

MAKE - IT - PUBLIC!

THE PUBLIC COST OF PRIVATE CONTRACTORS



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SCAT is a national housing, planning and public service project. Its work includes advice and assistance on campaign organising and strategies, research and analysis, educational workshops, and workers and users alternatives for a wide range of local and national labour movement organisations. Recent work has included the comprehensive Campaigning for Care in Social Services Action Pack with NUPE detailing strategies and tactics to fight privatisation. SCAT Publications publishes Public Service Action, the anti-privatisation newsletter for the labour movement. It also produces a wide range of reports, pamphlets and broadsheets covering privatisation, public services and housing.

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THE PUBLIC COST OF PRIVATE CONTRACTORS

The Privatisation Audit was originally carried out by Services to Community Action and Trade Unions (SCAT) as part of the 'Jobs Audit' commissioned by Sheffield City Council Employment Department's Public Sector Team in 1985 and produced by a consortium consisting of Labour Research Department, SCAT, and Birmingham Trade Union Resource Centre.

SCAT was commissioned by the Employment Department's Public Sector Team to publish the Privatisation Audit as a separate report to inform the National Anti-Privatisation Conference organised jointly by Sheffield City Council and the Local Government Information Unit in November 1985. As a result SCAT has taken the opportunity to expand the original Audit and prepare more detailed evidence. Hence many of the overall figures in this report are different from those in the original study.

For further information about the full version of the Jobs Audit contact: Economic and Public Sector Team, Employment Department, Sheffield City Council, Palatine Chambers, Pinatone Street, Sheffield S1 2HN. Tel. 0742-755215.

SUMMARY

Council job losses

The privatisation of cleaning, catering, refuse collection/street cleansing, parks maintenance, and vehicle maintenance in 12 services covering 7 departments in Sheffield City Council will result in 1900 job losses.

More job losses in the local economy

The loss of council jobs together with wage cuts, reductions in holiday and sick pay, changes in the purchase of supplies, and the export of contractors profits will have a knock-on effect on the local economy. Reduced spending in the local economy will cause the loss of a further 548 jobs in the private sector.

The 2,448 job losses are offset by only a hundred job gains elsewhere. Therefore, for every 4 council jobs lost 1 further job will be lost in private services locally.

Women's employment hardest hit

Women bear the brunt of the council job losses and redundancies - 72 per cent, and a similar proportion of the private sector job losses.

Manual workers first to go

Nine out of ten of the council job losses are those of manual workers. However, white collar job losses will increase in the longer term as the 20 per cent reduction in the workforce is felt by central services.

Increasing temporary part-time employment

Privatisation will accelerate the trend towards casualisation of the workforce with increasing use of temporary and part-time workers, short term contracts and contracting out in the private sector.

The public cost of contracting out

The claim that privatisation 'saves' public money is a myth. It simply produces a small reduction in the council's budget at the expense of a much larger increase in costs to central



For every four local authority jobs lost as a result of privatisation, one additional job will be lost in the private sector.

government. Because these are shared by different departments the government can try to ignore or hide these real costs. The public sector cost of contracting out 12 services in Sheffield will be £17m over a five year period.

The total public sector cost of contracting out the same twelve services nationally, assuming direct labour retains fifty per cent of the work, will be £659.45m over five years.

National job losses will total 73,704 manual and white collar jobs in local government plus a further 14,402 jobs in the private services sector, again assuming direct labour retains 50 per cent of the work.

CONTRACTING OUT LOSS TABLE

		Jobs under Direct Labour	Jobs New	Jobs Lost	% Job Loss
Refuse Collection					
Wandsworth	Wastecare (BFI)	216	133	83	38.4
Tandridge	Exclusive	58	37	21	36.2
Taunton	Waste Man	42	22	21	48.8
Keruington & Chelsea					
Chelsea	Wastecare (BFI)	40	34	6	15.0
South Oxford	Pritchard	69	43	16	27.1
Basingstoke	Wastecare (BFI)	78	43	35	44.9
Vale/W/Horse	Exclusive	64	45	19	29.7
Birmingham	DLO	715	452	263	36.8
Solihull	Wastecare (BFI)	90	65	25	27.8
Refuse and Street Cleaning					
Southend	Exclusive	297	213	84	28.3
Wrexham	Waste Mgt.	456	254	202	44.3
Bath	Pritchard	93	52	41	44.0
Merton	Taskmaster	176	95	81	46.0
Milton Keynes	Exclusive	104	74	30	28.8
Eastbourne	Exclusive	140	90	50	35.7
Street Cleaning					
Wandsworth	Pritchard	100	63	37	37.0
Ealing	Exclusive	128	76	52	40.6
Gardening					
Wandsworth	Pritchard	36	9	16	44.4
School Cleaning					
Croydon	Ramondus	37	10	7	41.2
Birmingham	ISS	777	570	307	26.6
	hours	11380	7125	4255	37.4
Dudley	BFI/Task/OCS	700	575	125	17.8
	hours	3034	1154	870	42.9
Kent	various	3000	1500	1500	50.0
Cambridgeshire	various	1200	600	600	50.0
Both Kent and Cambridgeshire are estimates. Approx. rate in hours also 50.0%					
School Meals					
Merton	Butcliffe	350	240	110	31.4
Public Toilets					
Wandsworth	Initial	54	46	8	14.8
Town Hall Cleaning					
Warwick	PRB Ltd	50	45	5	10.0

INTRODUCTION

Privatisation plays an increasingly central role in the Government's economic and political strategy. It is pressing ahead with many different forms of privatisation including the sale of public assets, contracting out, the expansion of private services, and the increasing use of volunteers in health and social services. This is accompanied by propaganda which glorifies the family, Victorian values, and urges the privatisation of social need while at the same time constantly criticising and undermining public services.

The Government has doubled the sale of major public assets for the second year in succession to £4.75 billion annually over the next three years. The planned sale of British Gas in 1986 will dwarf the recent privatisation of British Telecom.

The Government is also pressing ahead with legislation on the further sale of council houses and the sale of entire estates to the private sector. A much delayed Green Paper on social services is expected shortly and is likely to contain some privatisation proposals. These measures will not only affect jobs and services in Housing, Works, and Social Services departments but there will also be knock-on effects on other council departments and central services.

However, the Government has decided not to proceed with the proposals for tendering in local government in the way outlined in the Green Paper (Competition in the Provision of Local Authority Services, Department of the Environment, February 1985). These included enforced tendering in five services - cleaning of buildings, catering, refuse collection/street

cleaning, parks maintenance, and vehicle maintenance – together with 'cost comparisons' in several other services, limits on contract conditions, and new powers to the Secretary of State to intervene in the tendering process.

Change of tactics

The delay and the change of tactics by the Government does give us the opportunity to further develop proposals to improve and expand local government services and to ensure that the principles and advantages of public services are widely understood. It enables a more comprehensive strategy to be developed including building alliances with users, strengthening workplace organisation, and challenging the existing role of contractors in local government through contract compliance and extending and developing new council services under direct labour.

We should, however, also be aware that the Government has other methods of imposing cuts and privatisation of local government services. For example:

- The Tories could use existing financial controls and the grants system to try to force further cuts or freezes in local government spending which will in turn put pressure on councillors and management to implement cost cutting proposals. The threat of privatisation will be used to try to extract deals with the trade unions to shed jobs and change working practices as a price for retaining direct labour and not inviting tenders.
- The Audit Commission could be pressed into fully using its existing powers more fully to ensure that all or some targeted local authorities have 'made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'. This goes well beyond simply auditing the accounts. The Commission appoints district auditors – more and more are private accounts and consultants – and carries out so-called 'value for money' studies. It has already covered refuse collection, vehicle fleet management, non-teaching costs in secondary schools, and social services for the elderly. The DHSS has also set up a Social Services Inspectorate to carry out 'value for money' studies. These will put further pressure for cuts and contracting out.
- There is also likely to be increasing use of spending league tables based on statistics compiled by the Chartered Institute of Public Finance and Accountancy together with possible moves towards 'standard costs' which the government may use to determine grants to local authorities.
- The government already has the power to immediately introduce changes in the operation of council building works departments. The Secretary of State could increase the amount of work going to tender as well as making certain contract conditions illegal.

• Meanwhile Tory controlled councils are continuing to contract out services thus keeping local government privatisation on the political agenda. Right wing organisations and business interests will continue to use these examples to fabricate the 'savings' myths and other spurious claims about the private sector.

Aims of the Audit

The Privatisation Audit is based on the hypothesis that the 12 services covered in the audit are contracted out. This enables the full potential impact of privatisation to be examined in detail. In reality, many if not all of these services in Sheffield would remain with direct labour.

There are three basic aims of this privatisation audit.

1. to assess the scale of job losses and wage cuts if services are contracted out.
2. to examine the impact of council job losses and wage cuts on the local economy.
3. to examine the full costs of privatisation to both central and local government.

The audit covers cleaning, catering, parks maintenance, refuse collection/street cleansing, and vehicle maintenance in 12 sections in seven departments. However, it has not been possible to include all the services affected, eg cleaning and vehicle maintenance in the Works Department, cleaning and catering in Further Education and the Polytechnic, vehicle maintenance in Central Supplies, nor has it been possible to cover those services likely to be covered by the cost comparison proposals.

Quality of services

Tendering really only exists to provide work for private firms – there would otherwise be no need for it within public services because it is wasteful, time consuming, and often leads to lower standards and poor quality services. It leads to attempts to provide the least service using fewest possible staff paid the lowest possible wages. Public services, however, are concerned about meeting social needs and real value for money by providing relatively effective and efficient services.

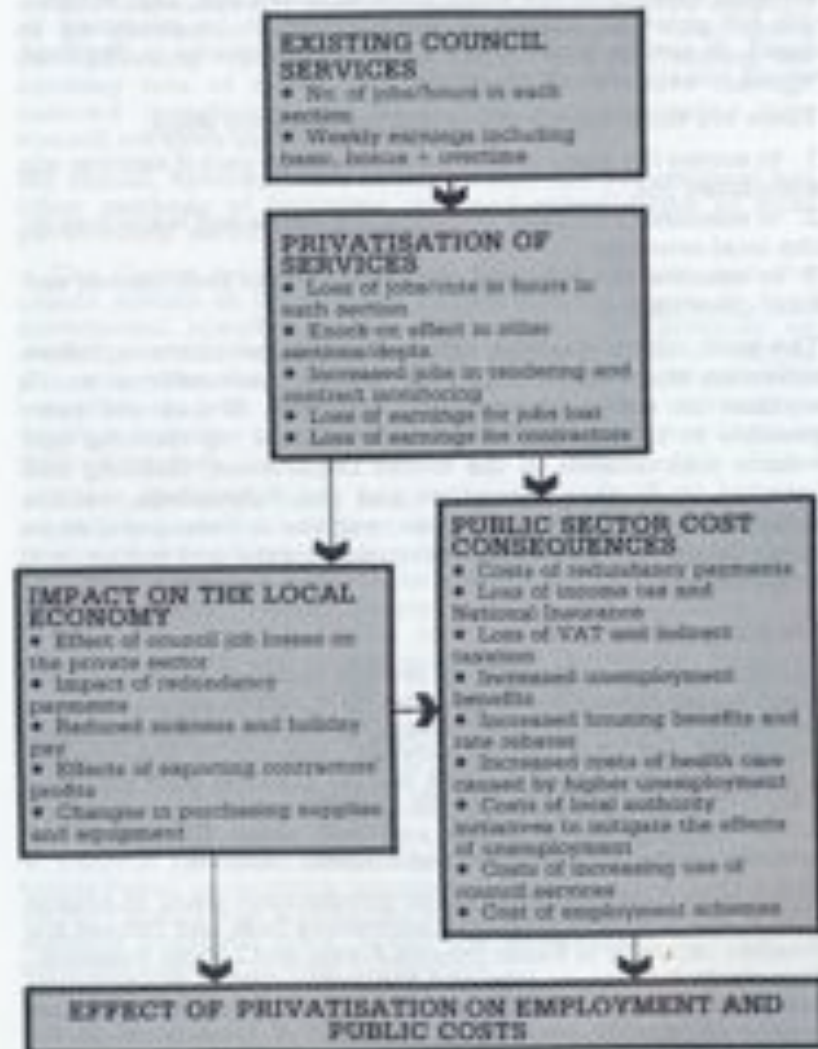
There is mounting evidence that privatisation leads to drastic cuts in the quality of services. Contractors fines and failures are detailed regularly in Public Service Action and Labour Research. This study focuses on jobs and the public cost of privatisation and does not examine the potential decline in the level and quality of council services in Sheffield if they were to be contracted out. In reading this study it should be remembered that although the audit deals with numbers of jobs and sums of money they represent the quality of people's lives at work, the

livelihood of whole communities, and the effectiveness of services in meeting social needs.

Audit model

A model has been developed to assess the impact of privatisation. It is divided into three main parts:

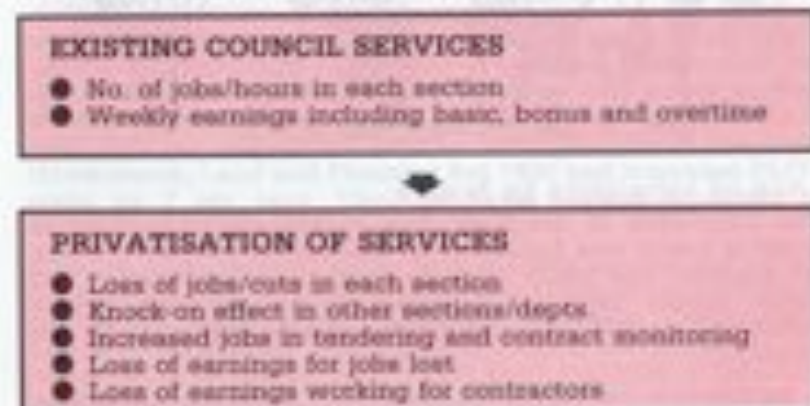
1. Existing council services/privatisation of services
2. Impact on the local economy
3. Public sector cost consequences



PART 1 THE IMPACT ON LOCAL AUTHORITY JOBS IN SHEFFIELD

This part of the audit examines the potential loss of jobs as a result of contracting out refuse collection/street cleaning, catering, parks maintenance and vehicle maintenance. It covers both manual and white collar jobs. We have not been able to include all these functions within the city council so the potential impact on jobs could be far greater.

This part of the model covers the following points:



Detailed information on the numbers of part-time and full-time workers (in some cases full-time equivalents) together with their job title was obtained for each section in the following services:

1. Refuse collection (domestic and trade), street cleaning, public toilets, vehicle maintenance and cleaning: Cleansing Services
2. Cleaning: Town Hall and central offices
3. Cleaning: Libraries
4. Cleaning: Recreation Dept
5. Cleaning: Housing Services Dept
6. School cleaning: Education Dept
7. Cleaning: Family and Community Services Dept homes and centres
8. Catering: Town Hall/City Hall
9. School Meals: Education Dept
10. Family and Community Services Dept homes and centres
11. Parks maintenance: Recreation Dept
12. Vehicle maintenance: Recreation Dept

Detailed information was also obtained from the respective council departments on average hourly/weekly earnings including basic pay, bonus rates, overtime and other payments for each group of workers.



Loss of jobs/cuts in hours

The calculation of the likely loss of jobs and reductions in working hours was based on an analysis of contracts where privatisation has taken place in other local authorities. The actual figures used are described in the following twelve sections. It should be noted that allowance was made for the following:

1. contractors having to increase the workforce once they started the contract.
2. the city council imposing a stricter specification, contract conditions, and monitoring of the work than most local authorities have done so far. As a result the actual job loss figures used are often below the average job loss in other local

authorities. There are several examples where the job loss has been substantially higher. Where there have been few examples to draw on, eg parks maintenance, the actual figure used has probably erred on the conservative side.

Knock-on effects in other sections/departments

The potential wider impact on other sections in the department was also taken into account. This is also partly covered in the section on changes in purchasing supplies and equipment in the second part of the model. Clearly, the potential privatisation of a large part of the Cleansing Services Dept would have a knock-on effect on the administrative staff reducing for example, the work on wages preparation and bonus calculation. On the other hand the potential privatisation of cleaning or catering in Family and Community Services homes and centres would not have a major effect on staffing because the supervision of this work is only one part of the supervisory staff's duties and the reduction in jobs would only represent a small percentage of the department's staff.

The audit has not been able to examine the impact of privatisation on central services in the authority. Clearly, the privatisation of 4,668 jobs and 1,900 job losses, representing 20 per cent of the council's workforce, would have some major consequences which need to be examined in the coming months.

Increased jobs in tendering and contract monitoring

There is little data currently available which examines the staffing and costs of implementing the tendering process covering the preparation of specifications, tender documents, contract conditions, analysis of tenders, payments to contractors, nor the full cost of effective monitoring of their work. The Association of Metropolitan Authorities reported in 1983 that the original competition arrangements in the Local Government, Land and Planning Act 1980 had increased DLO's costs by 7 per cent. They produced various examples of estimated additional costs of tendering.

A much more detailed study was recently carried out by the Local Authorities Conditions of Service Advisory Board (Effects of Central Government Initiatives on Local Government, LACSA, Sept 1984) which also examined the impact of the same Act. This showed that whilst there had been a reduction in DLO manual jobs there had been an increase of 2966 staff in England and Wales mainly to cope with the managerial, technical and administrative implications of the Act.

Despite these studies it remains difficult to apply this data to specific services for two reasons. Firstly, tendering in DLOs is a

constant process as both large and small contracts are prepared and put out to tender throughout the year. In contrast, tendering in other services will occur once every 2-5 years. It would be wrong to simply apply the costs of tendering in the construction industry to those in other different services. Secondly, the staffing implications of fully effective monitoring and reporting of contractors work and implementation of strict specifications has yet to be determined for specific services. Most councils which have already privatised services have seriously underestimated the staff and resources needed to effectively monitor, inspect and report on contractors' work.

In the process of determining potential job losses in the 12 services covered certain assumptions have been made concerning the transfer and changing duties of staff currently employed in these services to new duties connected with the preparation of tenders and contract implementation. For example, some staff employed on wages would be transferred to work on the monthly payment of contract fees and contractors' claims. This may involve re-training and the employment of new staff. However, in many cases no immediate change in the total number of staff has been assumed. This is more fully discussed at the end of this section.

Loss of earnings

These have been estimated not only for the job losses but also for the difference between council pay rates and earnings and those of contractors. The latter have been based on local authority and NHS privatisation contracts in the last two years. These may not be the specific rates which might apply in Sheffield but are considered very close approximates. Many contractors' pay rates are decreasing, and some firms do not increase pay rates on an annual basis, for example, Pritchards' street cleaners in Wandsworth have not had a wage increase for three years.



REFUSE COLLECTION/STREET CLEANING

Service	Jobs Now FT PTFTE	Projected Job Loss	Annual Loss of Earnings re Job Loss	Annual Loss of Earnings Working for Contractor
Domestic and Trade Collection				
Street Cleaning & gully emptying				
Public Toilets				
Vehicle Maintenance				
Cleaning				
Depot				
Catering Administration				
Total	820	242	£1,684,232	£563,981

Over 25 local authorities have already privatised their refuse and/or street cleaning services in the last four years. Many more have used the threat of privatisation to reduce the workforce and change working practices. Tactical consideration will obviously determine whether the range of services would be tendered for separately or as a whole. Some services employing only a few workers, for example, the Skip Collection Service, have been included in the refuse section above for the purpose of this audit.

Projected job losses

Privatisation could result in the loss of 242 jobs, a 29.5 per cent reduction. The average job loss for refuse collection on data currently available (see table on page 4) is 35 per cent covering eight contracts or 38 per cent on a further six contracts combining refuse collection and street cleaning. These figures are based on tenders submitted and do not reflect any job losses in the lead up to the tendering process. However, there have been many examples of contractors having to take on additional labour once the contract commences, eg. Taskmaster (Hawley Group) started the Merton refuse contract with 99 workers plus 4 'casuals' but at one stage had 121 workers plus 20 'casuals'. This has been allowed for by using the following figures to calculate potential job losses:



Percentage Job Loss

refuse collection	30
street cleaning	33
public toilets	15
clearing	30
catering	25
vehicle maintenance	25

Similar job losses would occur in administration. Staff employed on wages, bonus and personnel would be drastically reduced. These losses would be offset by staff needed to fully supervise and monitor the contractor's performance. The contractors' own local staff is likely to be minimal with most work carried out at head offices outside Sheffield. Administration and depot staff are likely to be reduced by 30 per cent.

The loss of earnings resulting from the loss of 242 jobs would be £1,684,232 based on the analysis of the current weekly earnings (including basic, bonus and overtime) in each section of the department.

An analysis of rates of pay and weekly earnings of firms engaged in refuse collection and street cleansing indicate earnings 15 per cent lower or more for a 40 hour week and elimination of task and finish. Cuts in earnings for other workers, eg. cleaners are likely to be much higher. Assuming an average 15 per cent drop in earnings in all sections except administration which would remain on council pay rates, this would result in a reduction of earnings of those working for contractors of £563,661.

SCHOOL CLEANING

Service	Jobs Now PT PT FTE	Projected Job Loss	Annual Loss of Earnings re Job Loss	Annual Loss of Earnings Working for Contractor
Schl cleaning 10-30 hours less than 10				
Total	4 1738 723			
Total jobs	1742	523	£874,998	£545,155

There are 1742 cleaners employed by the Education Department in schools. This excludes cleaners in Further Education colleges and Polytechnic who are also likely to fall within the scope of statutory tendering.

There are 322 full time and three part time school caretakers who supervise the cleaners. Caretakers have been excluded from the privatisation of school cleaning to date and the time allocated for cleaning responsibilities reallocated to other duties. Evidence from school cleaning contracts indicate a 28.5 per cent job loss based on details of three contracts or 37.1 per cent if the estimated job losses of a further two contracts are included. A projected loss of 523 jobs is based on a 30 per cent reduction and consequent loss of earnings of £874,998. Assuming contractors pay rates of £1.40 an hour this could lead to a further loss of earnings of £545,155. It should be noted that these figures do not take into account the somewhat higher reduction in hours, averaging 40-60 per cent compared with the 30 per cent rate of job losses.

The loss of jobs could be as high as 728 jobs if cleaning of FE colleges, the polytechnic and other facilities are included.

CLEANING: TOWN HALL AND COUNCIL OFFICES

Cleaning of Town Hall Annex, Palatine Chambers, Redvers House, Stockbridge Town Hall, Grenside, Darnall, Meade House, Lupton Road,

Service	Jobs Now		Projected Job Loss	Annual Loss of Earnings re Job Loss	Annual Loss of Earnings Working for Contractor
	FT	PT FTE			
cleaners					
caretakers					
domestic assist					
housekeeper					
Total	7	113			
TOTAL JOBS	120		24	£62,394	£97,264

The main body of 93 cleaners and eight cleaner supervisors working in the Town Hall and related buildings work a 18.5 hour week (21 hours for supervisors). Other cleaners work between 8-15 hours. Unlike cleaners elsewhere in the authority, these cleaners receive Grade A plus a bonus bringing average hourly rates up to £2.60 (£2.82 for supervisors). With cleaning contractors paying hourly rates of between £1.20-£1.40 in Leeds, Liverpool and other cities, this service is particularly vulnerable to privatisation.

Contracting out this work is likely to lead to the loss of about 24 jobs (based on a 20 per cent reduction). The cut in hours worked is likely to be more substantial at about 35 per cent. The loss of earnings from job losses is calculated at £62,394. Loss of earnings from wage cuts, assuming a cleaner's hourly rate of £1.40 and £1.70 for supervisors, is £97,264 representing a 55 per cent drop in earnings.



CLEANING: LIBRARIES

Service	Jobs Now		Projected Job Loss	Annual Loss of Earnings re Job Loss	Annual Loss of Earnings Working for Contractor
	FT	PT FTE			
Cleaning the Central library and 37 branch libraries					
cleaners					
porter/attendants					
drivers/maintenance					
Total	17	78			
TOTAL JOBS	96		19	£46,480	£36,308

The cleaning work in libraries involves not only cleaning of the building but also cleaning bookshelves which helps to maintain the quality of the books. Consequently the square foot/hours ratio appears at first to be generous. For example, some small branch libraries have an allocation of 25 hours per week. The transport section is likely to be under threat only if it became part of a centralised service. It has been excluded from this audit.

A 20 per cent cut in jobs would result in the loss of 19 cleaning and portering jobs and £46,480 in earnings. Cleaners are paid Grade A without any bonus. Assuming contractors' pay rates of £1.40 an hour then this will lead to a loss of £33,837 in earnings plus £2,471 following a ten per cent cut in porters' earnings.



'SO, IF YOU'RE LOOKING TO CUT CORNERS...

CLEANING: RECREATION

Service	Jobs Now			Projected job Loss	Annual Loss of Earnings re Job Loss	Annual Loss of Earnings Working for Contractor
	FT	PT	FTE			
Sports Centres						
Baths						
Parks						
Administrn						
Stores						
Cemeteries						
Total	20	59	48			
TOTAL JOBS	79			16	£38,358	£40,970

Cleaners are paid Grade A and are not on a bonus. For the purpose of this audit all the cleaning functions are treated as one although in practice there would probably be several separate

tendering processes. Using the same job loss and earnings data used for the other cleaning sections, the job loss is estimated at 16 with a £38,358 consequent loss in earnings. Loss of earnings for those working for contractors is calculated at £40,970.

CLEANING: HOUSING DEPARTMENT

Service	Jobs Now			Projected job Loss	Annual Loss of Earnings re Job Loss	Annual Loss of Earnings Working for Contractor
	FT	PT	FTE			
Cleaners						
Handypersons						
Caretakers						
Wardens, Sheltered accomdn.						
Storekeeper						
Total	144	28				
TOTAL JOBS	172			32	£141,723	£61,453



For the purpose of this audit the warden's in sheltered accommodation have been excluded. The projected job loss is estimated at 32 jobs and £141,723 earnings. Assuming cleaners' wages are reduced from £1.91 per hour to £1.40 and full-time caretakers and handypersons are forced to take a 10 per cent drop in earnings (many currently receive Saturday morning pay and bonus) the reduction in earnings working for contractors will be £61,453.

CLEANING: FAMILY AND COMMUNITY SERVICES

Service	Jobs Now			Projected Job Loss	Annual Loss of Earnings re-Job Loss	Annual Loss of Earnings Working for Contractor
	FT	PT	FTE			
Homes for the elderly						
Residential Hostels						
Day Care Units						
Adult Training Centres						
Nurseries						
Children's Homes						
Total	93 417 347.4					
TOTAL JOBS	510			127	£392,359	£117,707

Job losses in NHS domestic cleaning contracts have been about 25 per cent but cuts in hours worked have been somewhat higher, in some cases 50 per cent. This could lead to the loss of about 127 jobs in social services and a loss of £392,359 in earnings. Some contractors pay the same hourly pay rate as the NHS but don't have bonus schemes, have fewer paid holidays, lower



overtime and weekend rates and often no sick pay scheme so that weekly earnings can be 10-15 per cent lower. A 10 per cent wage cut would lead to £117,707 loss of earnings.



SCHOOL MEALS

Service	Jobs Now			Projected Job Loss	Annual Loss of Earnings re-Job Loss	Annual Loss of Earnings Working for Contractor
	FT	PT	FTE			
School Meals cooks						
10-13 hours						
less than 10						
Supervisory assistants at lunchtime - all less than 10 hours						
School meals Supervisors						
Total	149 246.1 1126.8					
Total jobs	2610			516	£1,375,104	£330,697

Catering in Further Education colleges, the Polytechnic and other facilities employing a further workers is likely to be included within the scope of statutory tendering but detailed information on jobs and wage levels was not obtained for this audit so they have been excluded.

Only a few local authorities have contracted out school meals (although others have abolished retaining fees, cut holidays and some terminated primary school meals) and evidence from Merton showed a job loss of 31.4 per cent. A job loss of 30 per cent has been used for this audit and applied only to the 1726 catering jobs leading to a job loss of 518. This is based on the assumption that the role of 55 school meals organisers and 829 supervisory assistants are excluded from tendering and remain directly employed by the city council. If they were to come within the scope of statutory tendering then job losses in school meals could be considerably higher.

A comparison of currently local authority pay rates with catering contractors (Grandnet, AJA, etc) indicated the latter were about 10 per cent lower. However there have been examples of £20 per week wage cuts in some cases of privatised catering. A 10 per cent cut in earnings would total £320,857.

CATERING: TOWN HALL/CITY HALL

Service	Jobs Now			Projected Job Loss	Annual Loss of Earnings as Job Loss	Annual Loss of Earnings Working for Contractor
	FT	PT	PTE			
Catering in Vulcan Restaurant, City Hall, Manor Lane, Grenoside & Stanforth Rd						
135 Casual Catering Assistants—approx 40 employed each week						
Total	22	76				
TOTAL JOBS	87			29	£55,300	£12,900

The job losses and reductions in earnings have been based on the same data as for school meals. The figures for loss of earnings are estimates as the full data on the number of hours worked was not obtained. The use of casual catering assistants varies from week to week.

CATERING: FAMILY AND COMMUNITY SERVICES

Service	Jobs Now			Projected Job Loss	Annual Loss of Earnings as Job Loss	Annual Loss of Earnings Working for Contractor
	FT	PT	PTE			
Day Care						
Homes for Elderly						
Residential Homes						
Adult Training						
Nurseries						
Childrens' Homes						
Total	56	125	129.4			
TOTAL JOBS	181			54	£197,533	£46,091

The above job loss and reductions in earnings have been based on the same data used for school meals.



PARKS MAINTENANCE: RECREATION DEPARTMENT

Service	Jobs New FT PT FTE	Projected Job Loss	Annual Loss of Earnings re Job Loss	Annual Loss of Earnings Working for Contractor
Park Maintenance	623			
Barial grid maintenance and remem- brance gdn	81			
Total	704			
TOTAL JOBS 704		212	£1,155,558	£289,630

There are also 56 assistant gardeners employed on a temporary basis during the summer months plus about half the 61 temporary labourers are employed on grass cutting, ie. a total of 96 temporary summer jobs. These, together with thirteen YTS trainees have been excluded from the calculations.

The Recreation Department also employs workers in the following sections:

Allotments	15 jobs
Horticulture	27 jobs
Arboriculture	32 jobs

At this stage it is unclear whether these sections will be affected by statutory tendering and have been excluded from the calculations. Clearly, contracting out parks maintenance is likely to lead to contractors seeking their own source of plants and shrubs (unless directed to purchase the council's own supplies) leading to job losses in the Horticulture section.

Data on job losses was obtained from only one contract in Wandsworth which resulted in an initial 44.4 per cent loss of jobs. However, the contractor, Pritchard Services Group, was sacked because of mounting fines and inability to meet the contract specification. A 30 per cent job loss has therefore been used for this audit leading to the loss of 211 jobs and £1,155,558 earnings, excluding temporary summer staff. The average weekly earnings in Parks Maintenance is currently £105.22 including bonus. Weekly earnings working for contractors are likely to be at least 10 per cent lower.

If the 30 per cent job loss is applied to the 96 summer jobs and the 42 jobs in Allotments and Horticulture the total job loss will increase by 41 to 253 jobs.

In fact contractors are likely to drastically reduce the number of full-time jobs in parks maintenance relying instead on a small

core of full-time workers and an army of part-time casual workers hired and fired according to seasonal demands and weather conditions.



VEHICLE MAINTENANCE: RECREATION

Service	Jobs New FT PT FTE	Projected Job Loss	Annual Loss of Earnings re Job Loss	Annual Loss of Earnings Working for Contractor
Vehicle Maintenance	22			
Total	22	4	£31,200	£21,080

There are also 48 workers employed as drivers but they have been excluded from this audit because the statutory tendering proposals focus on vehicle maintenance. For the purpose of this audit, a 20 per cent job loss in vehicle maintenance is assumed and a 15 per cent reduction in earnings (higher than other sections because of the higher average bonus of 34.1 per cent).

Other sections in Recreation

The department operates only one small catering operation at Concord Sports Centre.



'I HEAR THAT UNDER PRIVATISATION WE'LL BE REPLACED BY YTS TRAINEES.'

Impact on Management and Administration

The preceding analysis of the impact of privatisation on council jobs in different departments did not, except in the case of refuse and street cleansing, include an assessment of the impact on white collar workers. The effects of redundancies in direct labour on management and administration is more difficult to determine for several reasons:

1. The job loss in white collar sections is not pro-rata because each department has a range of functions e.g. research, policy development, preparing reports for council committees, which have to go on irrespective of whether work is carried out by direct labour or contractors.
2. Staff will be required to prepare tenders, monitor, supervise and inspect contractor's work and to verify and make monthly payments to contractors.
3. Staff responsible for management/administration of the twelve services covered in the audit also have duties in respect of other groups of workers.
4. There is little data available on the effect of white collar jobs from those councils which have already privatised services.
5. The impact of tendering will differ from department to department depending on the length and size of contracts. For example, the Cleansing Department could have only 2 five year

contracts covering refuse and street cleaning in contrast to the Recreation Department which could have several 1-2 year parks maintenance contracts.

The following table shows the direct impact on jobs in each department if all twelve services were contracted out.

Department	Total No of jobs in the department	Jobs affected tendering	%
Recreation	1,533	805	52.5
Environment and Planning (Cleansing)	1,843	820	44.5
Municipal Enterprise and General Services (Catering and cleaning)	934	217	23.2
Education	18,090	3,468	18.6
Housing	1,011	172	17.0
Family and Community Services	4,640	691	14.9
Libraries and Arts	686	95	13.8
	29,337	6,268	21.4 average

Based on full and part time jobs at 31st March 1985.

Of the 45 management/administration jobs in Cleansing, it is estimated that 13 jobs would be lost if services were contracted out. This is a clear example where virtually all the services in the department would be directly affected by privatisation. This is not the case, at least for the near future, for other departments.

The impact of contracting out 805 jobs in the Recreation Department, 44.5 per cent of the total, was investigated in more detail. This showed that of the 93 staff employed in Central Services (wages, administration, personnel and training, stores etc) and Open Spaces Divisional Operations, it is estimated that there could be a loss of 29 jobs after allowing for contract preparation and supervision. This is only an estimate but is based on current jobs data supplied by the department.

The ratio of white collar jobs lost to manual workers' redundancies is 1:8 in Recreation and 1:17.6 in Cleansing. Applied to redundancies in other departments this gives a total white collar job loss of between 120 and 209. To this has to be added the further knock-on effects in the council's central services staff resulting from the 20 per cent reduction in the workforce. It is therefore estimated that the total loss of white collar jobs to be between 225 and 390 jobs. A figure of 300 (excluding the 13 already incorporated in the Cleansing Department analysis) has been used for the purposes of this audit.

This is a small percentage job loss compared to the percentage



job losses experienced by manual workers. However, the knock-on effects of privatisation, rate capping and further cuts or freezes in council spending will combine to intensify pressure for further "rationalisation" and "re-organisation" leading to more vacant posts and higher workloads for white collar workers. In the longer term this could mean further white collar job losses.

Job losses and job transfers

Of the 300 council white collar redundancies it is estimated that they will be divided between:

1. Actual job losses (10%)
2. Jobs transferred to contractors requiring staff in Sheffield (135)
3. Jobs transferred to contractors requiring headquarters and regional staff located outside of Sheffield and therefore counting as local job losses.

- The total job loss of council manual and white collar jobs will be 1900.
- The total number of redundancies in the council will rise to 6516 or 20 per cent of the 32,564 workforce.

"Value for Money" cost comparisons

The audit has not covered the so-called "value for money" cost comparisons outlined in the Green Paper. The government intends to require all local authorities to determine the existing

cost of a range of mainly white collar services e.g. architectural services, legal services, quantity surveying, management of leisure centres and to then determine the cost of having these services provided by the private sector. It is very unclear how this will work in practice. These services could also be included in the group of services to be covered by the proposed statutory tendering. Redundancies and job losses in administration, professional/technical services and management would rise dramatically.

The Impact on Council Jobs

Service	Jobs now full and part time	Projected job loss	Lost jobs as % of jobs now ¹
Refuse/street cleaning, toilets inc. vehicle maintenance	820	242	30%
Clearing:			
Schools	1742	523	30%
Town hall	120	24	20%
Libraries	95	19	20%
Recreation	79	16	20%
Housing (inc. caretaking)	172	32	20%
Family and community servs.	510	127	25%
Catering:			
School meals	1728	518	30%
Town hall	97	29	30%
Family and community servs.	181	54	30%
Recreation:			
Parks maintenance	704	212	30%
Vehicle maintenance	22	4	20%
Sub total	6268	1800	28.7%
Additional management/admin	300 ²	100	
Total	6568	1900	

Note:

¹Cuts in hours could be significantly higher than jobs lost.

²See section on The Effect on Management and Administration.

Impact on Women

The following table shows how women, particularly those already working part-time, bear the brunt of the initial job losses - 72 per cent.

	Jobs	%
Female full-time	121	6.4
Female part-time	1346	65.6
Male full-time	531	28.0
Male part-time	2	—
		100.0

This is an estimated breakdown because some of the data was in full-time equivalents rather than actual number of jobs.

Impact on Manual Workers

The following table shows the effect on manual workers' jobs. The total Management/Administrative job loss includes the 113 overall white collar jobs likely to be lost plus the 65 white collar jobs likely to be transferred out of the local economy to contractors' headquarters (see section on The Effect of Management and Administration for comments on the longer-term effects on white collar jobs).

	Jobs	%
Manual	1787	91
White collar	178	9
		100



PART 2 THE IMPACT ON THE LOCAL ECONOMY

This section examines the knock-on effects on the local economy as a result of council job losses, worker's reduced earnings, and changes in the purchasing of supplies and equipment from the public to the private sector.

This part of the model covers the following points:

IMPACT ON THE LOCAL ECONOMY

- Effect of council job losses on the private sector
- Impact of redundancy payments
- Reduced sickness and holiday pay
- Effects of exporting contractors' profits
- Changes in purchasing supplies and equipment

This analysis is based on actual job losses. Some of the council workers made redundant will be re-employed either by the city council, by other public bodies, or within the private sector but this will be at the expense of others in the labour market. Irrespective of the proportion of council workers made redundant who find other work, the fact remains that there will be fewer jobs in Sheffield as a result of privatisation of the twelve council services covered in this audit.

Effect of council job losses on the private sector

The loss of earnings associated with the 1900 job loss is £7,170,640 plus a further £2,133,250 from reduced earnings of

those working for contractors. The loss of £9,303,896 will have a knock-on effect in the local economy. But not all of these earnings are spent in the local economy. Disposable income was calculated taking into account tax and National Insurance payments, the proportion of income likely to be put into savings, unemployment benefits which would otherwise be paid to the unemployed, and the propensity to import goods and services from outside Sheffield. This calculation used data from the City Council, Government statistics, and the study on The Consequences of Government Office Dispersal by B. Ashcroft, F. Stephen and K. Swales of the Department of Economics, University of Strathclyde, 1979.

The disposable income spent locally is calculated to be £2,324,474. Based on further analysis it is calculated that this spending supports a total of 364 jobs in the local economy.

(See Appendix 1 for further details of these calculations.)

Impact of redundancy payments

Redundancy payments paid to council workers made redundant when a contractor takes over a service provide only a temporary buffer against the full impact of unemployment and hence a very short term effect on the local economy.

Redundancy payments were calculated for each of the 12 services based on average weekly earnings, an average eight years employment service, a third of workers being in the over-41 age group therefore eligible for 1.5 weekly earnings, using the Government's statutory minimum redundancy payment scheme. It is also assumed that redundancy payments will be spent locally on living expenses within the first year.

The length of employment service is based on evidence from the Positive Action for Women Project which included two surveys in which length of service was asked. Town Hall cleaners had an average length of service of seven years. Women on maternity leave in the Education Department had 7.5 years average service. Information on the average length of service for all council employees is apparently not available. Industrial relations officers in several departments did indicate that the trend was now for workers to stay longer in their jobs. The average length of service may vary for different departments, but since this audit covers mainly women workers, assuming an eight year average employment service seems reasonable.

Redundancy payments were calculated on the basis of all council workers in the twelve services affected by privatisation being made redundant. The total redundancy payment would be £4,092,795.

The impact on the local economy was assessed using the employment multiplier calculation but excluding tax (because no tax is paid on redundancy) and unemployment benefit (redundancy payments do not affect unemployment benefit -

So I haven't the cash,
but my redundancy
money will get me a
bottle...



only Supplementary Benefit if redundancy and savings exceeds £3000). Redundancy payments would temporarily delay the full impact of council job losses on private sector jobs in the local economy. Job losses in the private sector in the first year would be 111 but once redundancy money has been spent then job losses will increase to 364 jobs in the second year.

If the council had an enhanced redundancy package including severance payments then the impact on private sector jobs would be further reduced in the first year. However, a package deal worth twice the statutory minimum redundancy payment would only give each worker an average £1,250 payment (see also section on Public Sector Cost Consequences).

Impact of Reduced Sickness and Holiday Pay

There are substantial differences in sickness and holiday pay between local authorities and private contractors. After six months' service working for a local authority, sick pay is four weeks full pay and four weeks on half pay rising to 26 weeks full/26 weeks half pay after six years' service. A NUPE survey in May 1985 of 65 NHS cleaning contracts operated by 31 companies, 48 contracts paid only SSP. Only three paid above SSP rates. It was noted earlier that privatisation leads to increased part-time work and casualisation of the labour force. Contractors organise contracts to ensure that as many workers as possible work under 16 hours per week to avoid paying National Insurance and/or ensure weekly pay is below the lower SSP limit (£35.50 from 6 April 1985).

Privatisation reduces sick pay in two ways:

1. workers who will not receive any sick pay at all because they fall below the lower SSP limit or the contractor does not operate a sick pay scheme. Workers consequently lose a week's pay for

each week of sickness.

2. workers who would have received full pay during sickness as council employees but only receive SSP (maximum payment from 6 April 1995 is £44.35) working for a contractor.

A detailed breakdown of paid and unpaid sickness and accident leave was obtained from Cleansing Services Department for 1984/85. Unpaid sick leave was excluding leaving 7.45 per cent of the total working days in the department as paid sick and accident leave or 16.77 working days per person. This data was used to calculate sick pay in the twelve services.

Of the 4668 staff working for contractors it is estimated that 2050 workers would not receive any sick pay – an annual earnings loss of £206,025 assuming an average weekly wage of £30.00. For the remainder who would receive only SSP the loss of earnings due to sickness would be £182,233 assuming an average weekly wage of £35.00 and that 50 per cent of days lost to sickness would be between 1–3 days and therefore outside entitlement for SSP and that employees would still receive pay for those days. The total earnings lost to reduced sick pay benefits would be £388,258.

Holiday entitlement working for contractors is often half that of local authority employees. Many workers will receive no holiday pay. On the basis that 2050 workers are in this position and take two weeks' annual holiday, the accepted minimum holiday, this will lead to an annual loss of earnings of £123,000.



The combined loss of sick and holiday pay is £511,258. This represents a further loss of 20 jobs in the local economy using the calculations noted above and assuming that, because of low incomes, holiday pay would have been spent locally.

Effects of exporting contractors' profits

An analysis of several privatisation contracts has revealed widely varying estimated profit levels ranging from loss leaders eg. Initial plc's caretaking contract in Wandsworth, to the 15.89 per cent profit level included in the town hall cleaning contract in Merton won by Progressive Cleaning Services (Hawley Group). (Source: Comparison of Tenders in Merton Council report.)

Loss leaders do not mean that a contractor will not make a profit. In fact once the contract is secured 'savings' are usually made by avoiding fully implementing the specification, cutting corners, increasing casualisation of the workforce and reducing working hours to avoid NI previously budgeted for. Contractors will also try to exploit annual cost increases and once established will hope to make bigger profits from the renewal of contracts and new work.

As contractors push or hold wage levels further below current local authority rates those contractors who have calculated low profit levels or misjudged them will be able to increase profits and still undercut council costs. As the contracting out 'market' expands there is likely to be more collusion between contractors and price fixing. Hence this audit has assumed an 8 per cent profit level across all twelve services.

It is estimated that all twelve contracts will total £21.7m. (Note, this is not the full public cost as it excludes all the tender preparation costs, monitoring, inspection, reporting of contractors' work.) This is made up of £15m labour costs, £5.1m non-labour costs, and £1.6m profits. On the basis that the vast majority of contracts will be gained by transnational companies based outside Sheffield, this represents a further loss of expenditure from the local economy.

Multinational contractors gaining public service contracts in Sheffield are very unlikely to invest locally. They will operate these contracts with the minimum of local staff. In most cases they are likely to rent or lease existing council depots and offices. Since the council already pays rates to itself on these facilities there will be no net gain if they are taken over by contractors. Consequently, privatisation is likely to have no overall impact on the number of vacant offices, warehouses and factory units in the city. Contractors' profits will go to shareholders and into investment in other cities and abroad to try to gain further contracts.

The total non-labour costs for all twelve services were calculated using evidence from contracts and covering services

privatised in other authorities which indicated, on a small sample, average non-labour costs as follows:

	%
cleaning	20.0
refuse/street cleansing	37.5
catering	50.0
parks maintenance	35.0
vehicle maintenance	35.0

It should be noted that contractors' labour costs are likely to constitute a smaller percentage of the overall costs compared to the council's labour costs because of fewer jobs and lower earnings under contractors.

A certain percentage of a firm's overheads will be charged as head office costs. This includes the cost of senior management, preparation of wages, tenders, and so on. It is also another source of profit by exaggerating head office costs.

Assuming overheads are 5 per cent of the total cost and that 50 per cent of overheads are spent outside Sheffield, then a further £500,000 will be lost from the local economy.

The combined total of profits and overheads spent outside Sheffield is £2,100,000. This represents a loss of another 74 private sector jobs in the local economy.

Changes in purchasing supplies and equipment

Once a service is privatised the source of supplies and equipment may change in the following ways:

- the contractor switches supplies from the council's own sources to a private firm either within Sheffield or external to the local economy;
 - the contractor changes the existing private supplier of goods to another local firm or to one external to the local economy.
- It has not been possible to examine the list and source of supplies for each of the twelve services. However three examples have been chosen to show the potential impact of contracting out.

Parks maintenance

The Recreation Department's own nursery provides plants and shrubs for parks and gardens although some contracting out already takes place. If parks maintenance is privatised, contractors could decide their own source of plants, for example, their own nursery or purchase plants from another firm (binding the contractor to purchase supplies from the council's nursery may be illegal in the forthcoming legislation on statutory tendering.)



The council employs 27 workers in the nursery section. If a contractor switched supplies to a local firm then although there would be a reduction in the number of council jobs, there would be no net reduction in jobs in the local economy. However, if the supplier was outside Sheffield, there would be a net loss locally but not in the economy as a whole. The same would apply to the supply and repair of grass cutting equipment and vehicles.

Supply of vehicles to Cleansing Department

The Department uses mainly Dodge vehicles which are purchased through sole local agents Pickford Deighton Ltd. In 1984/85 the council placed equipment orders with the firm worth £925,684 compared to £527,115 the previous year (source: City Treasury payment records). The 1984/85 order represented 21.48 per cent of the firm's turnover (company accounts to Dec. 1984). Pickford Deighton employ 44 staff, 22 of whom are Sheffield-based. The council's order would therefore seem to be supporting 9.5 staff although the ordering of relatively expensive items of equipment is hardly likely to require such staffing levels. Clearly, if refuse and street cleansing was privatised, there would be no major effect on the council regarding supplies (other than indirect staffing implications of not having to make decisions nor to process orders) but Pickford Deighton would certainly feel the loss of such an order. Almost a quarter of their turnover could vanish.



overnight if a contractor used different vehicles and/or used an existing agent elsewhere or had a deal directly with the manufacturers.

Catering Supplies

The council's catering supplies for school meals and the town hall catering operations are obtained from several local firms, for example:

Firm	Value of Contract 1984/5 £	Number of Jobs supported by council contracts
Chefs Larder Services		
Provisions	1,366,624	N/A
Meat	340,414	
East Riding Farm Produce Ltd	281,769	4.3
Porter Provisions Ltd	488,758	2.8

Privatisation of school meals and town hall catering could lead to contractors obtaining supplies from outside Sheffield.

Multinational catering firms like ARA Services, Grand Metropolitan and Sutcliffe Catering usually have highly centralised supplies and could be expected to use their existing suppliers if they won contracts in Sheffield. The potential job loss in Sheffield firms is not substantial because they are wholesale and distribution sector jobs. Very few of the supplies would actually be produced in Sheffield.

Although it has not been possible to quantify the potential employment impact of changes in the patterns of purchasing supplies and equipment, the overall number of jobs affected is not likely to exceed about 50 jobs from the evidence available. It is estimated that half, ie 25 jobs, will be lost locally either within the council or in private firms as a result of changes in the purchasing of supplies and equipment.

IMPACT ON JOBS IN THE LOCAL ECONOMY

	Year 1	Additional in Year 2
Privatisation of council services	1965	
Reduced spending in the local economy	111	253
Reduced spending due to cuts in Sick/Holiday pay	20	
Export of contractors' profits and spending on overheads outside of Sheffield	74	
Jobs lost through changes in purchasing supplies and equipment	25	
	<u>2195</u>	<u>253</u>
	Total 2448	

Privatisation Multiplier

- The loss of 1965 council jobs through contracting out will result in a further loss of 483 jobs in the local economy.
- This gives an employment multiplier of 1:25, or for every 4 local government jobs lost through privatisation a further 1 job will be lost in the private sector.
- The impact on the local economy will be even greater if a majority of council job losses are white collar jobs with higher average wages. The employment multiplier will be about 1:32, or for every 3 local government white collar jobs lost 1 further job will be lost in the private sector locally.
- A further 2448 local job losses will increase the existing 43,569 unemployed in Sheffield by 5.6 per cent.

PART 3

THE IMPACT ON WOMEN'S EMPLOYMENT

Women workers will bear the brunt of job losses, redundancies and wage cuts in the new initial phase of contracting out council services. This section examines the scale of the job losses and the wider impact on women.

The first section in this report showed that women will bear the 72 per cent of the local government job losses. But women are also employed extensively in private services in the local economy, eg in shops and offices. The full impact on women's employment is detailed in the following table. The ratio of female/male employment in retailing was obtained from the New Earnings Survey, April 1984. The ratio for the other job losses is based on the total employment in Sheffield, 1979 Census of Employment.

	Female	Male
Council jobs lost in Sheffield	1,367 (72%)	533 (28%)
Retail jobs lost through reduced spending	238 (62%)	146 (38%)
Jobs lost through contractors' overheads and profits	41 (41%)	58 (59%)
TOTAL	1,646 (69%)	737 (31%)

Redundancies and wage cuts

Women will also bear the brunt of the council redundancies and will be forced to seek employment with contractors. A total of 4,692 women employed by the city council will be made redundant. Cuts in working hours and wage cuts are likely to be most severe in cleaning and catering which are virtually entirely staffed by women. Whilst job losses are likely to be about 30 per cent the cut in working hours could be as high as 40-50 per

cent. Hence wage cuts are likely to be higher for women than for most male workers. Holiday and sick pay are also likely to be drastically reduced. Contractors' other employment practices including hiring and firing have been detailed in Public Service Action and Labour Research. Greater restrictions on working hours will mean more disruption and difficulty in women's personal lives.

Women are also more directly affected by the government's strategy to privatise the welfare state and other public services. Care of the young, the sick and elderly is being pushed back within the home as a result of cuts, closures and the high cost of private services. Increased work and greater responsibility is forced onto women.

Women are also directly affected by other changes in employment conditions discussed in the next section.



PART 4 ACCELERATING CHANGES IN THE LABOUR MARKET

It is not simply a matter of jobs and wages. Privatisation will accelerate other trends and developments which are having a severe impact on employment and trade union organisation. This section examines the knock-on effects and related developments in the casualisation of the workforce, contracting out in the private sector, trade union organising, job satisfaction, and increased mechanisation.

Increased casualisation of the workforce

Security and stability of employment can be eliminated overnight once contractors take over. One of the methods used to undercut direct labour is to rely on a core workforce supplemented by temporary workers according to the workload.

The Recreation Department takes on about 220 temporary workers in the summer season for additional grass cutting, running play schemes and sports training. The Town Hall and City Hall catering operate a pool of 135 catering assistants, employing about forty per week. However, contractors are likely to drastically reduce the numbers of permanent staff particularly in parks maintenance and catering, and rely heavily on casual or temporary staff. 'Permanent' staff will in effect be on short term contracts - their employment will only last as long as the firm retains the contract.

The construction industry has a history of extensive use of lump labour - temporary self-employed workers paid in cash to avoid taxation and National Insurance.

There is increasing evidence of the development of a 'dual labour market'. A forthcoming study by John Atkinson of the Institute of Manpower Studies, University of Sussex, for the Department of Employment has revealed clear evidence in detailed investigation of 31 companies (*Financial Times*, 21 August 1985). This study revealed examples of manufacturing and service industry firms where skilled workers have been encouraged to become self-employed to tender for their old work; firms with permanent employees supplemented by temporary workers on short term contracts with inferior holiday and sick pay, pensions etc; and the increasing use of part-time workers for a wide range of tasks.

These developments have major implications for trade union organising and action. Not only are they intended to defuse militancy and impose stricter discipline on the workforce, but they also make organising and retaining union membership more difficult. Temporary workers are less likely to take industrial action if they are trying to prove their suitability to become part of a permanent workforce.

Contracting out in the private sector

The University of Sussex study also revealed an increase in private firms contracting out work. Firms like Pritchard Services Group, Grand Metropolitan and others seeking council contracts already have extensive cleaning and catering contracts with private firms. Even smaller firms are increasingly contracting out transport, cleaning, repairs and other work.

Job losses, redundancies and wage cuts for over six thousand council workers will reverberate on the local labour market by driving down wages in certain services still further. This in turn will lead to more private firms contracting out work as the gap between their own pay rates and those paid by contractors increases.

Trade union organising

Over six thousand redundancies from the council's workforce could also represent a similar numerical loss in trade union membership in the city. Firstly, there will be over two thousand job losses. Secondly, most contracting firms are not unionised and those that are forced to recognise and negotiate with trade unions at one location will not necessarily do so at another location. Substantial resources will have to be allocated to recruit and organise the contractors' workforce. Until this is achieved contracting out will mean a loss of several thousand members for the main unions involved: GMBATU, NUPE, NALGO, TGWU and AUEW.

Less job satisfaction and control

Working harder for longer hours for less pay in worse conditions

with inferior benefits under hire and fire style management without the protection of trade union representation will have a detrimental effect on job satisfaction. The recent surveys carried out by groups of shop stewards and workers in both Recreation and Education Departments in conjunction with SCAT show clearly the importance of job satisfaction and the demand for greater involvement and control over areas of work. However, contracting out will only decrease the level of job satisfaction, taking the 'service' out of public service and the 'care' out of caring. Increased complaints from users will only intensify management pressure on workers creating greater divisions between workers and users.

The effects of increased mechanisation and new technology

Privatisation gives contractors the opportunity to try to introduce machinery to reduce labour costs. They may reject the lease or purchase of council equipment and demand to use their own. This is often based on little real understanding of the work. Taskmasters introduced additional mechanical road sweeping equipment in Merton but 'forgot' that cars parked along most of the roads in the borough would restrict the effectiveness of the equipment. Contract catering firms will usually try to centralise catering operations and introduce cook/chill or freeze.



Development of a branch service economy

The growth of production-only factories in manufacturing industry particularly in areas like the north east led to the development of branch plant economies. New plants rely on the local supply of labour and operate with a local manager. Most aspects of management, research, marketing, banking etc. are carried out at the company's headquarters. The knock-on effects on the local economy have been detailed in various studies.

Extensive contracting out of local government services together with similar developments in the NHS and other public bodies could lead to the growth of a branch service economy in many regions. Firms like Pritchard Services Group with contracts spread around the country already have a number of small regional offices. But these offices or depots are never likely to employ more than a handful of people nor have much decision-making authority over expenditure for several reasons:

1. Most of the firms gaining contracts are transnational companies with headquarters in London, the south east or overseas.
2. The major decisions concerning company policy, purchasing of supplies and equipment, tendering etc. will be made at the firm's headquarters or at the parent company's offices. In addition many firms have their own subsidiaries producing cleaning materials and so on.
3. Once a firm gains a contract, part of the work or company business will be carried out from its base or office at council depots. Companies will normally try to minimise their overheads and exploit council facilities.
4. Since the vast majority of contracts are for 1-5 years, many firms will be reluctant to commit resources to establish substantial regional offices unless the firm had other public and/or private sector contracts.
5. Firms will only be responsible for carrying out the designated work which is often labour intensive but does not require many local managers. The council will still be responsible for all the labour intensive and costly work, eg policy development, research, compiling reports for councillors etc. as well as monitoring and inspecting the contractor's work.

Extensive contracting out will result in firms expanding the number of local or regional offices although this could involve sharing offices with locally based subsidiaries of the same firm already established in the city. But local offices tend to be small and located in low rent districts. Few people, particularly 'clients' have to go to these offices. The growth of contractor's offices is likely to have only a marginal impact on jobs and the take-up of empty office or warehouse space.

Together with other trends in the service sector, the expansion of contracting-out is likely to hasten the growth of a branch service economy.

PART 5 PUBLIC SECTOR COST CONSEQUENCES OF PRIVATISATION

The third part of the privatisation audit examines the public sector cost consequences of contracting out local government services. The Government, contractors, and right-wing organisations like the Adam Smith Institute have made much propaganda from claims of so-called 'savings' when local government services are privatised.

These claims are rarely valid because:

1. They ignore the cost to other public bodies, for example government departments, the NHS.
2. They don't take into account all the costs associated with contracting out, for example the preparation of tenders, the full costs of monitoring and supervision.
3. They ignore cost increases once the contract starts due to contractors' failures, taking on additional inspectors.
4. They often lump the 'savings' spread over several years into one year, and/or base the cost comparison on budget estimates rather than the current actual cost of the service.
5. The focus on costs often masks crucial cuts and reductions in the level and quality of service so that cost comparisons are meaningless.

However, there has been little economic analysis to either substantiate or refute these claims. A previous study showed that privatisation led to increased public sector costs:

For example, the combined average 'savings' claimed by contracting out refuse collection in Wandsworth, Tandridge and refuse and cleansing in Merton is £446,000. But 185 jobs were lost. Assuming that nearly all these employees did not find

other work, this must have cost the state £1 million in the first year alone. (This figure is based on loss of income and indirect taxes, and the paying of unemployment and family income benefits, rent and rate rebates and other benefits for a person earning £6,000, married with two children.) Direct labour proposals to retain the work in the three authorities still meant the loss of 88 jobs. Assuming that these workers remained unemployed, the cost of the state would be £492,000—still more than the "savings" claimed' (*Making It Public: evidence and action against privatisation*, Dexter Whitfield, Pluto Press 1983).

This section examines the following direct and indirect costs of privatisation:

- Costs of redundancy payments
- Loss of income tax and National Insurance
- Loss of VAT and indirect taxation
- Increased unemployment benefits
- Increased housing benefits and rate rebates
- Increased costs of health care caused by higher unemployment
- Costs of local authority initiatives to mitigate the effects of unemployment
- Cost of increasing use of council services
- Cost of employment schemes

The basis for the following calculations vary according to whether the job losses are local and/or national. Some local job losses due to contractor's activities will translate into job gains elsewhere but this is assuming that profits are re-invested in the British economy one way or another.



Cost of redundancy payments

The cost of making 6,516 council employees redundant is £4,592,795 (see 'Impact of Privatisation on the Local Economy' for details). The Government funds 41 per cent of these payments through the Redundancy Fund.

Year 1	£2,414,749
Government	£1,678,046

Of the 483 redundancies in the private sector 230 will be lost in the first year and a further 253 in the second year as redundancy money is exhausted. It is assumed that only 50 per cent qualify for redundancy and have an average of five years service and average weekly earnings of £90.6 per week. The cost of redundancy payments to the public sector is £44,854.

Year 1	
Government	£21,359
Year 2	
Government	£23,495
Total Cost of Redundancy of Payments	£4,137,649

Note: If the City Council adopted an enhanced redundancy package including severance payments then the cost of redundancy could increase substantially. For example some local authorities and trade unions have negotiated deals which include enhanced redundancy payments for each year of service, a week's pay for every year of service in lieu of each week the statutory 90 day redundancy notice is reduced, additional years added to pensions for those taking early retirement. The average redundancy payment could rise from £928.11 per person under the minimum statutory redundancy scheme to say double this amount. The total costs would rise to about £8.2m with the council having to fund the major proportion. Enhanced redundancy payments would reduce job losses in the private sector in the first year by delaying the decline in spending power which would, nevertheless, be fully felt in the second year.

Loss of income tax and National Insurance

The loss of earnings due to job losses and wage cuts working for contractors will lead to reduced income tax and National Insurance received by the government. In addition to the £9,303,896 loss of earnings in council services, there will be a further loss in earnings of £1,809,101 in the

private sector due to the loss of 384 jobs making a total of £11,112,997. The average tax and NI for all Sheffield City Council employees in 1984/85 was 23.46 per cent but this has been reduced to 18 per cent to take into account the concentration of low paid and part-time workers, some of whom will pay little or no tax. The government issued figures in a House of Commons written answer (Hansard, 15 February 1984, page 196) which stated that the percentage of earnings absorbed by income tax and NI was 11 per cent on £3000 income compared to 22 per cent on £5000 income for a married couple in 1983.

Allowing for job losses in the private sector being spread over two years, the loss of income tax and NI will be as follows:

18% of £ 9,921,063
18% of £11,112,997

But these figures have to be offset by the taxation of National Insurance benefits (and supplementary benefits up to that level) introduced by the Tory Government in 1982. This amounted to £625,000,000 in 1984/85 (Answer to Parliamentary Question quoted in *The Real Cost of Unemployment*, Prof. Adrian Sinfield and Neil Fraser, Department of Social Administration, University of Edinburgh, May 1985). This is £195 per person per annum based on 3.2m registered unemployed. The increase in taxation will be £396,045 in the first year and £445,380 in the second year.

Year 1 £1,389,746
Year 2 £1,554,959

Loss of VAT and indirect taxes

Reduced spending power caused by the 2284 job losses together with reduced earnings for the 4668 people working for contractors will mean that the government will receive less tax income from VAT and indirect taxes on spirits, tobacco and petrol. For example, about 61 per cent of average household expenditure goes on VAT-rated items (source: *The Costs of Unemployment*, Carl James, CPAQ, 1981). Unemployment will reduce VAT substantially, particularly since VAT-exempt items like food and housing will constitute a larger proportion of the reduced disposable income.

On the basis of average earnings of £72.77 for 1900 council jobs prior to redundancy, an average

reduction of disposable income of £25.00 per week, average indirect taxation for all households of 25 per cent (source: *Public Costs of Unemployment*, CAJTS, 1984), the loss of VAT and indirect taxes will be £6.25 per week. The figure for private sector workers would be £10.75 per week.

Government — Year 1 £690,729
Year 2 £832,156

There will also be reduced earnings and therefore lower VAT and indirect taxes encountered by the 4668 working for contractors. The average cut in earnings is £9.18 per week leading to a loss in taxes of £2.30 per week, per person.

Year 1 onwards
Government £568,283

Cost of unemployment benefits

These have been calculated for three years because redundancies are spread over two years and benefits change from Unemployment to Supplementary Benefits after the first year. It is assumed that 10 per cent of those made redundant do not register and a further 10 per cent sign up for a MSC/Department of



Employment scheme. The average weekly unemployment benefit was £32.13 in 1983 (source: House of Commons Written Answers, Hansard 23 February 1984). It is estimated to be £34.50 in 1985. It has also been assumed that the average Supplementary Benefit payment to the longer term unemployed is 15 per cent higher than unemployment benefit. However the calculation does not take into account any annual increases in benefits during the three year period. Administration costs must be added to the cost of benefits. In the early 1980s government figures showed this to be between 7-8 per cent of benefits (source: The Cost of Unemployment, Carl James, CPAQ, 1986). Assuming certain economies to scale due to the large increase in unemployment in the last five years and economies created with a certain level of computing, 5 per cent administration costs have been used. The total annual cost of benefits (including administration) is as follows:

	Year 1	£3,825,796
Government —	Year 2	£4,302,371
	Year 3	£4,947,727

Increased housing benefits and rate rebates

In order to calculate housing benefit and rent rebates, various estimates were made of the number of heads of households in both full and part-time jobs affected by privatisation redundancies. The tenure pattern in Sheffield is 44 per cent home owners, 43 per cent council tenants, eight per cent private tenants and two per cent housing association, three per cent vacant (based on 1981 Census). The percentage of 53 public and private tenants was increased to 60 per cent for the purpose of these calculations because a higher percentage of low paid workers are normally tenants. The average rent (all tenures) in Sheffield is £14.03 per week and the average rates are £5.35 per week. Housing Benefit varies according to whether the person is claiming unemployment benefit or supplementary benefit. The Housing Department supplied the following figures for housing benefit:

Unemployment Benefit: housing benefit £6.86
for rent and £4.72 for rates = £11.58 total

Supplementary Benefit: housing benefit £10.39
for rent and £3.91 for rates = £14.30

Total cost of housing benefit =

	Year 1	£287,169
Government	Year 2	£527,488

The number of redundant workers who are owner-occupiers would be 250 in the first year rising to 400 in the second year. They would be eligible to claim for the DHSS to pay the interest part of their monthly mortgage payment assuming they did not own the house outright. It is assumed that only 150 and 250 owners in the first and second years respectively are entitled and claim this benefit.

The number of home owners claiming DHSS mortgage interest payments increased 155 per cent to 250,000 between 1979-83. The average monthly payment was £60.10 in 1982 (source: *Housing Finance - The Facts*, SHAC, 1985) and estimated to be approximately £69.00 at 1985 prices.

	Year 1	£124,200
Government	Year 2	£207,000

Note: No attempt has been made to quantify the costs of Housing Benefit borne by the City Council because the system of payments is complex and the data to compile such an analysis is not readily available. In addition Sheffield operates a local scheme paying 70 per cent of the rent compared to the usual 60 per cent, the difference being funded by the city council.

Increased costs of health care

Various studies both in Britain and America have showed that unemployment leads, at least for some people, to a deterioration in health, particularly their mental health. It has been estimated that a 1m increase in unemployment leads to an extra 50,000 admissions to mental hospitals, and an additional 50,000 deaths will occur over a five-year period. A Sheffield University study showed that the psychological well-being amongst the unemployed was between two and four times lower than amongst the employed and that this difference disappears when the unemployed find work again. The increased health care costs resulting from an extra 1m unemployed were estimated in 1984 to be approximately £756m. Analysed over five years this comes to £150 per person (£157.50 at 1985 prices) (source: *Public Costs of Unemployment* CAITS, 1984). Total annual cost for 2284 extra unemployed:

	Year 1	£319,882
Government	Year 2	£359,730

A new study examining the impact of unemployment on health care has shown that in the four years following the news and closure of a factory, visits to the doctor increased 20 per cent. Referrals to and attendances at hospital outpatients departments increased 20 per cent and 60 per cent respectively. The study concluded that unemployment is leading to marked rises in NHS costs and workload. The results also show that the threat of redundancy was a stress similar to that caused by redundancy itself. (Job Loss and Family Morbidity: A study of a Factory Closure, N. Beale and S. Nethercott, Journal of the Royal College of General Practitioners, 1985).

This could lead to a very small increase in jobs in the NHS to offset other redundancies.

Cost of increasing use of council services

Research by Newcastle City Council has revealed that the unemployed are five times more likely to contact the social services department about financial or family problems. They were also ten times more likely to have been unable to pay a fuel bill, and three times more likely to have serious rent and rates arrears (source: Social Audit 1979-84, City of Newcastle upon Tyne, 1985). The Association of Directors of Social Work reported that five per cent increase in local unemployment in Paisley created a 30 per cent increase in the workload of the social services department. Other studies have shown the connection between unemployment and children going into care, increased mental problems and violence, increased criminal offences, and alcoholism.

A study of the impact of unemployment on the demand for personal social services prepared for the Association of Metropolitan Authorities (Caring for Unemployed People, Bedford Square Press, 1985) attempted to identify and quantify these demands. It clearly showed often large increases in mental health referrals, increased financial and welfare rights referrals, increased Section 1 payments (to prevent children going into care) and Section 27 payments (assisting young people who have left care but require assistance) under the Child Care Act 1980, the effect of increasing unemployment on disabled and those in care. The study examined trends in Sunderland, Coventry, Tower Hamlets, Manchester and other areas where unemployment has risen steeply.

The study also points out that despite these

increasing demands the government has cut the Rate Support Grant from 61 per cent in 1980/79 to 48.7 per cent in 1985/86. The 0.05 per cent increment in the 1984/85 public expenditure figure for personal social services nationally to cover unemployment related expenditure amounted to a mere £9,940 per local authority.

It is very difficult to identify these additional costs for a given increase in unemployment. For the purposes of this audit the estimated costs are combined into the following section.

Cost of local authority initiatives to mitigate the effects of unemployment

Sheffield City Council has already taken a number of initiatives to support job creation and to support the unemployed through centres against unemployment. A further 2448 local redundancies will lead to further expenditure on such initiatives by the council.

Studies by Cleveland County Council in 1982 and 1984 have attempted to quantify the increased costs resulting from greater use of council services and unemployment and training initiatives. These cover increased costs for the Social Services and Education Departments as a result of increases in free school meals, enrolment in further education, adult training, financial support to families, bus subsidies, employment creation projects and so on. (see The Impact of Unemployment on Cleveland County Council Services and Finance, December 1982, and Responding to Unemployment, November 1984, Cleveland County Research and Intelligence).

The study by Sinfeld and Fraser referred to above also used Cleveland data. This concluded that the extra costs borne by the local authority per 1000 registered unemployed were £490,000 at 1984/85 prices. Certain adjustments have been made to these figures to take into account several factors relevant to Sheffield. These include the smaller increase in unemployment, the existing low level of bus fares and initiatives to counter unemployment already taken by the city council. A figure of £275,000 per extra 1000 unemployed has been used. This is a combined total of costs related to the increased use of council services and expenditure as a result of employment initiatives, based on 2195 job losses in Year 1 and

rising to 2445 in Year 2 the total expenditure will be:

Council	Year 1	£603,625
	Year 2	£673,200

Cost of employment schemes

A recent analysis by the Centre for Alternative Industrial and Technological Systems, (Public Cost of Unemployment) showed that the weighted average cost of MSC and Department of Employment schemes (Community Programme, Job Release, Employment Transfer, Enterprise Allowances, Job Search, and employment rehabilitation schemes, but excluding YTS and other youth schemes) was £1250 (or £1312 at 1985 costs). This does not include the administrative costs. Approximately one in ten unemployed adults make use of one of these schemes during a year of unemployment.

Government	Year 1	£266,467
	Year 2	£299,661

Employment on some of these schemes may increase weekly earnings compared to unemployment and Supplementary Benefit levels. However, this is likely to affect a very small percentage of the 2284 job losses and therefore have a very minimum effect offsetting the loss of earnings and hence loss of jobs in the local economy.

TOTAL COSTS

	£ Year 1		£ Year 2	
	Council	Government	Council	Government
Costs of redundancy payments	2,414,749	1,698,495		23,495
Loss of income tax and NI		1,389,746		1,554,959
Loss of VAT & indirect taxes		1,249,022		1,390,449
Increased unemployment benefits		3,825,795		4,302,371
Increased housing benefits		411,369		734,488
Increased health care costs		319,882		359,720
Costs of council initiatives to				
Counter unemployment	603,625		673,200	
Cost of increasing use of				
council services				
Cost of employment schemes		266,467		299,661
Total	3,018,374	9,160,686	673,200	8,685,153

Other public sector costs

It has not been possible to include all the public sector costs of unemployment. Various studies have attempted to work out the annual cost per additional unemployed person. The Sinfield and Fraser study referred to earlier in this section calculated the annual cost at £7,000 per registered unemployed person. This would bring the total cost of the additional unemployment caused by contracting out in Sheffield to £17m. There are also wider social costs to the unemployed and the community as a whole.

Total costs to local and central government

Year 1	£12,179,060
Year 2	£ 9,338,353
Year 3 and subsequent years	£ 9,960,214

The distribution of these costs is crucially important. The following table shows that the bulk of the costs are borne by central government. It also shows that there is a further transfer of costs after the first year.

Distribution of costs

	City Council	Central Govt.
Year 1	24.78%	75.22%
Year 2	7.20%	92.80%
Year 3 and subsequent years	6.75%	93.25%

The distribution of the costs within central government is also important. The DHSS, the Department of Employment, and the Treasury bear the bulk of the costs and revenue forgone. The Department of the Environment has a small direct cost. It is also affected by the increased costs borne by local authorities but these reduce dramatically after the first year.

Fraud

So the full costs of contracting out, not adjusted for inflation, are as follows:

	Year 1 £m	Year 2 £m	Year 3 £m
Cost of contracts	21.70	21.70	21.70
Public sector costs	12.18	9.34	9.96
Total	33.88	31.04	31.66

The total existing Sheffield City Council wage costs for all twelve services is currently £21.13m. Assuming the same ratio of wages to overheads referred to in Part 2 then the total current

estimated costs of these services is £28.58m. This means that overheads amount to £7.45m, some 46 per cent higher than those of contractors but part of this is due to the larger workforce.

Therefore the total public sector cost of contracting out will be, using the figures in the above table minus £28.58m is:

Year 1	£5.30m
Year 2	£2.46m
Year 3	£3.08m

Over a five year period the cost of contracting out the 12 services in Sheffield will be £17.00m.



'BY THE END OF THE DAY, IT IS CLEARLY APPARENT THAT PRIVATISATION MEANS BIG SAVINGS FOR PUBLIC MONEY.'

What value for money?

Another way of looking at the figures is to examine the real cost of transferring each job to the private sector. The cost of transferring 4,668 jobs to private contractors costs the public sector £7,258 per job in the first year and £6,782 in the third and each subsequent year. This has to be contrasted with the annual cost of £4,352 of employing 6,568 council workers (including overheads). So the public sector creates 2,448 more public and private sector jobs at between 36 and 40 per cent less cost than the private sector. This is further conclusive evidence that the private sector is a drain on the public sector.

If the costs to Sheffield City Council only are taken into account then the annual costs of contracting out will be £24.72m in the first year and £22.33m in subsequent years. This could lead to a reduction in the cost of these services to the city council of £3.86m in the first year and £6.25m in subsequent years. This has to be contrasted with the increased cost to central government of £9.16m in the first two years and £9.29 in the third and subsequent years.

For ratepayers to reap any benefit from these cost reductions in local government, central government will have to make specific adjustments to the Grant Related Expenditure Assessment (GREX), part of the block grant arrangements in which the government determines the level of grant to each local authority. Otherwise taxpayers will benefit, ratepayers will not. Given the fixed cash limits and the government's monetary policies it is very uncertain whether these adjustments would be made. The government could adopt the same tactics used in the NHS by reducing budgets by say one per cent on the assumption that so-called 'efficiency savings' have been made.

If these adjustments are made then the cost reductions for local government could benefit ratepayers at the expense of taxpayers bearing the bulk of the public costs of contracting out. The grants and penalties system is likely to mean that for every £1m cost reduction in Sheffield ratepayers will actually benefit by a larger amount.

The rates myth

The business lobby and right wing organisations constantly claim that rates are a major burden for industry and that high rates and large increases drive out industry and jobs. They also claim that 'savings' from privatisation will lead to rate reductions which will in turn create more jobs.

Despite the propaganda the rates bill is a small part of industry's costs - equivalent to only 2.7 per cent of its total wage and salary bill. Business rates have become a political issue in part due to the fact that many large firms now pay no or very little corporation tax and the recent reduction in the National Insurance surcharge leaves the focus on rates as a tax on business. A decline in profitability leads to cost cutting on wages, materials, investment but business has no direct control over the level of rates. Hence the campaign to shift the burden onto domestic ratepayers.

A comprehensive study on the effect of rates on the location of private sector jobs was recently completed for the Department of the Environment. (The Effects of Business Rates on the Location of Employment, Dept of Land Economy, University of Cambridge, 1985). This study concluded that in manufacturing, retailing and warehousing "the analysis provides no evidence that either the level of rates or the increase in rates affects the distribution of employment between local authority areas". In the commercial offices sector there is again no statistical significant correlation, if central London is excluded, between the level or increase in rates and the distribution of employment.

Little impact

As far as industry is concerned any small rate reduction or rate

freeze is likely to benefit profits and not create any local jobs. The bulk of major firms in Sheffield are owned by national and transnational companies hence additional profits will benefit shareholders and/or be invested elsewhere. Domestic ratepayers would benefit by having additional disposable income they would not otherwise have had. This would have an impact on jobs in the local economy. For example, an extra £1m disposable income would support about 155 private sector jobs thus marginally offsetting the 2,448 job losses.

However, the Jobs Audit concluded that "the effect of council spending and rates on the private sector alone is that more jobs are supported through council contracts than are at risk through the rates burden on business. When all factors are taken into account, nearly five times as many jobs are supported locally per £1m of council spending than could be supported by an equivalent amount of rates reduction".

Clearly privatisation of local government services is a fraud. There are no savings. The full public costs are hidden because they are shared by several government departments. There is a clear need to establish a public sector cost accounting system to take into account all the public costs of privatisation. This should be developed alongside social cost accounting to take into account the wider costs of contracting out to workers, users and local government.

PART 6 THE NATIONAL IMPLICATIONS

Having examined the impact on council jobs, the Sheffield local economy, and the public sector cost consequences of privatisation in one city, this section discusses the potential national impact.

The privatisation audit in Sheffield is based on detailed information on jobs, wages etc, but this same information is not available for all local authorities nationally. Hence certain assumptions have been made and the concluding job losses and public sector costs are only estimates. They do however, indicate the scale of the potential impact of contracting out local government services.

Job losses

The quarterly local authority employment returns (31 March 1985) published by the Local Authorities Conditions of Service Advisory Board (LACSAB) and the National Joint Council for Local Authorities Services (Scottish Councils) formed the basis of the calculations. Unfortunately these returns only identify full, part-time and whole time equivalents in each local authority department and do not breakdown the figures into manual, administration, management nor into broad job titles. The job losses in Sheffield were calculated as a percentage of the workforce in each department. These percentages were then applied to the national figures. Obviously the percentage of workers employed on say parks maintenance will vary from authority to authority depending on the range of services. There is also an in-built assumption that the Sheffield services covered by this audit are no more or less labour intensive than the average for all authorities. There are also some variations in the

way local authorities organise services in different departments. However, these differences on a national basis are not considered significant enough to substantially affect the overall figures.

NATIONAL JOB LOSSES

Service	Total jobs in England, Wales and Scotland	% Job loss in Sheffield	Potential National Job loss
Recreation	101,748	15.1	15,365
Housing	71,819	3.2	2,299
Family & Community Services	374,418	3.9	14,602
Education	1,447,593	5.6	81,065
Refuse, street cleansing	49,933	29.5	14,730
Libraries	48,244	2.8	1,351
Misc Services inc cleaning, catering	301,097	3.4	10,237
Total			139,649

Based on the number of full and part time jobs at 31 March, 1985.

The remaining part of the calculation of job losses assumes 50 per cent contracting out nationally. As a comparison, direct labour has won 98 out of the 216 NHS cleaning contracts (45.4 per cent) up to August 1985. Therefore the base figure is half of the 139,649, ie 69,825. Job losses in administration/management have to be added to this total. This has been calculated using the same ratio of white collar/manual job losses estimated in Sheffield. This will add 3,879 white collar jobs to the total.

There will also be knock-on effects on the national economy as a result of these council job losses. However, the impact will be relatively less severe than in Sheffield. Some of the private sector job losses represent job gains elsewhere, for example, as contractors purchase their supplies from other sources and invest part of their profits in other ventures in other cities. The loss of 73,704 manual and white collar local authority jobs will lead to a further loss of 14,402 private sector jobs. This gives a total national job loss of 88,308 (based on a 50 per cent success rate across the country).

Public sector cost consequences

The national public sector costs have been estimated using the findings from the Sheffield study. Again assuming a 50 per cent success rate by direct labour the cost implications resulting from the privatisation of services covered in this audit will be as follows:

Year 1	Cost to Central Government	£365.37m
	Cost to Local Authorities	£117.07m
	Total	£472.44m
Year 2	Cost to Central Government	£336.17m
	Cost to Local Authorities	£26.08m
	Total	£362.25m
Year 3 onwards	Cost to Central Government	£360.30m
	Cost to Local Authorities	£26.07m
	Total	£386.37m

These cost increases have to be partly offset by a small reduction in local authority budgets. The total public sector cost of contracting out the same twelve services nationally, based on the Sheffield calculations will be a massive £659.45m over five years (excluding inflation).

