creation of a new unit, including representatives from the Borough's works, client and accountancy departments, to provide advice to all of the client departments putting contracts out to tender. The Unit's function was to make sure the interpretation of the legislation was consistent, so that a uniform approach could be adopted. The trade unions were consulted in this process but the crucial role for them came in the compilation of the in-house tenders.

Preparing the Tender

Any analysis of the privatisation of Brighton's street cleansing service must be considered against the experience of the refuse collection tender, submitted a few months earlier, with fairly dramatic consequences.

In April of 1989 the Borough Council awarded the refuse collection contract to its own DSO by undercutting the main competitor, FOSCA Services, by some £800,000 p.a. That bid was prepared without any involvement from the main union, the GMB, who had a hostile attitude towards the whole tender process locally and did not want to get drawn into a concession bargaining situation with DSO bosses. Faced with a lack of union co-operation and an administrative commitment to win the contract, the DSO managers misjudged the strength of the competition and put in a bid which would necessarily involve steep cuts.

On the basis of the tender submitted, the DSO was forced to cut the number of refuse collectors from 119 to 75, the number of rounds from 18 to 11 and end the established practice of organising the work on a task and finish basis.

The number of beats has since been increased to 13 due to the unworkability of the original tender but as a local NUPE branch officer and National Committee member explains:

"lessons were learned that it was unwise not to be involved in the specification or the bid itself. There was criticism by the unions of panic amongst DSO managers in trying to win the contract ... but the process taught us to be involved, to ensure no repeat of the panic measures."

In contrast to the refuse collection contract, in the preparation of the street cleansing tender, to be submitted by the 31st August 1989, there was a considerable degree of consultation with the workforce and trade unions, although this did not go beyond the existing negotiating machinery.

There was a recognition that it is the workforce who actually do the work and since the Authority was committed to retaining and improving the service, there was a need to tap the workforce's knowledge. Staff were consulted from the level of chargehand down to toilet cleaner to see what work people did, so that it would all go into the specification. The unions were involved in this process on the basis that they had a broader knowledge of work organisation across the boundaries of individual job descriptions. Suggestions were sometimes taken on board and in other cases ignored, largely on the basis of what was allowed under the terms of the legislation.

The workforce was kept informed of developments at each stage of the tendering process, and once the tender document was ready a presentation was arranged

explaining how it could affect the staff, so that confusions and misunderstandings were ironed out early.

Whilst the Authority had a strong ideological commitment to keeping services in-house and a desire to protect the jobs and condition of its workforce, there was also a determination to keep its activities within the boundaries of the law. No attempts were made to dissuade competitors from tendering by combining services into one large contract or by drawing up over detailed specifications. The Council aimed to keep its services in-house by acting in a competitive fashion, whilst maintaining a co-operative relationship with the workforce and trade unions.

As the Council leader stated in his report:

"The Council will undertake to actively promote public service provision and build public support for retention of in-house direct service organisations. This strategy to be evolved by fostering good working relationships between the Administration, Town Hall trade unions and service managers."

(Bassam, 1988)

The Trade Union Response

There were three unions with a direct interest in the arrangements for street cleaning in Brighton. On the staff side, NALGO and on the manual side, the GMB with around 120 members and NUPE with 30.

All the unions adopted a joint and detailed approach to the preparation of the specification and tender documents, to ensure no repeat of the destruction of jobs and conditions experienced by the refuse collectors. But it was NALGO, with few members directly affected, that adopted the most vociferous position in the lead up to privatisation.

NALGO made it clear in July 1988, that it was prepared to take an active political stand against privatisation of council services. The local branch made a statement describing the three likely consequences of privatisation:

- "1 The standard of service falls*
- 2 Jobs, pay and conditions of service of the workforce decline with a weakening of trade union organisation*
- 3 That there is a loss of accountability in the running of the service."*

Whilst supporting NALGOs national policy of opposition to the Act, the branch also instructed the staff side to negotiate certain terms with the employer in relation to CCT.

- "1 No compulsory redundancy.*
- 2 No cuts in wages or deterioration in conditions of service, wherever possible CCT should be used to improve wages and conditions.*
- 3 Maintain commitment to Equal Opportunities.*
- 4 Special consideration and resources to training requirements occurring as a result of CCT.*
- 5 NALGO must be involved in all negotiations regarding any proposed changes within the workforce including job descriptions, redeployment, regrading and changes in working practices.*
- 6 Full union involvement in drawing up detailed specification and in monitoring contracts.*
- 7 Union should press Council to improve and extend services and the workforces ability to carry out that work.*
- 8 NALGO discourages the Council from bidding for work in other local authorities against their own in-house tender."*

(NALGO, Brighton Branch Executive, 1988)

All of these points were to be implemented in accordance with the Unions proposed In-House Service Agreement which would establish a special joint trade union-Council body to deal with CCT matters and protect in-house services.

On the 18th August 1988 this policy statement was put into action with a letter from the Deputy Branch Secretary, Stuart Neate, seeking affirmation that the Authority was opposed to the privatisation legislation and to the use of CT to undermine jobs, pay, conditions of service and trade union organisation. The letter sought satisfaction on proposals for various committees and consultation arrangements giving the union authority across the whole tendering and evaluation process.

The Council's response, on the 2nd September, reiterated its policy of opposition to the requirements of the Act, but on the specific proposals for consultation and related mechanisms, only gave assurances of a commitment to consult with the unions at all stages of CCT whilst retaining control of the format of those consultations and the final decision making process.

Despite NALGO's pressure it was only at the level of the DSO tender and the specification that the unions had any real input. NUPE and the GMB were happy to leave policy decisions and political pressure to their head offices. The GMB saw its role as building into the specification the quality and frequency levels which its members already knew, and fighting to cut the supervisory and administration side of the service to keep things competitive. For NALGO's Deputy Branch Secretary, this gave the impression that the GMB was really saying:

"You negotiate a price and then we will negotiate with you."

This created a degree of animosity and a feeling that the GMB was not getting involved enough, despite the experience of the refuse contract. There is no doubt that the position of the GMB was passive in relation to NALGOs, but it seems unlikely that the DSO bid would have been very different had the manual unions been more

actively involved, since the bid was designed to improve the level of service and to protect workers jobs and conditions.

The In-house Bid

As stated above, the main influence that the unions had was in the preparation of the specification for the service and this clearly affected the nature of the DSO bid.

Improvements were made in the standard of service to be provided, but this was not part of any strategy to make a DSO victory more likely, it was merely to improve the service. The main change involved the introduction of performance standards which would guarantee a certain minimum of service beyond the minimum frequency which existed under the old system.

In order to meet the requirements of the specification the DSO proposed:

- "a) A small increase in the number of staff from 103 full time equivalents to 108.*
- b) An increase in overtime working at weekends.*
- c) An increased number of vehicles to ensure spares are always available and to give greater flexibility*
- d) A greater degree of effort and conscientiousness by the workforce.*
- e) Closer supervision."*

(Smalley, 1989).

For the cleaning of public conveniences, which was also in the contract, few changes were proposed, but a higher staffing level was considered necessary to ensure sufficient attendance and reduce excessive overtime, Consequently staffing was to be increased from 35 to 40 full time equivalents.

Proposed wages were as described in Table 36 below:

Service	Street Sweepers			P.C. Employees	
Job title	Sweeper	Driver 1	Driver 2	Attendant	Driver
National Basic Wage	101.25	110.45	115.05	105.85	110.45
One third bonus	33.75	36.82	38.35	35.28	36.82
Extra bonus	13.50	13.50	13.50	-	-
Drivers payment	-	15.00	15.00	-	15.00
Total weekly wage	148.50	175.77	181.90	141.13	162.27
Chargehand payment	£12.52 per week				

Table 36: Proposed DSO Wages on Brighton Other Cleaning Contract.

Source: Smalley, 1989

The fixed extra bonus for street sweepers was introduced to ensure the undertaking of all street cleansing duties without extra payment and to allow for additional operational flexibility such as the variation of working times and locations. The one third bonus for public convenience employees was a new provision and was awarded in return for increased productivity.

The total cost of the DSO bid was about 25% higher than the existing budget when allowance was made for the service improvements and additional vehicles. The key tender prices for emptying a litter bin, sweeping a street manually and emptying a gully were measured against those of other authorities and found to be two and a half times greater than the average. The Council's consultant stated that the work could not be done at these lower prices, which would result in the contracts failure, and so the bid was submitted despite the Authority's recognition that there was a need for a further 10% cut in costs, to be achieved through enhanced labour productivity.

The Tender Evaluation

In early October 1989, the various tenders were put before the Environmental Services and Policy and Finance Committees, with the Council officers recommendations. The companies invited to tender were FOCSA Services, Sitaclean Technology, UK Waste Control and Brighton Borough DSO. Reservations were expressed about UK Waste's competence, but the legislation requires a minimum of three competitors to the DSO so they were included on the tender list. Subsequently Sitaclean withdrew from the process.

In the tender evaluation documents it was noted that tender prices could vary widely from the officer's projection of around £2.5 million per annum due to the subjective nature of determining when something is clean to an acceptable standard, and what resources might need to be allocated to maintain those standards. In relation to this point it was stated that:

"Where the Authority feels a tenderers proposals are incapable of meeting the specification or the prices submitted are unrealistically low ... this is not grounds for rejecting a tender."

(Smalley, 1989 a)

Such a scenario was seen as the contractors risk and they would be under an obligation to fulfil the contract at the prices quoted.

The importance of this advice became clearer when the tenders were revealed:

UK Waste Control Ltd	£1,754,368.07 per annum
FOCSA Services (UK) Ltd	£1,990,767.70 per annum
Brighton Borough DSO	£2,732,199.53 per annum

UK Waste Control's bid represented reasonably the cost of resources proposed but these resources were identified as being wholly inadequate to achieve the requirements of the specification. The Company was proposing as few as 37 street sweepers in contrast to the 100 plus that FOCSA and the DSO were suggesting. It was clear that the contract would operate at a tremendous loss or that the Company would fail to meet the specification requirements. However, the Company insisted they could do the work for the price submitted. The Authority's technical evaluation did not meet the necessary requirements and consequently the Company's tender was not recommended for acceptance.

FOCSA put in the second lowest bid and its resourcing of the contract appeared satisfactory, however the pricing of those resources was totally inadequate, being up to 50% below what was realistic. From the point of view of the officers:

"FOCSA underpriced their bid either intentionally or unintentionally but they have the necessary financial standing to take such a course of action."

(Smalley, 1989 a)

The DSOs bid was the highest and fully reflected the resources required to undertake the service satisfactorily and the cost of those resources.

All of the tenderers indicated that they would be happy to consider the existing workforce for employment and their proposals for staffing levels are indicated in Table 37 below:

Service	UK Waste	FOCSA	DSO	Existing
Street cleaning	29	94	98	95
Litter bins	6		6	4
Beach cleaning	2 (+4*)	6	4	4
Car parks	2	3	3	Incl.
Weed control	Incl.	Incl.	Sublet.	Siblet.
Drainage	2	4	4	3
Public conveniences	20 (10 p-time)	40	41	38
Fitters	1	2	Sublet.	Sublet.
Spare	10	Incl.	Incl.	Incl.
Totals:				
Operatives	72 (10 p-time)	149	156	144
Management	4	6	9	8

* Summer supplement - taken from other services

Table 37: Proposed Employees for Brighton's Other Cleaning Contract.

Source: Smalley, 1989 a.

Additionally, officers made it clear that should either of the private contractors be awarded the work there would be a need to expand staffing in the Client Unit to ensure effective monitoring and control of the contract.

Acceptance of UK Waste's bid was never really likely, considering the Company's limited record and under resourced bid, but there was no automatic decision to award it to FOCSA either. Extensive legal advice was sought in an attempt to find a way to ensure the in-house bid was successful. Specifically, advice was obtained on whether potential staffing difficulties, the lack of a depot and the 'loss leader' nature of the bid could be used to avoid awarding the contract to FOCSA, to which counsels advice was an unequivocal no!

In this context, the Authority found itself with little option but to award the contract to FOCSA at a meeting of the Council's Policy and Finance Committee on the 11th October 1989.

The reaction of the unions to this news was one of dismay and resentment. The NALGO District Officer advanced this opinion in a letter to the Council leaders. In it he pointed out that in order for DSOs to win against private contractors it was becoming a norm to bid around 10% below the existing annual price, which in this case had been approximately £2 million. The main complaint and matter of dispute related to how the Council could come to sanction a tender which represented a 40% increase on the current annual price.

Steve Bassam pointed out that counsel advised that the Authority had no alternative but to award the contract in the manner it did, and that the DSO bid had in their opinion been competently priced against the improved contract specification, which involved additional duties, additional sweeps, longer hours, more plant and equipment and different work practices. The additional wages built into the contract were around £100,000, nowhere near as much as FOCSA had undercut the DSO. The overriding point made by Mr Bassam was that FOCSA had won the contract because they submitted a loss leader bid to the tune of four or five hundred thousand pounds.

That position won support from the local area officer of the GMB. He spoke against the idea of a more commercial approach arguing that if a company has the resources and decides it is going to win a contract then there is very little that can be done about it. As he argues:

"There is no point ravaging workers conditions simply to keep a contract in-house."

The Loss Leader Question

The Council's officers are convinced that FOCSA's bid was not financially viable and implied an annual loss of between £400,000 and £500,000. What was seen as the Company's deliberate decision to stand a loss on the contract was condemned by council officers, elected members and union officials and used as a basis for getting the bid rejected.

The Council leader wrote to Jack Cunningham, Shadow Environment Secretary, so that the matter would be raised in Parliament. He pointed out that FOCSA was effectively cross subsidising the contract from profits made in other European cities and that DSOs do not have the same opportunities, due to the requirement that they show a 5% return. It was suggested that the practice introduced an element of unfair competition between the public and private sectors which needed to be addressed (Bassam, 1989). He later went on to argue that the bid was being used as a spearhead to the Company's expansionist plans, with clear consequences for the Council's Service:

"I do not believe that the competitive tendering legislation was designed to facilitate this, and the whole way in which we were obliged to let this contract to FOCSA, has, in my view, undermined the service and its long term viability in Brighton", adding that:

"Little consideration is given in the legislation to the impact on staff affected who are some of the most poorly paid in the councils service."

(MJ, 12.1.90)

One Labour councillor argued strongly that the nature of the bid provided a basis for withholding the contract from FOCSA. Councillor Stanton believed that financial penalties would not protect the service since daily losses would be so great that the

Company would be willing, in certain circumstances, to stand the penalties rather than do the work. On a wider scale it was pointed out that if the contract has been secured to attract attention in the hope of winning other contracts on a profitable basis, then once enough contracts have been secured, what is to stop FOCSA from dropping its commitments in Brighton, in return for the once only cost of the Council's penalty fee. Even the Financial Times noted that:

"Thomas Nunez [FOCSA Head of UK operations] makes no secret of the fact that he regards the Brighton contract as a potential stepping stone towards other similar contracts across Britain."

(FT. March 1990)

The Council's leadership decided to accept their legal advice which argued that acceptance of the bid was the only option. The matter was raised with Government Ministers though and was referred to the Office of Fair Trading, who, in a reply to Brighton Borough Council stated that:

"In this particular instance, the evidence supplied does not, by itself, appear to indicate that FOCSA is acting in a predatory manner. Indeed, predation, which involves the acceptance of short term losses in order to raise prices at some time in the future seems unlikely when the length of these contracts and the recurring competitive tendering process are taken into account. It should of course be noted that a low tender bid is not, in itself, evidence of an anti-competitive practice."

(OFT, 1990)

When FOCSA Services' Brighton contract manager was faced with the question of whether the contract was being run on a commercial basis, one year into the contract in December 1990, he said:

"It will be eventually. At the moment I don't think its really been run properly but hopefully, in the future, it will be a financial venture".

Whose Got a Job?

The decision to award the Contract to FOCSA was announced to the street cleansing workforce at a mass meeting on the 12th October 1989, when the workers were told that the Council had had no alternative but to accept the bid. Brighton Borough Council's Director of Technical Services said:

"We are devastated about the consequences to our own workforce but at least FOCSA has agreed to interview our men and indicated that those it employs will get comparable pay."

However, FOCSA then put up a wall of silence giving very little information to the ex-Council workers they were considering for employment. In turn, the Council leader demanded assurances on wages, conditions of employment and working practices, arguing that:

"Competitive tendering should not be used as an excuse for private employees to play fast and loose with the lives of staff."

(Evening Argos, 31.10.89)

It was the Council itself though, who were causing the workforce the most immediate distress. With redundancy arrangements not sorted out, the workforce stopped work on the 16th January 1990, demanding that the situation be cleared up. The Regional Organiser of the GMB said that the Council's explanatory letters were incomprehensible, but the Council's chief executive argued that:

"The letters outline dismissal from their cleaning jobs with the council which is a technicality."

(Evening Argos, 16.1.90)

The confusion came about because the Council wanted to redeploy as many workers as possible (who would then not be eligible for redundancy payments) and was still trying to interview the twenty-six workers who had not received a job offer. Union officers were claiming that staff who did not have jobs with FOCSA could lose redundancy pay if they did not accept compulsory redeployment.

In the end, of the 104 workers affected, 71 took redundancy and 33 were redeployed. Most of those taking redundancy were offered jobs with FOCSA, although some workers were offered unsuitable positions. Nine elderly women previously employed as toilet attendants were offered jobs as street sweepers. Pressure from the Council and unions forced a change of heart but concessions in other areas were less apparent.

FOCSA held two meetings with the Council workforce in October and two more in November, when it was promised that they would match the Council's conditions of employment. By January 1990, when the contract was due to start, they were refusing to establish a contributory pension scheme, only agreeing to employ Scottish Provident to manage one. Also, FOCSA was only prepared to pay statutory sick pay despite earlier assurances that the national local government conditions of service would be maintained. They refused to rule out the possibility of seven day working on the basis of its new six day, 39 hour work rota, with a requirement to work Sundays if requested. The Company preferred to say that it was confident that weekend shifts would normally be worked by volunteers, failing to point out that if an employee did refuse Sunday overtime on two occasions, they would be dismissed.

On the issue of trade union recognition, FOCSA was not prepared to give a decision and so through its inaction was in fact declining union recognition and threatening the existence of union organisation amongst the workforce, which had been supplemented by new locally recruited workers.

Working for FOCSA

The Company began operating the contract for Brighton's street cleansing service on Monday 29th January 1990, with assurances to the Council that the contract would "provide an example of how well a private company tackles street cleansing in a British seaside town."

Under the terms of the specification the Company took full responsibility for the contract. They were to provide depot, vehicles, plant, workforce and supervision. That responsibility soon resulted in changes in the way work was organised.

The working week was stretched out under a new shift system operating on the basis of a 6¹/₂ hour day, 6 day week. The first shift runs from 6am to 1pm with a half hour break between 9am and 9.30am. The other shifts run from 1pm to 8pm and 4pm to midnight.

Promises that national rates of pay would be observed were cast aside. The Council's rate of pay, with four hours worked on Saturday and Sunday at the supplemented rates gave a driver about £180 take home pay. With FOCSA, again working Saturday (no supplemented rate) and four hours on a Sunday, the figure was reduced to £134. Holiday entitlements did remain unaltered.

The changes in the workers conditions of employment resulted in forty ex-Authority employees leaving FOCSA in the first two weeks of the contract. The Company was

not concerned by the rate of turnover though, and they indicated to shop stewards who had raised the matter, that ex-Council employees were not the type they really wanted, since they had 'old attitudes'.

The workers who did stay became more antagonistic as other practices changed. They had to assemble in military fashion at the start of each shift to receive their instructions. Permission had to be granted to leave a beat and go to the toilet and employees were not allowed to speak to the public. Every week people were dismissed. Whether management or operative. Even FOCSAs Director of Operations was sacked during the contracts start up problems, which prompted the GMBs Area Officer to comment that:

"They suffer with communications problems and how to control workers. They used a very aggressive method of dealing with the staff."

The unions were powerless to influence the situation without a recognition agreement. Both NUPE and GMB applied formally for union recognition and FOCSA did interview both unions, although they chose to do this separately. NUPE put forward the view that both unions should be recognised as both already had members and could offer shop steward services. The unions argued that since they were both recognised by the Council there was no reason that FOCSA should behave differently. However, despite having employed an industrial relations consultant to conduct the interviews, the Company never even wrote back to give an answer on the recognition issue.

Without recognition for their unions and with grievances mounting, the workforce, through their shop stewards, issued a warning to FOCSA in March. They demanded

the local authority pay and conditions they were promised and full trade union rights and made it clear that they would take strike action if the Company did not respond.

On Wednesday the 14th March a strike was called by the GMB to force the issue, but while around a quarter of the workforce came out, many others argued that there had been no ballot and so they would not join. Indeed several employees took on double shifts to make up the strikers' missed work. A ballot was organised for Saturday 17th March and two thirds of the 69 members voting supported the action.

In the meantime, 22 workers, including shop stewards, who had defied Company ultimatums to return to work, were sacked. A FOCSA spokesman said the strikers had:

"dismissed themselves ... They went ahead with unofficial and unnecessary action without even talking to us!"

(Evening Argos, 17.3.90)

The sacked workers set up an official picket on Monday 19th March and were joined by other new strikers. Shop stewards suggested that about half the workforce joined the action and that FOCSA had only about 70 employees working, made up of those defying the official strike call and employees drafted from Job Centres. FOCSA claimed that once it was known that they had vacancies there was no shortage of applicants and that they were working normally with around 120 workers.

The dispute then dragged on for months, during which time several meetings were held with FOCSA as the Company began to recognise the industrial actions' public relations implications. Despite the fact that an acceptable service was maintained and

that strikers were drifting away, the Company decided nationally that they should renegotiate their positions.

NUPE officers believe that the Company was weighing up the different forces in different local authorities around the country in the search for a deal with one union. Regardless of the national situation, this approach seems applicable in Brighton where FOCSA finally signed an exclusive recognition agreement with the GMB in October 1990. The Company also offered jobs to those strikers who were dismissed, but all of them refused to work for FOCSA. Their resistance had a great deal to do with the GMBs achievement of total organisation on the contract though, which has contributed to a more stable industrial relations environment. As one GMB Area Officer now argues:

"We're not here to bring FOCSA down, we're here to provide a service for Brighton."

The Service

The FOCSA run street cleansing service in Brighton has not seen any revolution in techniques and has not been associated with an influx of new technology. If anything FOCSA have de-mechanised the service. Brighton did have large mechanical sweepers, mid range sweepers and small module pavement sweepers. FOCSA have only one large mechanical sweeper and the modules have been replaced by three wheel open backed vehicles into which dirt is manually shovelled. FOCSAs Brighton Contract Manager pointed out that in Spain, specifications are much higher with much more money going into contracts and this allows for the use of hi-tech equipment. In Brighton, the Company operates more on the basis of the needs of the day than under the Authority system, when there were detailed work schedules.

Monitoring of the contract has shown up no major problems other than in the first month, when allowances were made for the Company's need to settle in. Indeed an independent assessment from the Director of the Lewis Cohen Urban Studies Centre, suggests that:

"there is no doubt that the streets are cleaner."

This is attributed to the removal of restrictive practices which has allowed FOCSA to be more flexible in its adjustment to particular problems.

Summary

As a consequence of FOCSA's success in winning the Other Cleaning contract in Brighton, the Town's street cleansing workforce has seen dramatic changes. One year into the contract in December 1990, the workforce had been reduced from 134 with the Authority (projected 156) to 124. Allowing for overtime differentials and weekend working, average payment fell by around £40 per week. The contributory pension scheme and enhanced sickness benefits have been withdrawn. Over 50 workers were sacked, accumulated employment rights, such as the right to claim unfair dismissal, were lost and trade union recognition has only been reinstated on the basis of a single union agreement, excluding NUPE members from representation.

The evidence suggests that the service itself has been provided to an acceptable standard, at a considerable cost saving to the Authority. The ability to maintain the service and the cost savings have been achieved at the expense of the workforce, with the imposition of conditions which resulted in 220 workers leaving the Company in the first year of the contract, out of a workforce total of only 124.

Section 3: Case Study II. Refuse Collection in Liverpool.

Introduction

At the very heart of Merseyside, Liverpool City Council serves a population of nearly half a million people. The Council is the Region's biggest single employer with a payroll of around 28,000 people. The Authority is under Labour control, although power was only regained from a coalition of Liberal and Conservative councillors in the mid 1980s. Since then the collapse of Conservative support in the City has left Labour in control, despite severe internal divisions.

A Conflictual Context

The City's refuse collection contract had to be awarded by the 1st August 1991 under the terms of the Government's CCT legislation. But the build up to the tendering exercise was overshadowed by a major dispute, affecting the whole Authority, which ran throughout 1991.

Following the expulsion of 29 'Militant' Labour councillors from the Labour group in 1990, a new moderate administration was formed which immediately initiated a programme of cuts, centred around a proposal to shed 900 jobs from the City's 29,000 strong workforce, in order to avoid facing a £10 million budget deficit and the possibility of councillors being surcharged.

386 redundancies amongst grounds maintenance and security staff were agreed at a full council meeting in March 1991, since there was an acceptance on all sides that some jobs would have to go. The main sticking point was an objection to compulsory redundancies. There was some hope that workers losing their jobs but

not wanting redundancy would be able to transfer to other positions within the Authority.

The confrontation came to a head when a second batch of 600 compulsory redundancies in building, maintenance, cleansing and education was pushed through 'by the back door' at a finance committee meeting on March 27th. The unions argued that this should not have happened while discussions were continuing with the Council's Chief Executive about alternative cost savings. The spokesman for the Joint Trade Union Committee (JTUC) expressed their feelings:

"We thought these discussions were making progress but then the Council issued these redundancy notices without any consultation. On that basis, until they withdraw the threat of compulsory redundancies the trade unions are not prepared to enter into any further negotiations."

(Daily Post, 12.4.91)

The Unions decided on a three day strike from April 16th, timed to coincide with the full Council meeting on the 17th April, with a mass march through the City centre to the Town Hall on that day. The Chair of the JTUC argued that:

"Industrial action is the only way we can force councillors to change their minds. We have been very reasonable and tried every other means but we feel this is our last resort."

The Authority was in no mood to climb down though with the Council leader stating:

"These people think they can hold us to ransom but there is no way they will succeed."

(Daily Post, 4.4.91)

Calls for an eleventh hour meeting by regional officers of the local government unions were 'dismissed out of hand' and the impression developed that the dispute was about more than just the 900 redundancies. The conflict was increasingly seen as an attempt to break the trade unions' control over much of the Council's activity (Daily Post, 18.4.91).

However, most of the unions involved balloted in favour of the three day strike and 20,000 workers stopped work on the 16th April, shutting down virtually all Liverpool City Council services. On the same day though, it became clear that 500 workers had volunteered for redundancy, leaving the Authority to find only 400 more to meet its quota. This did not weaken the unions stand and when they agreed to meet with the City's ruling Labour group it was made clear that if they did not achieve their objectives, a series of selective strikes would be launched. As the NALGO Branch Secretary put it:

"If he [the Council leader] won't listen, we will launch a series of selective strikes on Friday in key areas of the Council to cause maximum disruption. That will continue indefinitely until we get satisfaction."

The Static Security Force

The influence of the Government's CCT legislation on the dispute became clearer with the issuing of a letter to 1000 workers in the Council's Environmental Services Department, covering grounds maintenance, landscape, cemetery and security workers. 220 of the 950 redundancies were to come from this department, even though there were far fewer volunteers than in other sections. The letter, from the Department's Director, Ken Robinson, argued that it was necessary to lose a quarter of the Department's 1000 workers in order to save the other 750. The section was

expecting to make a loss on its contracts during the financial year, raising the spectre of its closure by the Secretary of State.

Other observers have argued that the concentration of redundancies amongst this group of workers was instigated as an act of political vindictiveness. The workers are largely members of the GMBs Branch 5, which rose to prominence during the mid 1980s, when Militant and Derek Hatton dominated Liverpool politics, and provided the Static Security Force, which policed the City's municipal buildings during that era.

The Force had an important political role. If industrial action was to be made effective across the Authority there was a requirement that as many Council premises as possible be locked shut, and it was the Branch 5 members who performed this function. This brought members of the security force into conflict with moderate members of the Labour group at the time, and is now identified as a reason for the heavy redundancies forced upon them. One worker argued:

"These redundancies have nothing to do with council efficiency. This is the settling of scores."

The argument is given credence by the apparent development of a new force, the Special Investigations Unit, modelled on the old lines but loyal to the new moderate leadership and having the aim of keeping council premises open at all costs in the midst of the industrial action. The Independent reported that prospective recruits to this new Unit were told:

"no specific qualifications are required, but 'analytical skills' and 'experience in industrial relations' would be an advantage."

(Independent, 19.6.91)

Mounting Rubbish

Even though the binmen were not brought out in the selective strike action launched by the Town Hall unions there was a considerable backlog of rubbish building in the City, as a result of the three day strike, the easter break and dispute over the Council's preparations for CCT, which had involved reducing the number of rounds and re-routing existing ones (see CCT and the Refuse Collection Service below). By the end of April, management was trying to get the problem sorted out and offered overtime in order to get the backlog cleared. The offer was rejected and an overtime ban was imposed by the unions in opposition to the 25 compulsory redundancies to come from the refuse collectors and in sympathy with the other council workers facing redundancy.

On the 29th April the Council ordered the binmen to go back to normal working and to clear the backlog in two weeks, or face the loss of bonuses worth up to £60 a week. The ultimatum was rejected by the workforce who then received a lock out threat from the Authority without warning. The Council's deputy leader explained:

"We will be asking the employees to do their jobs, and if they refuse they cannot be expected to be paid."

The worker's GMB convener responded by saying:

"They have lost the ability to manage the service, now they believe the only way to get off the hook is to get us out on strike."

(Daily Post, 25.5.91)

By the 8th May the Council was calling for a return to negotiations, since all 133 of the required redundancies from the refuse service, including the 25 projected as

compulsory, had been met by volunteers. The unions' position remained resolute however, as the JTUC spokesman declared:

"The cleansing department will not meet Mr Bounds (chief executive) because, as part of the JTUC, they will not talk until the threat of compulsory redundancies as a whole has been withdrawn from the Council."

(Daily Post, 9.5.91)

On the 14th May the Council carried out its threat to stop the binmen's bonuses as the backlog of rubbish continued to build, with half the City having waited over four weeks for a collection service.

CCT and the Refuse Collection service

The Councils Approach

When the CCT process began in 1988, Liverpool City Council was under the control of a left of centre administration led by Keva Coombes. At the time, the Council was totally committed to keeping all of its services in-house with no job losses. In line with that commitment, a tripartite body was established with councillor, officer and union representatives, based on the AMAs recommendations.

The committee prepared the bid for the Council's building cleaning contract and, in the knowledge that there would be no compulsory redundancies, was able to make the necessary cuts to win the contract. 800 cleaners did lose their jobs, but all of those wanting it were offered re-deployment within the Authority. The problem was that the workers losing their jobs were largely moved into clerical positions, creating animosity between the declining blue collar unions and the expanding white collar

unions. Following this experience, blue collar unions such as the GMB and TGWU adopted a more isolated attitude towards the CCT process, believing that they were better able to defend their members interests by negotiating independently.

This development combined with the ousting of Keva Coombes in March 1990 to create a different approach within the Authority. The new administration made it clear that it wanted to reduce trade union and elected member influences over the management of the Authority's activities. The appointment of a new chief executive confirmed this desire which led to a more 'professional' approach, where the management and officers run the Council and councillors concentrate on policy. Inevitably this meant a reduction in trade union involvement, leading the Chair of the JTUC to comment:

"After Keva Coombes was 'bounced' the complexion and approach of councillors changed and the joint approach towards saving the services just wasn't there. The co-operation and tripartite thing fell away and basically it became an officer led approach with the unions being called on now and again."

Union Concessions and Resistance v Management Apathy?

As far as the refuse collection contract was concerned negotiating between the drivers union, the TGWU, the loaders union, the GMB and the Council, began in early 1990. The service had employed around 520 men in total and used 60 vehicles for household waste collection. There was a recognition on all sides that if the contract was to be won these figures would have to come down.

In February 1990, it was agreed that the number of vehicles be reduced from 60 to 45 with the loss of around 60 men and that the passage sweeper with each crew, who pushed the empty bins back into place, should go, amounting to another 60 job

losses. A decision was also taken, as part of the reorganisation, that the fourteen depots the Authority had around the City be closed and replaced by one central depot at Breckside Park.

The Unions agreed to these changes on the basis of the Council's continuing commitment to redeploy staff into the street cleansing section, but they were not prepared to let the staff go to under 400. The Authority was looking to cut the workforce to around 275 but they were trapped by agreements that staff would have to be transferred to street cleansing, which was itself already heavily overmanned.

When it became clear that the refuse service was to be included in the Authority's wider plans for manning reductions, with 25 of the 133 job losses being marked for compulsory redundancy, negotiations came to a stand still. A three day strike took place in protest at the job cuts and problems over the reorganisation of the service following the reduction to 45 vehicles on 1st April 1991. This was followed by an involvement in the Council wide action over redundancies and another dispute over the 'picking up' of the resulting backlog.

The refuse collectors and, to some extent, their union representatives simply did not believe that the Authority would privatise the service, regardless of the cost of keeping it in-house. The process had been gone through before under the Liberal administration in 1982, at which time the unions offered no co-operation, and the plans were dropped with the election of a Labour Council. There was a feeling that things would be no different this time around. As the Councils Director of the Cleansing Department's client side says:

"The union simply didn't believe there was any possibility of the Council awarding the contract to a private tender, regardless of the price. Not the full-time officers but the men locally, and so they

weren't prepared to negotiate changes in working practices, especially on productivity levels."

The chaotic state that the service was in at the time tended to confirm this opinion, as the GMBs convener noted:

"The theory among the men was 'who the hell is going to come here in the middle of all this?' "

There were a number of differences to the situation in 1982 though, not least that the completion of the CT process was compulsory as was the requirement to award the contract to the lowest tenderer provided the contract would be fulfilled. This combined with what the unions saw as an apparent lack of commitment on the part of the Authority to keep the service in-house.

The original manager of cleansing resigned a year before the contract was due to go out and was not replaced until several months later. The new manager came in in an acting capacity, having been transferred from the Building Works and Maintenance Department. He had no experience of cleansing whatsoever, yet he was responsible for compiling the Council's bid for the refuse collection contract. The Chair of the JTUC was certainly not happy with the appointment and argues that:

"If the Council were sincere in their intentions they would have immediately re-deployed, getting someone in who could put together a very strong bid. That didn't happen."

This attitude must be countered by the fact that the officers concerned already knew the reality of what had to be done to win the contract. One key officer says that the cleansing departments original estimate of the cost of the service was only about £300,000 outside the eventual winning tender. However, the unions refused to

negotiate on reducing manning below 400 which meant the required tender price could never be met.

The Tenders

Tenders were invited by the Client Services sub committee in April 1991 from the three companies completing the pre tender qualification process. In the event only two tenders were submitted with the third arriving after the June 1st deadline and remaining unopened. The two bids received for the seven year contract were:

Liverpool City Council DSO	£7,896,094 per annum
Onyx (UK Waste Control) Ltd	£3,923,021 per annum

The main reason for the disparity between the bids was found to be in the anticipated productivity levels, Onyx insisting that they could operate with half the staff that the DSO was planning to use (see Table 38). Furthermore the workforce would experience a dramatic deterioration in its terms and conditions under Onyx as illustrated in Table 39.

Resources and work requirements	Onyx UK	DSO
Number of operational vehicles	32	49
Other vehicles	17 + hire if needed	27
Average weight per vehicle per day		
a) 24 tonne GVW	22 tonnes	16 tonnes
b) 17 tonne GVW	13 tonnes	11 tonnes
Total staff:	208	415
Management	8	13
Loaders	106	230
Other operatives	94	172
Domestic properties per loader	400	200
Average tonnes per loader per day	5.37 tonnes	2.4 tonnes
Reserve to cover absence	11%	25%

Table 38: Planned resources to be applied to Liverpool refuse collection contract by Onyx and the Councils DSO.

Source: Liverpool City Council, 1991.

Terms and Benefits	Onyx UK	DSO
Working week (hours)	40	35
Working day (hours)	8	7
Pay per week, i) loader including bonus	£160	£187
ii) ganger	N/A	£201
excluding iii) driver	£190	£210
overtime iv) foreman	£210	N/A
Holidays	3/4 weeks	4/5 weeks
Pension	None	Local Authority Scheme
Sick pay year 1	Statutory sick pay only	1 month/full; 2 months/half
Sick pay maximum entitlement	2 weeks/full; 1 week/half (after 2 years)	6 months/full; 6 months/half (after 5 years)

Table 39: Comparative pay and conditions of Onyx and Liverpool City Council DSO for refuse collectors in Liverpool.

Source: Liverpool City Council, 1991.

The Evaluation Process

The acting Director of Cleansing, recommended in his evaluation of the 17th June 1991 (Liverpool City Council, 1991), that the Council accept the Onyx bid which would produce a saving over the seven year period of £24.5 million. He explains:

"If you consider that they [the Unions] would not go below 400 men and the cost per man is around £12,000 per year then it is a matter of simple arithmetic that you come up with £4.8 million, with inflation that made £5.1 million. The extra vehicle hire brought the bid up to £8 million.

"The winning Onyx bid was £4 million since they came in with a figure not for 400 men but for 200, doing 32 rounds not 60. That was the difference and that's why we lost."

The unions were furious with the acting Director's support for the Onyx bid and the attitude of the Council in general. The Regional Officer of the GMB sums up the feeling:

"I don't know how you can have a professional who puts in a tender for twice the price of his competitor and then starts praising and defending the other bid. You would have thought he would claim it was a loss leader or that you can't do it for that price but in fact he immediately defended it.

"It really goes to show what the whole Council was about. They were really trying to smack peoples' arses and say 'look we'll teach you a lesson for whats gone on in the past amongst the refuse collectors'."

Even at this stage though, the unions remained confident that the bid would not be accepted. The feeling was that the tender was simply too low, that the contract could not be properly resourced at that price, and consequently that it was in fact a loss leader, which the Authority would not accept. The sub committee receiving the tender evaluation on Monday 17th June put off the decision until the full council meeting on Wednesday 19th June when the unions were due to hold a day of action as a part of the continuing dispute over City Council redundancies. However, councillors were still indicating that the service would be privatised bearing in mind the nature of the Government's legislation.

At this point, the unions brought in Jonathon Swallow, head of the Competition Advice Project, an independent public sector consultancy, to provide an alternative evaluation of the tenders. At short notice a report was drawn up (Swallow, N.D.) which identified twelve areas of concern with regard to the Onyx bid. The points ranged from the financial status of tenderers, through health and safety, race relations, productivity rates, methods of operation, rates of pay and other issues but

the main focus was on the 'lack of technical merit' in the Onyx tender and its perceived status as a loss leader. He pointed out that 20 to 30 councils have rejected lowest tenders on the basis that they would not be capable of meeting the specification. He went on to point out that no councillors have been surcharged for such activity but that the threat did hang over councillors who made awards which resulted in a major breakdown of services and consequent recovery costs to the council.

On the day of the decisive Council meeting the unions were able to use the report to try and influence the councillors decisions. One GMB officer at the centre of attempts to talk the politicians and officers out of privatising the contract explains:

"We went to the Council and said 'look, we're not saying give us the contract because we're in-house and we're better than them', as we recognised our bid was probably a bit over the top. All we said was 'let's take some time to consider the recommendations in this report'. But the officers responsible for the bid and the elected members immediately distanced themselves from it. It was a case of 'we don't want to know, we've got two tenders in, one of £4 million and one of £8 million, end of story, game over'."

A combination of moderate Labour and Liberal Democrat councillors took the decision to award the contract to Onyx by 58 votes to 30 at the Council meeting on the 19th June 1991, rejecting a call from the Liverpool Labour councillors group for a full investigation of Onyx before any decision be taken. The decision was taken in the glare of national publicity, with a debate over the Council's redundancy proposals and a visit by Neil Kinnock, leader of the Labour party, to the Liverpool Walton constituency on the same day.

The animosity which had built up between councillors and the unions and the consequent reluctance to consider the refuse workers concerns, was summed up by the Chair of the Policy and Resources Committee who announced that:

"We are not prepared to continue with the obscenity of sacrificing City services to the political agenda of a small number of our workforce."

(Burton, 1991 a)

This position was supported by David Blunkett, the Labour Party's local government spokesman, with his statement that:

"Delivering services and protecting the interests of users of services must be the top priority - not protecting vested interests at their expense."

(Blunkett, 1991)

A Widening Dispute

The decision to award Onyx the refuse collection contract was taken at the same meeting which confirmed the Council's intention of pressing ahead with its other redundancy proposals which had provoked escalating industrial action in the City. In the run up to the meeting, Town Hall unions balloted their members across the Authority on the possibility of selective strike action, with NALGO threatening to pull out its key members in the Treasury department, who could force the Council into bankruptcy, and GMB Branch 5 proposing an all out strike of its 1200 members, including cemetery workers.

Undaunted by the threats, the Council's move was confirmed, although 94 of the 274 planned compulsory redundancies (the others had been taken up by volunteers) were

withdrawn, following an alliance between Broad Left councillors expelled from the Labour Party and Liberal Democrats. An ultimatum was also put to the City's refuse collectors which set a midnight deadline for an end to the overtime ban, preventing a clearance of the rubbish backlog. The meeting gave the Chief Executive immediate authority:

"to 'strike back and clean up the City', using private firms if necessary."

(Guardian, 20.6.91)

The threats and counter threats placed the City's industrial relations in a state of chaos, with the General Secretary of the GMB, John Edmonds, intervening to demand a suspension of the planned strike action by gravediggers and crematorium workers, until such time as the dispute could be considered by the Union's National Executive.

The midnight deadline for a return to normal working by binmen passed without any assurances from the unions, with the GMB branch convenor, stating that:

"I do not intend to let the matter lie, this is an act of political spite and vindictiveness, the matter will not end here."

(Daily Post, 20.6.91)

A meeting was held on the 20th June and the men decided to continue with their work to rule pending clarification of the decision to privatise the service.

Local leaders of the GMB decided on the 21st June to ballot all members in the nine GMB branches covering Liverpool City Council employees, including the refuse

collectors, on all out strike action in order to force a climb down on the redundancy issue, creating a dilemma for the Union's national leadership. The GMB was attempting to maintain an image of industrial and political moderation, but did not want to undermine local negotiators, despite militant leadership from such figures as Ian Lowes, Chair of GMB Branch 5 and expelled from the Labour Party in 1986 for membership of Militant. There is general agreement in the Union that Liverpool City Council has been incompetent in handling the refuse collection tender, but frustration that the politics of the City prevent the advocacy of a straightforward industrial case (FT, 22.6.91).

The GMBs 300 binmen continued to defy the Council at another mass meeting on Monday 24th June, despite threats to start the Onyx contract early and the fact that redundancy payments would be based on the last weeks earnings of employees, giving them an incentive to return to normal working. There was no agreement to the Council's terms for cleaning the backlog of rubbish in the City, which involved a requirement to pick the work up in three weeks, in return for the restoration of the £60 a week bonus, overtime on three Saturdays worth £150 and a lump sum of £150, due to a fear that failure to meet the deadline would affect bonus payments. They did agree to go back to normal five day working and to abandon the work to rule, which it was hoped would be enough to restore the bonus payment essential for the full redundancy package. Following assurances from the Authority that bonuses would not be affected by performance in the clear up operation, the workforce overwhelmingly agreed to the Council's deal on Thursday 25th June. The attitude of the workforce was expressed by their union convener:

"We are all losing our jobs and that's bad enough but they were holding a gun to our heads as well. We might be down but we are not going to be kicked. We were not going down on our knees to them. We know when we have got to go, but we are determined to go out with our heads up."

(FT, 25.6.91)

The threat of all out industrial action by the GMB gradually evaporated following the collapse of opposition amongst the refuse collectors. On the 2nd July, national union officers decided against authorising a ballot on the stepping up of industrial action, as the Authority warned of a further 1100 job losses if action continued. The action was regarded as undermining the Council's ability to compete with private contractors in the CCT process (Daily Post, 3.7.91). The GMB withdrew from the dispute on the 1st August, leaving NALGO on its own in the battle to prevent compulsory redundancies until they settled in the New Year.

Working for Onyx

Onyx was brought in by the City Council two weeks ahead of the official 29th July start date, to help clear the 12,000 tonne backlog of rubbish in the City. Over a hundred of the Authority's 461 refuse collectors took early retirement, leaving the service short handed in the run up to the contract start date, so the Company was paid an additional £100,000 to help with the rubbish clearance, alongside the City's workforce, employing 72 agency workers, on a casual basis, along with 12 of its own refuse vehicles.

When the contract proper started, Onyx took on around 190 ex-City Council binmen on the terms and conditions noted in Table 39 above. To begin with they were joined by the 12 temporary crews already operating, to help clear the backlog by the end of the Company's three week deadline, but by the beginning of October, Onyx was still

employing nearly 300 men and 60 vehicles in order to keep to the terms of the contract.

The additional staff were provided by an employment agency called E.C.C.O., the subsidiary of another French based multinational E.C.C.O. S.A., which pays the staff £1 an hour less than those employed directly by Onyx. One employee suggested that these workers would gradually replace those recruited from the Council:

"No matter how many Council binmen they take on, over a period of months they'll sack them. They only want their knowledge. They'll pick their brains and then slowly but surely, whether by casuals or YTS lads, they'll be replaced. Its the only way they'll be able to make ends meet.

"Eighteen guys have been sacked already for no real reason, just that they were 'unsuitable for the job', but we are talking about lads with up to 30 years service."

The GMB branch convener added:

"They will just have a casual workforce, employed by an agency ... Any personnel problems are then dealt with by the agency and are nothing to do with Onyx which keeps their image clean."

Aside from the changing employment relationship applied to some of the workforce, the Contractor has far more control over the workforce in general. The agency gangs are out at 6a.m. and the Onyx workers at 7a.m. There is no time for the workforce to gather and discuss problems over a cup of tea, it is straight into the job. The lunch break has been cut to half an hour and the workers must remain with their vehicle during this period, cleaning their hands with 'baby wipes'.

It is all part of a strategy to get the gangs competing with one another to achieve the maximum effort levels. One Onyx employee describes the process:

"They get the lads 'whipped up' before they go out, in the same way as you see in McDonalds. A gang will come in with 30 tonnes of rubbish, a lot for one day, and say 'look boss done 30 tonnes today' and the boss will say '32 tomorrow lads, Beat 5 did 35 today'. So they are competing against each other on the one hand but at the same time there's no time for them to sit down and discuss it, because the Company gets them in at 7a.m, whips them up and gets them straight out.

"They've also split the old gangs up. Of all the guys who stayed on, there might have been two or three or four who worked on the same gang, but now they've all been put into different beats so that all the old methods and practices were lost."

The biggest problem is the deterioration in terms and conditions. As the union convener describes:

"With regards to privatisation, by far the worst affected are the people now working for the contractor because the job has just gone back thirty or forty years in terms of the conditions of employment. That has to be the worst aspect of privatisation. There is nothing a local authority could do that would be worse."

Union Recognition

Despite all the difficulties the GMB was always confident of securing a recognition agreement. At first the Company was resistant, but the GMBs Regional Organiser had discussions with the Company and explained how the politics of the City could easily change, leaving a group in charge who would be very hostile towards them. Furthermore, the tradition of union organisation and militancy amongst the workforce

suggested that it would be hard to resist the Union's pressure in the long run. Onyx UKs Managing Director admitted as much when he said:

"We do not negotiate with unions at the moment but we do not rule it out in the future."

(Daily Post, 21.6.91).

Once Onyx started to dismiss people the pressure to recognise the Union intensified, with the men more determined to stand up to the Company, since there was not even a disciplinary or dismissal procedure in place, something that the men recognised could only come about through union recognition. Two of the old local authority shop stewards were employed by Onyx and they began to organise the men. The temporary workers from E.C.C.O. were not interested in joining the Union but, of the 130 or so ex-Authority workers who got jobs with Onyx, about 60 were recruited back into the GMB. The logistics of this process were extremely complicated as union subscriptions had to be collected manually, whilst the workforce was never congregated in any one place at any one time, due to the new methods of organization. There was also a resistance to join amongst many workers who were scared of the consequences and who had just gone through a long and ultimately unsuccessful struggle.

The Union's ability to maintain a membership base using manual collections provided the groundwork for forcing the recognition issue and meetings between Onyx and the GMB continued, with a recognition agreement finally being signed on the 17th December 1991. By June 1992 this had helped the Union to recruit around 140 of the 200 Onyx employees and put an end to the dismissals that the Company had handed out prior to the agreement.

Onyx have continued to refuse to grant any concessions to the TGWU, who used to organise the refuse drivers, and seem happier dealing with just one union.

Monitoring

The Authority's Client Services Department introduced a monitoring system to oversee the operation of its contracts and on the refuse collection contract this works in two ways. Firstly, complaints are monitored along with the Contractor's response to them. Secondly, random checks are made on streets in nine specified areas of the City.

Points are awarded against the contractor, depending on whether any failures are in a low or high priority area. In a low priority area poor quality earns 0.1 penalty points and in a high priority area 0.2 penalty points. A missed bin earns one or two points respectively. If the contract earns 15,000 points in four weeks or 45,000 in six weeks this would provide a basis for termination of the contract.

The contractor is given instructions to put failures right within a specified period and failure to do so earns a double penalty. Each penalty point earns a £1 administration fee and since it only costs around 25p to empty each bin failure proves quite expensive to the contractor.

No comprehensive report on the performance of the Contractor had been compiled by the summer of 1992 but the unions are under the clear impression that Onyx is not sticking to the terms of the contract. Performance targets have not been met despite a 15% over resourcing of the contract by Onyx, according to the Councils Director of Cleansing's Client Services. Of more significance to the unions is that the specification requires refuse collectors to carry identity cards which would help reduce the use of casual labour, but this requirement is not being enforced. Neither is

the restriction on working hours which prevents collections after 4.30 p.m, with some gangs out as late as 8.00 p.m.

The workforce feels that councillors should be making sure that every part of the contract is fulfilled in order to assist the DSO in winning the work back in-house. There is a strong feeling that this is not happening because the Authority would prefer to see the contract in private hands in order to "teach the unions a lesson". As the GMBs Regional Officer argues:

"I believe the Council really didn't give a damn about the bin service because of the problems that the unions gave them. So its the old idea that if you smack the biggest fella then everyone else collapses behind him, and sure enough, since we lost the bin service the attitude of the rest of the workforce has changed."

The Aftermath - Street Cleansing

Liverpool's Street Cleansing service was awarded to the Council's DSO on the 21st October 1991. Management consultants, Coopers and Lybrand had been brought in, and came up with a package with which the unions fully co-operated, following the loss of the refuse collection contract, and which undercut the only competitor, Onyx, by £1.2 million per annum.

The service was mechanised, 280 jobs were lost and working patterns changed to bring in two shifts of 6 a.m. to 2 p.m. and 2 p.m. to 10 p.m. along with an increase in the working week from 35 hours to 39. On top of this, an additional 107 job cuts were made at the beginning of October to secure the contract, which meant an overall reduction in the street cleansing workforce of 70%. Only 176 of the original 560 workers were kept on by the Authority, although most of those leaving took voluntary redundancy and early retirement.

The City Council's Director of Cleansing, describes the new approach:

"This time we sorted out exactly what we needed to provide a service and built up a workforce around that, rather than picking away at the old service, and in that process we have had tremendous co-operation from the unions.

One of the street cleaners shop stewards explained the change in attitude:

"We've learned our lesson. What ever happens you've got to win the contract and keep them [private contractors] out. It isn't about competing for the best service its competing for the lowest cost, because Onyx has dragged us down to their level even though it means we won't have enough men to do the job properly and that working conditions are going back twenty years."

Union Responses and Concluding Comments

A combination of factors made the privatisation of refuse collection in Liverpool quite unique. The conflictual nature of politics in the City, the intense industrial strife gripping the Authority at the time that the tender was prepared, the history of strength within the Town Hall unions, the Labour Party's desire to stand up to Militant in the midst of a by-election in the City and the apparent willingness of Onyx to make a loss on the contract, all combined to leave the DSO bid hopelessly uncompetitive.

The result has been a dramatic shift in trade union thinking in the City. The GMB convenor who was the principle defender of the refuse collector's jobs and conditions before the contract was lost, has fundamentally altered his perspective:

"I will draw the line at cutting the actual terms and conditions, wages, holidays, sick pay, pensions etc, but you have, and its very sad to say, to budge on the number of men you employ. But if the Council doesn't back you up then you've got no chance anyway, and if the contractor wants the work badly enough then thats it too. I mean this was a flagship for Onyx. If they can come here in the middle of this mess and sort it out, then they can do it anywhere."

The GMBs Regional Officer says that there must be a concentration on defending the service by drawing up a rigid specification which will tie contractors down. A policy which is dependant upon the exercise of a political will, on the part of the Authority, to keep the service in-house. The extent to which that political will is expressed in Liverpool has become dependant upon the trade unions acceptance of management initiative. The influence of CCT in that process cannot be overstated. Indeed the dispute surrounding the award of the refuse collection contract in Liverpool must be seen as a watershed in the balance of trade union thinking about how to respond to CCT. The fundamentalist position of all out localised resistance to any cuts was demonstrably shown to be lacking, in a City which has shown itself better able to resist the tide of change in local government than most others.

Section 4: Case Study III. Building Cleaning in Rotherham

Introduction

Situated in South Yorkshire the Authority is a Metropolitan Borough Council serving a population of around a quarter of a million people. There is a mixture of rural and urban areas within the Borough boundaries, but the Council represents an essentially industrial region.

The politics of the Authority is totally dominated by the Labour Party which holds all but one of the seats on the Council.

Preparing for Competition

The Policy

The Council's leader, Sir Jack Layden, who is also chair of the Labour led Association of Metropolitan Authorities, made the Council's position on CCT quite clear in 1987, when he stated that:

"We will fight for all these services [the defined activities]. We have sought over the years to provide a high level of service consistent with available resources.

It is the view of Rotherham Metropolitan Borough Council that this objective is generally best served by the direct employment of local people."

(Rotherham Advertiser, 20.11.87)

This reflected the policy agreed by the Authority's Policy and Resources Committee on the 30th July 1987:

"It [the Authority] considers that the imposition of tendering is not in the best interests of effective service provision or, indeed, in the longer term, economy.

It is determined, therefore, to take all necessary steps to ensure that, within the law and as far as possible, services provided directly by the Councils own employees continue to be so provided."

(Rotherham MBC, 1987)

The first test of this commitment was to come with preparations for the Borough's building cleaning contract, due to begin on the 24th July 1989.

The Councils Approach

As with most authorities the CT exercise was approached on two levels, from the service provision side and from the client side. A DLO was established to prepare in-house tenders and a working party was created on the client side. The group initially drew together representatives from all of the departments currently employing cleaners directly, but this was then reduced to a smaller group consisting of officers from the major employers of cleaners, the Education and Housing departments, from Financial Services, Personnel Resources and a solicitor. Client and DLO boards incorporating trade union representatives were not established, but the unions were fully involved in discussions on CCT issues and were encouraged to submit suggestions on the formulation of Council policy and to inform their members of the effects of CCT. Indeed three trade union officers, from the three major unions, NUPE, NALGO, and the GMB, were seconded on a full-time basis, to fulfil this function.

The need for trade union co-operation was particularly apparent in the preparation of the DLO bid for the building cleaning contract. The unions were requested to appoint a small group of their representatives, who were actively involved with the cleaning workforce, in order to have consultations with Council officers about the tendering process within the service. The workers appointed were shop stewards and came from six sites across the Borough, where they were employed as caretakers. They co-operated with the Authority in preparing and monitoring "dummy run" exercises in their buildings, on the basis of the productivity levels amongst cleaners that the DLO was trying to achieve.

The intention was to provide a level of service which was no less and no more than that already in place. As a representative from the Council's Management Services Unit put it:

"What we tried to do with the specification was to put into words what was already happening at the present time.

"The only changes were to be those to correct minor faults in certain areas, but basically the service to be provided was the same as that already operating."

Increasing DLO Productivity

Bearing this in mind, the DLO was aware that in order to compete with private contractors, cuts would have to be made in the labour element of the service's cost. Under the old arrangements, the Authority had employed around 900 cleaners who were expected to clean about 250 square foot per cleaning hour. The intention was to double this performance level, through the introduction of revised working methods and new equipment alongside reductions in staffing.

The Borough was split up into four areas and a separate contract was drawn up for each one. The DLO planned to employ around 150 cleaners in each area reducing the overall workforce by a third. As the Council operated a no compulsory redundancy policy, cleaning workers were offered redeployment or voluntary severance terms, which successfully brought the payroll down to the required level.

Prior to the introduction of CCT cleaners hours varied tremendously, ranging from single figures to over thirty hours a week. The DLO decided to impose a ceiling of 12½ hours in order to keep the cleaners below the national insurance contribution

(NIC) threshold, which comes into effect when workers are employed for over sixteen hours a week. The new ceiling also meant that the work could be organised in 2¹/₂ hour, daily, single shifts, avoiding the extra payments required if cleaners worked two shifts, morning and evening.

What were not to be changed were the nationally agreed terms and conditions such as rates of pay, sick pay and holiday entitlements, nor were the provisions for those cleaners wishing to remain superannuated. The changes that were agreed in order to bring down labour costs are summarised in Table 40 below:

Terms and Conditions	Alterations
Pay	Switch from cash to direct payment into bank account
Hours	Hours reduced to between 8 and 12 ¹ / ₂ hours
Bonus	No bonus scheme (Only applied to Housing Department cleaners - bought out)
Holidays	For school cleaners annual leave only to be taken during school holidays
Work organisation	Single shift patterns

Table 40: Changes in working conditions for cleaners employed by Rotherham Metropolitan Borough Council DLO.

Source: Rotherham MBC, 1988

It should also be noted that the reduction in employees hours to below the NIC threshold also eliminates entitlements to certain statutory benefits such as statutory sick pay and rights to claim unfair dismissal. This is not significant so long as nationally agreed terms and conditions are maintained, but if they were to be threatened, then the loss of statutory backup benefits would represent a considerable additional blow to the employees. This situation seems quite conceivable, since the fact that private cleaning contractors tend not to pay sick pay and that the Authority's payment of sickness benefit represented around 6% of the wage bill, did not go unnoticed.

The Tenders

Eleven external contractors along with the Council's own DLO expressed an interest in the building cleaning contracts, five of whom withdrew after receiving the Authority's detailed questionnaire. Of the six firms left, other than the DLO, three were called to interview on the 16th December 1988. They were Carroll and Smallpage, CCA and Initial Contract Services (ICS), all of whom were subsequently invited to tender. Carroll and Smallpage and CCA both pulled out of the tendering exercise, complaining about the amount of paperwork required to prepare a tender and the size of the performance bond in the contract. That left ICS, who were always regarded as the main contenders following their submission of a highly competitive bid in the nearby Metropolitan Borough of Doncaster.

Tenders from ICS and the DLO were received prior to the closing date of 31st March 1989 and an evaluation process began. The outcome of that process was to be relayed to the employees at meetings organised for the 21st April. At a meeting of the Policy and Resources Committee, on the 18th April, it was resolved that the lowest tenders for each of the four contracts be accepted. In contracts one, two and three the successful contractor was ICS and in contract four the Council's DLO won, in the face of no competition. The tender prices are listed in Table 41 below.

Contract	ICS				DLO			
	Educa- tion (£)	Others (£)	Total (£)	£/m ² p.a.	Educa- tion (£)	Others (£)	Total (£)	£/m ² p.a.
1	223,224	51,113	284,337	3.30	333,237	73,424	406,661	4.76
2	222,811	64,698	297,509	3.58	320,676	89,165	409,841	4.92
3	253,108	90,791	343,899	3.88	351,750	79,420	431,170	4.84
4	-	-	-	-	276,538	94,503	371,041	4.69

Table 41: ICS and DLO Tender Prices for Rotherham MBS Building Cleaning Contracts.

Why Did ICS Win?

Loss Leaders

There were immediate accusations that the ICS bid was a loss leader, targeting the Authority due to the Council leader's influential position in local government circles. A victory here would open the door in other authorities as the Council's Client Cleansing Services Manager in the Education Department explained:

"With the AMA anti-CCT (and with Sir John Layden Chair of the Council) we may have been specifically targeted by Initial."

NALGOs Chief CCT spokesman in the Authority is convinced the bid was a loss leader. He stated that:

"I don't believe the contractor can perform to the contract and break even."

This position was given added weight by the Company's recent failure to pick up a contract in Doncaster. The firm had bid an average of £5.45 per square metre there, compared to the DLO bid of £4.18 per square metre, believing that the tender was fair and reasonable and which, in the words of one officer they claimed:

"would meet operating costs but not give much of a return."

The bid in Rotherham ranged in price from £3.30 to £3.88 per square metre, £2 per square metre less than in Doncaster. That contract, won by the DLO, later proved to be unworkable and the Authority was forced to retender it, even though the DLOs price per square metre was higher than ICSs in Rotherham. A NALGO officer put it that:

"Rotherham tendered lower than Doncaster Council workforce when it came up and the same firm lost out. So either they were going to make an exorbitant profit there or a loss here."

Pay and Conditions

The pay and conditions offered by ICS were certainly inferior to those offered by the Authority's DLO and this could explain the lower price. There are no sick pay provisions, no pension, no holidays in the first year of service and only two weeks thereafter. Furthermore, the rate of pay was set at £2.15 per hour despite earlier assurances that it would be £2.25 per hour (as had been planned in Doncaster) which compared to the Authority rate of £2.53 per hour prevailing at the time.

On this basis alone, a representative from the Management Services Unit concedes that the Authority simply could not have competed, even if it had seen the ICS bid in advance:

"the bulk of the contract was made up of labour and their labour rate and their terms and conditions were much cheaper than the Authority's. We could not possibly compete."

Working for ICS

ICS took on 520 staff to work on the three contracts they won, and jobs were offered to existing Council employees first. The Authority secured 150 jobs itself by winning the fourth contract, but all their staff were made redundant on the 24th July 1989 and invited to apply for the remaining jobs on an equal footing.

The workers who secured jobs with ICS faced a considerable decline in their conditions of employment, as described above, and an increase in their workrate. Most cleaners found that they were not employed for more than ten hours a week and no cleaners work more than fifteen hours a week. A further intensification of the work has come from reductions in caretakers contributions to cleaning tasks. Under the old system, between 28 and 32 hours of a caretakers working week were taken up by cleaning duties and whilst low productivity rates meant that many of these hours did not have to be worked, the reduction of the caretakers contribution to between 5 and 10 hours did have an impact, particularly since these hours were not part of the contract and applied to separate cleaning duties. This change was equally apparent on the contract won by the DLO.

At one school it was pointed out that the cleaners hours had been reduced by 25 hours a week with a requirement that the work given up by the caretaker be picked up by the cleaners. The caretaker was adamant that this is not possible.

"We know they can't do the job properly. I mean the cleaners do try, the first two that started when Initial first took over ,used to spend twenty minutes extra a day without pay to get the school clean, because they knew the standard that it used to be."

This process had a direct effect on the commitment of the cleaning staff to the work and led to a rapidly accelerating rate of labour turnover on the contract. As one of the cleaners who has since left ICS explained.

"At first we were dead hard working, putting in this fifteen to twenty minutes extra until we realised what fools we were. We kept asking for extra time but they wouldn't allow it.

"After two or three months we left. The other girl finished with me. We just couldn't take it any more."

It was not the changes in the organisation of work or the methods used that caused the resentment, just the pressure of work. As another ex-Initial employee put it:

"Cleaning is cleaning. We still got on with it, there were slight variations but basically it were just that we had a larger amount of work to do and less time to do it in."

These attitudes led to major recruitment problems in the first few months of the contract, when workers were being buzzed in from Manchester in time for a 6a.m. start. The rate of turnover was identified by Geoff Walker as being far greater than that of the DLO, which he attributed to the lower rates of pay and conditions offered, rather than the pressure of the work. This in turn has been related to low standards of cleaning:

"I do make a direct link between the type of worker recruited and the level of wages paid. You pay peanuts, you get monkeys."

As one caretaker said:

"They'll just set anybody on, anybody that wants a job."

In three schools visited, two had two cleaners and one had three. All of them experienced a rapid turnover of staff having had eight, ten and eleven different cleaners respectively in the first two years of the contract. When the Company is short staffed, cleaners are brought in from other schools or brought in in the afternoon, in contravention of the contract conditions. One caretaker described how one of his current cleaners has worked at every school in the contract area, nearly 30 different sites.

A year into the contracts, ICS and DLO cleaners were to take another blow with the "capping" of the Local Authority's community charge, which resulted in the need to find £2.3 million worth of savings in the Education department, £100,000 of it from cleaning services. The way this was to be achieved was by suspending cleaning for five weeks during school holidays, the savings generated would inevitably come from the suspension of cleaners wages. As the Deputy Director of Education explains:

"If you are going to save money you have got to affect the amount of money people can earn."

"The least hurtful way of saving money on cleaning is not to do cleaning in the holiday period."

£75,000 of the saving was to come from ICS who expressed no concern about the change. Indeed there is some evidence that they were quite grateful, due to a shortage of staff on other contracts at the time. A NUPE full-time officer also pointed out that by laying off the workforce for five weeks they could prevent their employees from accumulating the statutory rights that come with five years permanent employment and the holiday entitlements that are granted after a years service.

As far as the DLO was concerned the savings were achieved by requesting cleaners to take up to five weeks unpaid leave or to time their paid leave to coincide with this period or by securing them other work within the Authority.

Trade Union Organisation

The impact on trade union organisation amongst the cleaners has been devastating. The Unions have lost in the region of 800 members and now have no members whatsoever amongst the ICS workforce. As an ex ICS cleaner explained:

"Once Initial took over, without people signing the forms so that they had the deductions made at source, they weren't keeping up the payments at all and very few of the women asked if they could pay their subscriptions."

One caretaker said that he began a manual collection and distributed direct debit forms but managed to recruit only one member who has since left the job. The NUPE full-time officer responsible for organising the workers described the difficulties involved:

"Traditionally, caretakers or chefs have been the union centres in schools, but they are no longer interested in recruiting the workers. They don't work for the same people and they don't work together."

"Temporary or part-time women workers have always been difficult to organise in these types of jobs. The women are on such low wages they are not interested in paying a union even when we point out the legal and other benefits."

"The turnover of staff means that when you do get members due to a particular problem coming up, they soon leave and the membership"

base collapses. I just don't think its possible to organise in these firms.

"Initial said they would recognise the Union if we got 50% membership but thats not even a dream. The truth is that these companies don't want anything to do with the unions."

Monitoring the Contract

In the different buildings the caretaker is usually the on-site monitor and he provides a weekly return on how well the job is being done, which in turn provides the information for the application of the default procedure. This involves a big change in responsibility for the caretakers who had previously been heavily involved in performing the work now under contract. In recognition of this extra responsibility and the need to start work earlier, caretakers receive an addition to their salary of £5.25 a week.

The reports sent back by the caretakers each week, make sure of all the jobs listed in the specification which have not been completed. Each one of these jobs has a unit price, provided by the contractor, which is used by the Authority to do two things:

- 1) Calculate the value of defaults for work not done
- 2) Calculate the cost of adding work to the contract.

So the default procedure works on the basis of the cost of work not done, which as the Education Department's Client Services Manager points out, is not necessarily equivalent to value. Work can be high value but low cost and might have different values at different times, such as when a parents evening is being held at a school as compared to the first day of a school holiday.

The other difficulty with the monitoring process is the bureaucracy involved. Whilst before CCT any problem or failure could be dealt with immediately by the caretaker and cleaning staff on site, now, any complaints must go through the Client Services Department who will make a charge on the contractor as a punishment for the failure, rather than a rectification of it.

This situation places considerable pressure on the Authority's caretakers who, in identifying problems, may be encouraged to avoid the bureaucracy and do the work themselves, especially where there is a cross over of duties. As one caretaker pointed out, he is now responsible for cleaning floors during the summer recess which might encourage ICS to skimp on cleaning the floors during term time, in the knowledge that he will take care of the problem later.

Despite these areas of concern, default levels have run at only around 1% on the ICS contracts which is about the same as on the DLO contract. There is a definite feeling within the Authority that this comparison was the reason for ICS tendering for only three of the four contracts. In this way the DLO contract could be used as a "control". If the DLO has to be monitored then ICS has to be monitored in the same way and cannot be victimised or have undue burdens placed upon it, as the Authority would be forced to apply the same pressures to its own DLO. Describing the reasons for ICS not tendering for Contract 4, the Authority's NALGO spokesman said:

"I can't reveal the details, but there were commercial reasons [for not tendering] and it wasn't because they couldn't make a profit on the other one."

Concluding Comments

The experience of cleaning workers following the privatisation of building cleaning services in Rotherham, is illustrative of the specific problems associated with trade union organisation within this activity.

Heavy union membership had been maintained due to the support of the Authority for trade union activity. It would seem that the total inability to maintain any kind of membership base amongst cleaners following privatisation, demonstrates a very low level of commitment to the unions amongst the workers concerned.

This was compounded by the tremendous rates of labour turnover on the contract, which must be related to the decline in terms and conditions and increased pressure of work following the introduction of CCT. Prior to tendering, more than 500 cleaners out of a workforce of 650 had been employed for longer than two years (Rotherham MBC, 1989) which provided a stable base around which to organise. The subsequent collapse of that organisation demonstrates the lack of union consciousness that stemmed from it.

The case study provides the paradox that, from the point of view of trade union organisation and the defence of terms and conditions, it is essential to keep such services in-house, whilst it is the maintenance of these conditions that provides the biggest incentive to privatise.

Section 5: Case Study IV. Refuse collection in an East Midlands Borough Council.

Introduction

This study is concerned with the refuse collection contract in a Borough Council situated in the East Midlands with a population of just over 100,000 people. The full identity of the Authority will not be revealed so as to protect the confidentiality of sources of information which could be considered damaging to certain parties.

The Council is now controlled by the Labour Party but the tendering process for the contract in question was completed in early 1989 whilst the Conservative Party had control. Due to the Conservative councillors isolation from power when the investigation was conducted in late 1990 and early 1991, and changes of personnel in officer positions, there was a reluctance on the part of these sources to discuss matters concerned with the Council's preparations for tendering and the compilation of the in-house bid. Not wanting to obtain a one sided view of events, it was decided to concentrate on the industrial relations issues which arose following the award of the contract to Sitaclean Technology on the 26th April 1989.

Changing Terms and Conditions

Sitaclean heavily undercut the Councils DSO with a bid of £886,000, but that reduction in price has not had the catastrophic effect upon jobs and conditions seen in other authorities, although there was an initial downgrading of certain benefits.

As far as the immediate impact on the jobs and conditions of the workforce is concerned, Sitaclean offered positions to each of the sixty employees on the existing council service. The final payroll was fifty eight compared with the projected fifty six in the Company's tender. Drivers were to be paid £3.20 per hour and loaders

£2.80 per hour, although any new recruits not previously in the employ of the Authority were to be paid only £2.55 per hour. Colin Carr, Contracts Manager for Sitaclean explained:

"The Company promised to look after the council workers when we took over the contract."

These wages were to be topped up with a production bonus, worth 30% of basic pay, and an attendance bonus worth 10%. The workers officially remain on a thirty nine hour week running from 06.45 - 15.30, inclusive of a three quarter hour meal break, on Mondays to Thursdays and from 06.45 to 14.30, with the same break, on Fridays. Any overtime worked outside of these hours was to be paid at 1¹/₄ times basic rate.

Other benefits fared worse, with annual leave entitlements reduced from five weeks to four and a significant downgrading of sickness allowances. With the Borough Council, employees had been entitled to up to six months on full pay during absence due to sickness, from day one of their employment. The new arrangements introduced by Sitaclean are outlined in Table 42 below.

Period of Service	Entitlement
During first year of service	One weeks full pay (after four weeks service) and two weeks half pay
During second year of service	Two weeks full pay and two weeks half pay
During third year of service	Three weeks full pay and three weeks half pay
During and after fourth year of service	Four weeks full pay and four weeks half pay

Table 42: Sickness benefit entitlement for Sitaclean Technology Refuse Collectors.

Disputes and Single Union Deals?

The contract began in August 1989 and as early as December discontent amongst the workforce led to the threat of strike action. Despite a lack of recognition, the GMB retained its status as the workers representative, with 51 members, and began to voice the demands of an increasingly restless workforce. The lack of union recognition, the two-tier wage structure and reduced benefits combined with high standards of discipline, led to resentment which was catalysed when, instead of the normal two weeks bonus pay and a lump sum of £75 to clear the Christmas backlog, the refuse collectors were offered 23 hours to do the two days work.

The dispute over the issue highlighted the need to secure some form of recognition agreement, through which negotiating procedures could be established. Negotiations were already taking place with the Company at local and national levels on this subject, which exposed a series of conflicting interests. At a national level the Company was indicating its interest in a single union no strike agreement with the GMB, whilst, following discussions between the GMB, NUPE and the TGWU, the National Officer of the GMB wrote to Sitaclean requesting recognition of all three unions. This position was restated in correspondence with the TUC along with the belief that Sitaclean would decline recognition of all three unions.

This response was indeed forthcoming from the Company. In a letter to the GMB, Sitaclean stated their desire not to sign any national agreement with the unions. At the same time, the right of individual employees to join a trade union of their choice was confirmed in line with the requirements of the Authority's 'Conditions of Contract'. At a local level the GMBs position remained unclear, which, bearing in mind that this was Sitaclean's first contract, was probably related to the national significance of negotiations. In a draft recognition agreement between Sitaclean and

the GMB, prepared for the purposes of this contract, the Union appears to have been ready to sign on a single union basis:

"Recognition

- (i) *The company recognises the right of the GMB to represent and negotiate on behalf of its manual workers employed in the public cleansing field.*
- (ii) *The company hereby confirms the right of the GMB as the sole bargaining agency for collective issues concerning conditions of employment.*
- (iii) *The company ... will make it clear to all employees that it recognises the GMB as the sole bargaining agency and that it strongly advises its employees that they should be members of the GMB."*

N.B. Authors emphasis

(Amended draft Agreement GMB - Sitaclean, 1989)

The nature of any prospective agreement between the GMB and Sitaclean was overshadowed by the escalation of the workforce's resentment towards their treatment by the Company following a formal refusal to recognise the Union at all. This resulted in a ballot on strike action in February 1990 in pursuance of 'positive action' on various points:

- 1 *Recognition and procedural rights*
- 2 *Dismissal of a named member of staff*
- 3 *Recognition of the workers chosen shop steward*
- 4 *Management attitude towards the membership.*

In the ballot, 39 members voted, 32 in favour of action and 7 against. Strike action commenced at 06.45 on Thursday 22nd February and lasted for 4¹/₂ hours before the Company agreed to sign the required Recognition and Procedural Agreement. This

was the first such agreement that Sitaclean had entered in the UK and was finally signed on the 7th March 1990.

The Agreement itself did not contain the contentious wording, referring to sole representation, that was evident in the draft version noted above. The section on recognition was amended as follows:

1"Recognition

- (i) *The Company recognises the right of the Trade Union [GMB] to represent and negotiate on behalf of its members who are employed by the Company at the above locations ...*
- (ii) *The Company believes that a fully representative Trade Union capable of negotiating with authority leads to good industrial relations and will make it clear to all new employees that this Agreement exists and provide facilities for union representatives to recruit new employees into membership of the Union."*

(Procedural Agreement, 1990)

Following this development, the other aims of the strikers were achieved, with the required dismissal, and election of shop stewards being carried out in early April 1990.

The question of single union deals did not go away though. A report in the local evening paper had raised the issue on the 27th February, stating that:

"Union negotiations have won a single union agreement from the company which operates refuse collecting services for [the] Borough Council."

Local NUPE members took note of this disclosure and passed the information on to the Union's Assistant General Secretary, who then raised the issue with the GMB.

In response to the allegations made, the GMBs Regional Organiser defended the Unions position in a letter to the National Officer. He argued that:

"First of all the Agreement I signed on March 7th was not a single union Agreement. You are aware of my personal feelings against such deals ... Nowhere in the Agreement does the Union have sole rights, even though with the strength of the members behind us, we could have forced such an Agreement if we had wished.

"Both you and I have acted honourably in this matter in our joint insistence with the Company that they should be prepared to recognise other Unions as well as the GMB."

He goes on to say that:

"the Agreement forced out of Sitaclean came about as the result of collective action by the membership ... It did not come about as the result of any 'back door' dealing but quite openly through efficient organisation and total membership support."

The GMBs National Officer then made various points, in a letter to NUPEs Assistant General Secretary, explaining events as he sees them:

"At the end of last year I approached the Company on the basis that it should recognise all unions. As we all know in the end they recognised no organisation. Our organisation had been trying to get recognition on behalf of our members who worked on the [Borough Council] contract ... The company refused to recognise our organisation and indeed the site manager was particularly hostile to any recognition of the Union.

"Relationships between our members and the Company were getting steadily worse - not helped by the fact that this Company were hiring a lot of casual labour to weaken the position of our members. The

Company were also issuing disciplinary notices to union members and refusing to entertain any approaches from the Union on behalf of these members.

"As you would expect, and I am sure this is a tactic being followed by all our organisations, we have aggressively pursued private companies where the membership is strong enough to support such moves. An agreement with this Company ... has had to be fought very hard for by our members and local officials."

The Procedural Agreement

The Procedural Agreement which was signed on the 7th March 1990 states several 'General Principles' which are to guide the relationship between Sitaclean and the GMB on the contract. These 'principles' are mostly concerned with outlining the respective areas of responsibility of the two parties; managements right to manage and the unions right to represent the interests of its members, in regard to wages and conditions, security of employment and general grievances; and a commitment to joint consultation on the basis of the procedures laid out in the Agreement. However, the Union also makes other commitments, which could be seen to compromise its position of opposition to private contractors' provision of local authority services.

In Section 2 (General Principles) part (i) of the Agreement, the GMB acknowledges that:

"the Company's business is the provision of a public service, and that continuity of such service is essential. In the light of this ... the Union agree[s] to use [its] best endeavours to avoid any disruption of service."

The point is developed in part (ii), with the statement that:

"Both parties have a common objective in ensuring the efficiency and the prosperity of the Company."

(Procedural Agreement, 1990)

It could be argued that the Union and its members have a clear interest in demonstrating inefficiency in the Company leading to a lack of prosperity. Such a development would certainly add weight to the case for a return of the service to the in-house DSO, which is the policy of the Union.

Any desire on the part of the Union to follow such a course of action would be further restricted by part (v) of the same section which states that:

"In the event of any matter arising, ... related to the provision of service, the Company and the Union agree that any statement made to the press, or other media, shall be mutually agreed by both parties prior to issue."

(Procedural Agreement, 1990)

Section 3 of the Agreement relates to the Annual Review Procedure. It points out that the contract price is subject to annual increases related to specific indices, and that in consequence, increases in wages and benefits will be linked to increases in the contract price made by the Authority in relation to the labour element of these indices. This formally commits the Union to local pay bargaining on the contract, setting refuse workers aside from colleagues employed by Sitaclean elsewhere in Britain, as well as placing them outside the coverage of national agreements on local authority manual workers wages and conditions.

The Agreement then goes on in sections 4, 5 and 6 to cover union organisational issues such as shop steward entitlements (one for each of the two depots) and rights, the deduction of employee union contributions and the provision of union facilities. These are covered in a fairly standard fashion providing the Union with a genuine improvement in status and capability.

Sections 7, 8 and 9 are concerned with procedural arrangements. The disputes procedure has four stages taking issues through the hierarchy of management and union structures and culminates, on failure to achieve settlement by stage 4, in a possible referral to ACAS, whose decision is binding on both parties. Section 8 relates to agreement on a similarly conventional disciplinary procedure and Section 9 to a detailed redundancy procedure. The Company commits itself to taking appropriate measures to prevent redundancy, including.

- "a) *Restriction of recruitment and arrangements made for suitable transfers internally ...*
- b) *Restriction of overtime ... without affecting the efficiency of the business.*
- c) *Investigation of change in working arrangements."*

(Procedural Agreement, 1990)

When redundancies are required selection is to follow a set criteria running through volunteers, employees beyond normal pension date, competence, length of service, part-time employees and personal circumstance.

Sections 10 and 11 of the Agreement relate to provisions for its amendment and termination, which requires a period of three months notice by either party.

Monitoring the Contract

Despite Sitaclean's recognition of the importance of continuity in the provision of public services, as noted in the Procedural Agreement with the GMB, the Company was warned about contract failures during the early part of the contract's operation. In fact the Council's Chief technical officer at the time had to instruct the Company not to use the Authority as a future source of reference.

The Authority's Technical Services Department is responsible for the monitoring of the contractors performance on the refuse collection service and for the issuing of default notices. Where default notices are issued there is a percentage deduction from the monthly instalment of the contract price as shown in Table 43 below. A default notice can be issued in relation to any individual property or collection point.

Default notices in any one week	% Deduction from monthly instalment
More than 5 but less than 11	1
More than 10 but less than 16	2
More than 15 but less than 26	5
More than 25	10

Table 43: Percentage deductions from monthly installments as a result of default notices

The contract can be terminated where more than 25 defaults are recorded in any one week or more than 75 in any four week period. The contract can also be terminated where the contractor has breached any other provisions within it, or where they fail to complete the services for a period of two weeks. Various financial and administrative matters relating to bankruptcy and receivership also provide grounds for termination.

The provisions relating to default notices are of significant interest to the workers, since they can result in the reduction of the contract price and consequently have an

impact on the money available for increased remuneration within the Company's Annual Review. Furthermore, regardless of any lack of resourcing, it is the workforce that is likely to receive the blame for any contract failures. This was illustrated in late 1989 when the Authority complained to Sitaclean about the early bringing out of bins, to the front of premises, for subsequent collections. This practice was being adopted by the workforce to speed up their collection times in response to an increasing workload. However, the Company responded by assuring the Council that they took the complaint seriously and that the workforce had been informed that the practice must stop. They went on to say that if the notification was ignored then formal disciplinary warnings would be issued.

In the first year of the contract, 1989/90, fifteen default notices were served, with more than five in one week which resulted in a 1% financial penalty. Only eleven notices were served during 1990/91 and no financial penalties imposed. In the Council's second year review it is stated that:

"the Council's statutory responsibility with regard to refuse collection have been met but there is little doubt ... that with additional management input ... the service to the public could have been considerably improved."

The 1990 Annual Review Dispute

Having established recognition rights with the Company, and with virtually total organisation of the workforce, the GMB had the opportunity to test its influence with the approach of the contract's first anniversary and the Annual Review in August 1990.

The Union held a meeting of its refuse members in the Borough on the 12th July, in order to assess their aspirations as far as the contract was concerned. These can be summarised as follows:

- 1) 5 weeks annual holiday (presently 4 weeks).
- 2) Holiday pay to be paid at the rate of average earnings (including bonus).
- 3) One rate of pay for all loaders.
- 4) Improved sick pay, ie. from day one and for a longer period.
- 5) Payment for increased numbers of properties.
- 6) When running a man short, cover should be provided, where this is not possible, the earnings of the absent crew member to be split among the other crew members.
- 7) 20% increase in basic pay and bonus.

This information was sent in a memo to Sitaclean's Director of Operations, and formed the basis of a meeting between Company representatives and GMB shop stewards on the 4th September 1990.

The minutes of that meeting noted that at several points in the discussion, the conditions on the contract were related to the conditions on other Sitaclean contracts, to which they compare favourably. The GMBs representatives were determined that such comparisons did not form the basis of negotiations and that the conditions in the Borough should be negotiated separately, with the aim of achieving parity with the conditions enjoyed by Council employees locally.

No final agreement was reached on the Review since some items had to be put to the members and others could not be finalised without notice of the contract price increase awarded by the Authority. The Union was adamant on certain issues though, in particular that the same rates of pay should apply to all employees on the same

grade and that this did not result in additional use of agency labour, which the Union wanted to be minimised. Furthermore, it was not to result in a pay cut to the higher paid workers such as drivers, whose wages had to be at least maintained. The Union was also keen to see a return to the holiday entitlements received from the Authority of four weeks annual leave rising to five weeks after five years.

The demands were placed along with a 20% pay claim, which the Company insisted was unrealistic and would in practice be wholly dependant upon the increase in the contract price, less whatever payments were made in kind, such as additional holidays.

The Authority released its assessment of the adjustment to the contract price in early October which was based upon the Department of the Environment's Monthly Bulletin of Construction Indices. The figures suggested an overall increase in the Contract Price of 14.358% with the increase in labour and supervision costs accounting for 12.995% of the rise.

Whilst the Authority finalised the figures in order to assist the passage of the pay negotiations, it was after this point that they began to break down. After meeting with the contract manager in November, the Union was convinced that agreement was reached on a package to improve pay and conditions, which included an 8.5% increase in earnings, the equalisation of pay rates, four days extra holiday and bonus to be paid on basic during holidays. This represented a rise of 12.7% in the wages bill but fell within the review figure. However, on the 28th November the Contract manager refuted this position, arguing that the matter was still under consideration internally. This led the Union's Regional Organiser to place an ultimatum on 30th November which insisted on implementation of the 12.7% package by the 5th December or the issuing of ballot papers to the membership calling for strike action.

The problem arose following the Company Director's refusal to ratify the deal, but, having received an assurance from the Contract Manager that this would not be the case, the Union's members had been informed of the agreement and were anticipating its introduction. The Company attempted to cool the situation by awarding a preliminary back payment of £160 per employee and a £10 per week supplement, but with the passing of the Union's ultimatum deadline, on the 5th December, application was made to the Union's Regional Secretary for permission to ballot the membership on strike action. This was duly granted on the 14th December.

On the 10th December the Company provided figures, which indicated that the amount available to fund the increase in remunerations was not the entire labour element of the rise in the price index, worth 12.995%, upon which earlier negotiations had been based. Account had to be taken of deductions of NHI and sickness contributions, which left an increase on the original tender wages figure of 9.415%.

Sitaclean granted an additional £6,012 to bring the rise up to 10.87% but this was still short of the agreed package worth 12.7%. By this time the negotiations were only falling down over the duration of the deal, which the Company was trying to limit to the 12 months of the contract but which the Union wanted to extend to cover the period February 1989 to July 1990, in line with the review indices provided by the Borough Council.

Weight was added to the Union case when the membership voted heavily in favour of strike action in the ballot on 20th December. Of the 50 members voting from a membership of 51, 43 voted in favour of action and 7 against.

After the announcement of this result, Sitaclean's Director of Operations wrote to the GMBs Regional Organiser agreeing to extend the review offer as requested, which

released the 12.995% required to meet the earlier agreement in full. There followed a series of 'fine-tuning' negotiations to sort out the method by which the Union's priorities of equalisation of pay, four additional days holiday, 40% bonus on holidays and a weekly wage increase could be met, taking into account the £160 back payment and £10 weekly supplement already paid. This was all finalised by the 10th January 1991, without recourse to industrial action, and resulted in the new rates of payment listed in Table 44 below, along with an extra four days annual leave and the payment of attendance and performance bounces whilst on leave.

Occupation	Hourly rate	Weekly rate	Attendance bonus	Performance bonus	Weekly total
HGV driver	3-38	131.82	13.18	39.55	184.55
Driver non-HGV	3-12	121.68	12.17	36.50	170.35
Loaders	2-19	113.49	11.35	34.05	158.89

Table 44: Sitaclean rates of pay on the contract effective 1.1.91

To gradualise the introduction of equal pay, ex-Borough Council employees were to receive an extra £1.40 per day from the 1st January 1991 to the 31st July 1991, effectively equalising pay by the 1st August 1991.

Concluding Comments

The experience of the GMB on this contract provides an illustration of how a union can retain its influence and authority if the membership remains organised and active. In five months, the Union managed to gain recognition in the face of the Company's resistance. Sitaclean was forced to abandon its divisive two-tier wage structure, on the basis of better rates of pay than those received by local authority manuals. Holiday entitlements were restored and jobs protected.

Question marks remain over whether this approach can be adopted nationally due to the irregularity of union strength. The reliance on local pay bargaining is okay when the union has the power to force concessions but where this is not the case it would seem likely that Sitaclean will push hard for a deterioration in terms and conditions, as evidenced by the terms originally imposed here.

The potential for the emergence of single union deals as a result of CCT is also raised by this study and remains an area of concern to which we will return in Chapter 8. Sitaclean's failure to recognise unions, other than the GMB, remains a difficulty in principle, but in terms of organisation the GMB has shown its ability to represent the workforce on the contract and to defend their interests, despite the concessions made in the Procedural Agreement which I have referred to.

Section 6: Case Study V. Public Cleansing in Stockport.

Introduction

Situated in the district of Greater Manchester the Authority is a Metropolitan Borough Council with a population of nearly 300,000 people. Predominantly urban in character the Council's political make up leaves no party in overall control but with the Liberal Democrats forming an administration as the single largest party.

Preparing for Competition

In 1987 it was decided to put the Council's refuse service and other cleaning services (namely street sweeping) out to tender in one contract. In the negotiations which followed between the DSO management and the three unions with members who were affected, the GMB, NUPE and URTU, there was a considerable amount of resistance to the idea of making any concessions on jobs and conditions in order to

strengthen the DSO bid. It must be borne in mind that this resistance derived from the fact that the service had already been squeezed hard by the Authority over the past few years.

Prior to the CT exercise, Stockport had a reputation for having, in the words of one NUPE Area Officer:

"the best refuse service in the country."

The service had been put through an extensive rationalisation programme which had addressed the issues of overmaning and restrictive practices to the satisfaction of Liberal Democrat and Conservative councillors. Within this context, when preparations were made for the joint refuse collection and other cleaning contract, due to begin on the 1st August 1990, there were no real concerns about the contract being lost to a private contractor.

The Management did try to make further cuts in the refuse service, proposing a change in the organisation of the work from the old practice of assigning one gang to a particular area to sending all crews to one part of the Borough each day in a "blitz" approach. This was accompanied by proposals to shed 25 jobs, cut the number of beats, extend working hours and cut payments by up to £40 a week. The plan prompted a spontaneous one day walk out by the workforce on the 6th March 1990, demonstrating the strength of feeling amongst the workers. NUPE and URTU were prepared to negotiate on some parts of the package, such as reducing the crew on each round by one man, but the GMB held its position and flatly refused to negotiate on further cuts.

In the end two tenders were submitted to the elected members of the Authority, one from the management and one which represented the status quo and had the support of the unions. Whilst not wanting to accept responsibility for the possible consequences, the councillors did not want to impose anything on the unions and so asked the DSO management to submit the tender based on the terms agreed with the trade unions.

The Tender Evaluation

Tenders were invited in January 1990 from five private contractors, Sitaclean Technology, Tyler Waste Management, Leigh Environmental, BFI Wastecare and FOCSA Services along with the Council's DSO, Stockport Works Services. In the event only two tenders, from FOCSA and the DSO, were received by the deadline at the beginning of March. These were examined in the run up to their consideration by councillors on the Policy and Resources Committee Tender Evaluation Panel on the 22nd March 1990.

The two bids, once adjusted to take account of 'additional costs' were as follows:

FOCSA Services (UK) Ltd	£3,008,329.88 per annum
Stockport Works Services	£4,229,645.10 per annum

Following the explanation of several minor queries, both tenders were found to be proposing adequate resources to deliver the services advertised at the required standard.

In assessing the relative merits of the tenders the financial considerations which can legally be applied to the process did not eliminate either bid nor alter the balance of

potential cost savings. In assessing whether the FOCSA price was too low to be viable it was noted that:

"The evidence is that the tender prices are sustainable. It is possible however, that there is very little element of profit within the lower [FOCSA] bid".

(Stockport MBC, 1990)

The recommendation of Client Services officers from the Works Division was that the FOCSA bid be accepted on the basis of a £42,000 increase in the contract price to account for an oversight by the contractor in calculating the cost of the gully emptying service. This recommendation was agreed by the elected members who awarded the contract to FOCSA at the increased price of £2,899,319.69 per annum (unadjusted to take account of "additional costs") for a period of 5½ years beginning on the 1st August 1990.

Council officers expressed "considerable sadness" (Stockport MBC, 1990a) at losing the contract, but it was pointed out that it could not reasonably be rejected given FOCSA's guarantees of providing the service, and that the DSO would have lost by over £½million even if it had cut wages by £20 a week. As the Council leader explained:

"The company's [FOCSA's] bid was so much below ours that we had no alternative but to accept it, otherwise the government would have come down on us like a ton of bricks".

(Manchester Evening News, 23-3-90)

NUPE's Area Officer responsible for the cleansing staff is adamant that the bid was a loss leader though, stating that:

"I do not believe that they will be able to deliver the service for the cost they claim. They have decided to lose money to get a foot in the door elsewhere. It is such a ridiculously low tender that it has to be a loss leader. People must remember that this is a massive company that can afford to take a loss for a few years until it becomes established. The next time the contract is up for grabs and Stockport Council is out of the running, I'm sure we'll see the real costs".

Countering these claims a Company spokesman said:

"We do not tender to lose money. Every tender is a commercial calculation. There is no point in us going around the country making loss leader bids".

This, despite assertions that at the tender evaluation interview FOCSA representatives declared that:

"If it costs more to foot the bill then [we] would stand the cost".
(NUPE, 1990)

Preparing for FOCSA

Following the award of the contract redundancy notices were posted and an enhanced redundancy package negotiated that was worth around £1500 extra per man. Following advice from the Audit Commission that such severance payments were ultra virus, the payment was withheld, and this resulted in renewed unrest amongst the workforce who indicated a willingness to strike. Wishing to avoid conflict, the Authority responded by offering to make the payment under a different title. The men were given three months notice and told that if they worked until the last day then they would receive payment of a continuity bonus, which had the dual role of settling the dispute and ensuring maintenance of the service until FOCSA took over.

FOCSA indicated that their labour force was likely to be in the region of 150, about 50 less than was currently employed by the Authority. In their tender the Company stated that:

"It is our intention to ask each existing employee to complete and return a questionnaire stating their interest.

We will interview each person expressing an interest and offer employment to those found suitable".

(Stockport MBC, 1990a)

In the event, FOCSA interviewed 170 ex-Authority employees and 200 unemployed workers for the jobs. Redeployment was sought for those workers not obtaining employment with FOCSA or eligible for early retirement. Several employees did not find alternative positions and for these the Authority organised counselling services and employed a consultant to give individual advice on interview techniques and how to obtain alternative employment.

Terms and Conditions

The variety of services contained in the combined refuse collection, other cleaning and public convenience contract resulted in a range of wage rates being introduced by FOCSA. These are listed in Table 45 below.

Occupation	Basic weekly wage in £
Refuse collector/driver	140.79 + bonus
Refuse collector/operative	124.80 + bonus
Mechanical sweeper/driver	135.33 + bonus
Street cleansing/driver	129.87 + bonus
Street cleansing/operative	119.34 + bonus
Gully emptier/driver	135.33 + bonus
Gully emptier/operative	124.80 + bonus
Public convenience/driver	129.87 + bonus
Public convenience/cleaner	119.34 + bonus

Table 45 : Basic wage rates for FOCSA employees in Stockport.

These rates were comparable with the local government manual workers rates prevailing at the time, as listed in Appendix 1, but there was a major deterioration in other payments and conditions of employment.

The standard working week remained 39 hours a week but the task and finish system applied to refuse collection workers was abolished. Refuse collectors were to work 7 hours and 48 minutes each day, exclusive of meal breaks, beginning at 7a.m. Cleansing operatives were to work on two shifts, 7a.m. to 3p.m. and 3p.m. to 11 p.m., inclusive of a meal break of one and a half hours, six days a week.

Bonuses were set at £8.11 per day for refuse collectors provided performance each day is "satisfactory in terms of quality and quantity". This compares with bonuses of up to £95 per week under the old system. Cleansing operatives were given a bonus of £1.99 per day on the same terms.

Other conditions included the provision of twenty days annual leave with a pro rata entitlement in the first year of service and a public holiday allocation of eight days per year. Payment for work done on public holidays is at double the basic rate with time off in lieu. Other overtime payments are the same as local authority rates, one

and a half times basic rate Monday to Saturday and double time on Sundays. There is no sickness benefit other than statutory sick pay and no separate company pension scheme, the workforce is covered by the State Earnings Related Pension Scheme (SERPS). FOCSA does provide life assurance cover of £10,000, provided for death while in service, and an attendance bonus payable on the day after the anniversary of joining the Company. Payments of this bonus are calculated on the basis noted in Table 46 below.

Days absence in year	Level of payment
None	£150
Three	£80
Four	£60
Five days or more	NONE

Table 46 : FOCSA's attendance bonus.

Aside from the changes in benefits the Company introduced new flexibility requirements which give FOCSA the right to:

- (1) require [workers] to undertake any other duties which may reasonably be required including those which are carried out by the other categories of refuse collection, street cleansing and other services workers employed by the company*
- (2) transfer [workers] between teams*
- (3) vary the areas in which [workers] work*
- (4) require [workers] to be based at a different depot or location within the Metropolitan Borough without additional payment.*

(FOCSA, 1990)

In contrast to some other contractors the Company has a defined disciplinary procedure designed to protect workers from unnecessary summary dismissals, but

there was no indication that the Company was willing to recognise trade unions prior to the start of the contract.

Industrial Relations and Inter-Union Rivalry

Immediately following the decision to award FOCSA the contract, the Company was contacted by union officers seeking recognition and discussions about the implementation of new working practices. After an initial indication that it was not the Company's intention to talk to trade unions, FOCSA failed to reply to three further letters requesting talks on union recognition.

A peaceful lobby of the management was planned by pickets from NUPE, GMB and URTU on the first day of the contract. As the NUPE Area Organiser explained at the time:

"We want to make a peaceful protest in the hope that people who have signed contracts with FOCSA will stand up for the rights of working people".

(Stockport Express Advertiser, 1-8-90)

On the day, problems arose when ex-Authority workers asked the unions to talk to management about the new working conditions. They were unable to do so since there was no recognition agreement in place. With no resolution to the dispute the men decided not to go out until union recognition was granted. Only twelve men, most of whom were new to the job, out of a workforce of 150, went out in two of FOCSA's 11 bin wagons. Following this development the unions' full time officers were called into talks and on the second day of the dispute this, along with the threat of dismissal, led about a third of the workforce to return to work.

The men were particularly unhappy about changes in bonuses which would leave some of them £65 a week worse off in return for more work and a compulsory finish for binmen of 3.45 p.m., even if the job was done by 1.00 or 2.00 p.m. So, as NUPE's spokeswoman said:

"Until FOCSA are prepared to sit down and talk to and recognise the union, the men are not going out to work. We cannot do anything about working conditions or pay unless the company recognizes us".

(Stockport Messenger, 3-8-90)

All the unions recommended a return to work on Friday the 3rd August, as the Company seemed serious about considering a recognition agreement and as they were issuing dismissal notices to those workers continuing with industrial action. Sixty workers did not return to work in the hope of securing an improvement in terms and conditions and were then dismissed for breach of contract.

Negotiations continued on the format of a recognition agreement, the principle of which had been accepted by FOCSA on the 3rd August 1990. At this time though, inter union rivalries came to the fore. The GMB was the majority union on the refuse service and URTU the majority union on street cleansing. NUPE had a significant presence amongst both groups of workers with a total membership of 52, but there is some indication that the GMB was in private discussions with the Company about a single union agreement. In the end this approach was dismissed in favour of a tripartite approach from the unions to the Company, although the actual Agreement, signed on 3rd September in the absence of NUPE officers, is identical to others signed by the GMB in other areas where they are the only recognized union (see Case Study IV).

The identical wording of the Procedural Agreement means the same concessions outlined in the previous section apply. NUPE officers were particularly annoyed about sections in the Agreement which refer to "statements made to the press or other media " being " mutually agreed by both parties prior to issue". Heavy use had been made of the local press in running the campaign to secure the recognition Agreement. Denial of further access to this weapon was seen as a significant blow. NUPE had been informing other local authorities of the problems FOCSA was having on the contract and it is thought that the recognition Agreement was seen as a way of silencing this criticism.

Following the signing of the Agreement, facilities were requested for recruiting the workforce into the unions, which were granted, from NUPE's point of view, without any general specification of details. The following morning the GMB established a desk in the Company office and it is alleged that the impression was given that the GMB was the only union that had secured recognition rights and consequently most of the men joined up. The next day NUPE began recruiting and managed to win about 30 new members, some workers transferring from the GMB, which illustrates the tensions which existed between the two unions. This was not helped by FOCSA's insistence that there would only be one shop steward, chosen from the majority union, which, at the time, was the GMB. Once NUPE became the majority union amongst the street cleaners an additional steward was secured, representing the NUPE members, but the relationship remains tense. As one NUPE officer put it:

"There is not really any comradeship between NUPE and the GMB".

Despite the Agreement, union officers claim that agreed procedures are not followed and that workers are sacked for virtually any misdemeanour. Union pressure has only had a limited impact on this situation due to the fairly anti-union and dictatorial

approach adopted by the contract manager. Indeed four street cleaners were going to be sacked for being found in a cafe whilst on their meal break, against Company regulations. NUPE's ability to keep the men their jobs was regarded as a victory. Under the previous conditions this incident would not even have been an issue. Another worker was sacked for picking up an employee for work in a Company van whilst somebody else got no punishment at all for the same offence, creating uncertainty and resentment within the workforce.

These conditions and pressures led to a rapid turnover of staff in the first few months of the contract's operation. The Company was even forced to re-employ most of the workers previously dismissed for taking industrial action, as suitable replacements who could stick the job could not be found.

After Christmas 1990, and another dispute over working arrangements, FOCSA adopted a more conciliatory attitude, seeing the role that the shop stewards could have in avoiding direct conflict. From February 1991 regular works committee meetings have been held with a direct input from the shop stewards. Morale amongst the workforce was also raised with a return to the task and finish system on the refuse service, which was recognised by the Company as the only way to ensure the required amount of work is done, although there are indications that the early finishes now being achieved may lead to further job cuts.

Monitoring the Contract

The Technical and Administrative Section of the Council's Works Division established a team to undertake the monitoring of the cleansing contract. Monitoring is done by on-site inspection using pre-determined standards. The inspections allow different response times to deal with contract failures and when failures are not dealt

with in accordance with the criteria established, then a penalty points system is used to penalise the contractor. The time limits used are specified in Table 47 below.

Item	Number of units	Time limit for completion	Default points
Respond to directive from Authorised Officer in relation to a specific complaint	1	Complaint directed to Contractor prior to noon to be attended on the same day Complaint directed to Contractor after noon to be attended to in the morning of the next working day	1 point/unit/working day

Table 47 : Time limits for rectifying contract failures.

Source : Stockport MBC, 1990b

Default points are issued for the various categories as illustrated in Table 48 below.

Service	Score (% performance)	Default Points
Refuse collection	85 - 90	1
	79 - 84	2
Other Cleaning	85 - 90	1
	79 - 84	2
	70 - 78	3
	64 - 69	4
Public Conveniences	85 - 90	1
	80 - 84	2
	75 - 79	3

Table 48 : Determination of Default Points.

Source : Stockport MBC, 1990b.

Where default points are awarded, the Authority may deduct 0.05% of the total monthly account due to the contractor under the terms of the contract. If a recurring problem is identified, or if 500 points are awarded inside a 12 month period, then the Council has the option of bringing in alternative methods of cleansing with all costs

incurred deducted from the contractor's monthly claim, alternatively the contract can be terminated.

These procedures were queried by the Environmental Health Committee on the 30th July 1990, when the following resolution was passed:

"(1) That the Policy and Resources Committee be informed that in the opinion of the Committee any question of a 91% service delivery in respect of refuse collection, street cleansing and other cleaning is totally unacceptable".

(Stockport MBC, 1990b)

The default procedure noted above seems to imply that this is not the case.

The default procedure was not implemented for the first three months of the contract to allow the contractor time to "settle in", but by the middle of August FOCSA was being warned about service standards following complaints at the rate of over 1000 a day and the issuing of 5000 bin bags a day to cope with uncollected rubbish. This situation forced the Company to rethink its logistics and the resourcing of the contract. As the Company spokesman put it:

"There have been difficulties. There is a backlog and we are extremely sorry if there has been any inconvenience. The company is throwing extra resources into the problem in a bid to get it cleared as quickly as is humanly possible".

(Stockport Messenger, 17-8-90)

The number of crews was increased from 11 to 15 and temporary staff were taken on along with longer hours for the established workforce in return for special bonuses, including work on the August bank holiday. The bonuses were only a temporary

measure employed until the backlog was cleared but the extra rounds were maintained.

Despite FOCSA's attempts to sort the problems out, the Council's Policy and Resources Committee expressed "considerable disappointment" at the service at its meeting on the 29th August 1990, resolving that:

"the committee regrets the deplorable effects of the privatisation of the Councils refuse and street cleansing services resulting from the Government's insistence on competitive tendering and considers that the accumulation of waste and litter has been detrimental to amenities and that the Councils reputation as an efficient provider of services has been damaged".

(Stockport MBC, 1990c)

Unlike many other contracts the problems associated with the service did not disappear after the settling in period. Difficulties re-emerged with the autumn leaf fall, resulting in another application of additional resources. As the Director of the Council's Environmental Health Department explained:

"FOCSA found it necessary to resource the refuse collection ... and it is having the same problem with the leaf fall. Their original programme did not completely account for the enormous cost of keeping the streets free from leaves".

By the end of November the Authority had already withheld payment of £53,000 for the failure on the refuse collection service and the street cleansing service, in addition to the costs incurred by FOCSA in allocating additional resources to the problems.

Concluding Comments

The problems faced by FOCSA on the Stockport Cleansing contract have not been sufficient to result in its termination but the unions are still seeking a return of the service to in-house provision. There is a feeling that FOCSA should never have been awarded the contract due to the loss leader nature of the tender. Whether making a loss on the contract was a deliberate policy employed by the Company is impossible to prove, but there is little doubt that a loss has now been made, when additional charges and the application of extra resources are considered.

The unions' main concern though, is with the CT exercise itself. Firstly, it is not possible to compete with the loss leader bids since the DSO must make a 5% return on its capital, whilst multinational contractors can finance contracts from overseas sources. Secondly, what genuine savings are made, are made at the expense of the workforce. As NUPE's Area Officer explained:

"The fact is that there are people out there who are willing to do someone else jobs for less money. Competitive tendering is the auctioneering of jobs".

Furthermore, in the Authority's other tendering exercises the FOCSA experience has been quoted as an example of what will happen if terms and conditions are not sacrificed. The same officer described the process:

"At CCT meetings they [the Authority] permanently quote the FOCSA experience and ask what the men would prefer, to stay with the Authority on reduced terms or to go through the FOCSA experience, and they get the answer they want.

CCT and the FOCSA experience are definitely used as a weapon to bludgeon down terms and conditions. The whole process is about taking money from local government by squeezing it from the workforce".

Section 7 : Case Study VI. Public Cleansing in Manchester.

Introduction

Situated in South Lancashire, Manchester City Council serves a population of almost half a million people in the heart of the Greater Manchester conurbation. The Authority is the City's main employer with a pay-roll of over 25,000.

There is a deep seated tradition of Labour Party control in the City and Labour continues to provide over three quarters of the Council's elected members.

Preparing for CCT

In 1987 the Council established an Enforced Tendering Group to co-ordinate the Authority's strategy towards CCT and its attempt to keep services in-house. A programme of work was outlined in November 1987, which was designed to last until the next General Election, by which time a reassessment of policy would be necessary.

The objectives were clearly stated (Machin, 1987):

1. To create service profiles which would assess the areas most under threat and identify the levels of service provided, involving the workforce and service users.

Service profiles were to be compiled by individual service groups responsible for the different activities, cleaning, catering, recreation, cleansing and vehicle maintenance. Each of these groups contained representatives from management, the Enforced Tendering Group and any union with members who were affected.

2. To provide training and briefing for those concerned with policy discussions in service areas. The training to cover the lessons from the Planning and Land Act, NHS privatisation and previous local government privatisation as well as details of current CCT proposals.
3. To ensure Authority employees and service users were aware of the provisions of the CCT legislation and the Council's and Union's response.
4. To commission and assist in compiling a 'Contractors Audit' (see Manchester City Council, 1989) to obtain information on likely competitors. To establish a monitoring procedure and contract conditions relating to the contractors organisation, its workforce, the work to be done and the quality of that work.
5. To develop clear and comprehensive specifications in order to set out the level and quality of service to be provided.
6. To establish the best legal means of ensuring employment issues remain on the agenda. This is to be achieved by the development of an Employment Charter which would encourage and seek to commit contractors to 'best practice' employment guide-lines.

There was further discussion within the Group about a movement away from the 'monolithic' in-house DLO style of service provision, towards a community based

approach, built around non-profit making enterprises, accessible trade union and local authority structures in individual neighbourhoods. These discussions were not developed though, due to political differences within the Authority's ruling Labour Group and the immediate pressure to keep contracts in-house in the face of enforced competition, as Steve Machin, deputy Director of the Council's Economic Development Department put it:

"Unfortunately, winning tenders has been seen as an end in itself".

The policy of the City Council was unequivocal in its support for keeping services in-house and in that objective it has been entirely successful, with no contracts being lost to private contractors in the first three years of tendering. Without a development of that principle, involving changes of structure, Machin believes that the Authority will always be fighting a rearguard action.

The policies adopted suited the trade unions at this early stage, since they were much better prepared for negotiations at that time. The GMB and Manchester Trades Council ran training courses for stewards and union activists on CCT and quality issues, whilst the Authority's management appears not to have had the same level of training, despite the Council's rhetoric. Consequently, the GMB's representative on the Enforced Tendering Group claims that:

"we set the agenda on the service teams and got our way on nine tenths of the issues. The Union reps were absolutely essential to the teams, they could not function without them".

The Competition

The Council made a decision to put its cleansing services, refuse collection and street sweeping, to tender in one contract, to begin on the 1st January 1991. Little outside interest was shown in the contract, possibly a reflection of the Authority's determination to keep the service in-house.

The one major contractor which did show an interest and which eventually put in the only bid in competition to the DLO was Onyx (UK) Ltd, owned by the French giant CGEA. There was some surprise that FOCSA Services (UK) Ltd, with its head office in Manchester, did not follow up its earlier interest with a bid, particularly after its successful tender in the neighbouring Borough of Stockport.

In the event, even Onyx's bid was in excess of the in-house figure:

Manchester City Council Cleansing DLO	£6,800,000 p.a.
Onyx (UK) Ltd	£7,130,000 p.a.

The six year contract was accordingly awarded to the Council's DLO.

The Impact on the Workforce

The impact of CT on Manchester City Council cleansing workers jobs and conditions must be distinguished from cuts made due to other Government policies. Cuts have been introduced as a result of the removal of rate support grants, rate capping and the community charge and have resulted in a steady decline in employment within the cleansing service over the past decade. This process has been most pronounced in the refuse service where changing methods of work, involving metal bins, paper bags, plastic bins and now plastic bags, have resulted in a continual shedding of labour.

Within this context the introduction of CCT was initially seen by the workforce as just another excuse for increasing productivity and resulted in considerable pressure to resist any further cuts.

As the experience of other authorities became more apparent, particularly after the award of Stockport's cleansing contract to FOCSA, the Manchester workforce recognised the threat that existed to their own pensions and conditions of employment and they became more flexible. The GMB's convener of cleansing explains:

"We had to become more business-like under CCT and accept that the pressures on the men would become more acute. But a decision was taken that national terms and conditions would be protected and maintained. The main effects were felt in terms of the number of jobs and on bonuses".

The street sweepers bonus was actually increased from 33¹/₃% to 50% of basic pay and the refuse collectors bonuses were consolidated at 33¹/₃% with additional guaranteed payments contained within a wet weather allowance and the granting of two and a half hours a week for breakdowns.

The number of domestic refuse rounds was cut by around one half, with each crew being made up of a driver and four loaders instead of a driver and three loaders in order to make up the extra work. The additional workload created a good deal of resentment at first, since an increase in a refuse collectors work is very identifiable, as it is reflected in the number of bins collected. The unions argue that this process of change should have been introduced more gradually.

Despite the cut in rounds no drivers were made redundant. The spare men were transferred to the Council's bulk waste service (for household items) or to the multi-

skips, a new public service organised by the Authority on a commercial basis in competition with private operators. Others were transferred to the reorganised city centre service, which has two crews employing a driver and two loaders, collecting commercial, trade refuse, with the aim of eventually providing a 24 hour service.

The men that did leave the Authority's employ were not made compulsory redundant. Numbers were reduced through natural wastage, voluntary redundancy and early retirement. The men left with the Council service have generally been in the job for a long period of time, many men having over thirty years service. The turnover of staff is virtually non-existent.

Abuses of the Council's sick pay scheme have been tightened up with a requirement that sickness is reported by 10 a.m. If sickness is recorded for five days in a quarter or on three separate occasions in a quarter, then the worker in question is called to a formal meeting to explain the situation.

On the Council's building cleaning contract the impact was not so limited. Cleaners had their bonuses removed, which had the effect of removing their entitlement to be in the pension scheme and other benefits and the workforce was reduced by a half from around 900 to 450. This combined with the administrative nightmare of finding which of the original 900 workers were employed by which department in which of the Council's 600 buildings, to leave the contract in a state of chaos. According to union officers the situation has left management with little control, as the departments receiving the cleaning services either hang on to their own cleaners or leave the problem to the over pressed, nine building cleaning DLO managers.

Trade Union Organisation

Within Manchester's Cleansing DLO the trade unions have maintained high levels of organisation, achieving membership rates of virtually 100%.

The unions have always been strong in the City Council but there is a feeling that that strength has developed a new character as a result of the struggles surrounding CCT.

As one GMB officer explained:

"Union organisation was always strong in Manchester but it has got stronger with the introduction of CCT. Stewards have grown in character and the members have become more conscious and are asking more questions. They are interested in more than just the annual pay round now".

The Unions Convener of Cleansing added that:

"The problems associated with tendering and the Union's role in preparing for CCT has greatly strengthened the Union's position in terms of its level of influence and its perception among the men".

Running the contract

Whilst all of Manchester's defined services have been won in-house, antagonism remains between the DLO management and the workforce representatives. Once the cleansing contract was put into operation consultation with the workforce was given less priority.

The Council's monitoring procedure imposes default points and financial penalties for failure to meet the contract specifications, in much the same way that private contractors are penalised on the contracts described in the other case studies. When

the cleansing contract began, the management was informed of the failures which would attract penalty points but not the workforce. The trade unions had to point out that it was the workforce who would be held responsible for any failures so it was them who should receive the specialist training. A co-operative approach was then adopted which involved small groups of street cleaners in training sessions where criticisms were encouraged. The outcome was a complete redrawing of the procedure into a format which the men had confidence in and which has proved workable.

There is an appreciation amongst the workforce and their representatives that continual improvements and savings had to be made in the service, to keep it competitive. Consequently, various suggestions have come forward, through the unions, of ways to make the system more efficient. Ways of reducing theft and administrative problems have emerged from the employees front line experience of them. As the workers' GMB convener argues:

"In some respects the lads are leading management rather than the other way round".

In contrast to this informal influence the unions' direct role in the service provision process has been curtailed. Despite the tremendous early involvement in building the specifications and general preparation for CCT, the Unions were largely kept out of the evaluation process, although this has been put down to the need to maintain commercial confidentiality. Since the contracts were awarded, the Enforced Tendering Service Teams have met much less regularly and the flow of information from management to staff has been far more restricted.

Union officers say that it has become very difficult to get information on how contracts are working. The Authority argues that there is no reason for the unions to have this information despite the clear implications for the protection of the contracts and thus their members jobs. There was agreement though, that all unions with affected members would receive monitoring reports and would be free to discuss their content with management before they were presented to councillors.

The GMB's representative in the Enforced Tendering Group argues that the growing reluctance to involve the unions, stems from their own lack of competence. He explains:

"The management has become scared of the Service Groups as a forum because they know we have been more clued up than them. They didn't have the same training as our people in the Group and consequently they fear the organisations and try to by-pass them".

The Union's Convener of Cleansing adds that:

"It is a reality that where management is the least competent the most anti-union attitudes prevail, because we raise questions about their ability."

Officers are not so much concerned about the lack of information, since this comes from the membership in any case, but are worried about decreased involvement in the decision making process. The increasing emphasis on quality within the service is a big concern, particularly when the policy is budget led. As the cleansing convener argues:

"It is a case of the dictation of customers needs at the expense of the people providing the service. This is not in the interest of the City as a

whole as the needs that are met will be the most vocal and organised. That doesn't mean the poorest areas or the workforce who live in the City and benefit from the Authority's role as the City's major employer."

He argues that the unions must continue to be heavily involved in the service provision and CCT process since under the new arrangements their members jobs are permanently at risk. If the unions are involved then the political will to keep the services in-house can be maintained and with it, the workers jobs.

Section 8. Case Study VII. Building Cleaning in Mid Glamorgan

Introduction

Mid Glamorgan County Council is responsible for the administration of the largest County in Wales, covering the Valleys in the South of the Country, which used to dominate Britain's coal and steel industry. Employment in the County is now concentrated in services and light industry but the political complexion of the Council still reflects that of an industrial region, with the Labour Party totally dominant.

Preparing for CCT

Building cleaning, as in most County Councils, was largely organised by the Education Authority prior to CCT, since it was their buildings that were cleaned. There was little centralized information on what was actually done in each building though, since this was left to head teachers, managers and caretakers at the sites concerned. Consequently, the Authority was not in any way geared up for the preparation of a properly specified contract.

Management consultants Coopers and Lybrand were brought in early in 1988 to offer advice, and the decision was taken to impose a contract - client split, with a DSO Board providing an overall perspective on the CT process. A working party was established following the demands of the GMB and NUPE, who organise most of the cleaners, which involved personnel officers, trade union officers, workforce representatives, the chairs of the 'task teams' responsible for each service and the management consultants. This working group put forward the ideas which formed the basis of the Authority's approach towards the whole first round CCT programme.

The Council's attitude impressed the unions. The GMB's Regional Officer responsible for the Authority explains:

"At this time the Authority couldn't be faulted. They were totally committed to winning the contract and organised research and brain storming weekend schools with the management consultants. We talked about the problems in great detail considering all the angles. The preparation was extremely thorough."

It was the Building Cleaning contract that was most pressing since the date set for the commencement of the contract was brought forward from April 1991 to August 1989.

Preparing the Tender

A decision was taken by the Council to let the Building Cleaning work as four separate contracts in Ogwr; Rhondda and Taff Ely; Merthyr and Cynon valley; and Rhymney Valley and Cardiff offices.

Whilst there was a strong commitment to winning each of these contracts, the Council was very conscious of what it regarded as a "significant competitive gap"

between the DSO and private contractors (Mid Glamorgan County Council, 1988) and that;

"action needed to bridge the competitive gap will affect terms and conditions of employment to an extent which causes a redundancy situation to exist for all operatives"

(Mid Glamorgan County Council, 1988)

The management consultants were adamant that the DSOs productivity rates would have to improve in order to become competitive. They argued that private contractors would be cleaning around 500 square foot an hour in comparison to the DSOs rate of 250 square foot. Furthermore, they pointed to the wage rates in the private sector which were ranging between £1.50 and £2.20 per hour, compared with the national local government rate of £2.59 per hour.

The Cleaning Services Manager at the time was recruited from a private contractor, and he was able to put the Consultant's claims into perspective, pointing out that competitors productivity rates would certainly be higher than those prevailing, but would be nothing like the 500 square foot that Coopers and Lybrand were talking about.

The Authority agreed to begin a moderate programme of capital investment as a part of the plan to raise productivity rates. An investment of £50,000 was allocated for 1988/89 followed by £350,000 the next year and £100,000 in 1991/92 and again in 1992/93. This had to be accompanied by reductions in staffing levels and a consequent increase in work done by each operative if savings were to be achieved.

The problem was the lack of knowledge of what work was to be done or who was responsible for doing it. As the Chief Officer of the Direct Services Committee put it:

"Management and supervision of operatives is weak or non-existent because of poorly defined lines of responsibility. This results in inadequate direction, advice and guidance for operatives at the establishment level."

In order to increase the level of information, school caretakers were used to provide documentary evidence on each school, the number of rooms, the types of floors, the cleaning methods used and so forth. This information then went into the specification which formed the basis of the contract. To determine the appropriate productivity rate to go with the specification, cleaning trials were set up in the nine school sites during August and September 1988. When the results of the study came out, formal negotiations between the Authority and the trade unions began. The lead unions were the GMB and NUPE although the TGWU and AEU also had a handful of members.

The productivity achieved during the cleaning trials was very high, at around 400 square foot per hour, which the unions recognised would result in heavy job losses. Various tactics were employed to demonstrate how the rates would not be sustainable, due to bad weather, equipment breakdowns and training requirements, in order to bring the projected rate down and protect jobs. The problem was that by this time, seven private contractors had expressed an interest in the contracts, five of whom were eventually invited to tender and one of which had already visited the schools, which seemed to indicate that they would submit a bid.

Pressure was building for concessions on staffing levels, with a commitment from the Council that:

"An early retirement/severance scheme shall be introduced with redundancy and severance payment or superannuation/gratuity benefits as appropriate."

(Mid Glamorgan County Council, 1988)

The authority was also saying that national rates of pay could not be maintained if the service was going to be kept in-house and that national conditions were under threat, since contractors were offering only two or three weeks annual leave in comparison to the four or five weeks provided by the Council. So a decision was taken by the GMB to hold a full consultation exercise amongst the membership. Mass meetings were organised in five different locations throughout the County during late September. Each of the meetings was well attended and it was explained that the competitive process meant productivity levels would have to rise, along with a possible deterioration of conditions if the work was kept in-house.

The attitude of the membership indicated a willingness to give the Union a free hand in negotiations if it meant securing the work in-house with the best conditions obtainable. There was an insistence though, that any redundancies should be concentrated amongst the older workers, who worked most hours, were superannuated and who would find change most stressful to cope with. These workers would additionally be entitled to the most favourable redundancy packages.

The Council accepted that these workers would be offered early retirement or redundancy in preference to any other method of selection should the DSO be successful, despite the extra costs involved. There was a need to lose around 400 workers from the 2000 currently employed, and the Authority was grateful that a

painless way had been found to secure these reductions. Furthermore, the workers in question were the most expensive to employ since they worked the longest hours and had the full range of benefits.

By mid-October the County Council was re-affirming its intention of pursuing

"a very positive policy of keeping cleaning in-house by putting in a competitive bid against the external opposition"

(Mid Glamorgan County Council, 1988)

But this required agreement on a productivity rate which would make the contract work. It was not until January 1989 that the CT Working Group put together the costs of the DSO and of potential competitors in the search for an appropriate rate. This was finally set at 340 square foot per hour in the knowledge that the necessary staff cuts could be met voluntarily.

Terms and Conditions

A decision was made to hold payments at the existing level of £2.5962 per hour but to freeze them until August 1990, the anniversary of the contract. Sick pay, maternity pay and leave arrangements were brought into line with the statutory schemes and annual leave cut to two weeks a year. The working year was also reduced from fifty-two weeks to forty-six (including holiday entitlements) although a profit sharing scheme, relating to any surplus of income over expenditure, beyond the statutory financial target, was introduced in compensation.

After the unions agreed to this package of cuts, the Chief Officer of the Direct Services Committee and the Cleansing Services Manager indicated that they still did

not think this was enough to secure the contract. The unions were asked to consider the matter further and come back with a final package. By this stage the view was that the workforce could be stretched no further and that the bid should be presented as it stood and the Authority finally agreed to respect the unions stand-point.

In the event there was no alternative bid and so the contract was awarded to the DSO, now named County Cleaning on the basis of the terms agreed. To the workforce this meant 400 job losses, reductions in hours, two weeks less holiday a year, reduced sickness and maternity benefits and an increased workload.

Operating the Contract

The contract, which was due to run for three years from August 1st 1989, did not face any major difficulties other than those associated with a high rate of labour turn over, with some workers only staying in the job for a couple of days due to the pressure of work.

However, union officers claim that there was no effective monitoring of the contract and that there were not even any formal procedures laying out guide-lines or timetables for monitoring. As the GMB's Regional Officer put it:

"The Authority didn't really want to know and we didn't want to push them because the service was in-house."

More of an interest was shown as the contract moved towards its end and the second round of tendering came onto the agenda. There was then more of a recognition of the need to satisfy user requirements.

Round Two

The contract was to be reawarded in March 1992 but this time around the preparations were far more limited, with preparatory meetings only beginning in June 1991. Union officers claim that the Group meetings which were held were far less frequent than before and were used more as a means of informing them of what management was already doing rather than involving them in the decision making process.

Even wage rates were determined unilaterally. The rate had risen to £3.03 per hour over the lifetime of the first contract and a decision was taken to raise it further to £3.20 per hour despite prevailing rates in the County of around £3.00 per hour. This reflected the confidence that County Cleaning had in its own position, stemming from their status as incumbents and the expression of satisfaction by 85% of the service's users.

Despite this confidence the competition was much greater this time, with thirteen companies expressing an interest, five of whom were invited to tender, including Taylorplan, OCS, ISS, Pace and ARA. This time all of the potential competitors visited the buildings in the contract and submitted tenders. It became clear that the confidence expressed by County Cleaning was illfounded. The in-house contractor was heavily undercut by Taylorplan and OCS. Taylorplan bid £400,000 per annum cheaper than County Cleaning with a tender price of £9.8 million over three years and was eventually awarded the contract.

There was some dispute over Taylorplan's bid following allegations that it was a loss leader and the company's request to defer the start of two of the contracts. However, the argument was not vigorously pursued since County Cleaning came third behind OCS, who would have been the only beneficiaries of Taylorplan's disqualification.

Terms and Conditions

Taylorplan is aiming to use 1200 operatives, a reduction of 400 on County Cleaning staffing levels. It is also planned to reduce the total number of hours worked on the contract from 18000 per week to 15000 per week with an annual contingency of 19000 hours.

The Company quoted an hourly rate of £3.15 in its tender submission but after securing the contract a different story was told in the different contract areas. In the less depressed area of Ogwr, cleaners were informed that they would keep their jobs and their hours and that they might even get a pay rise. There was also to be no change in District C, but in Districts B and D, the areas where Taylorplan requested a deferred start, it was implied that there will be cuts in hours and that whilst a rate of £3.01 will be paid until January 1993, thereafter, the Company will introduce its own rates reflecting the state of local labour markets.

Taylorplan has now stated that there is no plan to introduce a non-variable rate of £3.15 an hour. That is to be the average across the contract with a minimum of £3.01 per hour. There is also no holiday pay unless more than twenty-five hours a week are worked. In fact most employees are on less than sixteen hours with an average of twelve and a half hours. Since few workers had been on more than sixteen hours under County Cleaning very few were entitled to redundancy payments either.

Union Organisation

Prior to the second round of tendering it was revealed that union membership amongst the 1600 workforce had fallen to a total of 600, with NUPE establishing itself as the largest union. This seems to have been due to an inactive recruitment

policy despite high labour turnover on the contract. Once the seriousness of the decline became apparent the unions got organised and the GMB and NUPE both have over 500 members now.

Taylorplan has indicated that they would favour a single union recognition agreement with any union representing over 50% of the workforce, but the GMB and NUPE have agreed to push for a joint approach. The TGWU has applied for recognition independently and did have a meeting with the Company's directors, but their request has already been denied.

GMB officers believe that the TGWU would in any case find it hard to put any agreement into practice due to individual union loyalties. It is the GMB that is dominant amongst the workforce, but even they are not interested in a single union deal locally, for fear of becoming tied into a relationship with Taylorplan that would create a vested interest in keeping the contact with the Company.

There is no doubt amongst union officers in Mid Glamorgan that recognition will come, due to the trade unionist traditions of the workforce. The decline in membership is blamed exclusively on high turnover rates but with a more active recruitment policy the situation has been turned around which, it is felt, will force the recognition issue.

There is a feeling that the CCT process itself has created a very high union profile in the minds of the membership, although there are doubts about whether this can be sustained. The involvement of officers during the tendering phase necessarily improves the unions' profile, but it is only local activists and representatives that can maintain it after the contracts have been awarded. This process highlights where the unions' strengths and weaknesses lie. As the cleaners GMB convener puts it:

"Where the activists are strong is where the Union is strong."

Whilst there is confidence that there is enough strength to win union recognition rights from the Company, there is a certain resignation when it comes to maintaining national rates and conditions, which have already been ripped to pieces. The GMB's Regional Organiser argues:

"It is alright saying 'keep national conditions' at the head office level but at the local level it is not possible if services are to be kept in-house. I was told to 'keep national conditions' but also told to 'keep the 600 members, keep that contract!' well you can't have both."

Monitoring

Now that the work has been lost to a private contractor the importance of monitoring becomes clearer. The County Council believed that:

"greater control and hence better standards can be achieved by using directly employed labour."

(Mid Glamorgan County Council, 1988)

So with the introduction of Taylorplan the unions have put a lot of pressure on the Authority to create an effective monitoring procedure. As the GMB's officer currently responsible for the County's cleaners says:

"Monitoring is the only effective weapon we have now. We are telling our cleaners to only work within the hours allocated and to make it clear to supervisors and monitors when the work can't be done so that they don't get the blame for failure."

By the end of May the Authority had released a detailed monitoring procedure involving day to day monitoring on site and formal monitoring checks. The

By the end of May the Authority had released a detailed monitoring procedure involving day to day monitoring on site and formal monitoring checks. The computer package 'Optimise' is to be used for the formal check, and any performance:

"will be deemed to have failed if 95% performance has not been achieved on the initial check."

(Mid Glamorgan County Council, 1992)

with deductions made from daily payments on the basis outlined in Table 49 below.

Performance achieved	Deductions from daily payment	Example
100% - 95%	Nil	Nil
94% - 0%	6% increasing by increments of 1%, up to a total of 100%	76% performance = 24% deduction

Table 49: Deductions made from daily payment for inadequate performance on Mid Glamorgan County Council Building Cleaning Contracts.

Source: Mid Glamorgan County Council, 1992

Concluding Comments

Mid Glamorgan County Council is probably the first Authority to have won a service in-house on the first round of CCT but lost it to a private contractor in the second round. It is clear that the preparations for the second round were not as extensive, but also that the interest shown by private contractors was far more intensive.

Perhaps of more importance is the fact that in order to secure the contract in-house during the first round, major concessions were made by the unions, which sacrificed national terms and conditions, cut jobs and raised work rates. This development has merely been extended in the second round as part of the competitive process introduced by CCT.

To retain the contract, County Cleaning would probably have had to introduce variable wage rates within the County itself and without such dramatic concessions it seems unlikely that the Authority will be able to mount a viable challenge to retain control of the service, unless there is a change in the legislation or a dramatic failure on the contract by Taylorplan.

Section 9: Case Study VIII Refuse Collection in Glasgow

Introduction

Situated on the western side of Scotland's central belt, Glasgow District Council administrates the civic functions of Scotland's largest city, with a population of over 700,000 people.

The City Council has a long history of association with socialist politics and remains heavily dominated by Labour Party councillors who take up well over three quarters of the seats in the City Chambers.

Preparing for CCT

The Authority made its opposition to the CT process quite clear once it became obvious that the Government was going to introduce the legislation. In reflection of this position the Council decided to establish a 'Sub Committee on Anti-Privatisation' within its Policy and Resources Committee in May 1988.

The Sub-Committee was to consider all aspects of CT within sub-groups for each of the defined activities, in order to assist individual departments in the preparation of strategies, specifications and tenders. From the start there were representatives from the affected departments, the finance department, personnel and the trade unions.

The trade union representatives were not formerly appointed until August though, when the individual unions were given representation in line with their memberships. The GMB was given three places, NALGO two and the AEU, TGWU, MATSA and the EETPU one each.

At that time it was recognised that certain concessions would have to be made if the services were to be kept in-house. In particular, that was likely to involve job losses. As the GMBs officer responsible for Glasgow City Council puts it:

"There is no doubt that before CCT there was a lot of slack in the workforce".

In recognition of this it was decided to secure reductions in the workforce on a voluntary basis by encouraging early retirement. At the Personnel Committee meeting on 17 August 1988 it was decided to reaffirm the Council's commitment:

- "(1) to a policy of no compulsory redundancy*
- (2) to a policy of allowing individuals to retire prematurely ... providing the employee was aged 50 years or over and had not less than five years reckonable service with the Local Government Superannuation Scheme".*

These provisions were extended in the light of the developments being forced on the Authority by the CCT legislation, such that:

"employees who are under 50 years of age or who are over 50 years of age with less than five years reckonable superannuation service [would be entitled to]

- (a) *a redundancy payment of up to the permitted maximum of 30 weeks pay, and*
 - (b) *a lieu notice payment of up to 24 weeks pay"*
- (Glasgow District Council, 1988)

Despite these provisions and the Council's genuine desire to keep all services in-house, the preparations for CT did not run entirely smoothly, particularly on the refuse collection contract. The contract was due to be awarded in September of 1989 for a start date of 1 January 1990, and in relation to this development the City's Director of Cleansing made various proposals for the reorganisation of the service which would get it into a more competitive state.

The GMBs refuse collection Convener, who is responsible for all of the Council's loaders (the TGWU organises the drivers) was not interested in making any concessions to the management and consequently the reorganisation proposals were put on hold throughout November and December 1988. During that time it came down to the Union's full time officer responsible for Council employees, to convince the men that changes had to be made. He explains:

"In the past, management thrived on conflict in the same way as the men did. It was a total them and us situation. Now that the private sectors involved we have to make a return on the contract or we will lose it. It's not a case now of the work having to be done in the end anyway, so the lads still get paid, if it's not done we'll all be out of a job. That's the bottom line".

The election of a new Vice Convener, who shares this attitude, helped to smooth out the transition and by early 1989 the reorganisation was coming into effect and the potential for conflict had subsided. One union officer said:

"There was no Liverpool situation here. That's not the way to do things".

The Glasgow Cleansing DSO decided to split the City into four districts, North, South, East and West, as a way of introducing the required job losses. The decisions were made unilaterally by management with the excuse that they had to be made quickly due to competitive pressures. This was a repeat of the experience on the street cleansing contract which was awarded to the Council's DSO in May 1989, after virtually no joint consultation at all, according to GMB officers.

This experience runs in the face of the Council's Convener of the Environmental Protection Committee who claims that the formula relied on:

"close co-operation between councillors, trade unions and workforce to make sure that working practices and productivity provide a quality service at the right price".

The Tenders

When the street cleansing service was put out to tender the Council received quite a shock when it found that the DSOs bid was not the cheapest. The decision to award the contract in-house, rather than to the lowest tenderer, Lilley Ventures Ltd, was only taken after the cost of redundancy payments was taken into consideration.

The success of Lilley Ventures was certainly noted by one of the largest multinational contractors, Sitaclean Technology. Sitaclean decided to launch a joint venture with Lilley Ventures, called Lilley Sitaclean (Scotland) Ltd, in order to secure the refuse contract in Glasgow, which is the largest of its kind in the UK. Such a move would combine the local knowledge of Lilley Ventures with Sitaclean's enormous financial backup and experience in providing local authority cleansing services (See Chapter 4, Profile Iii).

Other than the DSO, there were a total of eight contractors who expressed an interest in the contract. L&C Waste-Tech Ltd, FOSCA Services, Lilley Sitaclean, BFI Wastecare, Town&Country Community Services Ltd, Leigh Environmental, UK Waste control and Cory Onyx. Three of them (BFI, Town & Country and Leigh Environmental) withdrew their interest and in August 1989, from the remaining five, the Council's Environmental Protection Committee invited Lilley Sitaclean, FOSCA and L&C Waste Tech. to tender, in addition to the DSO.

In the event L&C Waste Tech. also withdrew their interest before the tender submission date, leaving three competitors who placed the following bids:

Lilley Sitaclean (Scotland)Ltd	£9,729,534
FOSCA Services (UK)LTD	£9,064,758
Glasgow City Council Cleansing DSO	£8,300,314

Having received the tenders, and with the DSO bid over £700,000 cheaper than the next tender and £3.5 million cheaper than the previous year, a strong recommendation was sent from the Environmental Protection Committee, to the full Council meeting that the DSO bid be accepted. The Council meeting, held on the same day, 21st September 1989, approved the recommendation and awarded the refuse collection contract to the DSO, to run for five years, beginning on 1st January 1990.

The convener of the Council's Environmental Protection Committee said:

"It proves...that management and the workers, through their trade unions, at local and national levels, realise exactly the implications of compulsory competitive tendering, and are prepared to work together to provide the best possible service to the citizens of Glasgow."

"The District Council believes in-house refuse collection is the best method. We are not in it to make a profit but to provide the best possible service to the public".

The Impact on the Workforce

Prior to the introduction of CCT, Glasgow City Council's Cleansing Department employed around 1400 workers with between 700 and 800 employed on the refuse collection service. Those totals have since fallen to a total departmental workforce of between 1100 and 1200, around 500 of whom work on the refuse service.

Each collection crew was reduced from five men to four men plus a driver, but the Authority managed to stand by its commitment to avoid compulsory redundancies. The offer of early retirement was readily accepted by many of the men aged over 55 who feared a dramatic increase in their workload. As one refuse loader explained:

"Before all this [CCT] they'd been carried by the younger guys who knew it would be their turn one day so [didn't] mind, but that [can't] go on now, everyone's got to graft".

Anyone that did get dropped from the crew, but did not want early retirement, was given nine months protection. Men who were left without a beat became 'spare' men but kept their grade and their bonus for nine months. During that period the men who were not required were expected to seek redeployment. Once a transfer was made, the grade and bonus scheme going with the new job were applied.

Most of the redeployment has been kept within the Cleansing Department, due to an anomaly applying to Glasgow. In the City, the prevalence of tenement blocks as the predominant form of housing, until recently largely owned by the Council, meant that there has been a departmental provision for 'back court sweeping'. This service is not

covered by the Government's CCT legislation and has been used as a temporary means of soaking up the spare labour released by rationalisation in other areas. As the GMBs full-time officer dealing with the Authority says:

"If that [backcourt sweeping] becomes covered by the legislation then we will be in a mess, because that's where all our slack has gone".

Pay and conditions for the workforce that remains, have been unaffected by the changes other than an increase in bonuses provided when a collection run is completed. The Authority has also introduced an additional bonus of £4 per week for a "depot clearance". If one crew cannot finish its run due to a vehicle breakdown or some other problem, the other crews are expected to pick up the work. There is some suggestion that this practice is being used by management to overcome administrative and directional inefficiencies. As one worker put it:

"If a job doesn't get done because we've not been told to do it they can just get us to pick it up at the end of the day as part of the depot clearance."

Industrial Relations

All of the unions retain full recognition rights with the Authority, with appropriate time off for union duties for each of the major unions' (GMB and TGWU) representatives. The Convener and Vice Convener are full-time representatives and, in addition, whenever a dispute arises on a particular beat then one man from the crew remains behind to represent the others and sort the grievance out, whilst his place is taken by a spareman.

This practice prevents the breakdowns in the service which used to be commonplace. In the past, any dispute resulted in the placing of a picket which could stop the whole service throughout the City inside a few hours. The men knew that the work would

backlog of work so that a strike cost them nothing in their wage packet. the GMBs full-time officer believes that:

"It would now cost them their jobs."

The main industrial relations problems seem to arise from a division within the workforce. Refuse vehicle drivers are organised in the TGWU and loaders in the GMB. The two sets of workers have been treated differently due to management's perception of which workers have the most power. This has resulted in the drivers having different agreements in the various districts of the contract, whilst the loaders are all covered by one agreement. Problems can consequent arise when changes are introduced as they can affect drivers in certain areas differently than others.

The GMB has asked for all meetings to involved the management and unions from each of the four districts to overcome this problem, but agreement has not been reached. There is a suspicion that the divisions within the workforce are being used to management's advantage. Credence is given to this assertion following the experience of a dispute in 1991 concerning working in snowbound conditions.

The workforce is expected to turn up for work in the event of bad weather conditions and if a refuse service is inoperable then they will be allocated alternative work, generally snow clearance. On this occasion the TGWU placed a picket at one of the depots, refusing to take alternative work, but the picket was broken in unprecedented fashion by the GMB loaders who took up snow clearing duties. This broke the dispute with a return to work by the drivers who then claimed payment, since they regarded themselves as 'unable to work' in the conditions which were too treacherous for driving. This merely provoked a counter claim for double pay amongst the loaders. Both claims were rejected.

The real test of how far the balance of power has shifted will come with the Authority's pursuit of further savings with its declared intention of introducing a wheelie bin system, during the course of the contract. The unions would rather see the contract out but can see the opportunity of securing an enhancement of bonus payments if they co-operate.

Concluding Comments

The success of private contractors during the first round of the CT process has been virtually non-existent in Scotland. That does not mean that the workforce has been left unaffected though. Job cuts, work intensification and reduced industrial muscle have been quite clear consequences of CCT in the Glasgow refuse collection service, even with an in-house win.

There is a feeling of great certainty that the second time around CT will bring with it an even more determined effort from private contractors to win contracts in Scotland and consequently, cleansing workers will be faced with continued pressure to make concessions on the terms and conditions they have built up.

Section 10: Case Study IX Building and Housing Estate Cleaning in Ealing

Introduction

Ealing is a London borough, with a population of around 300,000 people, situated on the western side of the City. Political control has fluctuated over the past decade, with Labour wresting control from the Conservatives in 1986 and the Conservatives returning to power in 1990.

A History of Privatisation

Competitive tendering is not new to Ealing. In 1983, the Authority, under Conservative control, decided to invite tenders for the delivery of its street cleansing service. This contract was eventually awarded to Exclusive Cleaning. The company continued to provide the service until 1987, when the new Labour administration decided to return to the use of direct labour.

The experience of privatisation on the street cleaning service was not encouraging. Standards fell, as even the contractor admits, and there was an erosion of workers' terms, conditions and trade union rights (see LGIU, N.D.). Wages were reduced by 25-30% and the contractor refused to allow the deduction of union subscriptions at source, which resulted in a dramatic decline in membership levels.

The new in-house service led to the recruitment of more staff on better terms and conditions, but as Donald McGregor, the GMB's national local government officer stated:

"The Ealing experience is a grim warning. People should not have to see their services dragged down to this level. Councils should not have to go through the painful and fruitless experience of rebuilding services that private contractors have laid to waste".

(LGIU, N.D.)

Out of this experience and the election of a Labour administration came a fresh approach, based on a firm commitment to keeping services in-house.

CCT and the Cleaning of Schools

The widely held belief that quality is the key to retaining services in-house, encouraged Ealing Council to promote a training initiative for its workforce. Faced with CCT for the Council's building cleaning services, a series of courses were established for cleaning staff in the Education department, which were later expanded into other areas.

Training, recognised by the British Institute of Cleaning Science, was given in the safe and efficient use of new machinery and various methods of cleaning. Environmental health experts provided health and safety training. The reasons for CCT and the procedures involved were explained, along with the activities and structure of the Authority itself. Finally, communication skills were taught, so that cleaners could better articulate their grievances, problems and ideas. As much as helping to improve the quality of service delivery, the training programme was designed to improve opportunities for the Council's workforce (The attempts of Ealing Council to improve cleaners' conditions and status is discussed further in Chapter 7).

This developmental initiative continued alongside the more immediate attempt to prepare a specification and in-house bid for the cleaning of buildings contracts. However, the approach that was adopted did reflect the Authority's commitment to its workforce. The trade unions, and particularly the GMB, were fully involved in the preparations. Indeed the influence of the GMB at this time cannot be overstated. As the Union's Secretary of the Joint Works Office points out:

"The GMB was regarded as a kind of Mafia in Ealing, dominating the union side and Council policy".

The unions used this status to extend their sphere of influence. There was an initial insistence that the client departments dealing with CCT should have at least one full-time seconded trade union representative. These secondees were meant to gather information for the Joint Works Officers, so that the union negotiators could make informed and effective decisions. In reality, they did much of the Authority's work, in terms of taking measurements and identifying service requirements. On the education side, which forms the bulk of the building cleaning service, union officers argue that they effectively wrote the specification. This was useful to union officers who wanted to make the specification so tight that private contractors would not be interested in the contracts.

The unions were also represented on the contractor side which determined how the specifications were to be met. But there was still strong pressure from the Authority to break with national terms and conditions. This pressure was successfully resisted but concessions had to be made on productivity levels.

The Council initially wanted a productivity rate of 750 ft² per hour, which was 400 above the nationally determined rate of 350 ft². Recognising that productivity levels equate with jobs and consequently members, attempts were made by the unions to bring this figure down. Firstly, it was pointed out that all workers employed on the contract were trained, since 80% of the in-house workforce already was. The 'price of industrial peace' was quoted to officers who were sympathetic to such notions. The unions also pointed out that some buildings need higher standards of cleanliness than others. So an agreement was reached that specifications would be raised on certain sites, with a subsequent redefinition of productivity levels. With a non uniform service requirement, most schools naturally sought classification at the highest levels which correspondingly had the lowest productivity rates.

Following a series of pilot schemes all operating at different productivity, the Authority proposed a figure of 600 ft² which was eventually bargained down to a 450 ft² ceiling. Whilst the existing rate was 350 ft², in practice this had fallen to around 200 ft² in some schools. The onus was put on the unions to ensure that the new rates would be met. In terms of jobs, the new figures meant around 90 redundancies out of a workforce of about 350 cleaners.

Resentment amongst the Workforce

The cleaning workforce was not at all happy with the proposed changes and many cleaners felt that the unions had been doing management's job for them. The attitude was that if there were going to be changes it was up to management to suggest them and up to the unions to resist them. Eventually the offer was accepted but only when the union representatives put it in terms of 'accept the offer or lose your job'. The Secretary of the Joint Works Office feels that this was the wrong approach:

"We should have had a much closer liaison with the workforce, throughout the preparations. I suppose we just didn't have the time or resources and yet we are better resourced here than in most places".

The problems associated with the workforce's resentment became more apparent once the contract was awarded. The service was kept in-house, but due to the new conditions, there was a mass exodus by the workforce. Very quickly, the unions lost any control they had had over the contract. The situation was not helped by the presence of a DSO manager with no knowledge of the service he was running. The unions felt that whilst the workers were gaining short term benefits from his inadequacies, due to their superior knowledge of the work, this was not in the long run interests of the contract. A demand was made that he be removed and shortly afterwards, the manager was redeployed, back to his old job in the Highways

department. This illustrates very clearly the influence that the GMB had over the Authority at this time.

The loss of control had also resulted in management abuses and opportunism on the part of the client. There were demands that rooms, not even included on the specification, should be cleaned. Consequently, individual workloads were being increased without prior consultation. Once this question was addressed, union representatives got round to the different sites and challenged management. This led to the granting of an automatic right to time remeasurement and the awarding of additional resources from the client for the extra work.

Changes in the Workforce

There has been a dramatic shift in the structure of the cleaning workforce. The older members of staff have tended to leave, being replaced by younger women, who are often supporting a family. Consequently, the workforce's commitment to their work has been undermined. Long established ties between cleaners, other members of staff and students have been severed. Workers prime concern is now to work the hours they are contracted for rather than to complete the tasks they are employed to perform.

The monitoring of the contract is largely done by the caretakers, who used to be fully involved in cleaning duties themselves. This has resulted in 2 more significant changes. Firstly, the caretakers have traditionally been the unions' representatives on site, but with the shift to a more supervisory role, this has become more difficult. There is a feeling amongst these workers that their 'kingdoms' have been broken up and as a result, they feel less inclined to keep things under control or to engage in union activities. Secondly, the change in the nature of caretakers' work, threatens to take away their whole purpose. Many caretakers have adopted a managerial

approach which has led the Authority, now under Conservative control, to question the reason for their existence. Head teachers see themselves as the managers of schools and 24 caretakers' jobs have already been lost as a result of the coincidence of duties. It is now being proposed that caretakers' job descriptions be changed to include a direct supervisory role. The unions have been forced to support this move in order to protect the jobs that remain.

Conservatives in Power - A Change of Style

In the London borough elections of May 1990 the Conservative Party took control of Ealing Council. This led to a change in the relationship between the authority, its officers and the unions, and in the Council's attitude towards CT.

The feeling amongst Conservative councillors is that the GMB has had far too much power in Ealing and that the Authority needs to reassert its control. Whereas the Labour administration recognised and respected the GMB's 'price of industrial peace', the new leaders of the Council are not willing to pay up.

As a result, monitoring of the Council's DSO has been stepped up. Defaults are strictly monitored regardless of how much damage is caused to the contracts or the in-house workforce. Union officers feel that councillors are hoping to undermine the contracts, so that they have to be privatised, in the full knowledge of the devastating effect this would have on union organisation. The Secretary of the Joint Works Office believes that monitoring is in fact being used to control the workforce and the town hall unions.

The nature of management - workforce relations has also been transformed, providing the unions with constant and time consuming hassles. Co-operation has been replaced by confrontation. The personalised negotiations, with concessions on

both sides, which characterised work relationships before CCT, have been replaced by a direct style of management. Managers now make decisions and give instructions without consultation. The unions have to deal with the problems once they have been created, rather than helping to prevent them occurring.

These difficulties are accentuated by the decentralisation of operations associated with CCT. The unions have limited information on who their members are and where they work and there is no easy solution to this problem. Union Officers recognise the need to change the pattern of activity to become more workplace orientated, but they do not have the resources to respond in this way.

The main problem is associated with the adoption of a new approach following the change in political control. In short there is no longer any commitment to retaining services in-house. This is best illustrated by the Authority's decision to subject its housing estate cleaning to voluntary competitive tendering (UCT).

Housing Estate Cleaning and UCT

In January 1992, Ealing Council put its 'UCT programme' into action with a proposal to subject the cleaning of its housing estates to CT. A specification was prepared by the Management Services Officer, without any trade union involvement. The unions only got to see the document once the final version was prepared. The specification was based on that used for the building cleaning contract and did not involve any specific assessment of needs on the estates themselves.

Issued in conjunction with the specification was a new job description, once again prepared without any union or workforce input. Indeed union officers only received this document at the meeting arranged to discuss it. The GMB's full-time officer responsible for Ealing believes this illustrates the Conservatives' attitude:

"This is symptomatic of Tory behaviour, the attitude is one of reluctant disclosure of information rather than involvement".

The whole approach has centred around local authority officer decision making, in isolation from trade union influence. This is despite the impact that the proposals would have on the workforce. The number of caretakers was to be cut from the current official total of 88 to 44.

It became apparent that the information on which these proposals were based was extremely shaky. But the unions' protests were ignored and negotiations on the content of the specification and job descriptions failed to result in any changes. In contrast, negotiations on the wages element moved along in an entirely different manner, and resulted in a package worth around £400 per week. The unions had no intention of pursuing this claim since the elected members would never agree to it anyway. The package was negotiated in order to illustrate the incompetence of the Authority's negotiators, in the hope that this would change the Council's approach on other issues.

Once the details of the pay negotiations become apparent there was a change of tactics. Both the Head of Industrial Relations and the Assistant Director of Personnel were brought in to lead the talks. These were officers that the unions respected and were used to dealing with. The change illustrates how the unions still retain considerable clout, despite the Conservatives being in power.

The agenda immediately shifted back to the unions' objective of getting £200 per week for double the number of staff. There was still no agreement though and so the Director of Housing went on site with the trade union secondee to check the information contained within the specification and job descriptions. Once it was established that the information was hopelessly inaccurate it was hoped there would

be a change of heart by the Council. However, this did not materialise and the Authority decided to stick by the specification, arguing that it was the contractor's job to check the work requirements. Even after threatening to go public on the incompetence of the Council's preparations, concessions were limited.

The unions have now been offered 50 resident caretakers and 5 non resident reliefs. In return for agreement to various flexibility arrangements, various financial benefits have also been negotiated. The average wage is to be about £280 per week over 7 weeks, including a £20 fixed payment for stand-by availability, free accommodation and other bonuses.

The central problem remains the level of the in-house bid. The feeling is that private contractors will submit tenders on the basis of the specification and will then legitimately negotiate extensions with appropriate payments if they win. The DSO is expected to put in a bid showing a true reflection of the cost of work to be done. In these circumstances private contractors are very likely to come in with a cheaper bid. Furthermore there are no equivalent previous experiences on which to base an in-house bid and even if there were they would be meaningless without a similar specification. Finally, there is no time, at the time of writing, for the Authority or unions to check the estates and prepare a new specification.

All these factors demonstrate the importance of union involvement in, and monitoring of, the preparation of specifications. The feeling amongst union officers in Ealing is that the lack of involvement in this case will result in privatisation. They suspect that this was the Council's original objective.

It is feared that the CT process will result in a change in the character of the workforce on the housing estates and will undermine union organisation. The increased workloads imposed on caretakers are expected to encourage them to leave

their jobs en masse even if the service is kept in-house. If this occurs, or if the contract is privatised, then it is likely that the new workforce will be drawn from amongst women residents on the estates, who will be unaware of the additional work. The duties would take on the character of extended housework, leading to the creation of an extremely peripheral labour force, with all the problems for unionisation that that would imply (see Chapter 7).

Concluding Comments

The pattern of responses to CCT in Ealing provides some interesting contrasts. The significance of an authority's political objectives to the effect of CT on trade union influence cannot be overstated. Under Labour control, preparations for CCT involved the unions to such an extent that they directed elements of the Council's response. Under Conservative rule, the unions have been isolated from preparations for CT and the Authority has, in any cases shown no desire to keep services in-house. Indeed one of the aims of the CT initiative in Ealing has been to reassert the Council's control over its workforce and undermine trade union influence.

Involvement in the building of specifications and negotiations over job descriptions and productivity rates was not sufficient in itself to defend the unions' position though. The failure to involve their members in preparations for CT on the building cleaning contracts ultimately led to resentment and a changing workforce structure. This has significantly reduced trade union authority and levels of organisation. It remains to be seen whether this pattern will be repeated on the housing estates contract.

Section 11: Summary

In my first case study I investigated a Labour authority, committed to keeping its services in-house, which has experienced significant difficulties as a result of CCT. The refuse service remains in-house, but at the expense of the workforce. The street cleansing service was privatised with even more dramatic effects. Job losses were accompanied by a significant deteriorating in terms and conditions. Trade union organisation was threatened by the contractor's refusal to recognise any union. Following a long dispute, one union was recognised and a new period of industrial peace has followed on the basis of heightened management control.

The second study looked at the privatisation of a refuse service in a Labour authority already surrounded by industrial and political divisions. A lack of co-operation between the authority and unions resulted in a seriously uncompetitive DSO bid and the award of the contract to a private firm. This led to devastating cuts in jobs, terms and conditions and has seriously weakened trade union organisation. Again, one union has subsequently been recognised but this has not prevented the deteriorating of worker's conditions of employment or the shift in control to management.

Case study III is concerned with a Labour authority which lost 3 of its building cleaning contracts to a private contractor despite its commitment to direct provision. The privatisation of the contracts led to a deterioration in the conditions of employment and heavy rates of labour turnover. Consequently trade union organisation has been wiped out.

The fourth investigation studied a Conservative authority where the refuse collection contract was privatised. There is a concentration on the approach of the relevant union following privatisation which identifies some interesting developments. Anti-union attitudes were successfully resisted, and terms and conditions have been

established, which are comparable to local government rates. The relevance of single union deals to this outcome is also addressed.

Case study V looks at a Liberal Democrat led authority which privatised its cleansing contract in the face of union resistance to cuts in jobs and conditions. The impact that this had on union organisation is analysed along with the significance of inter-union rivalries to the outcome.

The sixth study is concerned with a major Labour authority which has managed to keep all of its services in-house. The involvement of the unions and approach of the authority to CCT is analysed, and consideration is given to the changes in patterns of work, conditions and control that have emerged.

Case study VII investigates a Labour County Council that has been through the tendering process on its building cleaning contracts twice. First time around the service was kept in-house but on the second occasion it was privatised. The approach of the authority and how it changed is described along with an analysis of the different effects experienced by the workforce.

Case study VIII looks at a Scottish Labour authority and its approach towards CCT on its refuse collection contract. The impact on the workforce and the changing balance of power between management and unions are investigated.

The final study considers a London borough which has seen Labour and Conservative control during the period of CCT's existence in local government. The different approaches are described along with an analysis of the significance for trade union influence in the borough.

Chapter 7

Trade Union Responses

Chapter 7: Trade Union Responses

Section 1: Introduction

In Chapter 2 of this thesis we saw how public sector trade unionism expanded in the post war period and how the consequent perception of excessive power amongst certain groups of workers encouraged the development of the CT initiative. As Ascher (1987) points out:

"Without the industrial action of the 1970s and early 1980s, the policy of compulsory tendering would not have become nearly so popular within the Conservative Party."

(Ascher, 1987)

A trade union's bottom line objective is to protect and enhance the jobs and conditions of its members, regardless of prevailing economic conditions. It is the role of the service provider to ensure value for money and organisational efficiency. This situation creates an inevitable hostility amongst trade unions to the very essence of privatisation.

Privatisation, particularly when it involves competitive tendering, involves the introduction of competitive forces which undermine trade unions' ability to perform their functions. Competition and the tendency towards lowest cost provision means that a successful private contractor is forced to cut its labour costs (which in the cleansing services can account for between 60% and 90% of total costs), through reductions in staffing levels, increased productivity and reduced wages and conditions. Successful trade unionism relies upon the minimisation of those competitive pressures.

Expanding public sector employment, along with a Government commitment to provide full employment in the post war period, enabled trade unions to encourage service providers to concentrate upon their role as stable and 'fair' employers. As Ferner and Colling (1991) argue:

"In the public sector, the unions hand was stengthened by the absence of the threat of bankruptcy."

(Ferner and Colling, 1991).

That capacity has been undermined by the introduction of competition into the provision of local government services and the requirement that council DSO's make a 5% return on their activities. With that thought in mind the question of how the trade unions have responded to the experience is of fundamental importance. CCT has come to be viewed as an outright attack upon public sector unions, a policy which will be extended across the entire range of public services with the explicit purpose of reducing employee influence and control. In these circumstances it would have been surprising if those unions under threat did not launch a determined campaign of resistance to the CT programme.

The main restriction on the extent of that campaign has been the Government's simultaneous and direct attack upon trade union power through its concerted programme of labour legislation. This has effectively outlawed the closed shop, placed severe restrictions on the organisation of industrial action with the narrowing of immunity rights, put restrictions on secondary action and picketing and enforced a requirement for membership balloting prior to any action (see Gamble 1988, MacInnes 1989, Wedderburn 1986).

Section 2: Early Responses

National Policies

In her book, the 'Politics of Privatisation', Kate Ascher (1987) outlines the main trade union responses to CT prior to the introduction of the 1988 Local Government Act. Her observations are summarised below.

In general the unions concentrated on two key dangers which were presented by CT, a deterioration in the terms and conditions of employees and a reduction in the level of service provided. In describing how these concerns were presented, Ascher makes a distinction between internal union initiatives and external strategies.

The unions most concerned with CT during the early and mid 1980s were the main health service unions, NUPE and COHSE. They introduced three key organisational changes. Firstly a decision was taken not to launch a national campaign of resistance, but to distribute national policy lines which provided recommendations on how to respond to CT. Local branches were encouraged to take the initiative and official backing was given to local actions which followed the unions' policy lines (for examples of local actions see Wandsworth Trade Union Publications, 1983; NUPE/IWC, 1984; and Centre for Public Services, 1991). Secondly, educational activity was stepped up, with the aim of improving the training and education of local officers and shop stewards, and large quantities of educational materials were distributed. Finally, communications networks were established within the unions affected, so that knowledge was obtained of local experience and lessons passed onto other areas, reducing the isolation of workers in particular authorities. Union research departments became central information terminals out of which came the Joint NHS Privatisation Research Unit and Public Services Privatisation Research Unit (PSPRU) based at NUPE headquarters (see below).

These changes were used to conduct a major public campaign against the use of CT in public service provision. Ascher identifies four mechanisms by which the campaign was run. The most visible and arguably the most effective strategy was the smear campaign, designed to show up the inability of contractors to provide adequate services, based on practical evidence drawn from the experience on contracts that had already been privatised. Companies were attacked for providing poor services, financial weaknesses were exposed and the network of links between the contractors and the Conservative Party revealed (see Chapter 2). The second line of approach was the use of industrial action in the areas affected, with official support from head office, such as the Barking and Hammersmith Hospital domestics disputes (see Huws and de Groot, 1985). Links with other organisations in the public domain were made to increase the campaign's visibility and to broaden its appeal; and finally legal rulings were sought on matters related to CCT, in defence of workers terms and conditions and in an attempt to undermine Government policy.

There seems little doubt that the unions' campaign did have a profound effect on the companies involved in the early CT exercises. The smear campaign in particular, encouraged a lot of media interest in the whole issue of CT, and an impression of private contractors as 'cowboy' operators certainly developed. However, the unions were racked by internal political divisions over appropriate strategy. Divisions also prevailed between the various unions, depending upon the policy line they adopted. NUPE saw itself as holding a far more principled line than its rival COHSE.

The combination of these problems with the Government's determination to press ahead with further privatisation initiatives, ultimately led to a softening of the unions' stance and a more pragmatic approach towards CCT in local government.

Fighting Privatisation in Scotland's Health Service

The reluctance to organise a national campaign of action against CT was not so strongly demonstrated in Scotland. The 1983 circular (DHSS,1983) instructing health authorities to put ancillary services out to competitive tender led the Scottish Trades Union Congress (STUC) to launch a campaign in November 1983 at a crisis conference on the NHS, held in Glasgow. The conference was attended by 681 delegates from 147 different union, political, religious and community organisations.

A national steering committee of the Scottish Health Campaign was elected and a full-time worker financed to serve the campaign. Eighteen local health campaign committees were organised in towns throughout Scotland, after a series of local public meetings. Furthermore, the STUCs President and Secretary visited every Scottish health authority personally and successfully sought their opposition to CT.

This approach initially proved more successful than the campaign in England and Wales but more recently a toughening of the Government's stance has brought the situation in the Scottish health service more into line with the rest of Britain (see Chapter 2)

Section 3: National Trade Union Responses to CCT in Local Government: A Joint Approach

All of the unions affected by the 1988 Local Government Act are opposed to the legislation, as stated in the unions' joint document 'Who Cares Wins' (NUPE, NALGO, GMB, TGWU, 1988)

"The unions are strongly opposed to competitive tendering. We think that it will mean: lower standards of service where contractors take over, pressure to cut pay, jobs and conditions for dedicated,

experienced and often low paid council staff; elected councillors will lose control over services; a huge waste of time and money, awarding contracts and monitoring them; attempts to weaken trade union organisation; [and] services run increasingly for profit and not to meet social needs.

(NUPE, NALGO, GMB, TGWU, 1988)

Bearing in mind the compulsory nature of CT under the provisions of the 1988 Local Government Act much of the union response has been of an extremely practical nature, designed to ensure that services are kept in-house during and after the competitive process. There have been regular denunciations of the legislation and the unions campaigned vigorously against its introduction, as illustrated by the GMBs detailed response, 'Evidence Against Privatisation' (GMB, 1987), to the Government's consultation paper 'Competition in the provision of local authority services' (DOE, 1985), but the emphasis was placed on 'being prepared'.

In 1988 the major local government unions, the GMB, NALGO, NUPE and the TGWU, came together to produce 'Who Cares Wins - A trade union guide to compulsory tendering for local services' (NUPE, NALGO, GMB, TGWU, 1988). The publication provides general guidance on the details of the legislation, the unions views about it, and their aims of how to use it. Advice is given on how to draw up a service profile; the setting of specifications; the questions that can be asked of contractors; how to vet contractors; and what to do if the contract is eventually lost. This was followed, after the first two phases of tendering, by a series of supplements addressing each of the individual defined activities titled, 'Tender Care' (GMB, NALGO, NUPE, TGWU, N.D.). The 'Tender Care' documents provide detailed and easy to follow guidance on how to prepare for CT, whilst making things difficult for contractors and protecting members terms and conditions. The papers are regarded as a sign of 'new realism' amongst the unions, placing the emphasis on the value of public services.

In order to gain more information about the affects of CCT several of the unions affected, NALGO, TGWU, COHSE, NIPSA, NUCPS, have joined NUPE to sponsor the PSPRU. The Unit, which is based at NUPEs head office in London monitors the progress of CCT through a national network of NUPE officers, gathering information so that the unions can be informed about what is going on in terms of contracts, pay and conditions. Information that might be of use to union negotiators is then collated and circulated back down the network. The GMB has refused to involve itself in this joint body, preferring to commission its own research using its representatives in local authorities as sources of information.

Outside of these joint activities each of the main unions has developed its own individual policy in relation to CCT. The main feature of these are outlined below.

NALGO

Following on from NALGOs 1986 policy statement, 'Fighting Privatisation in Local Government' (NALGO, 1986), which articulated similar policies to those outlined above, an updated policy was adopted in 1988 with the same title (NALGO, 1988).

The document notes NALGOs:

"Complete and unequivocal opposition to compulsory competitive tendering"

(NALGO, 1988)

The statement recognises that this is not in itself a strategy for dealing with CCT and states three basic objectives to be pursued during the tendering process:

*"To keep services public;
To maintain and improve the quality of local services;
To defend the jobs, pay and conditions of our members."*

(NALGO, 1988)

In pursuit of these objectives the paper outlines the areas of trade union intervention, which closely resemble those listed in the previously cited joint union documents. These have been supplemented by a set of bottom line demands laid out in the Union's 'Strategy for the Campaign Against Cuts' (NALGO, 1990).

- "a) full consultation and negotiation;*
- b) no compulsory redundancy;*
- c) protection of contractual conditions of service*
- d) maintenance of local and national agreements".*

(NALGO, 1991)

The combination of advice on how to prepare a bid and defensive demands, is seen as the best way to respond to the challenge of CCT:

"There is no point in arguing that all we need is a strategy for industrial action, publicity and information when the branches in the thick of the fight are telling us that they need help on 'nuts and bolts' negotiating tactics as well.

(NALGO, 1991)

The Union believes that the emphasis should be placed on the defence of services, identifying the danger of DSOs beginning to behave like private contractors, with drives for 'efficiency' becoming exercises to cut jobs, earnings and conditions. The Unions National Local Government Officer, Keith Sonnet argues that:

"Specifications are the best defence in protecting jobs and these should be determined locally in consultation with the unions."

Although he added that:

"We cannot defend the indefensible. If services are poor and over expensive we will not get public support in defending them"

NUPE

The NUPE approach towards CT was initially developed in response to the privatisation initiative in the NHS during the early and mid 1980s. The increasing use of CT in local government led to the development of a seven point strategy for the defence of public services in general, which was outlined in the 'NUPE Action Pack, Campaigning for Care' (NUPE , 1985). The strategy was based on the following points:

- 1. developing alternative ideas and demands to improve services*
- 2. education and propoganda.*
- 3. building stronger workplace organisations and making links with workers in other places*
- 4. developing joint action and user committees*
- 5. tactical use of industrial action and negotiating machinery*
- 6. direct action by workers and users.*
- 7. counter offensive against contractors in public services."*

(NUPE, 1985)

The introduction of proposals for CCT in local government lead to an updating of this policy and the development of 'The Campaign Against Privatisation in Local Government' (NUPE, 1987). It was felt that the proposals posed.

"the greatest threat to the livelihood of our [NUPES] members that the union has had to face in recent years."

(NUPE, 1987)

The campaign was split into three phases; Phase 1: the campaign against the legislation; Phase 2: opposing tendering; and Phase 3: opposing the contractors. Phase 1 outlined a detailed strategy of opposition to the passage of the legislation, built around four general aims. Firstly, to increase members awareness of the threat,

secondly, to promote public concern and build a coalition of opposition, thirdly, to encourage responsive and efficient local public services and finally, to "obstruct, amend, delay or defeat the legislation in parliament". The objective of Phase 2 was to persuade councils to "obstruct delay and minimise the scope of the legislation" should it be enacted, although it was determined that such action should avoid defiance of the law. Phase 3 of the campaign is perhaps of most relevance in the face of the failure of Phases 1 and 2. In the event of the legislation being in place and councils deciding to comply, the aim was to keep services in-house and to minimise any loss of jobs or pay and conditions.

Phase 3 of NUPEs campaign was built on the Union's experience of fighting privatisation in local government and the Health Service and was based around six plans of action:

- a) Insisting on full information and consultation with employees.
- b) Negotiating on specifications to ensure they are as tight as possible with requirements on penalty clauses, fair wages clauses, health and safety provision, trade union recognition and a block on the use of council facilities by contractors.
- c) Non-involvement in tendering with an acceptance that some branches may wish to enter negotiations on in-house tenders in the light of local conditions.
- d) Discrediting private contractors.
- e) Taking industrial action where necessary to deter authorities from tendering, or to block private contractors.

- f) Recruitment of contractors staff into membership and negotiations on their behalf.

The nature and development of the CCT process has seen a moderation of this policy. The detail of the legislation has prevented the inclusion of fair wages clauses, requirements on contractors to recognise trade unions and blocks on the use of council facilities, from being included in tender documents. Likewise, the compulsory nature of the Act's provisions, renders pointless the taking of localised industrial action to deter authorities from tendering. These realities have also forced concessions on the Union's position of non-involvement in the preparation of tenders, although the in-house bid itself is always drawn up by management. This strategy had been based on a belief that such involvement would result in major concessions to management, the compromising of union positions and divisions between various sections of the workforce and wider community. However, where authorities have been willing to involve unions fully in the tender process, as in Manchester and Newcastle, the most attractive outcomes have been achieved (see Chapter 6, Case Study 6 and Section 4 of this Chapter).

NUPE's advice on dealing with CCT is now largely drawn from the joint union 'Tender Care' publications, which have specific sections on the preparation of the DOS tender, the success of which is the Union's prime concern.

With their memberships concentrated in the public services most affected by CCT, the health service and local government, NALGO and NUPE have probably been the most active in preparing policies to counter the initiatives. The two unions have also been in close co-operation with one another, combining research resources and running joint campaigns. With similar industrial outlooks and membership bases in

the same sectors it is not surprising that negotiations are well under way for a merger of the two unions, along with the health service union COHSE.

GMB

The GMB prepared a detailed response to the Government's CCT proposals in its publication 'Evidence Against Privatisation' (GMB, 1987) and was a key driving force behind the joint union 'Who Cares Wins' and 'Tender Care' documents.

The main focus of the GMBs policy, as described by National Officer, Donald Macgregor, is the promotion of co-operation between town halls unions and management. Evidence from the Union's own CCT surveys shows that the GMB and local authority management have worked well together in the preparations for CT. Union representatives in over three quarters of the authorities questioned in 1989 described relationships as either 'good' or 'excellent' (Macgregor, 1989).

The emphasis is placed on the Union's part in preparing specifications for DSO tenders, which Macgregor describes as:

"Perhaps the most crucial stage in the whole process of preparing for CCT. It has been very clear that those capable of defining the work that is done and the standards that are required have been trade union members. That involvement, and the knowledge it brings, is borne out in the results".

N.B. GMB survey revealed that 77% of contracts put out in CCTs 1st phase were won in-house (Macgregor, 1989).

From this co-operative approach it is hoped that CT will provide the opportunity for GMB members to obtain a greater involvement in the decisions made about their jobs and the services they provide. Where services are won in-house, with an associated

deterioration in pay and conditions for the remaining staff, the emphasis is placed on working towards improvements in pay and conditions. As Macgregor states:

"The dual challenge, of eradicating low pay and increasing co-operation, will form the central plank of our developing response to competitive tendering."

However, there is a recognition amongst union officers that private contractors are now going to be permanently involved in the provision of public cleansing services. Macgregor believes that private contractors will hang on to what they have got and will continue to expand their market share. In addition, local authorities will be increasingly unable to provide the services required, due to the need for extensive capital investment which only the multinational contractors can afford. He believes that local authorities will increasingly rely on private sector support and funding in partnership, or through the full privatisation of services.

From this outlook develops a 'new realism' which regards it as absurd to ignore the contractors, in the hope that they will go away. The Union has actively sought to organise workers employed by private contractors, particularly in the refuse collection and street cleansing services where its local government membership is concentrated, seeking recognition agreements wherever possible. As Macgregor explains:

"We have gone in, using whatever means, to try and secure a basis for recognition with these firms and we have had varying degrees of success and hostility from the contractors."

The GMB has tended to go about things in a more independent fashion than the other unions, avoiding involvement in the joint research unit, the PSPRU. They have continued to produce advice on how to cope with CT though, drawing from the early experiences of the process in the document titled, 'Lessons Learned' (Swallow, 1991)

TGWU

Prior to its involvement in the PSPRU, the TGWU produced a monthly bulletin called the 'Local Government Privatisation Bulletin'. The publication concentrated on explaining the Local Government Bill, the problems associated with it and the distribution of information on the experience of local government CT to date. With the movement of legislation onto the statute book the Union became wholly committed to the joint union initiatives in response to CCT. The TGWU is now a sponsor of the PSPRU and had a full input into the 'Who Cares Wins' and 'Tender Care' publications.

These commitments have been maintained alongside the Union's 'Living Wage' and 'Link-Up' campaigns. Recognising the problems faced by local government workers and the limited representation of various sections of the workforce, the 'Living Wage' campaign has focused on obtaining a minimum wage, a minimum of four weeks annual holiday, full sick pay and other benefits for low paid and part-time workers. This has been accompanied by a massive recruitment campaign, targeting the estimated quarter of a million, mainly women, part-time council workers, utilising European legislation to press for equal pension rights. This represents a significant organisational shift by the Union, as Jack Dromey, National Local Government Secretary, says:

"The campaign represents a major image change for the male dominated TGWU. Only a quarter of our 120,000 local government members so far are woman".

As far as the direct response to CT is concerned the Union is increasingly turning its attention towards quality and participation issues. The promotion of a commitment to quality is seen not only as a means to protect jobs but as a way of securing greater

employee involvement in decision making structures. As a TGWU research officer explains:

"For trade unionists a commitment to quality is a logical extension of a long standing commitment to public provision of the range of local government services. For local authority employees, the benefits of being part of a quality service are many fold ... but to really carry the workforce, to build their enthusiasm and support for quality programmes, officers and members need to ensure their regular and systematic involvement in all aspects of the programme including programme development and service specifications".

There are problems with this approach as defined by Jack Dromey:

"We believe in efficient and well run services to the community. The problem is that Ministers have rigged the rules of CCT in favour of the contractors. And the obsession has been with what is cheap, not what is best. Quality and Community have been sacrificed to ideology.

In an attempt to overcome these problems, whilst maintaining the Union's commitment to quality, the TGWU has been developing research into the extent and scope of employee involvement in existing programmes and the development of 'best practice' policies for authorities and trade unions in employee involvement. At the same time, the Union has fully utilised the advice contained within the joint union documents, cited above, in order to keep local services in-house.

General

The experience of CCT has led to a revision of established trade union thinking on the provision of public services. In a policy paper published by the TUC and the Institute for Public Policy Research (IPPR, 1991), Bill Callaghan, Assistant General Secretary of the TUC, argues that the trade union movement's commitment to in-house provision of public services is breaking down:

"It can no longer be taken for granted that there is a wholehearted commitment to public sector provision. Even within the labour movement, it is increasingly common to hear ideas discussed about the 'enabling state' and plurality of provision".

(IPPR, 1991)

The paper argues that unions should accept that CT can be good for services. In his contribution, John Stewart, who is head of the School of Public Policy at Birmingham University, talks of the need for a 'learning, innovating and involving' public service which does not waste resources and which requires:

"a degree of flexibility amongst the staff that we have not been used to. It requires negotiating terms and conditions appropriate for those circumstances. The positive aspect for trade unions is that it implies a way of working that will realize the full potential of the staff."

(IPPR, 1991)

Much of the revised approach has been built around an increasing commitment to quality, based on the possibility of using the British Standard for Quality Assurance, 'BS5750', to maintain and raise the quality of local services, especially in the context of CCT. In 1988 the TUC commissioned research on the issue, which resulted in a report, 'Quality in Public Services: Quality Assurance in a Trade Union Perspective' (TUC, 1990), considering a variety of quality assurance issues of interest to trade unions. From this report Bill Callaghan (IPPR, 1991) concludes that:

"To achieve real quality of services delivered, adequate resources must be available...there must be real political commitment to quality, including good specifications and sufficiently ambitious targets...[and] there must be measures to make services more accessible, and to improve the ways in which services are delivered".

(IPPR, 1991)

The commitment to quality has been established in union circles since CCT was first introduced, due to the desire to move away from bare cost considerations explained earlier. Painter (1989) quotes one full-time union organiser:

"Competition has got to be on the basis of quality rather than cost, because we can't compete on cost (certainly in building cleaning). Because there will always be people prepared to take jobs for £1.60 an hour or even less."

(Painter, 1989)

Until recently, the specification was regarded as the tool for improving quality in service provision. The specification can detail the tiniest aspects of the service and can insist that employees have a certain level of training or qualifications. The authority needs to ensure that its own workforce meets the criteria, but the unions hope has been that by setting their standards high enough, the in-house bid will be the only one which can fulfil the contract.

In 1992, the TUC encouraged a shift in approach and launched a campaign for a 'Quality Work Assured Servicemark' (TUC, 1992) in the public services. The QWA servicemark sought by the TUC would represent the standards and practices to which organisations could aspire, behind the scenes and at the point of service delivery. The servicemark would aim to:

- inform the customers about the process and conditions of a service.*
- raise awareness of the service and broaden choice.*
- develop quality standards and objectives.*
- enhance relationships with service users.*
- tell customers about staff skills and commitment.*
- extend the reach of existing quality initiatives.*

(TUC, 1992)

The unions believe that seeking QWA accreditation would help to reinforce workers pride and commitment, improving staff recruitment and labour relations at the same

time, which would also improve the image of public service organisations. An image damaged by union claims that CT has been a disaster for quality on several fronts. Service standards have fallen, workers terms and conditions deteriorated and company losses escalated due to enforced tendering in the NHS and local government, according to the PSPRU (1992).

There is some support for this position in the private sector, with BET declaring its support for the Labour Party's proposed Quality Commission and some of the TUCs ideas (BET, 1990). BET noted in its 1991 Annual Report (BET,1991) that contracts are invariably awarded to the lowest bidder and that this inevitably affects the quality of services, along with other areas with savings potential such as workers conditions and profit margins. It seems that private contractors are being drawn towards the idea of competing on quality, due to falling profits during the first few years of local government enforced tendering (see PSPRU, 1992). A commitment to higher standards and a capacity to provide the levels of service required, would allow the major contractors to shift the basis of competition away from price and exclude "cowboy" operators from the process altogether, allowing them to achieve a greater return. The TUC campaign illustrates this potential with the statement from TUC General Secretary, Norman Willis that:

"charters without cash are not worth the paper they are printed on."

(TUC, 1992)

The potential for continued conflict under different competitive conditions lies in the union's alternative attitude to where the extra cash should be invested. Norman Willis argues that:

"The goal of quality services will not be achieved with poor working conditions, low pay, hostile management and the ethos of "more from less". Customer care, citizens charters and systems of quality

management require good employment practices, investment in training, employee involvement and partnership".

(TUC,1992)

The experience of contractors employment practices in this Country and overseas, raises the question of whether they will share the TUC General Secretary's view.

Section 4: Local Responses

Newcastle

In Chapter 6, various case studies looked at the impact of CCT on workers terms and conditions and trade union organisation on individual local authority cleansing contracts. Further consideration was given to local union responses to the difficulties encountered. One region not represented in those studies was the North East of England, where Joe Painter (1989) made an investigation of trade union responses to CCT in 1989.

In his study of the City of Newcastle, Painter identifies attempts by:

"A number of trade unionists to break with the past and develop radically different forms of trade union organisation."

(Painter, 1989)

These developments, in an area with a traditionally conservative labour movement, were based around the City's Corporate Joint Trade Union Group, which brings together all the unions with members employed by Newcastle City Council. Following pressure from the Group, the unions managed to secure an agreement from the Council that they would have a serious input into preparations for CCT and be

allocated facility time and resources to support that input. This enabled the unions to generate their own initiatives and proposals which have since been adopted by the Authority. These initiatives came from the Joint Trade Union Group's, Anti-Privatisation Working Group, made up of a Convener and Deputy Convener (both senior shop stewards) from each of the services affected.

For each of the activities being put out to tender an individual response was made, taking account of the interests of employees and service users on the basis of a joint union approach. This policy is illustrated by the fact that joint shop steward committee convenors in services dominated by women workers, were themselves women, in order to improve communications and responsiveness to members demands. As for service users, when the street cleansing and refuse collection contract came up, the Working Group carried out a survey of twenty six tenants associations, across the City, to ascertain the public's views on the present service (Newcastle Tenants Federation and the Anti-Privatisation Working Group, 1990). Similar practices have been used prior to tendering in the other defined activities (see Painter, 1989 on preparations for the school and welfare catering contract). These initiatives represent the practical implementation of national union calls for the involvement of service users and provided a basis for demands on the Authority to make improvements in services when specifications were drawn up.

The approach has proved very successful in as far as the broad base of the campaign has allowed the unions to set the local agenda for CCT. Painter quotes the Senior Convenor in Newcastle:

"All the initiatives have come from the trade unions...what we learned from the start is that within this Authority there was a massive vacuum. People did not have ideas on what to do. We had ideas. And we never waited. We decided from the start that it was not a matter of responding to what management were proposing, we would actually take the initiative and fill the vacuum...You don't give them

time to think out their ideas. We were able to say 'that is what we think ' and win people to that view, because there was nothing else on the table."

(Painter, 1989)

The strategy seems to rely on an absence of clear policy direction from the Authority itself; the involvement and participation of all groups of workers and service users, through localised joint trade union structures; and the provision of resources which allow the unions to prepare their own lines of intervention. These are innovative developments indeed, in an area characterised by traditional, masculine forms of trade unionism, conservative attitudes within the local authority and powerful divisions between the two main unions the GMB and NUPE. The strategy adopted now provides the basis for the North Eastern Region's joint trade union strategy for combating statutory tendering (North Eastern Region Joint Trade Union Co-ordinating Group, N.D.).

Section 5: Organising Cleaning Workers

The Problems

Many contract cleaning firms feel that they were used by the Government to break trade union control in the public sector (Coyle, 1986). The Government's ability to use contractors in this way is only possible because of the existence of a huge private sector industry whose workforce is largely unorganised. So why do trade unions have such difficulties in organising contract cleaning firms?

Case study 3 in Chapter 6, illustrated some of the problems associated with organising cleaners in the private sector. The attitude of employers, the organisation of work, the predominance of women part-time workers and high rates of labour turnover have all been identified as hazards encountered by recruitment officers.

A District Officer of the TGWU, based in London, argues that contract cleaning firms are:

"without exception... the most unprincipled employers that I have ever come across. Many other employers will establish some sort of working relationship with trade unions, but cleaning companies do not have this attitude."

This situation is compounded by the fact that cleaning workers are not concentrated on any particular site, creating logistical problems in physically meeting the workers concerned:

"In a conventional factory situation where we have achieved the magic figure of 51 percent membership and we have approached the employer to discuss recognition we can get into the factory to talk to the people.

"We cannot assume that this is the case with contract cleaners. They are working difficult hours for a union organiser to meet them and they are very scattered. A company may be employing hundreds of people, but they may only have a few people in each building and these may not be the same group of people every night.

"So getting in touch in the first place is difficult and so is maintaining contact, especially if the employer realises the union is sniffing about. They will then take steps to move people about.

"It also makes it difficult for us to identify potential shop stewards who are the key to local organisation. Without people on the ground ready to do the work, organising becomes difficult. All of these factors work against effective union organisation."

Cleaning work is traditionally done by women who have a long history of employment in low paid, sexually segregated occupations. Cleaners tend to be middle aged and often came from ethnic minority groups. So it is clear that the cleaning industry draws upon a labour supply with few opportunities to secure better forms of employment, due to family responsibilities or racial and sexual discrimination. (See Coyle, 1986; Sullivan, 1977; and West, 1982).

Trade unions have, until recently, regarded this section of the labour force as being hard to recruit due to low levels of trade union consciousness as much as to the practical difficulties of organising (Coyle, 1986; Morton, 1987; Sullivan, 1977). Yet the experience of womens struggles against privatisation, particularly within the Health Service, as seen at Barking and Hammersmith hospitals, shows that there is nothing intrinsically passive about female labour. The problem, as Angela Coyle sees it, is that:

"they lack organisation both for action and for developing their consciousness of themselves as workers. To build this trade unions cannot expect to 'tack' woman onto their existing practices."

(Coyle, 1986)

Neither can the nature of the industry be blamed for low organisation rates, since amongst those cleaners specialising in 'heavy' cleaning, where there is a large male workforce, trade union organisation is the norm.

Trade unions have been responding to these issues over the past few years, recognising the threat to membership levels posed by privatisation and also the potential for new members, in the vast and largely unorganised contract service industries. The TGWUs 'Link-Up' campaign and current recruitment drives amongst part-time workers in the TGWU, NUPE and GMB illustrate the point.

These campaigns will not alter the nature of this industry though, and hostility amongst employers, scattered employment patterns and high turnover rates are likely to remain. These factors, coupled with the low pay of cleaners and an inevitable personal detachment from the work which goes with low status employment, will require innovative and ground breaking responses from the trade unions. The question of recruitment is only a first step, in an industry increasingly dominated by multinational companies, who will use their international operations to undermine the effectiveness of organised trade union action, should it develop.

The experience of the trade union response to CCT in Newcastle demonstrates just how far traditional union attitudes towards organising and involving members in a campaign can be transformed. In an area with a trade union history built around male industrial employment it was significant that the Anti-Privatisation Working Group adopted a strategy which involved women as representatives of female workers and extended its scope beyond the traditional confines of trade union activity.

Innovative and determined efforts to organise cleaning workers and to challenge the problems that they face have been made in other areas. One such example is the response of the London Borough of Ealing and the local TGWU office to the lack of organisation and exploitation of cleaners at Heathrow Airport. The rest of this chapter is devoted to a consideration of their efforts.

Organising Cleaners at Heathrow

Employment at Heathrow

Heathrow Airport, based to the South West of London, is the World's busiest international airport and is a major source of employment in West London. Some 51,000 people work at the airport and around 25,000 jobs within a ten mile radius depend on it (TICL and SCAT, 1989). Over 5000 of these workers are employed by concessionaries and contractors, following pressure from the Government on the British Airports Authority (BAA) to put cleaning and catering contracts out to tender in the late 1970s and early 80's. There are currently up to 1000 cleaners working for the contractors at the airport.

As in the Health Service and local government, BAA's tradition had been to employ workers directly to provide these ancillary services. During the 1960's, labour

shortages meant that the lower status jobs were taken up by Asian woman who had settled locally in the Southall region of Ealing, in West London. Whilst these workers were heavily exploited at first, receiving conditions for less favourable than workers doing different but equivalent jobs for the same company, the stable employment situation allowed them to organise gradually, which led to significant improvements.

Competitive Tendering and Working Conditions.

One TGWU Civil Aviation Transport Officer claims that the difficulties began when the Government instructed BAA to franchise cleaning and catering contracts. He argues that the renewal of contracts every two years made it extremely hard to organise properly due to the two year employment qualification required for entitlement to an industrial tribunal. The lack of organisation was accentuated by a movement of the established and union conscious workers into the better protected catering sector, which left a majority of first generation immigrants in the cleaning jobs. These workers were more open to exploitation. As one former Heathrow cleaner reported:

"We were constantly reminded we could lose our jobs if BAA was not happy, because the contract would be lost. This was used as an excuse to get us to work even harder or to do things it was not our job to do... Supervisors pretended it was not up to our company but up to BAA."

(TICL & SCAT, 1989)

According to a report in 'Trade Union Briefing' (LGIU, 1990), cleaners at the Airport receive similar rates of pay to local authority employees, but earnings are much lower due to minimal sick pay and holiday schemes, cuts in shift payments and sudden cuts in earnings to ensure a contract is won. Cleaners have been injured by vehicles and machinery at the airport, with official statistics showing the sector to have one of the

highest death and major injury rates. Workers suffer from both sexual and racial harassment and rarely receive training even on basic health and safety, fire procedures or accident reporting, and the Health and Safety Executive produces no appropriate material in languages relevant to the employees working there. Companies also try to avoid redundancy pay when they lose contracts by bullying workers into giving up their job or offering a small payment in the hope that it will not be challenged. It is also alleged that the DHSS is given false information about them, that workers are dismissed arbitrarily, forced to change shifts at short notice or made to sign new contracts when returning from holidays. These trends were confirmed by research commissioned by the London Borough of Ealing in 1988 (TICL & SCAT, 1989).

The Ealing Initiative

The report commissioned by Ealing Council, on the impact of Heathrow Airport as a major center of employment for people in the Borough, was designed to help the Authority develop a strategy to improve the terms and conditions of employment for workers in the cleaning and catering sectors. The strategy also aimed to improve access for these workers to other sectors of industry which are better paid and facing shortages, in line with the Council's approach towards its own cleaners in the run up to CCT.

In the summer of 1988, Ealing started to run a series of courses for its cleaning staff. Training in cleaning skills was given, showing how to use new machinery and different methods of cleaning with recognition from the British Institute of Cleaning Science, health and safety issues were taught, the CCT legislation was explained along with the operation and structure of the Council; and communication skills were taught so that workers could articulate problems and opinions about the service they provide. Following on from this training the Council launched a general manual

worker training programme in 1989, with the aim of improving the quality of work done and the status and sense of value amongst the workforce.

To extend such practices to the private sector was not as straightforward. The Council recognised that in order to improve cleaners conditions at Heathrow Airport it was necessary to activate their collective strength and provide structured support through the trade union movement:

"The role of the Economic Development Division was to act as a catalyst, a bridge between the cleaners and the TGWU."

(London Borough of Ealing, 1990)

A steering committee was established which included a Council representative, a full-time officer from the TGWU, cleaning and catering workers, representatives from the Hounslow Trade Union Support Unit, the Indian Workers Association, Southhall Trade Union and Employment Advisory Services (STUEAS) and legal advice from various agencies. In this way, it was hoped the different sections of the community could be brought together, easing language, cultural and religious barriers. The TGWU had to overcome the lack of trust felt towards the Union which resulted in cleaners problems being taken to local voluntary sector advice agencies and traditional community organisations, such as places of worship. The TGWU has been seen as a 'white' institution. Language barriers and the failure of the Union to support and win the confidence of those cleaners who were members, added to the impression that the TGWU did not serve cleaner's interests.

The Campaign and Conference

The project led to mass leafleting in various languages, to identify cleaning workers in the area. This was supported by information and advice sessions held every fortnight at the Southhall TGWU offices. A group of volunteers carried out a weekly

recruitment drive in all four airport terminals on each shift, as well as at bus stops and on buses (taking workers to the airport), at local meeting places and through voluntary organisations. The TGWU established a new branch 1/1952, specifically for cleaners at the Airport. This was placed in the Union's General Workers group, which organises cleaners in other parts of the private sector, rather than in the Civil Air Transport group, which organises the other airport workers.

On the 27th April 1990 a Conference for Heathrow Airport Cleaners was held, in order to highlight the situation faced by cleaners at the Airport, to establish new methods of recruiting workers into the TGWU and of tackling racism, and to launch the Council's report on cleaners at Heathrow. The growing commitment of the TGWU to the campaign was illustrated by the presence of the Union's Deputy General Secretary (now General Secretary), Bill Morris, and 13 other full-time officers.

The Conference recognised that recruitment of cleaners could not be achieved without the involvement of the local community, the voluntary and traditional organisations, support networks and structures which have served the black community since the 1950s. Following from that point it was argued that the policy and practice of the Union should be identified with broader issues affecting the community and not just employment related issues. The Union had to be seen to actively support the community and to challenge racism. To build up the trust and confidence of cleaners, individual case work has to be instigated, with every lead followed through. This approach, whilst time consuming, enables non unionised cleaners to see the benefits of a union. Crucially it was recognised that the local union structure and organisation should be accessible and responsive to the cleaners, with Punjabi speaking office workers at the Southall TGWU offices and venues for and timing of branch meetings suitable for cleaners.

In line with Ealing Council's approach towards its own workforce it was recognised that changes would have to be accompanied by education and training. Training for cleaners on how to obtain information on and increase their participation in the TGWU. Training courses for TGWU, Heathrow Airport and Southall Office full-time officers, to increase their understanding of racism, how to tackle it and the recruitment of black workers.

The TGWU

The responsiveness of the TGWU to these ideas was demonstrated with the Deputy General Secretary's own out line agenda for increasing black workers involvement in the Union, which included:

- "- Producing recruitment material and information in both English and Punjabi*
- Putting religious and cultural needs on the collective bargaining agenda*
- Adopting union education programmes to cater for the needs of Afro-Caribbean and Asian workers*
- Employing professionals, such as solicitors, from the Asian community, creating a legal representation service that cuts through language barriers".*

(LGIU, 1990)

Following the conference, in the May 1990 local government elections, the Conservatives took control of Ealing Council and stopped all work on the project. This was followed by the closure of the main voluntary support group, STUEAS, casting some doubt over the future of the exercise. However, the TGWU decided at a meeting of its Contract Cleaning Campaign Committee to make a long term commitment to the campaign with the aim of organising the 500 to 1000 cleaners at Heathrow Airport, using a two pronged approach (TGWU, 1990). The first part was the organisational approach which sets out what the Union stands for in a TGWU

Charter, which includes commitments to fight for a minimum hourly rate, a maximum hours limitation, holiday pay, sickness pay, pension rights, union recognition and bargaining rights, agreed grievance and disciplinary procedures, elected TGWU representatives, an Airport joint industrial council and BAAs agreement on minimum terms to be offered by contractors.

The Charter forms the focal point of the campaign and was launched at the TGWU offices in 1991, utilising the local press and media, including sympathetic local radio station and black celebrities. All supporting materials were written in three languages.

The second part of the campaign was the recruitment drive designed to continue the building of Branch 1/1952 with the full involvement of the local community. Central to this drive was the employment of Bashir Bhatti as a full-time Stand Down Officer. He was responsible for the organisation of catering and cleaning workers at the Airport prior to privatisation and has a formidable reputation amongst the community, the trade unions and management. He describes how slow the process of organising can be:

"Everyone is scared to join the union in this non-union sector but I am succeeding very slowly. I have lists of names and addresses of cleaners, gained by having a meeting with one cleaner who speaks of another and so on. Nearly everyone I approach joins but sometimes it takes many meetings. All recruitment is done door to door as the companies do not allow me to reach the workers during their breaks and I can not interrupt their work. Many workers don't return home until after 10p.m., so to do my job I had to be out seeing them then. Yesterday I spent four hours seeing one man and failed to recruit him but I don't get depressed, I will just visit him again. I have broken through the barriers by visiting them so many times and so I will recruit the other workers.

"We produce leaflets in Hindu and Punjabi and this helps but I believe people need to talk, not the paper. Personal presentation is important. If we started hiring young dedicated officers, white and black, they

could recruit many more members but I still hope to recruit 500 during the year".

At the beginning of the campaign the TGWU had no members amongst the contract cleaning workforce at Heathrow, but there is now a strong base. In the six companies being dealt with at the time of the research in April 1991, three were fully organised with recognition agreements in two.

Conclusion

The experience of trade union activity amongst contract cleaning staff at Heathrow Airport demonstrates the difficulties that are encountered by old trade union structures in organising new types of workers. But the awareness of the problems and the degree of success associated with the campaign illustrates what can be achieved if the necessary resources and commitment are applied to the task. Indeed similar campaigns were run by the Hotel and Restaurant Employees union in the USA in the early 1980s with even more successful outcomes (Green & Tilly, 1987).

It will be interesting to see whether the impact of CCT on union membership levels nationally, encourages a more widespread commitment to organising the unorganised and the development of the new approaches that such a commitment would require. The biggest obstacle will probably be the lack of finance in the trade union movement, but if unions are serious about organising cleaning workers they will have to address their specific concerns in the workplace and in a social context. We will return to this issue in the following concluding chapters.

Chapter 8

The Industrial Relations Consequences of CCT:

Analysis and Observations

Chapter 8: The Industrial Relations Consequences of CCT: Analysis and Observations

Section 1: The Pre - CCT Experience

Prior to the introduction of the 1988 Local Government Act, various studies had drawn attention to the impact that CT was having on workers jobs, conditions and trade union organisation, in local government and the Health Service. Various articles and reports revealed significant job losses, worsening conditions of employment and a weakening of union organisation (Ascher, 1987; Coyle, 1986; LRD, 1986; Sheaff, 1988; Sheffield City Council, 1988; Walker and Moore, 1987).

A report by Sheffield City Council (1986) highlighted the fact that the voluntary introduction of CT by local authorities in the 1980s, resulted in job losses averaging nearly 40% in the cleansing services. Coyle (1986) points to the contract cleaning firms' practice of hiring labour on terms and hours, which ensure workers rarely meet the requirements for statutory employment protection. They also avoid having to make national insurance contributions, depriving cleaners of rights to holiday pay, sick pay and pensions. Whilst basic rates of pay had largely kept in line with those in the public sector, following the CCMA's (now CCSA) decision to respect Whitley rates of pay in the NHS, Ascher points out that:

"The impact of revised work schedules and bonus schemes upon employees is straightforward: less pay for the same work or more work for the same pay".

(Ascher. 1987)

The reorganisation of worker's hours has come about through reductions in holidays, lengthened basic hours, reduced access to overtime and the falling number of full-time employees. Walker and Moore (1987) relate these developments to a process of deregulation in the labour market.

As far as trade union activity is concerned the Sheffield City Council report lists a series of attempts by private contractors to resist organisation. Coyle argues that the sub-contracting of cleaning work has created a crisis situation for trade unions affected, and Sheaff (1988), whilst not going as far as this, believes that:

"the major consequence of CT has been a further movement towards local bargaining and a shift in relative bargaining power".

(Sheaff, 1988)

On a more hopeful note for the trade unions, the LRD (1986) points to extensive and successful actions by cleaning workers, resisting cuts in pay by private contractors on a range of Government contracts.

However, it was the power of trade unionists, and particularly the power of local government manual workers, that the Government was seeking to address with its CT initiatives. We saw in Chapter 7 how privatisation represents a fundamental challenge to basic trade union objectives. In this Chapter I will consider the extent to which local authority trade unionism has been checked by the 1988 Local Government Act. I will be drawing on the results of my own research, as laid out in Chapters 4, 5, 6 and 7, and other studies considering these issues.

Section 2: Impact on the Workforce

Over half a million local government workers have been directly affected by the Government's CCT legislation. The emphasis placed on cost in the allocation of contracts has put severe pressure on their jobs, wages and conditions. Since labour costs form the overwhelming proportion of a contract price, the ability to compete in the tendering process has been largely reliant on cuts in worker's terms and conditions (this issue is discussed further in Section 5). As pay and benefits in the public sector

often act as a benchmark for those in the private sector, the labour market implications of CCT are potentially far reaching.

Jobs

When considering the issue of job losses it must be remembered that job cuts imposed by private contractors come on top of those made during local authority preparations for CCT. In Liverpool, the refuse collection workforce was reduced from around 600 to 415, prior to the award of the contract to Onyx, who now employ only 208 workers. In Rotherham the number of building cleaners was reduced from 900 to 650 before Initial won 3 of the Council's 4 contracts. Even where contracts have been kept in-house, as with the refuse collection services in Glasgow and Manchester, job losses have been heavy due to DSO restructuring. These labour reductions are additional to those brought about by cuts in local authority funding over the past twelve years.

In twenty two of the privatised local authority cleansing contracts reviewed in the company profiles in Chapter 4, contractors imposed job cuts in all but three, with an average job loss of 25% (See Table 50). Consistently heavy job losses were recorded on building cleaning contracts, with an average on the five contracts investigated, of 30.25%. There were net losses of 300 jobs in Tayside, 190 in Gloucestershire, 250 in Rotherham and 400 in Mid Glamorgan. There is some evidence that job cuts have been so heavy as to make contracts unworkable (Initial's contract in Tayside was terminated due to poor performance) and consequently, cutbacks are now proving less drastic. On refuse collection and street cleaning contracts, the picture was less uniform, with average job losses of 20.65%, but ranging from none in Babergh and Erewash to a massive 66% reduction in Liverpool.

Type of Contract	% of cases with job losses	Average job losses	% of cases where income reduced	% of cases where hours changed	% of cases where sick pay reduced	% of cases where leave reduced	% of cases with no pension
Building cleaning	100%	30.25%	60%	Reduced in 80%	None in 60%. Reduced in 40%	100%	100%
Refuse collection & street cleansing	80%	20.65%	76.47%	Increased in 76.47%	Reduced in 100%	70.5%	76.4%

Table 50: The Impact of Privatisation on Jobs, Pay and Conditions on 22 Local Authority Cleansing Contracts

These figures are generally consistent with other surveys such as the LRD's 'CCT Bargaining Report' (LRD, 1990), which revealed that 70% of all building cleaning, refuse collection and other cleaning contracts had experienced job cuts. The PSPRU report 'Privatisation - Disaster for Quality' (PSPRU, 1992) suggests an average jobs cut by private refuse collection and street cleaning contractors of 31%. A report by Kieran Walsh, for the DOE (Walsh, 1990), indicates slightly lower figures, pointing to a reduction of manual workers of 25.7% in street cleansing, 16.9% in refuse collection and 18.5% in building cleaning. The Manchester City Council study, 'The Price of Winning' (SCAT, 1990) found a reduction in employment of 21% on refuse collection and street cleaning contracts, between 1988 and 1990.

The initial heavy losses on building cleaning contracts contributed to the loss of 35,000 part-time local government manual workers jobs between 1989 and 1992. The total job losses attributed to the introduction of CCT amount to 59,000 according to a report by ADLO (1992), with 9,000 refuse workers also being made redundant. ADLO estimates that CCT, introduced under the Local Government Act 1988, will result in a further 50,000 job losses by 1997. It should be noted that these figures relate to redundancies made by local authorities and do not take account of the jobs subsequently created by successful private contractors. A survey done by SCAT (1990), drawing on information from the 'Price of Winning' (Manchester City

Council, 1990) indicates a net loss of over 5,000 refuse collection and street cleaning jobs, and a further 5,000 building cleaning jobs, based on nearly 450 contracts put out to tender by the end of 1989.

The loss of full-time jobs is significantly lower in Scotland, a reflection of the low incidence of contracting out of services, north of the border.

Pay and Conditions

On the question of the impact of CCT on worker's terms and conditions, the picture is not entirely uniform. Workers employed on building cleaning contracts appear to have fared worst. Of the five local government privatised building cleaning contracts considered in the survey, pay rates were cut on four (although recruitment problems led to a subsequent rise in one), sickness benefits were withdrawn on three and reduced on the other two, hours were cut on all five and the working year reduced on two. Annual leave was reduced and pension schemes were scrapped in all cases. Even where contracts were secured in-house, as in Mid-Glamorgan, working conditions came under attack, with a freeze in pay rates, a reduction of annual leave, sickness and maternity benefits to statutory minimums, and a reduction in the working year, all accompanied by a significant increase in productivity requirements. In Manchester, national conditions have been protected but cleaners bonuses were scrapped and work rates have intensified.

On refuse collection and other cleaning contracts a similar, if less dramatic, pattern has emerged. On a total of seventeen contracts, workers earnings have been cut on fifteen. Direct pay cuts were limited to seven and were concentrated on contracts held by BFI Wastecare and Onyx UK. In other cases, pay freezes have been implemented, a practice favoured by Sitaclean Technology. In one case, this company adopted the novel idea of paying two separate rates of pay, for ex-authority

workers and for new recruits, although the idea was abandoned following resistance from the workforce. Another more common approach, which is widely used by FOCSA Services, is to keep pay rates at a similar level whilst making drastic reductions in bonuses, which form a significant part of local government refuse worker's earnings.

Hours have been increased to 40, 42 or 45 per week, with drivers generally working the longest, on thirteen of the contracts considered, with compulsory weekend working introduced on three others. The task and finish method of organising refuse collection has been abolished by several contractors, which has had an even more significant impact on the number of hours actually worked. Sickness benefits have declined and qualification requirements been tightened. Entitlements have been reduced on ten sickness schemes, only statutory benefits are being paid on a further five and two schemes require employment with the company for one year before they become operational. Annual leave has been reduced on twelve of the seventeen contracts, with only FOCSA Services consistently granting local authority entitlements. Company pension schemes are largely non-existent. On the contracts considered, BFI provides a scheme in Wandsworth, after employees have been with the Company for over a year, and FOCSA in Stockport and Cory Environmental in Bromley and Tower Hamlets organise a scheme linked to SERPS.

Employees who still work for in-house service organisations have largely continued to be covered by nationally agreed terms and conditions. In Manchester and Glasgow the worker's bonus schemes and other benefits have also been protected, with the only real deterioration coming from a reduction in staffing levels which has resulted in an intensification of work rates. National rates have been retained in Conservative run councils, such as Ealing, but aggressive monitoring and opportunist client departments, have increased work requirements even further.

These findings are largely in line with those of other surveys which have identified a widespread deterioration in worker's terms and conditions of employment, as a result of CCT. In a survey covering contracts held in-house and by private contractors, the LRD (1990) points to pay cuts (as opposed to reductions in earnings as identified in Table 50) in 29.2% of building cleaning contracts, 6.9% of refuse collection and 8% of other cleaning contracts. 51.2% of building cleaners saw a reduction in their hours of work, 19.5% saw cuts in holiday entitlements. 13.9% of refuse collectors also saw reductions in their annual leave allocation. The survey also identified cuts in holiday pay, bonus pay, sick pay, shift and overtime pay. Of the contracts surveyed, only 4.9% of the building cleaning, 12% of the other cleaning and 27.9% of the refuse collection contracts were held by private contractors. This explains the variation with my own figures, which are based exclusively on privatised services.

The LRD survey suggests that there are several examples of councils breaking with National Joint Council (NJC) agreed rates of pay and that it is building cleaning workers who have been the main victims of this trend. IDS (1991) found nine local authorities who have moved away from national bargaining arrangements for manual workers in response to the CCT legislation, varying the pay, sick pay and holiday entitlements of their employees. According to a report by IDS titled 'Public Service Employment' (IDS, 1990), Kirklees Metropolitan Borough Council has negotiated revised terms and conditions of service for its refuse collectors, cleaning, catering and grounds maintenance staff. The revisions include increased hours, reduced pay, bonuses and other increments.

The PSPRU (1992) survey argues that nearly all contractors, and some councils, have cut the pay rate of cleaners below nationally agreed levels. It is also noted that contractors have not even made a theoretical commitment to follow national rates, as they did in the NHS. On the question of hours, contractors have invariably cut those of part-time workers to under 16 hours a week. Below 16 hours a week workers lose

nearly all statutory employment protection rights such as the right to claim unfair dismissal, the right to redundancy pay, the right to maternity pay and leave, and the right to time off for public or trade union duties. The PSPRU survey points out that part-timers employed for less than 15 hours a week also fall below the lower earnings limit (£54 a week from April 1992) unless their pay is at least £3.60 per hour (there are no such examples). This means they have no rights to contributory state benefits such as statutory sick pay, state pensions and unemployment benefit. Most contractors have limited cleaners hours to between 10 and 12 hours a week.

In contrast to this situation, the PSPRU survey confirms the trend towards increasing hours for full-time manuals working for contractors. It is reported that nearly all refuse collection contractors have imposed a working week of 40 hours instead of the nationally agreed 37. Biffa Waste Services require their HGV drivers to work 45 hours and BFI expect their drivers to work 42 hours. Even the in-house DSO in Kirkless has introduced a 42.5 hour week. The PSPRU report also confirms the trend towards the suspension of school cleaning duties during holiday periods and points out that this is equally common on services run by DSO's and by contractors. This practice has resulted in cleaners being laid off for up to 14 weeks of the year and in the case of Avon County Council resulted in such serious recruitment problems that the arrangement has been abandoned.

The most dramatic effects of CCT have certainly been felt by workers now employed by private contractors, although staffing levels and the terms and conditions of cleaners have been reduced across the board. This is confirmed by the results illustrated in Table 51, which summarises the changes made to terms and conditions of employment, by local authorities, on 27 cleansing contracts, based on research by Kieran Walsh (1990):

Changes made to terms and conditions by local authorities	Refuse Collection		Street Cleaning		Building Cleaning	
	Yes	No	Yes	No	Yes	No
Rearranged hours of work	1	11	2	7	2	4
Changed bonus scheme	6	6	3	6	2	4
Abolished bonus scheme	0	12	1	8	3	3
Increased basic wage rates	1	11	1	8	1	5
Reduced basic wage rates	0	12	0	9	3	3
Reduced numbers employed	10	2	6	3	5	1
Increased numbers employed	0	12	0	9	0	6
Changed shift system	1	11	4	5	1	5
Altered approach to sick pay	5	7	0	9	2	4
Altered approach to holiday pay	2	10	0	9	2	4

Table 51: Changes Made by Local Authorities in the Treatment of Cleansing Staff

Source: Walsh, 1990

It is clear from Table 51 that building cleaning workers have suffered most, not only from privatisation, but from the CCT process in general. The Table shows high proportions of yes responses to all the negative changes listed, such as abolished bonus schemes, reduced basic wage rates and reduced numbers employed. These results also justify Painter's claim that:

"While nationally agreed levels of pay and service conditions for council workers have been retained in many authorities, they have rarely been enhanced. Where change has come it has generally involved deterioration in employment terms and conditions. By the same token, the numbers employed in tendered services have only infrequently been increased following CCT. In general, changes in the numbers of jobs have meant cuts".

(Painter, 1990)

Equalities

A major objective of the 1988 Local Government Act has been to prevent the use of "non-commercial considerations" in the awarding of council contracts. In particular this centres around local authority attempts to address social injustices and inequalities by utilising their own economic power. In the past, contract compliance was used to ensure that local authority contracts were awarded to companies who were committed to good standards, in terms of employment conditions, trade union recognition, health and safety and equal opportunities. The 1988 Local Government Act placed specific restrictions on these activities which were upheld in a test case taken by the Building Employers Confederation against Islington Council in 1989. The case clarified that:

"Non commercial considerations, including questions relating to terms and conditions of employment, the composition of the workforce (by race, gender and disabilities) and arrangements for promotion, transfer or training cannot be used as criteria for excluding contractors".

(SCAT, 1990a)

CCT has brought traditionally ghettoised women's work areas, such as cleaning and catering, to the forefront of councils attention. The legislation has forced officers to consider issues such as the size of budgets, the numbers of staff employed, pay, conditions, productivity and the type and range of service on offer. Unfortunately, the concentration on financial considerations that is forced by the CCT process, has resulted in the cuts in jobs, hours, pay and conditions outlined above. When this happens it is often women, black and other disadvantaged groups of workers who bear the brunt. Most of the jobs currently affected by CCT are done by women and are generally part-time or part-year in nature. As we have seen, these types of jobs are particularly vulnerable to changes in terms and conditions.

The increasing emphasis on cost factors could potentially marginalise the work of local authority equal opportunities units, as equalities work is increasingly regarded as an 'unnecessary cost'. Furthermore, the isolation of jobs within the new 'defined activities' might result in a loss of access to training, which could otherwise have increased the opportunities for securing alternative better paid jobs. For those workers whose jobs are privatised, it seems unlikely that private contractors will have much commitment towards equalities issues beyond the statutory requirement to comply with the 1976 Race Relations Act.

The nature of the legislation seems to force something of a damage limitation exercise on to those authorities who are genuinely committed to equal opportunities. Both the LGIU (Lucy de Groot and Wright, 1990) and SCAT (1990) have produced best practice advice on the issue, but it seems clear that CCT is likely to further undermine, rather than enhance, equality in the labour market.

Health and Safety

Local authorities have been at the forefront of developing safer working procedures and better working environments for their employees. Generally these efforts have been rewarded with lower accident rates in the public sector than in equivalent private sector environments, but only because the public sector has been prepared to devote a higher share of resources to health and safety than their private sector counterparts.

The introduction of CCT into the provision of local authority services might be seen as a threat to these developments, due to the limitation the process places on cost, and the different attitudes that might be held by private contractors towards the importance of health and safety.

A report by Mick Wright (Wright, N.D.), TGWU senior shop steward for Luton Borough Council, on three cleansing contracts held by UK Waste Control prior to their takeover by Onyx UK, puts the question into focus. Reporting on two refuse crews working on a Three Rivers District Council contract, it was noted that the audible reverse warning devices on the refuse vehicles were not working and that none of the employees were wearing gloves, safety footwear or high visibility workwear. In Broxbourne Borough Council, street cleaning workers were observed as having no gloves, safety footwear, overalls or high visibility clothing. The report concludes that:

"the reality of their [UK Waste Control] existing contracts shows that the quality systems, health and safety procedures and employment policies that they highlight in the bid process are worthless".

(Wright N.D.)

Labour Research (1991) highlights the case of a young temporary refuse worker whose foot was amputated after being crushed by a refuse wagon operated by the DSO in Berwick upon Tweed. The Union believes the accident was caused by changes introduced to make the DSO more competitive in preparation for competition. A local NUPE representative said:

"The time specification had been narrowed which meant that the wagon could no longer stop, but had to crawl along with the refuse workers running behind it. When the workers foot was crushed he was wearing training shoes because safety boots were only issued to workers on temporary contracts after six months".

(Labour Research, 1991)

Health and safety is not regarded as a "non-commercial matter" though, and can be taken into consideration in the tender evaluation process. ADLO, the ALA and AMA have produced an information pack 'Health and Safety in the Competitive Tendering Process' (AMA, ALA, ADLO, 1989) with individual guidance booklets on each of

the defined activities. The point is made, that maintaining health and safety standards should not be seen as a means of ensuring fair competition between DSOs and the private sector, since it is a central part of a local authority's social and legal responsibility to its employees and the public. Unless an authority itself achieves a high standard in its systems and procedures, it will not be able to demand those standards from the private sector. The evidence provided by Mick Wright's report also suggests that monitoring of the procedures outlined in tender documents should be a central consideration.

Competing Downwards?

The experience of union officers in Liverpool, where the refuse collection workforce was particularly hard hit by the CCT process, suggests that the whole activity is about obtaining savings at the expense of the workforce. In the eyes of Bill Smith, the GMB's Merseyside Regional Officer, CCT is about competing downwards on workers terms and conditions. Other examples in this thesis give support to that position, suggesting that local authorities who want to keep their services in-house will have to match private contractors practices. Indeed Painter (1990) argues that:

"some authorities are using compulsory competitive tendering.... as a way of introducing organisational changes which would otherwise have been more strongly resisted by the workforce".

(Painter, 1990)

This would seem to be particularly apparent where authorities have already lost one service to a private contractor, as in Liverpool and Stockport, and respond by making drastic changes to the organisation and terms of employment on other services.

The undisputed basis for this development is the competitive nature of the process, where some contractors appear ready to stand losses in order to build up a market

share. In these circumstances, authorities who are committed to in-house provision, feel they have no option but to cut their own services to the bone in order to remain competitive.

This is not an ideal situation for the private sector either, whose profits are being squeezed in the competitive struggle for early market domination. Some doubt has been thrown on the process by the Transfer of Undertakings Regulations (TOUR). These regulations are based on European legislation and state that if an undertaking is transferred to a new employer, the workforce must be employed on the existing terms and conditions or they may make claims for unfair dismissal. If the regulations can be applied to the provision of local authority services then many of the fears which surround CCT will evaporate.

In 1991 the TGWU brought two industrial tribunal cases, seeking to apply the TOUR to the award of a refuse collection contract to Onyx, and the sale of a council DSO to Serco. In the first case, the Court found that there was no transfer, since existing arrangements were terminated, and fresh ones made with Onyx. An appeal has been made and it is expected that this will be dealt with before any decision is made on the second case.

The TOUR have already been applied to at least two local authority contracts. In February 1992 Gloucestershire County Council sold its school meals and school cleaning DSO to BET on the basis of the regulations. BET have recognised the unions and come to an arrangement with the Council to continue contributions to the Council's pension scheme (pension schemes are not actually covered by TOUR). In March 1992, Wokingham District Council transferred its DSO, which provided street sweeping, highway maintenance, grounds maintenance and office cleaning services, to OCS on the basis of TOUR and the Company has since recognised unions.

BET and others have already indicated an interest in offering quality no cuts deals, as a way out of the competitive zero-sum game that CCT has become. The application of TOUR to local authority services, seems to be an avenue through which this new approach can be adopted. Negotiating a deal directly with an authority can bypass the CCT process, since it does not apply to councils where work is already privatised. In these circumstances, the company can secure a deal on the basis of identifiable costs, and can simply calculate its profit margin and adequate resources to do the job, without having to pursue profits and cost cuts by savaging jobs, pay and conditions.

Concluding Comments

There is no question that CCT has had a dramatic effect upon workers employed in activities covered by the legislation. Jobs have been slashed, work rates intensified, working practices transformed, employment casualised, earnings reduced and benefits removed in varying degrees. The PSPRU estimates that the total cost to the workforce has been £150 million per year in lost jobs, £100 million in lost hours and £125 million in lost pay and conditions. Councils have generally been successful in retaining a high proportion of contracts in-house (an average of 67.1% of all cleansing contracts [LGMB, 1992], but the success has relied upon the deterioration in working conditions outlined in this section.

The irony of the whole process is that the main casualties of the legislation have been the least organised, least militant and most disadvantaged groups of council workers, such as cleaning and catering workers. The highly organised and militant refuse collectors, whose actions helped provoke the legislation, have got off comparatively lightly, particularly where services have been kept in-house.

Section 3: The Structural Impact on Local Government Industrial Relations.

Non Unionism

There can be no question that one of the key driving forces behind the Government's CCT legislation was the desire to restrict the power and influence of public sector unionism. The extent to which that objective is achievable is tied in closely with the prevalence of an unorganised workforce, and anti-union attitudes, in the private sector public service industry.

The hostility shown towards trade unions in the contract cleaning industry, and the difficulties associated with organising workers in this sector, have been evident for some time and are referred to in other parts of this thesis. What is significant about the impact of CCT on trade union organisation, is that the process has transferred whole groups of public sector workers, with a strong trade union history and consciousness, into an alien and often hostile private sector environment.

Table 52 shows that of the twenty two privatised contracts considered in Chapter 4, unions have only been recognised on nine. In three of these cases recognition was resisted by contractors and was only granted after industrial action by the workforce. Where trade unions do have negotiating rights it is generally on a single union basis. Of the nine contracts where rights have been secured, the companies concerned have only recognised one union on six, in five of those cases the union was the GMB. The workers involved were sometimes organised by one union prior to privatisation, but all unions have negotiating rights with local authorities. The non-union trend is confirmed by the PSPRU which reports that:

"Nearly all of the contractors involved in services such as cleaning, catering, laundry, refuse collection are anti-union, only one or two have been persuaded to recognise unions".

(PSPRU, 1992)

Type of contract	Number of contracts	Union recognition secured	Recognition secured following resistance	Only one union recognised
Building cleaning	5	1	-	Under negotiation
Refuse collection & street cleaning	17	8	4	6

Table 52: Incidence of Union Recognition Agreements on 22 Privatised Cleansing Contracts

One of the contractors which has been more ready than most to co-operate with trade unions has been FOCSA Services. The case studies in Chapter 6 illustrate the reluctance with which that position was adopted. Despite the fact that FOCSA recognises trade unions in Spain (home of the Company's parent), when they started to win contracts in the UK their approach did not remain consistent, and there was an initial refusal to negotiate with any union. During the struggles for recognition in Brighton and Stockport, union officers indicated that they felt the Company was "weighing up" the different unions, before deciding who to recognise. If this was the case then it appears that FOCSA chose the GMB, since of the three contracts considered in the survey, only the GMB was recognised in two and , whilst a general recognition agreement was signed in Stockport, there is evidence to suggest that the Company would have favoured an exclusive deal with the GMB on this one too.

No consistent pattern has emerged other than the fact that some contractors are more determinedly hostile than others. BFI and Initial appear to be totally uninterested in having relations with trade unions, whilst FOCSA and Cory Environmental seem to be more co-operative. Other contractors, such as Onyx, Sitaclean and Taylorplan do not have a standard approach but judge the conditions on each contract separately. As the GMB's National Officer confirms:

"There is no tendency towards giving full recognition rights across the board because the company gives way in one location. It all depends on the local basis of organisation and trade union history".

On most building cleaning contracts it seems that the basis of organisation and trade union history is not sufficient to secure union rights. The fierce competitiveness in this sector has been taken out on the workforce. The direct attack on pay and conditions by contractors has been accompanied by a reduction in hours which disqualifies the workers from statutory rights to sick pay, pensions and other benefits. The nature of employment on these contracts has deteriorated so far, that tremendously high rates of labour turnover have developed. This is what undermines trade union organisation more than any other factor, as was illustrated by case study 3 in Chapter 6. The result is a casualisation of employment, moving what were secure and well protected, if low paid, jobs in the public sector, into an entirely different labour market, characterised by a new set of conditions and practices.

A high rate of staff turnover undermines trade union organisation on three fronts. Firstly, the instability of the workforce means there is no permanent base around which to focus activity. Unionisation cannot take place exclusively on the basis of one on one recruitment by full-time organisers, activists must be drawn from the workforce around which the union can build. If no-one stays in the job longer than a few months, then it is very difficult to recruit or motivate even those workers with a strong commitment to trade unionism. Secondly, the transitory and part-time nature of employment means that workers do not have any statutory employment rights, and can be dismissed without redress at any moment. With employers openly hostile to trade unions, this represents a strong disincentive to involvement in organisational activity. Finally, this type of employment, which is very much on the periphery of the labour market, does not encourage any sense of job commitment amongst the workforce. When workers are resigned to their condition, with a low sense of commitment to the job, they are less inclined to address their own dissatisfaction. In

these circumstances, and with workers isolated from each other, common complaints are rarely advocated and so there is little basis for instinctive trade unionism.

Where unions have managed to maintain organisation in the face of privatisation, then recognition and concessions from contractors have been more forthcoming . On the refuse collection contract considered in case study 4 in Chapter 6, the unity and strength of organisation maintained after privatisation, has led to the achievement of union recognition and satisfactory terms and conditions, despite the Company's initial hostility. The continued commitment to trade unionism of refuse collectors in Liverpool, has resulted in a recognition agreement, despite the devastating blow that CCT represented to the workforce in the City. The trade unions' ability to organise industrial action in Brighton and Stockport, forced FOCSA into recognition agreements which now seem to have set a precedent for the Company's other contracts. It will be interesting to see whether union organisation amongst cleaners in Mid Glamorgan is maintained now that Taylorplan has won the building cleaning contracts, or whether the experience of other privatised cleaning services, such as Rotherham, will be repeated.

Trade Union Involvement in the CCT Process

A notable feature of the introduction of CCT into local government cleansing services has been the lack of direct resistance to the process from the trade unions. There has been a certain amount of resignation to the inevitability of the legislation's progress and implementation. Consequently, unions have tended to seek involvement in the preparations for competition, rather than confrontation. The extent to which such an involvement developed, was largely dependent upon the political complexion of the authorities concerned. Painter (1990) distinguishes between four different types of authority.

1 New Right

Councils who aim to move towards the employment of a very small core staff, whose function is to award and monitor contracts run by private firms. Almost always Conservative controlled, they include 'keen privatisers' like the London boroughs of Wandsworth and Westminster.

2 Non-committal

Councils with no strong ideological commitment to privatisation but with no particular desire to keep services in-house. These authorities also tend to be Conservative. At the time of the refuse collection contract award, the council considered in case study 4, Chapter 6 fitted into this category, as does the London Borough of Ealing.

3 In-house commitment

Councils in this group are committed to keeping services in-house but are prepared to make cuts in jobs and conditions to secure that outcome. This category contains both Conservative and Labour authorities and would include Mid Glamorgan County Council.

4 In-house commitment without cuts

Councils with a political commitment to public sector provision coupled with a determination to protect the employment levels, wages and conditions of their workforce. These authorities are largely Labour controlled and include Manchester City Council.

Unions and staff have been most involved in the preparations for tendering when the Council's commitment has been greatest. Conservative authorities in particular are less likely to involve employees early on in the process, and are more likely to involve them on the basis of consultation rather than negotiation. This is reflected in the approach adopted by the Conservative administration in the London Borough of Ealing.

In contrast, the experience in Manchester appears to have been more union led. The formation of service groups, with full-time union representation and a Council commitment to protecting the workforce, allowed the unions to dictate the majority of the changes made by the Authority. A similar approach was adopted in Newcastle, where the Council agreed to the granting of facility time to trade unionists, in order that they could work on the development of CT policy. The extent of trade union influence that emerged, has completely shifted the nature of industrial relations on the City Council. The involvement in areas of local government activity, which were previously not regarded as trade union concerns, has, if anything, extended the influence of the town hall unions in the City.

Trade union involvement in the preparation of specifications, determination of service requirements, development of contract monitoring procedures and consultation with service users has created a whole new role for the unions, extending the influence of council employees over their working lives. The progressive manner in which this potential has been exploited in Newcastle, addressing the issues of sexual discrimination (in the Council and in Union hierarchies), community links and inter-union rivalries, offers much encouragement. At the same time, such developments run the risk of becoming localised experiments in corporatism, which raises the possibility of 'incorporation', neutralising the independence of trade union activity.

Incorporation into local authority structures is not a problem as long as unions retain the capacity to direct the outcomes generated by those structures. With a more motivated input from an authority than was evident in Newcastle, the same outcomes could not be guaranteed. In those circumstances, the increasing trend towards commercialism in local government would become a more potent threat. Trade unions need to ensure that in defending the in-house provision of services, they do it from the standpoint of their members interests and not those of the authority, which might be quite different. Painter (1989) quotes the senior convenor in Newcastle on the issue:

"In other authorities, like your Sheffields and North Tynesides, most of those initiatives have been taken by either the Labour group, or left [wing] officers.... I actually believe there is a difference in what you end up with in terms of trade union structure where it has been led by left officers or Labour councillors. You are walking a fine tightrope between building a strong independent trade union structure, and incorporation It is very easy if stewards are in offices day in, day out with managers, to get sucked in. You become part of it.... and when the workforce turn on you, you say, 'Sorry, but this is what it is going to be.' Because it was led by the trade unions in Newcastle, and because everything goes through the joint shop stewards' committees....you can't get incorporated in the same way. If you are working through the joint shop steward's committees, who arn't working full-time [on union business] they keep you much more in line."

(Painter, 1989)

Local Bargaining

One of the other central objectives of the CCT legislation was to breakdown the influence of national collective bargaining on local government workers terms and conditions. The CT process necessarily involves local negotiations on changes to the structure of work, job cuts and various other conditions in order to make DSO's 'competitive'. What the unions, nationally, were determined to preserve, were the

National Joint Council (NJC) wage rates and service conditions, covering wage rates, shift rates, leave and sickness leave entitlements (See Appendix 1).

Increasingly, some local authorities are moving away from national bargaining and there are signs that national agreements themselves are being altered to allow greater local flexibility in the determination of council workers pay and conditions. Mid Glamorgan County Council abandoned national conditions for its building cleaners in 1989 and has been followed by a stream of other authorities since. The National Public Services Secretary of the TGWU estimates that around 80% of DSO's have stuck with national rates but that this has not prevented substantial changes to bonuses, numbers employed and the introduction of flexible work patterns. A survey by the Association of District Councils (ADC), in 1990, similarly found that around 80% of councils had stuck with national terms and conditions. 4.7% of manual workers were covered exclusively by local conditions and 12.7% by local conditions with some reference to national conditions. However, 46% of authorities indicated that they had made local modifications to national conditions. The main variations from national agreements were on pay and grading benefits (23%) and hours and leave (25.8%) (IDS, 1990). CCT was identified by 25.5% of authorities as the main reason for introducing local pay and conditions.

The trade unions are caught in a trap, whereby officers often feel it is necessary to make considerable concessions on pay and conditions, including the introduction of local pay bargaining, in order to secure contracts in-house. Whilst such concessions mean that the central motivation for keeping services in-house, the defence of nationally agreed terms and conditions, is surrendered. To resist the cuts will do nothing to prevent the CT process, and invariably results in the privatisation of services, as witnessed by refuse collectors in Liverpool, with the consequent removal from national bargaining structures altogether.

Trade Union Practice Under the Conditions of CCT

As I have demonstrated, the impact of CCT on trade union organisation is closely tied to the trade union history and strength of organisation already prevailing. In this context, the devastating impact of the process on union membership in Rotherham must cast some doubt over the nature of union activity amongst cleaners in the borough. Traditionally, council cleaners, who normally work in schools and a variety of other authority buildings, are organised by male caretakers. Women shop stewards are extremely rare, despite the fact that the vast majority of cleaners are women. Consequently, a question mark remains over how well union structures have serviced the needs of this marginalised sector of the workforce.

Whilst I have already outlined the problems associated with organising cleaners employed by private contractors, the movement in Rotherham from a union membership base of 900 to none, in a matter of months, is particularly dramatic. Despite the deterioration in the terms and conditions of employment, the loss of jobs and the contractor's failure to recognise unions, it is surprising that, from such a large number, nobody remained in the union, let alone attempted to organise others. This highlights the problem of building an organisation structure around caretakers, who are now contractually separated from the cleaners and perceive no common interests. The most basic requirement for organising these workers must be that they are represented by women, drawn from their own ranks. Only then will the workers interests be properly reflected in union demands, and a genuine, sustainable union consciousness emerge amongst the workforce.

The loss of 900 members represents a significant blow to the trade union movement, and is a pattern that could not be allowed to repeat itself up and down the country. However, the response of male dominated municipal union structures, has not been to address the reasons for the lack of real trade union commitment amongst council

cleaners. Instead, the fact that cleaners do tend to remain union members when they are employed by local authorities, has often been identified as the only significant factor. The union officer in Mid Glamorgan responsible for preparing for the building cleaning contract, was instructed to:

"Win that contract. Don't lose those members".

The implication being that if the contract was lost the members would go with it.

Whilst this has not always been the practice (Newcastle provides a good example of an alternative approach), it does raise the question as to whether unions have been more interested in protecting membership levels than membership interests. Without securing a commitment to collective organisation, sustainable throughout the CT process, regardless of outcome, trade unions will become increasingly committed to winning contracts 'at any cost'. This would inevitably involve greater commercialisation of DSO operations. DSO's would be treated as separate 'business' organisations, using efficiency and financial criteria to follow private contractors costs, productivity levels, wages and conditions (see Whitfield, 1992). The interests of service users and providers would be increasingly marginalised.

Already, inter-union rivalries have taken precedence over union principle, in the pursuit of members. It is clear that the private contractors preference for reaching recognition agreements with one union, rather than several, has undermined trade union unity in a number of areas. It is difficult to prove the incidence of 'back room deals' and unprincipled manouvering, but there is clear evidence that such activity is taking place. In four of the case studies considered in Chapter 6, there is the suggestion that agreements have been discussed, which various parties would prefer to keep quiet. Even if no wrong doing has occurred, the suggestion that it has, by

respected trade union officers, creates an atmosphere of distrust and sectionalism, which will be readily exploited by private contractors.

Regardless of whether any specific single union agreements have been signed or not, the contractor's preference for such agreements raises another concern. Where a union secures sole negotiating rights with a contractor, the potential exists for the union to become entwined in a co-operative relationship, which does not necessarily best serve the interests of its members. The union will have a bureaucratic interest in keeping the contract with the company, since, having secured a recognition agreement, this would be the most certain way of protecting its membership levels. This could lead the union to neglect its members interests, in relation to their terms and conditions of employment, the use of industrial action and attempts to secure a return of the service to public sector provision.

These fears tie in with the declaration of common interests and joint agreement on press releases, which have appeared on several procedural agreements. The fact is, that public service cleansing workers do not share a common interest with private contractors. Their interests are at all times divergent, since once a price is fixed for a contract, the contractors' pursuit of profit, which is their reason for being in business, is dependent upon the minimisation of labour costs, which form up to 90% of total costs. Increased profit necessarily requires job losses or reduced terms and conditions. Hardly a coincidence of interests.

The irony is that, in some respects, this situation offers greater power to a well organised workforce employed by a contractor, than to one employed by a DSO. Local authority DSO's are required to show a 5% return in their accounts, on each contract they operate. Consequently, if a council workforce takes industrial action, it threatens to impose penalty payments on the DSO, which will undermine its ability to achieve a return on the contract and could result in the whole organisation being shut

down. In these circumstances it is likely that a private contractor would take over responsibility for the work. In contrast, if a contract is being run by a private firm, any penalties imposed on the contractor, due to industrial action by the workforce, would be an addition to costs and would undermine profitability, and the company's ability to fulfil the contract. This would increase the chances of a return to in-house provision. However, this scenario does not take account of contractor's willingness to counter industrial action by dismissing the workforce, as occurred in Brighton and Stockport.

The limitation placed on the freedom of council workers to take industrial action, or even restrict their workload, will be enforced. There are already signs that workers will be expected to pay for service failures. There is the ever present reality, that if workers do not perform to the contract specification, then the DSO will not be financially viable because of default penalties. Management may use this threat to try and get productivity increases and unpaid overtime out of DSO workers. Glasgow refuse collectors experience of the 'depot clearance' is a case in point (case study 9, Chapter 6).

One positive aspect that has come out of the CCT process, is the increased profile and activity that town hall unions and council employees have enjoyed. Despite the unions' lack of ability to do much about preventing the implementation of CCT, there has been a great deal of educational activity and consultation with local authority workers in the run up to CCT. Some union officers, in Manchester for example, feel that the whole exercise has positively strengthened union organisation, but the same could not be said for some other groups, notably building cleaners in Rotherham. The main problem is that the level of activity generated in the run up to CCT has not been maintained after the award of contracts. This experience was particularly apparent in Mid Glamorgan, where half the building cleaning workforce lapsed its membership during the life of the three year contract, without the unions noticing!

Conclusions

It is apparent that the CT exercise has generated very varied experiences for workers engaged in different activities and working in different parts of the country. The degree to which individual workforces have suffered, in terms of job losses and cuts in pay and conditions, is intimately tied up with the commitment displayed by individual local authorities and trade unions towards keeping services in-house and protecting the status of their employees and members.

Within the cleansing services it is clear that workers employed on building cleaning contracts have had to contend with the most severe attacks upon their jobs and living standards. This is symptomatic of the marginalised status that cleaners already had within the hierarchy of local government workers, both from a managerial and trade union perspective. Prior to CCT, local government officers were often not even sure how many cleaners they employed, or which department was responsible for them. The town hall unions have tended to neglect their concerns, communicating their interests through unrepresentative male caretakers and allowing more organised and powerful groups of workers to dictate the negotiating agenda. These factors have combined with the high incidence of competition in this sector, and the natural vulnerability of part-time, isolated workers to seriously undermine the employment status of local authority cleaners.

Where these issues have been properly addressed the most satisfactory outcomes have emerged. The trade unions' decision in Newcastle to ensure that women workers were represented by women stewards, was a significant step forward in an area characterised by conservative, masculine forms of union structure. This step in itself would have been worthless without the wider influence over preparation for CCT that the unions secured.

In cities like Newcastle and Manchester the local authorities commitment to retaining public provision of services, whilst protecting the interests of their employees, has led to some progressive developments. Structures have been created, which have allowed the unions to direct the nature of the response to CT, exerting an influence over whole new aspects of service delivery and community relations. The unity of purpose and coincidence with union objectives displayed in these authorities, has resulted in very positive outcomes. Public provision has been retained, without recourse to attacks upon workers conditions of employment. Where the commitment of councils has not mirrored that of the trade unions, the results have been less encouraging. In Liverpool, despite the strength of union feeling, no co-operative approach was adopted and CT has wiped out hundreds of jobs, and, in the case of refuse collectors, conditions of employment have been devastated.

Prior to CCT, local authority refuse collectors and other well organised groups, such as street cleaners and grave diggers, had a high degree of local bargaining power. In a sense, the workers were aware of the fact that their work had to be done, so that if a refuse gang went on strike, they knew that when the dispute was settled, the work would have to be 'picked up', ensuring they would still get their wages, possibly even at the overtime rate. There was no threat of bankruptcy hanging over authorities, and the prevailing nature of local government industrial relations meant there was little chance of dismissal. This power has been undermined by the CCT legislation.

Accepting that effective local resistance to the requirements of the legislation is only likely to result in the closure of a council's DSO, industrial action to protect the jobs and conditions of employees can only be expected to reduce the competitiveness of in-house bids, defeating the object of the exercise. Once a contract has been awarded, then the threat of bankruptcy and contract failure are all too apparent. The result is a more authoritarian form of management and a greater reluctance on the part of the workforce to engage in industrial action over any issue.

The powerlessness of independent local union resistance, illustrates the importance of aligning local authorities with trade union interests. Whilst many authorities have put a good deal of resources and commitment into keeping services in-house up to now, the danger is that this commitment might decline. In Mid Glamorgan, where the building cleaning contracts were kept in-house during the first round of tendering, the service has now been privatised. Union officers claim that prior to the second round, their role was marginalised and the resources committed to the exercise by the authority were reduced. In Manchester, trade union influence on the enforced tendering unit is increasingly bypassed, as management reacts against the unions' domination of the initial preparations for CCT. It would seem that even in the authorities with a strong commitment to the public provision of services and defence of workers interests, that management is now extending its control over service provision and the preparations for competition. This puts in doubt the few encouraging developments that trade unions have secured as a result of CCT.

The gradual privatisation of services (which has spread from Conservative run 'shire authorities into Labour controlled cities and heartlands), the apparent decline in local authorities' commitment to involving trade unions in organisational structures, the resignation in the trade union movement to the inevitability of sustained private sector provision, and the increasing incidence of localised bargaining in local government, all point towards the European, and particularly the French, model of service provision. There is a very real danger that once private provision becomes prevalent, that trade union and local authority support for publicly run services will be one of principle rather than practice, and that publicly provided services will be organised on the private model rather than the other way around.

Section 4: The Impact of Multinational Companies Involvement in Public Service Provision

So far, most of the contracts put out to tender as a result of the 1988 Local Government Act, have been kept in-house. However, the three services in which private contractors have won the largest proportion of contracts are building cleaning, refuse collection and ground maintenance. These are the same three activities in which multinational service companies have been most active. In building cleaning, BET, ISS Servisystem and the Swedish manufacturing and service group, Electrolux, have won 8.4% of contracts put to tender, which represents 20.3% of contracts won by the private sector (LGMB, 1992). In refuse collection and street cleaning, CGE, Lyonnaise des Eaux and Bouygues of France, FOCSA of Spain, BFI and Wastemanagement Inc. of the USA and Britain's BET and Severn Trent have secured 11.3% of contracts won, 41% of those privatised (LGMB,1992).

The attention that these giant companies are paying towards UK local government contracts has some important implications for the workers affected by CCT. Many of these companies only became involved in public cleansing services during the 1970's and 1980's. Companies with manufacturing and other interests, such as BET and Electrolux, shifted into the provision of cleansing and other support services, recognising the opportunity for quick profits. The three French multinationals diversified out of water interests, into a range of municipal activities across Europe, creating local monopolies in service provision. The American waste management companies exploited the shift away from direct provision of refuse services in the USA during the 1970's and are seeking to repeat the process in Europe.

The common factor in the activities of these transnational service companies, is their recognition that urban cleansing services are dependent upon a highly labour intensive mode of production. Labour intensive work patterns mean that labour costs

necessarily account for the bulk of total costs. Since local authority workers have traditionally been relatively well paid and protected, private operators recognised that there was room to attack workers conditions, cut total costs and provide services more cheaply, whilst still making a profit.

The capacity to fully exploit the market is dependent upon increasing monopolisation, which limits the potential for competition. This process takes a number of forms. Most of the major service companies have engaged in predatory takeovers buying up smaller companies who already have contracts or who might be offering competition, (I illustrated earlier in the thesis how this process has resulted in a virtual duopoly in the private provision of NHS cleaning services). In France, this activity is accompanied by the building of 'co-operative' relationships with local authorities, which tie councils to particular contractors financially, limiting their choice in future competitive situations. This development has been taken even further on the Continent, with the heavy investment in public cleansing services. This has resulted in the use of expensive new machinery and equipment, which only the giant companies can afford to provide. The greater the emphasis on high standards and quality, the more that small scale 'cowboy' operators are squeezed out of the market.

The market concentration that results from these pressures, reduces the competitive nature of public service markets, questioning the motivation behind the CCT legislation, but does not lead to better conditions for the industry's employees. The evidence laid out in this thesis, demonstrates that whenever multinational service companies secure responsibility for local authority cleansing contracts, a deterioration in workers terms and conditions results. The fact that competition is gradually being reduced does not alter the contractors' desire for profits. If prices rise, then the extra revenue will be used to write off debts accumulated whilst establishing market

domination, and, ultimately, to increase profits, which was the initial motivation behind the contractors' entry into the market.

Decreased competition can also result in more cost cutting rather than less. In competitive sectors, contractors have to look to the long term and consequently to investment and innovation. In less competitive markets, companies can survive by cutting costs through the reduction of wages and conditions. The lack of capacity for investment in British public services, due to the increasing financial pressures on local government, might contribute to this trend. It is encouraging to note that BET has indicated its desire to move away from this approach, but this may result in the Company having to withdraw from the competitive process altogether, thus intensifying the pressures towards centralisation of capital.

In markets opened up to the private sector by the CCT legislation, it will be increasingly apparent that only the transnational service giants have the capacity to exploit the situation. Their experience of contracting, enormous financial and technical resources, and capacity to extract greater returns from customers and employees, will enable them to gradually dominate the market. The first rounds of tendering have provided these companies with the opportunity to establish operational bases, recruit and train new workforces whilst gaining a familiarity with industrial relations practices, and accumulate capital for future investments. In subsequent rounds, they are likely to be even better placed to expand their contract base.

The increasing domination of public cleansing markets by transnational operators, poses perhaps the greatest threat to local authority control over the services they provide and workers control over their own labour. As services are privatised and control shifts, in many cases, overseas, there is a loss of democratic control over the way in which services are produced and the rewards that workers receive for

producing them. As the authorities' capacity to provide in-house services declines, as costs become more prohibitive, contractors will have an even greater influence over the type of services that will be provided, and the prices that are charged for them.

The experience of privatisation in France, outlined in Chapter 5, suggests that the influence of multinational contractors will grow, with scant regard for the interests of public service workers and their trade unions. The sophistication of cleansing methods and equipment used in France does not hide the fact that cleansing workers are an increasingly marginalised and peripheral section of the workforce, with little direct trade union representation. The problems faced by building cleaners in Britain have been faced by all sections of the public cleansing workforce in France. With this thought in mind, it should be noted that it is the same companies which dominate cleansing services in France, that are leading the way in private sector provision in the UK.

Section 5: Public v Private. The Case for Efficiency Gains

The issue of competitive tendering has created an inevitable and highly politicised debate. Advocates have presented the potential for cost savings and improved technical efficiency as the central benefit of the process (Hunt, 1990). Opponents have concentrated on the tendency towards a deterioration of service standards, the price paid by the workforce and the cost of administering the procedure (Ganley and Grahl, 1988; Manchester City Council, 1989; PSPRU, 1992).

The economic case for CT derives from local authorities' traditional status as monopoly service providers, who, in the absence of competition, have no means of assessing the efficiency of their services. CT leads to cost savings because it works against the tendency of public service bureaucracies to address the interests of the bureaucracy by over supplying services. The necessary commercialisation of service

provision that follows, is seen as leading to improved management procedures and, consequently, greater efficiency.

Empirical Evidence

On the question of cost savings, work by Hartley and Huby (1986) based on a survey of 410 authorities, identified average savings of 26% from CT. A study by Domberger et al (1986) suggested cost savings of 22%, with no apparent deterioration in service standards. The results indicated that these savings could be achieved whether contracts were won by a private contractor or by an in-house unit. The more recent analysis by Walsh (1990), which is specifically concerned with CT following the introduction of the 1988 Local Government Act, found an average cost saving of 5.7%.

The Audit Commission (1984) argues that those authorities who privatise their refuse collection services "enjoy relatively low costs" but that many authorities continuing to use direct labour "are achieving costs as low - or even lower." In relation to these findings it should be noted that the Hartley and Huby, Domberger et al and Walsh figures all relate to average savings and do not preclude the possibility of low cost publicly provided services.

Furthermore, the Audit Commission report on improving refuse collection services, states that the service is already "a local government success story" with productivity increasing by 25% between 1978 and 1984. The report says that:

"Privatisation does not appear necessary to securing competitive performance provided that the DLO is well managed and the workforce suitably motivated. A quarter of direct labour organisations have refuse collection costs as low or lower than the

average privatised service, taking all relevant local factors into account".

(Audit Commission, 1984)

The difference in findings between the earlier studies of Hartley and Huby (1986) and Domberger et al (1986) and the more recent work of Walsh (1990), suggests that the highest cost public services have pulled themselves into line, or been privatised already. As Hughes notes:

"Contracting out has reduced the average cost of the services concerned by displacing a small number of very high cost local government operations".

(Hughes, 1990)

Sources of Savings

Uttley and Hooper (1991) argue that cost savings have been obtained from a mixture of technical efficiency improvements and changes in employment patterns and practices. They point to academic research, indicating that the bulk of savings are attributable to improvements in technical efficiency (Domberger et al, 1986) and improved management structures (Sheaff, 1988; Walsh, 1990).

Criticisms of this position, which centre on the loss of jobs and the deterioration of employment conditions and service standards, are refuted by Cubbin et al (1987), Domberger et al (1988) and the Audit Commission (1989). The Audit Commission report, points out that "there is no need for competition to lead to a deterioration in service", since control over the definition of service requirements (the contract specification) remains with local authorities. Cubbin et al (1987) and Domberger et al (1988) argue against the view that the bulk of recorded cost savings arise from lower wages and fringe benefits. In a response to Ganley and Grahl's (1988) critique of their position, Domberger et al (1988) identify three possible sources of cost

savings. First, the inappropriate selection of production techniques. Second, the payment of non-market factor prices for capital or labour. Finally, production may not be technically efficient, so that greater amounts of factor inputs are used than the minimum required, due to 'slack' or ineffective use of factor inputs.

This thesis does not concentrate on the impact that CT has had on service standards, but there are clear indications, both within this study and in other pieces of research (FSPRU, 1992; JNHSPRU, 1987), that performance levels have been affected. As for the impact of CT on workers jobs and conditions, the evidence is even more compelling. The results of this research show a consistent decline in the numbers employed in occupations affected by CCT and a significant deterioration in the terms and conditions of employment of those workers retaining their jobs. Whilst Walsh (1990) identifies cost savings of 5.7% in his analysis, he reveals that job losses in the cleansing services ranged from 16.9% in refuse collection to 25.7% in street cleaning. Whether this is the result of the removal of 'slack' in the workforce, better management practice or direct cost cutting, it is clear that council employees have paid a heavy price for any savings achieved, particularly when the deterioration in pay and conditions, identified in Section 2 of this Chapter, are considered.

For employees, the switch from direct public sector employment to employment by a private contractor, is highly unlikely to result in anything but a decline in their conditions of employment. The decision to award a contract is taken on the basis of price. With between 70% and 90% of total costs being accounted for by labour in the cleansing sector, the success of a contractor is dependent upon how effectively he can exploit his workforce. The higher the rate of exploitation the lower the cost of service provision and more viable the tender. A worker's own job security becomes dependent upon his willingness to be exploited more intensively. Even then, job security remains tenuous, since employment is based upon a fixed term contract, and

employers are often reluctant to maintain stable employment, since this would lead to the award of statutory employment rights to the workforce.

The temporary duration of employment, or even the realistic prospect of it being of temporary duration, inevitably affects the relationship between workers and their employer. An employer will seek to intensify his control over the labour process, so as to extract the maximum labour from each employees period of employment. At the same time, employers will limit their employees remuneration to an immediate payment for labour actually given, rather than to forms of payment which affect the reproduction of labour in the long term, such as pension schemes, sick pay and maternity leave. The temporary nature of employment severely inhibits the ability of workers to organise effectively and to define their own understanding of their needs, which would include not only adequate pay, but also rest, physical well being and security in old age.

Even under capitalist property relations the worker in direct employment will have a long term relation to profitability and will be employed to perform a task, which, in its own right, may make no contribution to profits but which may make an essential contribution to an environment in which profits can be generated. In contrast, labour employed by a contractor is hired for the sole purpose of being sold to a third party, at an immediate gain to the contractor. The desire of private contractors to win contracts, whilst maximising profits, forces them to find workers from which the maximum labour can be extracted for the minimum return, in terms of wages and benefits. This situation means that under conditions of competitive tendering, cleansing workers are faced with the extraction of more labour in a given period of time than would have been extracted under more relaxed circumstances. In short, savings are achieved on the basis of increased exploitation of the workforce.

This analysis is supported by a study on the intensification of work in the 1980s by Edwards and Whitson (1991). The study was concerned with the attitudes of workers, towards changes in their effort levels, in four different areas of employment: a manufacturing company; British Rail; a large hospital; and a large financial services company.

Once consideration was given to the different types of occupation in the four sites, ten different groups of employees were identified. These groups were then asked whether they felt they were working harder than a decade ago. One of the groups was hospital ancillary workers who have been subjected to the pressures of CT for most of the last decade. 69% of these workers said they were working harder, and none said that work was easier. Of the ten groups interviewed this was far and away the most conclusive response.

This kind of evidence, coupled with the loss of jobs experienced as a result of CCT, points to an undeniable increase in individual workloads. This combines with the deterioration of pay and conditions imposed by private contractors to illustrate how exploitation rates have accelerated as a result of the CCT process.

Concluding Comments

The debate over the merits of private and public provision is itself premised on a narrow definition of the term value. Good value services are regarded as those which are provided at a low cost. In the cleansing industry, low cost means low labour costs and so takes no account of the value of work itself. The Conservatives need to address the power of public service trade unions, is an illustration of the high value of work in this sector. It demonstrates the State and Capital's need to regain control over 'essential services'.

Rather than recognise that value and address the problem with a community based approach, built around objectives and measures with mass approval, CCT seeks to reimpose monetary based valuations of work, drawn from a class structured labour market, which weighs heavily on workers employed in the cleansing services.

Chapter 9

Conclusions and Recommendations

Chapter 9: Conclusions and Recommendations

Introduction

This thesis has attempted to widen the debate surrounding the introduction of CCT, to incorporate a full consideration of the impact upon local government cleansing workers and their trade union organisations. This has involved analysis of the legislation, the forces that gave rise to it, the nature of the private contract service industry, the continental experience of CT, specific casework in individual authorities and the nature of trade union responses.

In Chapter 8, much of the research on these issues was drawn together and various conclusions were reached. It is the aim of this final chapter to develop those conclusions and arrive at some recommendations on how trade unions should deal with the CT programme. In some areas this will inevitably require further research, but it is my hope that this study will provide a foundation for the development of the investigation and generation of new initiatives.

Section 1: Privatisation and Multinational Contractors

Of the contracts put to tender as a result of the 1988 Local Government Act, a healthy majority have been kept in-house. With this in mind, it might be felt that the fear of privatisation amongst trade unions and local government workers is itself ungrounded. Services might be regarded as only vulnerable to private contractors where the worst excesses of local government, in terms of restrictive practises, inefficiency and poor service, are in evidence. Analysis of the contract service industry and the companies that dominate it, demonstrates that this is not the case.

Whilst the private sector market for support services was expanding rapidly through the 1970s and 1980s, the current recession has limited the flow of new work and

tightened profit margins. Customers have themselves been going bankrupt and those firms still providing business have been demanding more competitive rates from the contractors. In these circumstances, the public sector has increasingly been identified as a rich source of potential new business. This has combined with the Government's almost obsessive commitment to the CT principle, to threaten more and more public services with privatisation.

The fact that around 70% of all local government contracts have been kept in-house, is more a reflection of the sheer volume of work on offer than any lack of interest, or ability to secure the work, on the part of private contractors. Council services, and even private sector support services, have only recently been regularly contracted out to private firms. Consequently, the private contract service industry is still relatively underdeveloped. This is illustrated by the way in which overseas based multinationals have managed to dominate the market for those contracts that have been privatised.

Without much experience of providing local authority services in Britain, private contractors have been happy to bide their time, gradually building up an operational base, in the secure knowledge that legislation guarantees a regular flow of new contracts. They have been testing the market, judging the types of authority best to work with, the most lucrative contracts to operate, the nature of the competition, and labour market and industrial relations patterns, amongst other factors. In a sense the contractors cannot lose, there are too many contracts to take on at once, so they can pick and choose, developing a strategy out of their experiences. This is in stark contrast to the situation faced by local authority DSOs. They must win every contract or face a severe blow to their operational capacity and their ability to win contracts in subsequent rounds of tendering. Most DSOs have gone all out to win every contract during the first rounds of CCT and in these circumstances it is hardly surprising that they have won the majority of contracts. Anything less would have been a disaster.

Under present conditions it is likely that the proportion of contracts held by the private sector will continue to grow, albeit gradually. The vast sums of money being committed by the leading contractors and the significant losses incurred, does not indicate a short term approach. On the Continent the companies now leading the market in Britain established a dominance over long periods, using their immense financial resources to exploit opportunities deriving from both national and local developments. Similar practices will be adopted here.

The market for services such as cleaning is becoming increasingly global. This is due to the widespread support for privatisation initiatives amongst the World's governments, the growing dominance of the service sector over the World economy and the removal of trading barriers in Europe and the Americas. The major service contractors have responded to these developments with a globalisation of their own activities, designed to exploit markets opened up by privatisation and the increasing freedom of capital to move around the world and across sectors.

Multinationals are committing their resources on the basis of well thought out strategies. The growing public sector markets are being targeted as private sector work contracts, and as the contractors respond to lower profit margins by expanding operations, in order to achieve greater economies of scale. Many of the companies have developed integrated support service networks. These will be used to establish long term 'co-operative' relationships with local authorities, undermining the competitive element of the privatisation process. Competition may help to justify the CCT legislation but it does not encourage high profits. Once a local authority loses control of one or two of its services to a private firm, they may find it more convenient to transfer the whole service range, and the administration of the competitive process that goes with it. The large multinational contractors will be in an ideal position to exploit these developments.

So, whilst services continue to be delivered in the same location, often employing the same workers, the ownership and management of service facilities and control of service delivery will shift into the hands of private contractors, often based overseas. This is likely to result in the development of a uniform approach towards service provision, throughout the contractors' markets. Rather than being geared to the needs of local communities, services will be designed to facilitate their transferability and 'mass production', in order to exploit economies of scale. Innovation and local initiative will be stifled by corporate demands for structural efficiency and lowest cost delivery. It seems that multinational contractors will continue to operate through local subsidiaries though, rather than attempting to tender for and service contracts from their base countries.

The industry itself is becoming more concentrated as a result of takeovers and mergers by the major operators. The surplus capital accumulated by the largest firms is allowing them to pump virtually unlimited funds into acquisition programmes, designed to carve up the market. Investment in new equipment and the movement towards integrated support service contracts will reduce the smaller companies' and DSOs' ability to compete even further.

Having said this, up to now there has not been much indication of plans for heavy investment in new technology and new methods of service delivery by the major contractors. They have tended to adopt a fairly uniform approach, which normally parallels the methods used by in-house teams, but using fewer resources. CCT in local government is in its early stages though and leading companies may still be feeling their way into the market before over committing themselves. There is also an obvious lack of finance in UK local government to fund such investment. Considerably more money is put into public cleansing on the Continent than in the

UK, and the contractors will be looking to central government to balance these resources.

The development of the Single European Market will increase the multinationals' choice of services and the geographic distribution of markets in which they can compete. Perhaps more significantly, contractors will be looking at the opportunity to shift the basis on which they compete. The terms of EC public procurement legislation and the established practice of contractors in France, suggests competition may take place on the basis of quality, technical superiority, price, the packaging of services or even the ability to fund capital investment.

Companies such as CGE, Lyonnaise des Eaux and BET already operate on a number of levels, in Britain and elsewhere, but we may not have seen the limit of their expansion. Whitfield (1992) suggests that if the trend towards privatisation, deregulation and commercialisation of public services continues, within the context of growing political and economic alliances, then international social service corporations are likely to emerge. Such companies would not only be engaged in environmental services, but health, social services, education and others as well. CGE has already bought up the AMI chain of UK private hospitals.

With this growth comes power. The tendency towards concentration and the gradual decline of public sector provision will reduce local authorities control over their services and reduce their ability to influence the local economy. The financial savings that they secure in return, will become increasingly tenuous, as contractors use their power and the authorities' dependence, to alter the style of service delivery and the prices charged to suit their own interests.

Section 2: The Impact of CCT on Public Service Workers and Trade Unions

Jobs, Wages and Conditions

This thesis makes it quite clear that CCT has had, and will continue to have, a profound impact upon the jobs, wages and conditions of those workers affected by the legislation. I have already described in detail the job losses associated with CCT and the deterioration in workers conditions of employment, but it must be understood that these changes do not derive from the presence of uncaring Dickensian private employers, they are endemic to the very notion of CT.

To compete on the basis of price is to compete on the basis of lowest labour cost. Whether cheaper labour costs are achieved through greater technical efficiency, improved management structures or direct cost cutting it is the workforce that pays the price. A cheaper service invariably means one that is provided by fewer workers, working harder for the same or less pay. But there is no other avenue to cost reductions, since labour is the overwhelming cost factor in the provision of cleansing services.

Under these conditions the protection of workers from increased exploitation requires a redefinition of the terms for the award of contracts. Ultimately, it requires public service provision, where value is judged on criteria other than monetary cost.

Privatisation and the Decline in Trade Union Authority

Market pressures bring with them a challenge to trade union influence. The effectiveness of trade union organisation can be judged on how well the free operation of market forces is restricted. The adoption of national collective bargaining structures represents the denial of local labour market and local economic pressures in the determination of workers terms and conditions. Where services have been privatised, that denial has been swept away in the face of very little resistance.

In most cases, national bargaining has not even been replaced by local bargaining ,but by management decree.

Privatisation represents a redefinition of the balance of power between labour and capital, on capital's terms. It is the belief in individualism and atomistic economic activity which motivates the advocates of privatisation. In contrast, independent workers organisation only emerges as a collective response to the power imbalances created by individually motivated economic activity. The free market gives rise to an efficiency based upon the minimilisation of costs in pursuit of profit. But what stands as a cost to the enterprise can be seen as potential earnings for labour. To labour, the reduction of costs represents a hightening of exploitation. It is only with the removal of market forces from the employment relationship that workers can develop the potential to avoid exploitation.

The particular conditions of contract cleaning, leads privatisation to result in an even more dramatic shift in power balances in building cleaning services, associated with the collapse of trade union membership. Where a service which is provided by a public authority is privatised and incorporated into a market with entirely different industrial relations traditions, the impact can be dramatic. I have demonstrated how the contract cleaning industry mitigates against trade union organisation, and this tendency has been confirmed by the unions' inability to protect their membership levels, amongst cleaners, on privatised building cleaning contracts. This follows the pattern established in British Rail, when the Corporation's hotels were sold off in 1983. Within two years, 80% of the workforce had left the NUR (as it was then) reflecting the pattern of union organisation in the wider hotel industry (see Terry, 1990).

Why CCT?

There is no question that a major, if not the major motivating force behind the CCT initiative was the Government's desire to restrict trade union power in the public services. Elected in 1979, on the back of the 'Winter of Discontent', the Thatcher government was determined to ensure that control of the public services was placed very firmly in the hands of managers sharing their perspectives. The distrust of management in Labour local authorities, hardened by battles over rate support grants, council house sales and rate capping, meant central government control or privatisation were the only alternatives. CCT provided the perfect solution. A policy processed by local government, but initiated and policed by central government, promoting market forces and forcing trade union acquiescence to cuts where public sector provision is sustained.

Trade union organisation and resistance to private contractors remains the most effective means of protecting jobs and conditions though, as was illustrated by the varying outcomes to the case studies in Chapter 6. It is clear from the experience of the CT process that the workers who have fared worst are those with the least economic muscle and the most precarious forms of trade union organisation. It was not school cleaners that created chaos in Britain's public services in the winter of 1978-79, but it is they that have experienced the most savage job cuts and attacks upon their wages and conditions. These workers were not responsible for the restrictive practices and abuses used to justify the legislation, indeed they tend to be workers suffering from a ghettoisation of job opportunities, due to their gender and race. Cleaners are the lowest paid local authority workers (Pond, 1985; Rahman, 1985) and the further deterioration in their terms of employment has placed them into an entirely separate, casualised and unorganised labour market.

Refuse collectors and other groups at the centre of the disruption of local authority services in the late 1970's have not fared quite so badly. Conditions for those workers now employed in the private sector have undoubtedly declined and job losses have been experienced across the board, but the status of refuse collectors' employment has not been destroyed. Workers have demonstrated that where organisation remains strong and a belief in trade union values is sustained, they can continue to exert considerable influence. Where there is a local authority commitment to the maintenance of public service provision, CCT can lead to an extension of that influence into a wider sphere.

These distinctions should not allow the argument about the employment consequences of CCT to be confined to a debate about core and periphery workers. As Whitfield (1992) points out, this would obscure the extent of the impact that public sector restructuring has had on workers and the labour market. The contradictions and clash of interests involved in working for the State within a capitalist society are every bit as apparent and relevant in the 1990s as they were in the 1970s. What CCT has done is change the conditions under which those conflicts are fought out. This has resulted in fundamental changes to the nature of local government employment. I will return to this question in Section 4.

The Impact on Trade Union Power Within Local Government

What has been undermined by the CT process is the capacity of local government workers to engage in strike activity and other industrial action. The requirement that council DSOs show a 5% return on their contracts, means that the disruption of services is only likely to result in the closure of in-house units. In these circumstances, other means have to be found to secure a local authority commitment to union goals.

Whilst national collective bargaining remains in place and continues to establish the terms and conditions for around 80% of local government workers, CCT has taken the bite out of the unions' bargaining position. Local government officers are well aware of the trade unions' fear of privatisation, and their consequent reluctance to organise any national programme of action which could result in a wave of contract awards to the private sector. This shift in the power balance has been reflected at the local level, where privatisation can be seen as a 'lever' deployed by management to help them achieve their own agenda of cutting costs and raising productivity (Painter, 1990; Sheaff, 1988). Trade unions accept the need for change and increased competitiveness but tend to regard its achievement as a management problem. This has left them open to over zealous management inspired cutbacks, where the maintenance of public service provision is regarded as an end in itself and worth protecting at any cost.

It is important that trade unions continue to identify goals other than the competitive success of in-house service teams. If the outcome of the competitive process is determined on the basis of price, then a local authority DSO will be subject to the same pressures to peg back employee conditions and extract greater labour in return for its remuneration as any other competitor. Whilst the exploitation of workers by contractors in pursuit of profit is prevented, it is merely replaced by the minimilisation of conditions and services in the name of public enterprise.

The generator of the exploitation of labour in the market place is not any particular employer, but the competition inherent to the market. In attempting to preserve their own job security, workers in council DSOs are forced to compete in the same way as any transnational contractor, resulting in the expropriation of labour by the authority getting the cleansing service on the cheap, rather than by a private contractor earning unwarranted profit.

Conclusions

CCT has undoubtedly contributed to a fundamental shift in the balance of power between public service workers and their employers. That shift has derived from class defined definitions of the value of work. Consequently, it has reinforced rather than moderated distinctions between different groups of local government workers. Those workers with the weakest trade union traditions and least economic power, have become fully exposed to employer dominated, labour market definitions of work value. Workers who are better organised have been more able to resist those pressures.

There has been a shift towards local bargaining which is set to continue, and which will result in varying conditions of employment, based more upon the degree of union organisation than local labour market pressures. In this sense, CCT has been an inappropriate method of dealing with trade union militancy, since, whilst the bargaining power of public service workers has been restricted, the workers who have suffered most are those who were already weak and unable to defend themselves.

Section 3: In Defence of Public Provision

The academic and economic arguments used to justify the use of CCT, rest on the assertion that there are efficiency gains to be made by testing local authority services against the market. The implicit assumption is that the public provision of services is inherently inefficient. It is felt that the lack of any threat of bankruptcy allows authorities to serve their own bureaucratic interests ahead of those who pay for the services. The experience of contracting out in the private sector also points to the cost and efficiency benefits of allowing service specialists to look after an

organisation's non-core activities. Presumably, it is felt that local government can obtain similar benefits from CCT.

The realities are very different. Local government officers have never had anything like the freedom to protect bureaucratic interests that exists within major private companies. Local government spending and activity is restricted by central government financial constraints and definitions of legitimate local authority spending, local political priorities, trade union power and ultimately, by the democratic process. Local authority officers are responsible not only to the holders of the purse strings, ie. central government and rate (community charge) payers, but also to the constituents and service users that elect the councillors who determine policy and appoint key personnel. The staffing decisions, commitment to national collective bargaining and levels of service provision which prevailed prior to the introduction of CCT, must be considered within this context.

The voluntary introduction of CT in some authorities and its outright rejection in others, demonstrates how the variety of pressures on local government genuinely come into play. Where staffing ratios and workers remuneration were set at higher levels, this is more likely to have been a reflection of the authorities' political complexion and trade union strength, than a failure of management direction. If the issue at stake was purely one of ill defined management objectives, why did the legislation not restrict itself to the contracting out of management in the defined services, as is common within the American health service?

The suggestion that the activities referred to in the legislation would be more effectively delivered by private support service specialists is also dubious. A local authority's refuse collection or street cleaning service cannot be defined in the same way as the cleaning services required by a private company, engaged in an entirely

separate line of business. A local authority provides cleansing services, not in support of its other activities, but as a central service to its constituents.

For many people, refuse collection would be regarded as a local authority's core activity. There is no question that some private operations can provide a refuse service more cheaply than some council DSOs, just as some catering contractors could purchase and merchandise food more cheaply than Marks and Spencers. Marks and Spencers would never surrender control of such a central service though, regardless of how tight the specification could be written and despite the company's willingness to contract out the technical maintenance of its stores to BET. Many local authorities feel the same way about their services and believe that their value should be judged on a wider criteria than price alone.

It is surely up to the authority with responsibility for ensuring the provision of a service to decide how best to achieve that objective. The fact that councils of varying political compositions have generally been reluctant to contract out their services, suggests that there are genuine concerns about the effects of privatisation. Essentially, these concerns centre around the loss of local control. Firstly, on a democratic level, over purchasing and employment practices and secondly, on an economic level, over investment strategies (Painter, 1990). Flexibility is also reduced, as strict monitoring procedures must be followed before contract failures can be put right, and the potential for shared resources across the defined activities is eliminated.

CCT has led to a radical slimming down of council direct service units and the adoption of a more commercial approach towards service delivery. This pattern was already developing prior to the legislation but has accelerated since its introduction. Most authorities already had a fundamental commitment to the effectiveness of their services, if only because they are such high profile activities on which politicians can

be judged. That commitment is not necessarily shared by private contractors, whose main interest is the pursuit of profits. If a particular contract is not providing a sufficient return, a private company might easily decide to cut its losses and concentrate on more lucrative work elsewhere. Council DSOs do not have this freedom, nor did they ever have the financial freedom to pump unlimited resources into inefficient services, as some observers might suggest.

What local authorities did have, was the capacity to perform as 'good' employers, providing secure employment, full recognition of trade unions, decent health and safety procedures and a commitment to equality of opportunity. Even then, this capacity did not over extend itself, since most local government manual workers have consistently remained in the lower reaches of the industrial earnings league. Competitive pressures are now beginning to bring other conditions down to the same levels.

Section 4: The Attack Upon 'Safe Employment Territory'

The combination of central government financial constraints, CCT and the commercialisation of local government activities is generating a transformation in the nature of public service employment. In the 1960s the growth of public expenditure provided a sheltered bargaining context, with secure employment and rising wages, creating stable industrial relations (Winchester, 1984). At this time, local authorities provided what might be termed 'safe employment territories'. Unskilled and unqualified workers could obtain stable, permanent jobs, with nationally determined conditions providing generous sickness and leave allowances. This status was strengthened by a growing acceptance of responsibility for the local economy and employment, by local authorities during the 1970s (Robertson, 1985). The notion of the 'good' employer emerged, as authorities took it on themselves to alleviate the

impact of industrial decline by assisting with the employment of disadvantaged groups and the long term unemployed.

By the end of the 1970s, it was the relationship between public sector trade unions and government authorities that was regarded as the major source of instability in British industrial relations. The assumption that public sector wage claims were fuelling wage inflation, the incomes policies used to counter this development and cuts in public expenditure, led to growing conflict (Thompson and Beaumont, 1978), which culminated in the 'winter of discontent'.

Winchester (1984) argues that changes in the political and economic context which arose out of those conflicts, have led to significant shifts in patterns of bargaining and new mechanisms of control. However, there is some debate about the extent to which much has really changed as a result of the Conservative government's new approach to the public sector. Certainly MacInnes (1989) believes that there has been minimal change, with no major shift in the balance of power between labour and capital. This position is supported by Batstone (1988), who argues that there is a danger of exaggerating the impact of government policies and priorities in the public sector.

The arguments presented in this theses adopt the line taken by Fairbrother (1990) that the restructuring of work and employment relationships in the public sector amounts to a challenge to the very basis of trade unionism. The commercialisation and rationalisation that comes with CCT is eroding the distinctiveness of public sector employment that had underpinned trade union organisation in the public services.

Fairbrother (1988) points to a two pillared programme of restructuring, built on a change to patterns of ownership and a reorganisation of managerial and financial structures. It is these changes that have broken the consensus and co-operation which

previously characterised industrial relations in the public services, by invading the 'safe employment territory' of state authorities.

Rather than having secure, well protected jobs, local government workers are increasingly employed part-time and on temporary contracts. The move is towards a low wage, numerically flexible labour force, with conditions determined by decentralised bargaining structures, where numerical flexibility is used to undermine the conditions of permanent workers. The alternative is a transfer of employment into the private sector where union organisation is largely absent and employment protection minimal.

Kessler (1986) continues to talk about the distinctiveness of trade unionism in the public services but he did not consider the impact that restructuring has had. Stieber (1989), whilst not referring directly to the UK, offers an alternative view with his conclusion that the distinctions between labour - management relations in the public and private sectors, have decreased so far that it is probably no longer appropriate to have separate systems. Fairbrother (1988) points out that things may even be worse for public sector workers as the 'good' employer concept comes full circle, and the state attempts to set an example of flexible specialisation to other employment sectors. Just as Thompson and Beaumont (1978) argued that the conflicts in the 1970s signalled the arrival and not the breakdown of collective bargaining, the present lack of overt conflict and trade union acquiescence to local authority cuts and attacks on national collective bargaining, indicates that trade union authority and bargaining power has been seriously undermined by the introduction of CCT.

The most determined opposition to the contracting out of local authority services comes from those councils who see their position as major employers providing the opportunity to have a wider influence over local employment practices. The effect that CT has on jobs and workers conditions does not provide much of a model. In

this context it would seem that CCT is the result of a political exercise, designed to restrict local government autonomy and bring the Government's own notions about the nature of service provision into the ascendancy. Those notions are firmly rooted in the redefinition of power balances and pursuit of cost savings referred to in Section 2 of this chapter. They have little to do with local needs or democratic accountability. The extension of the CT initiative into white collar professional activities, suggests that the Government ultimately wants local government structures with no direct input into service delivery or local economic structures. As the TGWU's Jack Dromey puts it:

"John Major's vision for local government in the '90s is authorities meeting once a year to let contracts to the private sector".

Section 5: How To Respond

Resignation and Defeat?

The introduction of CCT and its effects on jobs and conditions of employment might already be regarded as a major defeat for the trade union movement. But the erosion of workers' organisation, the weakening of their control over their labour and the returns they get for it, are only possible when the working class in general is losing ground in relation to Capital and the State. A large Conservative parliamentary majority meant that the arguments presented by trade unions and local authorities in opposition to CCT, were largely futile. The climate of industrial relations in Britain, following extensive anti - union legislation during the 1980s and defeats for workers involved in high profile industrial disputes such as the 1984-5 miners strike and Wapping, meant there were few demands, and even less support amongst national officers, for a national campaign of industrial action against the legislation.

In isolation , the CCT proposals might have been fought off, but like so many other initiatives over the past decade, the piecemeal development of CT in the public services, within an economic situation heavily weighted against effective trade union resistance, has seen the legislation successfully implemented. With no immediate prospect of a Labour government, the trade unions are having to come to terms with the prospect of continued CCT for several years to come. This raises the question of what is the most appropriate strategy for dealing with its existence.

On the Continent, trade unions have fallen into the trap of stating their opposition to local government privatisation, whilst accepting that there is nothing that they can do to prevent it. Consequently, despite the lack of compulsion on authorities to engage in CT, private contractors continue to expand their operations, undermining any potential for a widespread return to in-house service provision. Public service workers are increasingly marginalised, as the influence of national collective agreements and trade union organisation continues to decline.

Whilst trade unionism is more firmly rooted in organisational structures in this country, initial experiences of CCT in Britain suggests that there is a very real danger that developments will follow the pattern established in France and elsewhere. The bargaining power of trade unions has already been seriously undermined at a national and local level. Indeed CCT necessarily requires trade unions to negotiate more extensively at a local level, in response to local competitive conditions, threatening the very existence of national collective bargaining. The negotiations that do take place, are invariably about employee and trade union concessions. Authorities preparing for competition are not normally in the habit of enhancing the benefits of their employees, and trade unions seeking the retention of services in-house are not in a position to argue.

In these circumstances, trade union responses cannot be based upon traditional forms of local government militancy, which centre on the identification of the local authority as the focus for opposition and resistance. Within the present industrial and political climate, such a strategy would prove counter productive, accelerating the movement of work into the private sector.

Current Initiatives

Much of the trade union movement's current response to CT is centred around encouraging local authorities to concentrate on quality issues. The aim is to get a move away from price criteria in the award of contracts, so that more resources can be committed to the provision of services, relieving the pressure on jobs and conditions. There is also a school of thought which argues that if standards are set high enough, then only the in-house service organisation will be able to meet them.

There are a number of problems associated with this approach. Firstly, if standards are raised to a level which contractors find it hard to achieve, the question must be asked as to whether DSO's will find it any easier. As technical innovations develop within the cleansing services, it is likely that the multinational contractors will invest heavily, and consequently, will be better able to meet the service requirements, using fewer employees.

Secondly, it is unrealistic to expect there to be no price consideration in any reformed, quality based, CT procedures, so the same pressures on staffing levels, wages and conditions will be present. Indeed, employees would be subject to additional workloads as pressure to achieve the required standards is brought to bear in conjunction with attempts to keep costs down. The simultaneous pursuit of high standards and low cost is only likely to result in an intensification of work rates with no corresponding increase in rewards.

Finally, increased resourcing of contracts does not necessarily mean more jobs or improved conditions of employment. The major contractors have themselves been calling for a movement towards quality services, based on a relaxation of the price criteria in the CCT procedures. This is not surprising, increased resourcing would allow heavy investment, which would squeeze out the smaller operators and local authority DSO's. With a relaxation of competitive conditions, contractors would be free to demand higher and higher prices for their services. Since private firms are driven by the profit motive the highest possible proportion of these returns would be drawn off to satisfy shareholders demands. There would be no relaxation of the pressures on employment levels and workers remuneration and the increasing privatisation of services would further undermine national collective bargaining structures. It is quite apparent from experience in France, that, with extensive resourcing of cleansing services, multinational contractors can provide high quality and continue to employ an underprotected, low paid, peripheral labour force.

With trade unions and multinational contractors both making demands for a movement towards the inclusion of quality criteria in the CCT process, there is clearly more than one possible outcome from such a development. Trade unions seek high quality services coupled with 'good' employment practices, contractors seek high quality services coupled with high rates of return. It is fairly certain that a Government which introduced CCT in order to reduce the authority of trade unions, will encourage a movement towards the second option if they make any changes at all.

Leaving these points aside, there is a more fundamental danger associated with a trade union commitment to campaigning on quality. The question of quality is concerned with consumers interests rather than the production of services. As Whitfield (1992) points out, this has already resulted in talk of removing the 'Jobs' from local authority

and trade union 'Save Jobs and Services' slogans. In reality, the quality of services and employment levels are inseparable issues. The labour intensive nature of council services requires adequate manning. The range of services and choice available is dependant upon staffing levels. The non-postponable nature of services requires permanent cover facilities. Consequently, the jobs and conditions of public service workers must reflect the centrality of employment levels to the quality of services. These issues must also remain at the heart of trade union strategies towards the future of public services.

Demands must be made for high quality service provision, but this can only be guaranteed by direct employment relationships. Only under those conditions are workers employed to fulfil the particular task by the agency wanting the task fulfilled. Within such a framework there emerges a real opportunity to involve the workforce in the direction and planning of the work in question. Indeed the involvement of workers and service users in the design and application of the work, will be the best way of securing a commitment to the service and opposition to its privatisation. The contracting out of work will only reduce job control and commitment, since workers are isolated from the decision making centres which determine their work requirements.

A New Radical Response

CCT has totally shaken up patterns of service provision in local government and transformed the nature of industrial relations. In most cases, the agenda for that transformation has been set by central government and by management. Where the unions have been involved it has generally been on the basis of concession bargaining and as a means of persuading the workforce of the need for cuts. Three years into the CT exercise, it is time for the unions to address the new problems that have emerged

and to establish their own agenda for the provision of public services, based upon a consideration of service producers and service users interests.

There are three levels on which the unions should base their response.

1 Organising the workforce.

In many ways, trade unions and local authorities sympathetic to their employees interests, have been paralysed by the attempt to keep services in-house as an end in itself. From the trade union perspective, this policy has been pursued in order to protect membership levels, national bargaining structures and conditions of employment. The question of service standards has been useful for propaganda purposes but has not really formed a central consideration.

Whitfield (1983 and 1992) argues that most trade unions and certainly the TUC, failed to understand the Tories longer term strategy for the public sector and their privatisation policies. The point is that the right wing of the Conservative Party believes that restructuring public sector labour markets is the central issue, and view the public service unions as the main organised opposition to change. The CCT initiative has been designed from this perspective.

The unions' approach involves two distinct dangers. Firstly, it encourages a move towards private sector practice within DSOs, and secondly, it fails to recognise or adequately prepare for the possibility of defeat in the award of individual contracts. This is despite the fact that CCT will be around for the foreseeable future and that it is private contractors who are likely to improve their competitive advantage vis-a-vis DSOs.

In these circumstances it is essential that the privatisation of a service is not regarded as a complete disaster, and associated with the inevitable end of union organisation. Organisation can be maintained, and there is clear evidence that it remains the most effective means of protecting jobs and conditions following privatisation. The capacity to secure union recognition and other concessions from private contractors appears to be dependent on the degree of trade union consciousness and commitment to retaining its organisational expression amongst the workers affected.

CCT has demonstrated that amongst certain sections of local government workers, whilst trade union membership levels have been high, the depth of union organisation has been limited. There is a clear need to address the question of union consciousness amongst local authority cleaners. The collapse of membership levels following the privatisation of building cleansing contracts illustrates how restricted cleaners' commitment to formal union structures can be.

There can be no reliance on DSO victories as a means of protecting union membership levels in this activity, since around 40% of building cleaning contracts have already been privatised. There is a need to address the specific concerns of cleaners, so that a belief in the importance of union organisation is developed, which can be maintained following the award of contracts to private, possibly anti-union, firms.

Organising workers in the contract cleaning industry is not an easy task, but since contractors tend to employ the often unionised local authority workforce when they win local government contracts, there is a basis for developing sustainable forms of organisation amongst these workers. Rather than treat local government cleaners as a peripheral element of the workforce, unions must develop better forms of representation, which recognise cleaners' specific demands and place them at the centre of the bargaining agenda. Mason and Bain argue that:

"If unions are to translate recruitment potential into actual membership, then identifying and dismantling internal attitudinal and organisational barriers should constitute the starting point."

(Mason and Bain, 1991)

The predominance of women and ethnic minorities amongst local authority cleaners, means that demands must be made for extensive creche facilities, maternity leave entitlements, attention to cultural needs and training and education which will provide access to jobs which are not segregated on gender and ethnic lines. Crucially, cleaners must be represented by shop stewards drawn from within their own ranks, rather than by male school caretakers and chefs, and union meetings should be organised to fit in with cleaners' other commitments. But as Fosh and Cohen (1990) argue, representation must be accompanied by a participation style which entails local leaders responding to their members and each other as a group. This would increase trust amongst the membership, ensure the articulation of demands and allow for specific education and training of women activists by the trade unions.

The discussion and presentation of these demands should involve the widest possible membership. Fairbrother states that:

"membership involvement is the essential ingredient to the vitality and success of unions."

(Fairbrother, 1984)

A workforce that has witnessed the full potential of trade union organisation, and been part of a campaign resulting in improvements to their quality of life, will be far more committed to maintaining the structures which secured those developments.

That increased commitment would improve trade union effectiveness in local government and help to sustain membership rates in the event of privatisation.

Beaumont and Harris (1990) argue that there is some basis to the assertion that non-union status merely reflects the absence of union organising attempts. So the privatisation of local government cleansing services, could provide a new opportunity to achieve union organisation amongst contract cleaning firms. The biggest problem associated with organising contract cleaners is establishing a core membership around which to build. With a fully organised local authority workforce which transfers to a private contractor there is not such a problem, provided the unions adjust to the new conditions rapidly. In this respect there is a case for organising groups of local government workers, such as building cleaners, in separate union branches, prior to tendering exercises. It might also be useful to encourage members to shift to direct debit payment of subscriptions (as opposed to having them deducted from wages), before any possible privatisation, rather than after, when members are harder to trace. In this way, unions would stand a far better chance of maintaining their organisation following a DSO defeat, and so could concentrate on protecting their members interests, rather than having to concede to further waves of cuts.

In the other services, where union traditions are stronger, contractors are becoming more used to granting recognition to the trade unions. The main problem appears to be inter-union rivalry and the willingness to accept agreements which recognise one union only. Contractors have a vested interest in creating divisions between the different union organisations and are unlikely to grant recognition, unless they feel that it is in their own best interests. Where a contractor indicates its willingness to consider union recognition, it is likely to be based upon the company's negative perception of the power balance between itself and the workforce. In such a situation unions should have the confidence to exploit the contractor's uncertainty, by presenting a united front and holding out for full recognition of all unions. A similar

approach should be adopted when contractors see trade unions as playing a positive role in the employment function. Short term sectional interests have no place in the protection of workers' jobs and conditions.

2 Increasing participation

Traditional forms of union resistance to local government cuts have become counter productive with the introduction of CCT. Consequently, there is a need to find alternative means of securing a local authority commitment to union goals. This can only be based upon a co-operative relationship, which centres around the involvement of affected groups of workers in the whole CCT process. As Fairbrother states:

"There is a vitality at the workplace that has its roots in the day to day experiences of workplace trade unionists. It is this that is the well spring for collective organisation and activity."

(Fairbrother, 1990)

It is pointless for unions to give their support to the in-house provision of services unless there are guarantees that such a form of provision will best serve the interests of their members. This must be used as a basis for seeking full involvement in the preparation of service specifications and reorganisation of work patterns. The participation of the trade unions needs to extend beyond formal committee structures to fully incorporate the suggestions and aspirations of workers and service users.

In this way, services can be organised to better reflect the needs of those using them and to protect the interests of those producing them. At the same time, a competitive advantage can be generated by creating a service specification which guarantees high standards of service, to which the in-house workforce has made a commitment on the basis of its achievability.

It is vital that union involvement in strategic planning and service development does not result in a full incorporation into authority structures. Trade union input should be determined by independent and representative decisions, based on full consultation of their memberships. Union representatives on CCT bodies must act as workforce delegates and not council officers. In this way, workers can retain the right to oppose decisions which conflict with their interests. This means that local authorities would retain the same freedom. So, ensuring that final decisions coincide with those desired by the unions will require well thought out contributions, which consider the wider objectives with which local authorities are concerned.

The development of such an approach has a number of pre-requisites. Firstly, the local authority itself must have a commitment to the public provision of services, the protection of employee interests and the involvement of trade unions in council business. This requires the development and maintenance of a considerable political will, in the face of the Government's pursuit of very different objectives. That will, and the desire to involve, must be upheld as long as CCT remains on the agenda, not just until the first round of tendering has been negotiated.

Secondly, there is a requirement that trade unions present a united front. Expecting local authority decisions to coincide with union interests would be a bit much to ask if the different unions cannot agree an appropriate policy themselves. Unions need to forge links and develop joint approaches applicable to the situation in each authority. The creation of new alliances and structures, should develop hand in hand with the wider involvement of members in union affairs and better representation of their interests discussed above (for a fuller discussion of the possibilities see Painter, 1989).

Finally, there is a need for unions to redirect resources in the response to CCT. With the legislation in force, it is at a local level that the important decisions are made relating to the award of contracts, workforce concessions and the nature of bargaining structures. Consequently, trade union responses must be concentrated at the local level in the ways I have outlined and in an ongoing fashion (Maily, 1986 and Sheaff, 1988, have identified movements towards local initiatives in the NHS. Fairbrother, 1988, points to a similar requirement throughout the public services). New forms of organisation and activity, and a redirection of policy initiative, necessarily requires a redirection of resources.

3 Redefining the policy agenda

Prior to the introduction of CCT, there was a widely held belief that local authority services were inefficiently run and failed to meet users needs. The Left's failure to address these concerns and the trade unions' inability to deal with the sectional greed of their members, left an ideological vacuum which CCT has filled.

The responses now being promoted by the Labour Party and trade unions have failed to offer any real alternative. The debate surrounding quality in the provision of public services does not address the fundamental problems associated with CCT. Indeed the application of additional resources to ensure quality services, without a challenge to the mode of service provision, would be to reinforce the movement towards private provision, as is evidenced by BETs welcoming of the Labour Party's proposals.

The unions' campaign against privatisation in the water industry was a step in the right direction. Rather than concentrating on sectional issues, the question of different forms of ownership was considered. By talking about the effects of privatisation on public health and the environment, the unions highlighted issues

which were already of considerable public concern. The co-operation of environmental groups was secured and this allowed for the development of alliances, which could address employment issues and other wider concerns, within a framework of positive support for public ownership (see Ogden, 1991).

The water industry was, of course, still privatised and it is likely that CCT will remain with local government for the immediate future. It is also possible that the private sector will continue to increase its share of those contracts put to tender. However, this should not result in a long term resignation to policies which do no more than tamper with the status quo. There is a need to develop an equally revolutionary approach as CCT, based on public sector provision, which considers the concerns of service producers and users rather than accountants and contractors.

Any new strategies that are prepared should not be developed purely on the basis of local economic plans or individual responses. Such approaches would be vulnerable to redefinitions of the legislation. A wider perspective should emerge, incorporating the need for immediate local responses, but based on an opposition to the private provision of public services and concepts such as commercialisation and the enabling state.

Ironically, CCT itself has generated the basis for a new approach. The need to draw up service specifications has led many authorities to give deep consideration to the services they provide and how to protect them. In several cases this has led to the involvement of trade unions, workers and service users in preparations for competition. These participative arrangements could provide the groundwork for new forms of public service provision.

In the absence of CCT, it would be wrong for local authorities to return to the unsatisfactory models of service provision which developed in the post-war period.

Instead, public services should be organised to account for the entire spectrum of interests for which a local authority is responsible. 'Community environmental boards' could be established, with representatives from the Council, trade unions, elected members and key service users, such as tenants and community associations for refuse collection, or teachers, students and parents for school cleaning. The workforce would be employed by the local authority, with terms and conditions determined through the established bargaining procedures. Work requirements and specifications would be controlled by the 'environmental boards'. The competing desires of service users to maximise the effectiveness of service delivery and of authorities to control costs would be fought out without placing pressure on the wages and conditions of the workforce.

The principles of this approach could be applied under the conditions of CCT. This would help to prepare authorities for a favourable shift in policy and promote public confidence in the capacity of the public sector, to satisfy both producers' and users' needs.

The specific details of such an initiative could not be identified without more research. But if local authorities are to address the interests of all citizens, then the mode of service delivery needs to be decided on a far wider criteria than who can do the job cheapest. Dexter Whitfield's book, the 'Welfare State' (1992), addresses this question and provides welcome new ideas on how to develop a strategy for defending the public services. Detailed attention is given within a framework of opposition to commercialism and the defence of public sector provision.

As Whitfield recognises, the major obstacle to these developments lies in the nature of the State in capitalist society itself. The contracting out of manual, and now white collar services is part of a wider programme, aimed at transforming the State, to better suit the interests of capital. Any long term response to these developments

must focus on this issue and consider new ways of organising and controlling the State, to suit the interests of the Community.

Section 6: Extending the Research

This thesis has focused on the impact that CCT has had upon workers jobs and conditions and local government industrial relations. Those effects will not have developed fully yet, since the introduction of CCT is still only three years old. Consequently, there is a need to continue monitoring the situation in order to identify new and developing trends.

In time, it will be possible to consider certain aspects of industrial relations in this sector on a quantitative basis, providing a new dimension to the research. It would be useful to monitor the incidence of industrial action amongst workers engaged in the provision of local authority services, both in the public and private sectors, and compare the data with that drawn up before the introduction of CCT. It would also be worthwhile to compare the wages and conditions offered by private contractors on different contracts and see whether there is any relationship with trade union membership levels.

The Government's continued commitment to the privatisation of public services means that a whole new section of local government workers are about to go through the CCT experience. The extension of the exercise to white collar professional activities, such as legal and computer services, raises a series of new questions. Private legal practices are not in the business of creating secondary labour markets, indeed the pay and conditions of workers in private sector professional jobs are often far more lucrative than those in the public sector. What then, will be the private

sector's competitive advantage in these services and how will it affect council employees?

This thesis has highlighted a series of question marks which surround the CCT process, and whilst I have indicated my general thoughts in this Chapter, it is not the aim of this study to provide answers to these problems. There is a need for additional research to develop and test new ideas as part of a wider response to the current void of genuine alternatives to the Government's political and economic agenda.

Section 7: Summary of Conclusions

CCT has, in general, had a negative effect upon the role of trade unions and the jobs and conditions of the workers affected. The worst experiences have been associated with services that have been privatised but where they have been kept in-house, it has generally been on the basis of job cuts and a reduction in trade union militancy. The pattern bears a close resemblance to established experience in France and other European countries.

These experiences are particularly relevant in the light of the growing concentration within the public services industry. A handful of multinational contractors have been establishing powerful operational bases throughout the European Community and further afield. The competition for contracts is increasingly confined to these firms. The establishment of the Single European market is only likely to assist the development of this trend.

New structures designed to prepare DSOs for competition, have sometimes resulted in a widening of the trade union's sphere of influence, but this is increasingly challenged by a reassertion of management control. The fear of privatisation is being used as an additional tool in managements increasing control over public sector labour.

The influence of national collective bargaining is gradually declining as privatised services move out of its scope, and as more local authorities decide to opt out of its coverage. Local bargaining has become more extensive, with its outcomes determined on the basis of a readjustment of the balance of power, in favour of local authority management.

Despite the determined efforts of local authorities and the co-operation of trade unions, private contractors have continued to make headway, winning around 30% of contracts during the first three years of tendering. Their share of the market looks set to continue its growth, as the initial lessons are digested and new strategies adopted. It is the giant multinational contractors, particularly those based overseas, that are beginning to dominate the industry.

Trade unions have failed in their efforts to prevent the introduction of CCT, although their experience of its impact has varied across authorities and the different activities. Building cleaning workers have been worst affected, with the most privatised contracts, heaviest job losses, most consistent deterioration in wages and conditions and the biggest decline in union membership. Conditions and union organisation have been best protected where workers have the strongest union traditions and commitments, provided they have avoided outright resistance to the cuts associated with DSO preparations for competition.

No alternative forms of public service provision, which fully reject the CT framework, have been advocated. Responses have concentrated on limiting the damage associated with the procedures, and attracting additional resources to the provision of local authority services.

Appendix 1: Local Government Manual Workers Wage Rates and Service Conditions, 1989 - 1992.

"The 1987 agreement provided a modern grading structure based on job evaluation, and the principle of equal pay for work of equal value.

It confirmed the significance of national negotiations and conditions while allowing for local variations to meet changing circumstances, including the threat of compulsory privatisation".

(NUPE, 1989)

The Grading Structure.

GRADE 1

Domestic Assistant
Road Sweeper
Gardener 1
School Cleaner

Office Cleaner
Dining Room Assistant
Cook 1

GRADE 2

Supervisory Assistant
Refuse Collector
School Crossing Patrol
Gardener 2

Domestic Assistant 2
Cook 2
Leisure Attendant 1

GRADE 3

Grave Digger
Road Worker 1
Security Attendant/Porter
School Cleaner in Charge
Assistant School Caretaker
Gardener 3

Leisure Attendant 2
Driver 1
Housing Caretaker
Senior Operative
Cook 3

GRADE 4

Road Worker 2
Waste Disposal Operative

Driver 2
Care Assistant

GRADE 5

Gardener 4
Road Worker 3
Refuse Driver
Social Services Driver/Attendant

Home Help
Cook 4
School Caretaker 1

GRADE 6

Caretaker 2

National Rates of Pay

The figures in Table 53 are national minimum rates which are normally supplemented by locally agreed bonus payments.

Grade	1 Sept. 1989 to 31 Aug. 1990		1 Sept. 1990 to 31 Aug. 1991		1 Sept. 1991 to 31 Aug 1992	
	Weekly Rate	Hourly Rate	Weekly Rate	Hourly Rate	Weekly Rate	Hourly Rate
1	£110.56	£2.83	£121.21	£3.11	£129.21	£3.31
2	£115.85	£2.96	£126.54	£3.24	£134.77	£3.46
3	£120.39	£3.09	£131.85	£3.38	£140.29	£3.60
4	£125.29	£3.21	£137.16	£3.52	£145.94	£3.74
5	£130.18	£3.34	£142.45	£3.65	£151.42	£3.88
6	£135.18	£3.47	£147.85	£3.79	£157.02	£4.03

Table 53: NJC Local Government Workers Rates of Pay 1989 - 1992

Source: NUPE, 1989, 1990a, 1991.

Premium Payments

Shift Workers:

Alternating Shift: equivalent to 10% of Grade 2 in 1989 - 90, now 10% of Grade 3.

Rotating Shift: equivalent to 16% of Grade 2 in 1989 - 90, now 16% of Grade 3.

Overtime:

Mondays to Saturdays:

Time-and-a half

Sundays:

Double time

Week-end Work:

Saturdays:

Time-and-a half

Sundays:

Doubletime

Leave

Annual Leave:

Employees who have completed 12 months service:	4 weeks, reduced pro-rata.
Employees who have completed 5 years service:	5 weeks.

Sickness Leave:

1st year of service:	1 month's full pay and (after completing 4 months' service) 2 months' half pay.
2nd year of service:	2 months' full pay and 2 months' half pay.
3rd year of service:	4 months' full pay and 4 months' half pay.
4th and 5th years of service:	5 months' full pay and 5 months' half pay.
After 5 years service:	6 months' full pay and 6 months' half pay.

Appendix 2: List of Those Interviewed During French Case Study

CGT

Jean Louise Machecout	General Secretary Syndicate CGT du Nettoyement de Paris.
Jacques Delattre	Secretary Fédération CGT des Services Publics.

CGT Transport Federation

Sylvie Salmon Thorreau	General Secretary Fédération Nationale du Syndicats de Transport.
Alain Dubourg	General Secretary Section de Air France.
Guy Yesle	General Secretary of the national branch for private sector refuse collectors.
Daniel Gavard	Shop Steward.

CFDT

Jean Christophe Toutlemonde	CFDT Syndicat des Services Publics Parisiens - full time officer.
Alain Chuilier	CFDT Syndicat des Services Publics Parisiens - full time officer.
Francis Combaud	Shop Steward.
Jean Pasquier	Shop Steward.

Lyonnaise des Eaux-Dumez

Dominique Geoffray	Senior Manager in the West Paris Region.
Monsieur Auclare	Senior Manager in the West Paris Region.

Glossary and Abbreviations.

ACC	Association of County Councils.
ADC	Association of District Councils.
ADLO	Association of Direct Labour Organisations.
ALA	Association of London Authorities.
AMA	Association of Metropolitan Authorities.
ASI	Adam Smith Institute.
Audit Commission	The Government body which oversees local authority finances.
CCMA	Contract Cleaning and Maintenance Association, now called Cleaning and Support Services Association (CCSA).
CCT	Compulsory Competitive Tendering.
CFDT	Confederation Francaise Democratique du Travail, French trade union confederation affiliated to the Socialist Party.
CGT	Confederation Général du Travail, French trade union confederation affiliated to the Communist Party.
CLES	Centre for Local Economic Strategies.
Client Side	The local authority department responsible for drawing up contract specifications, inviting tenders, awarding contracts and monitoring them.
Contract Compliance	The use of contract conditions with which contractors must comply.
Contractor	An organisation which is awarded and seeks contracts, normally privately owned.
COSLA	Confederation of Scottish Local Authorities.
CPS	Centre for Policy Studies, formally SCAT
CSSA	See CCMA
DHSS	Department of Health and Social Security, Government department, since broken up.
DLO	Direct Labour Organisation. Theoretically any council department where direct employees of the council carry out the work. Sometimes refers to cleansing departments but more often to construction and housing and maintenance departments.
DOE	Department of the Environment. Government department responsible for local government.
DSO	Direct Service Organisation. A council department in which direct employees of the council deliver a service to the public. Often refers to cleansing departments.
Dti	Department of Trade and Industry. Government department.
EC	European Commission. Civil Service of the European Community.
EEC	European Economic Community.
EFCI	European Federation of Cleaning Industries.
ETUC	European Trade Union Confederation.
ETUI	European Trade Union Institute.

FT	Financial Times.
GMB	General, Municipal, Boilermakers and Allied Trades' Union. A major manual workers' union in local government.
IDS	Income Data Services. A labour market research organisation.
In-house	Where a service or workforce is provided or employed directly by the council.
IPPR	Institute for Public Policy Research.
IRIM	Institute for Research and Information on Multinationals.
IWC	Institute for Workers Control.
JNHSPRU	Joint NHS Privatisation Research Unit. A joint union research unit providing and collecting data on privatisation in the NHS, now incorporated into PSPRU.
LGIU	Local Government Information Unit.
LGMB	Local Government Management Board.
LGPRU	Local Government Privatisation Research Unit. Now incorporated into PSPRU.
LRD	Labour Research Department.
MATSA	The GMB's white collar section.
MBO	Management buyout. Where local authority service managers acquire the capital assets from the council and operate as a private firm.
MJ	Municipal Journal.
Monitoring	The methods employed by councils to ensure that contracts are meeting the specification.
MSF	Manufacturing, Science and Finance. A major white collar union.
NALGO	National and Local Government Officers Association. The main union for white collar workers in local government.
NAO	National Audit Office.
ND	Not Dated.
NHS	National Health Service.
NUPE	National Union of Public Employees. A major local government manual workers union also organising white collar workers.
OFT	Office of Fair Trading. Government office responsible for ensuring that uncompetitive practices are not used in British business.
Privatisation	The involvement of private companies in activities previously held by the public sector.
PSPRU	Public Services Privatisation Research Unit. Joint union body monitoring privatisation in the public services, incorporating JNHSPRU and LGPRU.
PULSE	Public and Local Service Efficiency Campaign. Right wing pressure group campaigning in support of competition in the provision of public services.
SCAT	Services to Community Action and Trade Unions, now CPS.

Specification	The document which specifies the work to be done in relation to a particular contract.
STUC	Scottish Trades Union Congress.
Tender	The offer by a contractor to carry out the work in the specification for a stated price.
Tender Evaluation	The stage of the CCT process when the council assesses the merits of the bids that have been received and decides where to award the contract.
TGWU	Transport and General Workers Union. A general union representing some manual workers in local government.
TICL	Transnationals Information Centre London. No longer operating.
TUC	Trades Union Congress.
TUSIC	Trades Union Studies and Information Centre.
URTU	United Road Transport Union. A lorry drivers union organising some workers in local government.

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