

Public Service ANALYSIS

for

Issue 1 • Spring 1997



The Post Office: A Privatisation Too Far

School Meals: Children's Health

Externalisation of Council Services

Private Finance: The Future for Public Services

PFI: Year 2007

Government study ignores equalities

Contents

Externalisation of council services	3
Private Finance and partnerships: the future of public services	8
PFI: Year 2007	11
Post Office: A privatisation too far	12
Government study ignores equalities	17
School Meals: Childrens health	19

Public Service ANALYSIS

Researched, written and produced by the Centre for Public Services, PSA offers in-depth analysis of major issues and developments in both the public and private sectors,

Working from a public service perspective, PSA is essential reading for policy makers, researchers, public service managers, trade unions, community organisations and anyone interested in understanding what's happening to public services and the welfare state,

PSA SUBSCRIPTION:

4 issues per year	£25.00
Overseas subscriptions (all categories)	£35.00

Bulk order rates:

3-6 copies	£20.00 per 4 issue subscription
7-15 copies	£17.50 per 4 issue subscription
16-25 copies	£15.00 per 4 issue subscription
Over 25 copies	by negotiation

Free Offer

A free copy of the CPS research paper "Calculation of the National Costs & Savings of CCT" worth £15 with every new or renewed subscription to PSA at the new rates, (offer valid until July 31st 1997)

Please note that although we make every effort to publish quarterly, workloads at the Centre for Public Services sometimes force us to produce the journal at slightly irregular intervals. Whatever happens, every subscriber is entitled to four issues of PSA, irrespective of which date the initial subscription is taken out on. Subscription information may be stored electronically.

Public Service Action back issues

We still have a limited number of Public Service Action back issue packs (around 45 issues) which we are offering to subscribers of PSA at the special discount rate of just £40.00. If you or your organisation would like to gain access to this invaluable research and reference material, providing in-depth coverage and analysis of developments in the public and private sectors since 1983, order a pack NOW! Pack includes the first ever issue of Public Service Action.

All enquiries about subscriptions and correspondence to:

Centre for Public Services,
1 Sidney Street, Sheffield S1 4RG.
Tel. 01142726683, Fax 0114 272 7066.
Email (GeoNet) CTR.PUBLICSERV,
(Internet) ctr.publicserv@mcr1.poptel.org.uk

CENTRE for PUBLIC SERVICES

Research • Strategy • Planning • Training

1 Sidney Street Sheffield S1 4RG Tel: 01142726683 Fax 2727066

Externalisation 01 council services

A new form of privatisation - externalisation - has been developed in local government over the last five years. A UNISON report, researched by the Centre for Public Services, shows that externalisation is, in most instances, a management-inspired initiative, developed with virtually no political debate about its longer term consequences. Externalisation is often couched in carefully worded language to hide its true impact - "joint working", "partnership" and "collaborative working". In essence, externalisation is a clear form of privatisation which is often not fully explained to councillors, staff or service users.

An accompanying report by UNISON sets out a trade union strategy to oppose externalisation.

Externalisation has been concentrated in three areas of local government: the sale of Direct Service Organisations (DSOs), white collar services and the transfer of council housing. Some authorities have also established Leisure Trusts and similar organisations for residential homes.

The most recent announcements provide an indication of what may occur in many councils across the country unless a stop is put to externalisation. Following the suggestions of the new chief executive, Bob Kerslake, Sheffield City Council, has reversed its opposition to externalisation and proposed to outsource IT and financial services in order to make budget savings.

In April the London Borough of Lambeth announced plans to externalise revenues, benefits and audit services worth £10m and involving 300 staff. Hackney launched a 'pioneering' revenues and benefits partnership with the private sector worth £9m a year in March.

What externalisation means

Externalisation means:

- * Privatisation
- * No in-house bid
- * A much larger part of the service being privatised than would be tendered under CCT
- * Putting other services, particularly central support services, under threat
- * Much less chance of local authorities regaining any work at retendering stage
- * Pre-empting the impact of Local Government Reorganisation and the possibilities which may arise as a result of the 1997 General Election.

Proposals to externalise services reflect an acceptance of the enabling model of local government with widespread consequences for the local authority, services, staff and the local economy.



Photo: Philip Wilson

Any host company is likely to want to compete for other council services. Externalisation will not necessarily be confined to one specific service. Once one department is privatised it is likely to set in motion further externalisation.

New markets for private contractors

Different forms of externalisation

Joint venture with private company: The local authority establishes a private company in which it may have a stake of up to 20%. Companies in which the local authority has a 20% or more stake involve highly complicated arrangements.

MBO: The local authority sells its services to a private company formed by managers with capital raised from financial institutions. The company then takes over the council service and delivers it under contract to the council.

MEBO: The service is sold to a private company formed by employees and managers.

Trade sale to private company: Outright sale of a service to a private contractor. The host is the company which is seeking to acquire a council department or service.

Collaboration with the private sector: A more informal relationship with the private sector would be established with an exchange of expertise and experience.

Joint venture with private company: A joint venture involves the sale of a council service to a private company which establishes a new company in which the council has a 20%-50% share stake.

Trust: Transfer to an established organisation or new trust established for specific services. They are either charitable bodies or 'not-for-profit' bodies. There are some leisure and community care examples in local government.

Cooperative: A cooperative is modelled on

collective ownership with workers owning shares in a company, usually established under the Industrial and Provident Societies Acts. The company is governed by a management board consisting of members and managers.

The estimated total of jobs transferred to the private sector through externalisations of white-collar technical services in the 1992-97 period is 3,270, on the basis of an average 109 jobs per local authority. The estimated total value is £231m.

There have been 28 cases of externalisation in IT and financial services in 22 local authorities. Based on an average of 102 jobs lost per contract, a total of 2,860 jobs have been transferred through externalisation involving £62.2m worth of work.

DSO Trade Sales

DSOs have also been sold off to private companies to run manual and other services, even though in most cases the services were being run in-house following a proper CCT and contract award process. Trade sales of DSOs have usually taken place covering a range of manual services or in the highways DLOs.

Some of these trade sales are worth millions and cover all manual services. The latest council to have followed this route is Lambeth. In January 1997, Lambeth announced that an outside bidder, Serviceteam, had won the £350m contract to take over the council's technical services, involving all manual areas, in the largest transfer of a DSO to the private sector. The ten-year deal, affecting 2,000 staff, will involve the creation of a joint venture company, Serviceteam Lambeth. The externalisation will include the council having a board representative and it is being claimed that savings will be divided equally between the company and the council.

Serviceteam was originally placed second to Sita but won because Sita raised its price to cover any liability arising from changes to the protection of employment legislation. The council rejected the notion of setting up a joint fund. Serviceteam agreed to treat this as a commercial risk though there are clearly concerns about the ability of Serviceteam to take on a contract of this size, given that its turnover is only £80m and employed 3,000 people prior to taking over the Lambeth contract. The start-date for the contract has already been delayed twice.

There have been 46 DSO trade sales in 45 local authorities in the period 1993-97, covering a range of manual and highways services.

We estimate that 18,300 jobs have been affected by DSO trade sales involving £342m worth of work in manual and highways services in the 1992-97 period.

Summary of Externalisations

The externalisation of white collar services and DSOs is summarised in table 1. Nearly 18,500 local authority jobs have been transferred to the private sector and private firms gained contracts worth £448m per annum. These figures do not include externalisations where no information is available on the number of jobs transferred and/or the annual value of the contract. Using the average contract size and value, the estimated total number of staff transferred is 27,791 with a total contract value of £711m per annum.

In addition, several thousand jobs have been transferred to the private sector through Large Scale Voluntary Transfers in housing and the establishment of Trusts in leisure and community care services.

Leisure services trusts

A few local authorities have established Leisure Trusts which have taken over the provision of sports and leisure management con-

Table 1: Total externalisation of white collar services and DSOs

Service	No of staff	Annual value £m	ESTIMATE BASED ON AVERAGE CONTRACT SIZE AND VALUE	
			No of staff	Annual Value £m
White collar technical services	2,846	130.8	3,270	231.0
White collar financial and IT services	1,221	60.0	2,856	62.2
DSOs	10,138	144.6	15,640	213.9
Highway DSOs	1,909	70.0	2,625	129.0
Sales to MBOs	2,322	42.1	3,400	75.0
Total	18,436	447.5	27,791	711.1

Source: Centre for Public Services, LGMB, PSPRU and Press reports.

tracts although facilities have remained in public ownership. Most authorities are attracted to the Trust concept largely because of the savings from rate relief and VAT although these are often not as large as envisaged. We have identified twelve authorities which have established Trusts (this excludes partnership arrangements on individual centres). Some councils have considered and rejected the Trust model and a number of authorities are currently considering proposals to form a Trust. In Hounslow a Trust is being proposed to take over leisure management, arts and events, libraries and grounds maintenance.

Housing

Local authority housing stock transfers, separate from tenant's right to buy, have escalated since 1988 with 73 councils selling over 300,000 dwellings. The Large Scale Voluntary Transfer (LSVT) programme has involved the entire transfer of local authority housing stock and virtually all their staff to existing or newly established housing associations.

A Department of the Environment funded study of LSVTs revealed that 40 transfers were completed by March 1995, financed by £2.6 billion of private capital, but there were 22 unsuccessful LSVT ballots and 18 abandoned schemes. It also found that only two LSVT associations achieved their planned three year programme of new housing development in nine case study transfers. The cost of transfer was £80.5m, on average 5% of the purchase price excluding all costs borne by local authorities, with a further £50m estimated cost of the unsuccessful transfers. Funding for transfers came primarily from banks and building societies.

Local Housing Companies

Local Housing Companies (LHCs) are being promoted as a new vehicle to transfer council housing from the public to the private sector. LHCs must be private companies, approved by the Housing Corporation, and will be able to access private capital which will not count against the local authority's capital programme nor the Public sector Borrowing Requirement (PSBR). LHCs are now part of the Conservative Government's twin track approach to transfer over 1m council dwellings in the next ten years.

Other externalisations

Other forms of externalisation include Local Authority Waste Disposal Companies (LAWDCs) and Community Care Trusts. Local authorities were required to establish LAWDCs to takeover responsibility for the transportation



and disposal of waste. Some of these local authority owned companies have since been sold to private contractors.

Some local authority social services departments, including Cheshire, Lincolnshire, Kent, Manchester and Sheffield, transferred all or some of their residential homes to newly established Trusts.

The geography of externalisation

The regional pattern of externalisation provides a stark contrast between the north and the south. Virtually all the transfer of DSOs, white collar departments and large scale council housing stock transfers have occurred south of a line drawn from the Wash to the West Midlands.

There are several reasons for this geographic pattern. Firstly, the vast majority of externalising local authorities up to 1997 were Conservative controlled district councils or districts with no overall control or controlled by Independents. This is particularly the case for the sale of DSOs and LSVTs. There were few district councils externalising white collar services, mainly because they have relatively small units, which was concentrated in seven London Boroughs and thirteen County Councils. It is also apparent that the enabling concept of local government is more widely accepted by both Councillors and officers in these authorities. Six authorities which externalised their DSO also transferred their housing stock to housing asso-

ciations (three others failed after tenants voted against transfer) and three local authorities privatising white collar services also transferred their housing stock.

Secondly, the level of competition for CCT contracts has been higher in the south than in the north. Construction sector consultants may have also focused on acquiring local authority architectural and engineering services in the south because of the potential longer term infrastructure investment in the Midlands and South East.

The pattern of externalisation of Leisure Trusts and Social Services Trusts, is both on a smaller scale than the other forms of externalisation, and is also dispersed geographically. However, enforced transfers under the Estates Renewal Challenge Fund are mainly in labour controlled London Boroughs and metropolitan authorities.

Managers are the main promoters of sales and transfers

The extent to which externalisation is implemented is dependent on the interplay of four factors: two external factors - CCT and an externalisation market; and two internal factors - senior managers initiating the externalisation option and the DSO or in-house service adopting a commercial ideology and business practice. All four factors were a prerequisite in the sale of DSOs and white collar services. The formation of leisure trusts has been driven partly by budget cuts and hence the attraction of VAT and rate relief savings from trust status, but CCT and managerial interest in externalisation were equally important.

Externalisation rejected

At least ten local authorities considered and then rejected the sale of white collar services and another four authorities rejected the sale of their DSOs. In the same period as 55 authorities transferred their council housing stock, tenants in 22 councils voted against transfer whilst proposals in another 18 authorities were abandoned.

The focus on those authorities which have externalised services could create a false impression of the level of interest. The proportion of authorities which have sold or transferred services or considered such a move still remains the minority of local authorities in Britain.

Impact on jobs, pay and conditions

Externalisation alters conditions for staff. Private sector restructuring and relocation have resulted in changes to pension entitlement, pay and conditions, holidays and sick leave, trade

union representation and negotiation, equal opportunities, job satisfaction, training and career development in all cases of externalisation. It does not remove the uncertainties facing staff working in local government but rather is likely to create new ones. Our research shows that although TUPE will apply to externalised contracts, staff have a much better chance of maintaining jobs, terms and conditions and trade union organisation where a local authority has a strong commitment to retaining services in-house than with externalisation.

Impact on the local economy

The claims that externalisation to private contractors and consultants will bring additional work into the local economy are largely bogus. Most firms have won very little additional work. Changes in staffing levels, terms and conditions after transfer have a negative effect on employment in the local economy although this is gradual rather than immediate. Local authorities which have sold their DSO no longer employ manual workers and relinquish their influence in the local labour market.

Costs and savings

Externalisation will not solve a council's budgetary problems, since there will be no more money available for the service in the private sector. A private firm operating in the same economic climate as the local authority will not provide any more security of employment when both are heavily reliant on council capital and revenue programmes. Under externalisation there will be less flexibility and less democratic control over the service in terms of its financial prospects.

In some authorities which have already externalised services, there is evidence of increased contract prices and costs as companies struggle to deliver services under the agreed financial terms. Any surplus will be retained by the company and will not be used to the benefit of the local authority or its council tax-payers.

Future externalisation

The scale of future externalisation depends on a number of factors. Firstly, it depends on whether the newly reorganised local authorities in England, Wales and Scotland are required to proceed with CCT. The bigger question of whether CCT for manual and white collar services is abolished, when and how, will also heavily influence the internal pressure for externalisation from managers and the external pressure from contractors and consultants seeking contracts and market share. Highway DSOs are like-

ly to continue to face difficult circumstances because of limits on capital spending and major road schemes being financed under the Private Finance Initiative.

Secondly, it depends on whether tenants approve further transfers of council housing either to housing associations or to Local Housing Companies.

Thirdly, continued budget cuts could force

more local authorities to consider transferring services.

Fourthly, the increasing use of the Private Finance Initiative (PFI) in local government will be another vehicle for the transfer of services to the private and voluntary sectors. The design, build, finance and operate nature of PFI projects requires new privately owned or partnership companies to operate services.

The externalisation market

Companies are seeking to profit from the local authority market and externalisation is one easy way of gaining a strong position within the sector. There is no shortage of companies responding to advertisements inviting interest from host companies. Many firms are clearly developing strategic positioning for CCT. Some consultancies have the professional and technical experience but lack the specific local government experience and hence externalisation enables them to buy what they need. Apart from acquiring additional work, private firms have other vested interests in externalisation and trade sales:

* The acquisition of experienced staff who have detailed knowledge of local government systems, processes and procedures as well as local knowledge. This experience and contacts means that consultants are in effect buying the 'goodwill' of local authority organisation.

* To strengthen and broaden technical expertise and the firm's ability to offer a multi-disciplinary approach, ensuring that it is better placed to compete for local authority construction and property services contracts.

* To establish a local or regional office to strengthen their position for tendering.

* To establish a foothold or bridgehead in the local authority which will enable the firm to identify additional work in other council departments for which it could tender.

Market share

The most dominant company involved in DSO trade sales is Sita (GB) Ltd, a subsidiary of the French transnational Lyonnaise Dumez. The company acquired 17 DSOs in a three year period. They range from Bristol worth £20m per annum to smaller district councils such as Elmbridge at £1.3m per annum (see table 2).

Sita's takeover of Quadron and Ringway, with four highways contracts in Berkshire, Cambridgeshire, Gloucestershire and a joint venture with Colas in Devon, has diversified company's base in DSO services.

Table 2 : Sita (GB) DSO acquisitions

Local Authority	Service	No of staff	Value £m	Year
Barrow DC	All DSO services	235	2.5	1994
Berkshire CC	Highways DLO (Ringway)	nJa	nJa	nJa
Bristol DC	All manual	750	20.0	1994
Bromley LBC	Ground maint, building, cleaning, catering	550	3.0	1993
Cambridgeshire CC	Highways DLO (Ringway)	98	nJa	1995
Devon CC	Highways DLO (Ringway/Colas)	470	20.0	1995
Dover DC	Refuse collection, ground maint	nJa	nJa	1995
East Sussex CC	Highways DLO (Ringway)	143	5.0	1995
Elmbridge DC	Ground maint, Building & street cleaning	nJa	1.3	1993
Gillingham DC	All DSO services	nJa	nJa	1995
Gloucestershire CC	Highways DLO (Ringway)	350	nJa	1993
Hinkley & Bosworth DC	All DSO services	70	2.0	1995
Kingston LBC	All DSOs	180	4.0	1994
Mendip DC	Ground maint, Building cleaning	nJa	0.1	1995
Rushmoor DC	Refuse, grd maint, leisure (Quadron)	200	1.4	1994
Woking	All DSO services	nJa	nJa	1996
Woodspring DC	Range of services (Quadron)	370	11.0	1993
Total		3,346	65.3	

Source: Centre for Public Services, 1997

Forthcoming copies of "Externalisation by Privatisation" and "Opposing externalisation: Trade union / guidelines" will soon be available from UNISON, I, Mabledon Place, London WC1H 9AJ.

Private Finance and Partnerships



The Future for Public Services

The Private Finance Initiative is not just about attracting private investment to rebuild Britain's infrastructure, it also involves private companies owning and controlling public services ie. privatisation. None of the main political parties have suggested alternatives. This article examines the implications of the current Private Finance Initiative (PFI) rules and Labour's proposals as set out in its Business Manifesto.

The current rules of the Private Finance Initiative mean:

Private ownership of hospitals, schools and other facilities: The Government stated in recent PFI guidance that "taxpayers do not need to own hospitals". Under the PFI, an NHS Trust or local authority does not own the hospital or school but pays the PFI consortia a stream of committed revenue payments for the use of the facilities over 25-35 years. At the end of this period ownership remains with the private sector who can sell the facilities to another PFI consortia or participate in a new PFI project.

Privatisation of design: The private sector designs, builds, finances and operates facilities based on 'output' specifications. Local authorities and NHS Trusts determine its overall requirements but leave the detail to the PFI consortia. The private sector already builds most public facilities but the PFI ensures that the design, financing and operation of public services are also carried out by the private sector.

The expansion of the PFI makes the Labour Party's commitment to abolish CCT and market testing rather less effective since it will apply only to those services not affected by PFI

projects. CCT could, in effect, be replaced by a far more extensive form of tendering for long term contracts.

Private contractors deliver services: Each PFI consortia includes a facilities management company which takes over the management and operation of a hospital or school. Most contracts include cleaning, catering, building repair and maintenance, security, transport and in the case of NHS contracts administration, telephone, and some include pathology, radiology, laboratories and other non-clinical services. A precedent has already been set by one Scottish PFI project which included all clinical and non-clinical services.

Private hospitals on NHS sites: Some PFI projects include the building of private hospitals adjacent to NHS facilities. There are also examples of PFI consortia offering to takeover the management of NHS hospitals during the preceding completion of the PFI facilities.

Dual use between public and private users: Most PFI projects include both private and public use of equipment and facilities. Whenever a PFI project has financial difficulties, the pressure will be on to increase income generation from private patients and users.

Income generating schemes: Most PFI projects include income generating proposals ranging from car parking, hotel and shopping facilities with new or higher charges.

Private development: The PFI is providing new opportunities for private developers to gain ownership of public assets to maximise their commercial development opportunities. This often includes key city centre sites. The provision of a new hospital is almost a secondary item in some PFI projects.

The implications for public services

The Tories are sticking to the line that the NHS will remain free at the point of use. Privately delivered care in privately owned, managed and operated hospitals cannot conceivably be classified as a public service. Virtually all the principles of the NHS will have been eroded. Furthermore, 'free' care in a privately owned and operated hospital, competing for appointments and beds with private patients, is unlikely to be sustainable. The longer term effect of PFI projects will mean that the NHS will have been privatised and NHS Trusts marginalised.

It is equally inconceivable that schools and colleges will remain 'public' when PFI consortia own the buildings and provide all non-educational support services. Only teachers will be

directly employed by a local authority and it will only be a matter of time before PFI operators offer to take over the service lock, stock and barrel.

In the meantime, banks, insurance companies and other financial organisations will have 'refined' and repackaged private health insurance schemes to include cover for pensions and unemployment insurance. The eclipse and termination of the NHS will be virtually complete.

All the new facilities will be privately owned leaving the older 'public' facilities in NHS and local authority hands. The PFI will create a two tier system within hospitals and schools, between public and private patients, as well as between new and old facilities.

The debate about which services are included or excluded or where the 'boundary' lies between clinical and non-clinical services and education and non-teaching staff is false. Having two major employers in each hospital or school is a recipe for constant struggles over control and responsibility. It pays lip service, for example, to integrated medical teams.

PFI econotnics

Despite the higher cost of borrowing and consultants fees, the Government claims that PFI schemes will be cheaper in the longer term. This can only be achieved if they manage to:

1. lower construction costs (but private contractors already build the facilities) or they build to 'cheaper' designs ie lower quality buildings with a shorter lifespan.
2. operate facilities more efficiently - this means job cuts and 'flexibility of labour'.
3. squeeze additional money from income generation - this means increasing private use of facilities and services and/or increased user charges.

If these are not achieved, the only other alternative is a squeeze on jobs, terms and conditions combined with higher user charges and increased private use.

The traditional funding of hospital, school and public sector capital projects remains the most effective mechanism, financially and operationally, in providing health service buildings and equipment. The idea that private capital is going to 'help' the NHS is fatuous nonsense.

Conservative proposals

The Conservative Manifesto refers to "...liberating services from centralised control over capital. We will push forward our Private Finance Initiative to break down these old barriers." No

further details are provided but it is clear that the PFI would increasingly be used for capital projects.

Labour's 12 point plan for PFI

The Labour Party's Business Manifesto 'Equipping Britain for the Future' contained a 12 point plan for partnership. It stated:

"... in the future, public/private partnerships will play an increasing role in procuring public services and investment. The old argument as to whether public ownership was always best or whether privatisation was the only answer is behind us

A new Labour Government will take a practical approach. We will seek partnerships which bring real economic benefits to all involved. We recognise the value that the private sector can so often bring to projects where there is scope to apply its expertise, disciplines and economies of scale.

Women bear the brunt of PFI in the NHS

The NHS employs over 1 million non-medical staff in Great Britain of whom 860,000 (78%) are women.

The proportion of women in certain occupational groups is even higher, for example, 88% of nursing and midwifery staff and 86% of administrative and clerical staff are women.

Even if PFI projects were confined to servicing buildings, support services and administration (which many are not), 72% of these jobs are held by women, over 251,000 jobs.

Table 1: Non medical in NHS 1995 (headcount)

	Female	Male	Jobs
England	678,070	186,815	864,885
Scotland	102,227	21,535	123,762
Wales*	47,640	13,125	60,765
N.Ireland	32,915	8,780	41,695
Total	860,852	230,255	1,091,107

Excludes staff employed on contracted-out services
 * 1996 data and gender breakdown assumed to be same as England

Sources: Statistical Bulletin, Department of Health, 1995 and 1996; Statistical Directorate, Welsh Office; Statistical Directorate, Scottish Office; Fair Employment Commission, Northern Ireland.

..... We will establish a new public/private taskforce within the Treasury, reporting to a minister whose responsibility will be to set priorities and drive the process forward."

Implications

There are significant issues which are clearly omitted:

Firstly, there is no clarification of the boundary between clinical and non-clinical or between teaching and non-teaching activities. It appears that the current operational component of PFI projects will remain unaltered resulting in private consortia being able to virtually pick and choose the services they want to provide. It also means that manual workers, particularly women, will be most affected by PFI projects.

Secondly, there is no mention of changing the current rules with respect to the ownership or 125 year leasing of land and facilities.

Thirdly, there is no reference to the requirement to carry out a full comparison with a pub-

lic sector funded option .

Fourthly, PFI projects have used 'commercial confidentiality' to exclude genuine consultation and participation by community organisations, user groups and trade unions. Whilst there is a reference to small business participation being encouraged, nothing is forthcoming to address what is in effect the privatisation of the planning process.

Fifthly, despite evidence of the gender impact of tendering, Labour's proposals make no reference to equal opportunities, health and safety or safeguarding other public sector corporate policies. It is apparent from other statements that the emphasis is on 'no burdens on business'.

Finally, there is a contradiction between the statement that partnerships will "... bring real economic benefits for all involved" and "... to work within announced departmental ceilings for the first two years of the government". But how can everyone be a winner when PFI projects are more costly? •

Labour's PFI proposals

"1. PFI deals already signed, or accepted as operationally and financially viable, will proceed without delay.

2. Every potential partnership project will be subject to a more rigorous appraisal early in its life, so contractors, funders and operators do not squander time and resources on projects which are unlikely to work and the public sector avoids 'wish list' schemes.

3. We will draw up guidance on tendering for partnership projects, in consultation with the National Audit Office, the Audit Commission and the Accounts Commission for Scotland.

4. Where possible, we will set a timetable for each project's tendering process to give potential private partners an indication of when a decision can be expected on a project.

5. We will urgently review the existing legislative framework, issue guidance and, where appropriate, enact new legislation to ensure that public bodies have the necessary legal power to enter into contracts.

6. We will ensure that the guidance on risk transfer and value for money, including templates, is kept up to date, in consultation with public and private sector interests.

7. In particular, we will seek to develop a clear and consistent policy on generic risks - for example, the approach to changes in gov-

ernment health and safety policy or the treatment of contaminated land.

8. We will encourage a wide range of partnership deals, including public/private joint ventures, such as Manchester's Metrolink tram system, and non-profit trusts, such as those providing old people's homes formerly run by local authorities.

9. The Private Finance Panel will be strengthened and given a specific remit to streamline procedure, develop standard forms of contract and cut red tape.

10. With the assistance of the Private Finance Panel and 4Ps (Public Private Partnerships Programme) - the partnership company set up by the Local Authority Association with support from the Department of the Environment - we will encourage the rapid dissemination of best practice throughout Whitehall and the regions.

11. We will require government, especially at local level, to involve small business in partnership deals where possible.

12. We will maintain prudent control on public sector revenue commitments to partnership deals and public sector liabilities in joint ventures, following consultation with relevant public bodies."

PFI: Year 2007

Imagine it's 2007. The millennium has been and gone. Looking back, 1997 was a watershed for the NHS. The incoming Labour Government, not for the first time, adopted Tory policies more wholeheartedly than Conservative backbenchers. The most blatant example was the Private Finance Initiative (PFI).

But the real problem was that the rest of the Labour Party and the trade unions said nothing. Few questions were asked in the election. If electors had been asked whether they wanted the NHS infrastructure privatised, the polls showed that they would have given a resounding 'no'. But there was a conspiracy of silence, with one party pushing the PFI, and the other not wanting it raised because they too accepted the principle, even though most of their supporters opposed it.

Yet how could they have believed that the ownership and operation of buildings could be separated from the services delivered within them? The result was hospitals were cut in two, with a private consortium owning and operating the buildings and a second organisation, nominally public, responsible for the health care: two employers, two sets of interests, two different sources of finance! They must have realised it would be untenable.

On reflection, it is hard to accept the economic naivete of those who believed that PFI consortia would remain satisfied with their financial return and content with their role in providing and operating NHS buildings. People seemed oblivious to the fact that they would soon seek to provide health care directly. Not so US healthcare firms, who saw the opportunity to asset strip the NHS and provide a basis for a rapid expansion of private health care. Did no one in 1997 ever consider that consultants would make deals with PFI consortia, presenting increasingly powerless NHS Trusts with *afait accompli*?

Project approvals soared once the Labour Government had announced the abolition of the public sector's capital expenditure programme and the Chancellor had reassured the City. The programme spread to schools, colleges and other public buildings.

The 'partnership' idea proved to be a very temporary affair. The NHS rapidly fragmented into multiple organisations with diverse agendas and interests, with fewer and fewer people willing to argue for a publicly funded NHS.

Manual staff, mainly women, bore the brunt of the policy changes just as they had in competitive tendering in the 1980s. In 2001 the Equal Opportunities Commission was finally persuaded to investigate the gender and race impact



of PFI and partnership contracts. Their research revealed that women, black and ethnic minority staff had suffered more job losses, bigger pay cuts and loss of terms and conditions and had less well organised workplaces.

The new health landlords

Since the 1980s Britain had virtually rejected private landlords, so the puzzle for historians is why they suddenly became an acceptable part of the welfare state. Not only did the new 'health landlords' - or the owner-operator industry as the CBI liked to call them - emerge, but private consortia began to take over key areas of health care planning.

Some people said the PFI and public-private partnerships to build and operate public buildings had nothing to do with privatisation. As the 2007 election looms it is ironic that the Labour Government has ended up privatising the parts of the welfare state which the Conservatives couldn't reach. Although the Tories privatised over £80bn of public assets between 1979-97, last weeks Parliamentary Written Answer revealed that, given another five year term, Labour will surpass even this.

The last decade has seen enormous changes in health trade unions. UNISON has been a general union since 2003. Most manual and administrative staff work for PFI consortia. Initial resistance from smaller unions crumbled with the fragmentation which followed the rash of PFI 'all-in healthcare projects' in 1999 and private firms which took over the running of hospitals.

In the final two decades of the last century there was an obsession with 'reinventing' the management of the state - now we are having to reinvent the health service. One of the recent positive features has been the emergence of new health alliances committed to publicly funded and operated health care system. But the acceptance of the PFI policy back in 1997 has meant we have to start almost from scratch.

This article first appeared in Health Matters (issue 28, Winter 1996/97). Health Matters is a non-profitmaking quarterly magazine covering health policy, public health and environmental issues, the NHS and a wide range of other health-related topics, (PO Box 459, Sheffield S11 8GJ Tel. 0114-266 6171)

The Post Office: a privatisation too far



The Conservative government's privatisation roller coaster was temporarily derailed in 1995 when controversial plans to privatise the Post Office ran into the ground as a result of widespread public opposition and a well-funded and imaginative campaign led by the Communication Workers Union (CWU). Although the threat of piecemeal privatisation remains, particularly if another Conservative government is elected on May 1st 1997, the episode provides us with an example of the resilience and popularity of public services and an insight into a successful anti-privatisation campaign.

Postal services in Britain

Key features of the Post Office

There are a number of special features about the Post Office:

* The Post Office has consistently been financially successful.

* It provides a quality service with over 92% of first class mail delivered the following day and generally high levels of user satisfaction.

* In comparison to the cost of postal services in other industrialised countries the British Post Office is relatively cheap.

* Post Offices also administer state pensions, child benefit, television licences, car tax, payment of utility bills, access to various official forms and, therefore, have a vital community role, particularly in rural areas. The threatened closure of both urban and rural post offices remains a key political and social issue.

* Postal staff enjoy respect for the way they

deliver mail in all weather conditions and there is general awareness that they are not well paid.

* It is a universal public service at a uniform cost with delivery to premises. Proposals to have gate boxes in rural areas have been rejected. Maintaining this level of service has been, to-date, a precondition for any change.

* The Post Office has played a key role in the affairs of the country and has a continuing 'Royal link' with the Queens head appearing on all stamps.

* There have been relatively few major industrial disputes in the post-war period.

* There are two deliveries on weekdays and there has been an ongoing threat to abandon the second delivery.

* The Post Office has invested heavily in new equipment, particularly automated mail handling machinery, with expenditure rising from £182m in 1992 to £297m in 1995-96.

* Mail volumes have continued to grow, rising from 38m items in 1981-82 to over 70m in 1995-96.

In 1981 the Government introduced a £1.00 limit to the Royal Mail monopoly thus allowing private carriers to deliver letters so long as they charged the minimum rate. This has encouraged the use of courier firms, particularly since the value of the £1.00 limit has been eroded by inflation

Current organisation of the Post Office

The Post Office was a government department until 1969 when it became a public corporation. In 1981 telecommunications services were transferred to a separate organisation, British Telecom, as a prelude to privatisation. In the mid-1980s the Post Office was restructured into four separate services, the Royal Mail (collecting, sorting, transporting and delivering letters), Post Office Counters (post offices and cash centres), Parcelforce (parcel delivery) and Girobank (post office banking). Each organisation had its own staff, management, accounts, performance targets and responsibility for industrial relations. Girobank was privatised in 1989 being sold to the Alliance & Leicester Building Society. It was originally created to break the monopoly of the main high street banks which operated almost as a cartel. Girobank pioneered free banking and provided banking facilities with longer opening hours through post offices than those offered by other banks.

The Post Office Group comprises The Post Office Corporation which is a legal entity created by an Act of Parliament and is required to pub-

lish separate accounts. The eight-person Post Office Board is appointed by the Secretary of State for Trade & Industry. The Corporation has four main sections or 'businesses':

Post Office Counters Ltd is a wholly-owned subsidiary company of the Corporation. It operates the network of over 19,000 post offices, of which 95% are part of privately owned shops and stores, the remainder are directly operated as Crown Post Offices.

Royal Mail is a unincorporated division of the Post Office Corporation

Parcelforce is also a unincorporated division of the Post Office. It is the largest provider of next-day service parcel services with a 6.5% market share but has suffered a 'dramatic decline' in the three-four day delivery sector.

Subscription Services Ltd is a wholly owned subsidiary company of the Corporation. It has a five year contract to administer over 21m BBe television licences and has an expanding tele-business service.

Staffing levels remained virtually static at just over 191,000 although Parcel Force continued to cut its workforce

The Royal Mail's Business Development Plan 1992 had decentralised services into nine regional divisions within which the core letter functions were split into three separate units - distribution, processing/sorting and delivery. This led to changes in bargaining and workplace union structures to reflect the new functional and regional decentralisation.

"There were two logics underpinning this project. The first at that time was one of functionalizing Royal Mail in order to allow for a type of privatisation that would later involve the possibility of selling off or decentralising specific parts of Royal Mail's operations. The processing function with its automated sorting offices could be part of a network that did more than just official Royal Mail work. Similarly, the distribution

section could be used for more than just the transporting of mail traffic and the delivery section could be franchised at the local level with, as was suggested in certain locations, postmen and postwomen possibly 'buying their walk' and setting up businesses. The second logic was one of creating nine regional divisions in order to remove substantial decision-making power from the previously more numerous local districts." (Lucio, 1995)

Financial arrangements

The Government sets three main financial targets:

- External Financing Limit (EFL)
- Return on Capital Employed (ROCE)
- Real Unit Cost Reduction (RUC)

Recent financial performance of the Post Office is shown in Table 1. The Royal Mail provides the vast proportion of annual profits.

One of the key factors in the privatisation debate has been the improvement in the quality of service with the proportion of first class mail delivered next day rising from 74.5% in 1988-89 to 92.3% in 1995-96.

Another important factor is the relatively low cost of post services in Britain compared to other countries. The cost of a first class stamp in Britain is 26p, the third lowest in OECD countries.

The privatisation agenda

Privatisation of the Post Office was being advocated by Government Ministers, particularly Peter Lilley, then Secretary for Trade & Industry and responsible for the Post Office, and right wing organisations prior to the general election in 1992. Early in 1991 the Government ordered a review to re-examine proposals to create a duopoly, create competition for the delivery of second class mail and sell off other Post Office

Table 1: **Post Office Financial Performance 1995-96**

	Sales		Pre-tax Profit/Loss	
	1996 £m	1995 £m	1996 £m	1995 £m
Royal Mail	5,124	4,843	438	479
Parcelforce	502	513	(57)	(31)
Post Office Counters	1,275	1,192	37	32
Central services and subsidiaries	324	309	32	23
Inter-business services	(602)	(588)		

Source: Post Office Annual Report & Accounts 1995-96 .

services. At the same time the right-wing Adam Smith Institute published a report calling for licences to be issued to a small number of firms who would collect, transport and sort mail for delivery by the Post Office.

Profits declined from £170.1m to £116.4m in 1990 despite sales rising from £3.9bn to £4.4bn. A letter to senior managers from the managing director of Royal Mail stated that: "...the current structure does not fully support customer focus or a profit culture; is fuelling excessive and growing overheads; and does not facilitate full team-working between the headquarters and the field." (15 January 1990)

In the summer of 1992 a new Minister for Trade & Industry, Michael Heseltine, launched a wide ranging review and appointed merchant bankers Kleinwort Benson. No report was ever published. Heseltine has consistently called for the Post Office to be privatised. He announced the sale of the Parcelforce division in July 1992 but, by early 1993, the Treasury was warning of substantial losses to the public purse if privatisation was pursued. Parcelforce was incurring heavy losses and large redundancy costs.

Meanwhile Kleinwort Benson had somehow concluded that privatisation would neither have an adverse effect on the national delivery network nor lead to increased charges in rural areas. In October 1993 the Department of Trade & Industry was reported to be recommending that neither the Royal Mail nor Post Office Counters should be sold but be given more commercial freedom within the public sector. Post Office management became concerned that privatisation would be abandoned and in March 1994 proposed a partial sell-off arguing that a 30% - 40% share sale of the Post Office would enable it to operate as a private company, be free to raise capital, and the Government could be seen to retain responsibility for its operations and allay public fears about rural services and post office closures. Another proposal canvassed at the time involved the sale of Royal Mail and Parcelforce whilst retaining Post Office Counters in the public sector.

In May 1994 the Cabinet refused to endorse a Heseltine proposal to privatise the Post Office. It backed down, fearing opposition from back-bench MPs. Two months later it issued a Green Paper setting out options and a consultation period. It outlined three options:

- * full privatisation with a 100% share sale;
- * partial privatisation with shares being owned by employees (about 10%), the Government retaining 49% and the remainder sold to investors;



* commercial freedom within the public sector.

In November 1994 the Cabinet decided to abandon privatisation of the Post Office following public opposition and a number of back-bench members of Parliament threatening to vote against the proposal.

Closure of Crown Post Offices: back-door privatisation

Parts of the Post Office, however, are being subjected to creeping privatisation. In 1988 there were some 1,500 directly operated or Crown Post Offices in Britain but a closure programme has led to a drastic decline and conversion into franchised post offices operated as part of high street shops, for example, in the Co-op, Woolworths and supermarkets. The five year period between 1991-92 and 1995-96 saw a 36% decline in the number of directly operated post offices compared with a 2% fall in the number of agency post offices. About 18,500 of the franchised post offices are run by individuals.

The backdoor privatisation of Crown Post Offices, centrally located in town and city centres, also means that staff become employees of stores and supermarkets. The post office franchise is often less accessible stuck at the back of

stores or on the first floor and is dependent on the store or supermarket remaining in business at that location. Stores and supermarkets are clearly using post office franchises for marketing purposes. A further 400 post offices are planned to be franchised in the next few years.

There have been a number of successful local campaigns which have halted the closure of some post offices. They have included local one-day strikes by post office counter staff, public meetings, petitions and have involved community organisations, local authorities, Trades Councils and the Labour Party.

A union commissioned 1994 Market and Opinion Research International survey found that 94% of users opposed the closure of Crown Post Offices and expressed high levels of satisfaction with the existing service:

- 97% were satisfied with the range of services
- 96% were satisfied with the convenience of the location
- 94% were satisfied with the way the staff dealt with users
- 92% were satisfied with the opening hours
- 89% were satisfied with the security and professionalism of their Crown Post Office.

A leaked Post Office memo revealed that franchised post offices make more mistakes than Crown offices. A league table for London and East Anglia showed that the Kentish Town Crown office made just two transaction mistakes in the last nine months of 1994 whilst the franchised Brent Park office made 143. No privatised office made the top ten and no Crown office appeared in the bottom 14 (Communication Workers Union, May 1995).

Deregulation in other countries

The European Commission published a draft directive in 1995 which maintained the principle of a uniformly affordable price. Under the directive the Royal Mail would continue to collect, transport, sort and distribute all domestic mail below 350g and under a £1.25 threshold - classified as 'reserved' services. Royal Mail would also continue to handle all incoming cross-

border mail and direct mail until the year 2002 and will be reviewed thereafter. However, the directive also proposed splitting postal services into two parts. Firstly, a network of letter boxes, sorting and delivery facilities and secondly, the service of collection, transporting, sorting and distribution, each of which should have separate accounts.

Backdoor attempts by EU commissioners to push through a directive favouring the immediate liberalisation of cross-border and direct mail without parliamentary consent surfaced in Brussels in 1996. However, these moves were finally ruled out in January 1997 when the EU's Telecommunications Council agreed that liberalisation should be introduced gradually so as not to threaten the universal service of member countries. It now appears certain that cross-border and direct mail will not be thrown open to competition until at least January 2003.

The European Commission has been debating whether to allow direct mail, which accounts for 17% of European mail by volume and 12% of revenue, to be a 'reserved' service after the year 2002. Major companies such as TNT and Federal Express have been lobbying for deregulation for several years but this would have a disastrous effect on the Royal Mail and other European mail services. Limited deregulation has occurred in some countries but European labour markets are more highly regulated than the USA which means competition is more predicated on technology and management.

Liberalisation of postal services in Sweden led to 24% of postal workers losing their jobs, 28% of post offices were closed and mail stopped being systematically delivered to people's houses. There was a similar impact in Finland where 23% of postal workers lost their jobs and two thirds of post offices were closed.

The commercialisation of New Zealand Post resulted in the rapid closure of post offices, down from 894 in 1987 to only 288 four years later. Nearly four thousand jobs were lost in the same period as staffing levels were reduced from 12,000 to 8,200 in the 1987-91 period.

Table2: Decline in Directly Operated Post Offices

	1991-92	1992-93	1993-94	1994-95	1995-96
Directly operated offices	1,019	917	800	699	653
Franchised offices	19,141	19,041	18,922	18,908	18,761

Source: Post Office Annual Report & Accounts 1995-96.

Team working

The recent industrial dispute in Britain centered around the introduction of 'team working' and changes to working practices. The trade unions were demanding a five-day week and shorter working hours. A number of one-day strikes were held in the summer of 1996. The dispute was settled in late 1996 with an agreement for a 3% pay increase from October 1996, the establishment of two joint working parties with equal numbers of trade union and management representatives with independent chairpersons. The working parties will examine working practices and how service standards can be met whilst "ensuring that delivery work remains primarily staffed by full-time regular postmen and women.

Lessons from the campaign against privatisation

The political context

There are some important points which are distinctive from other privatisation contexts.

Firstly, the Government's majority in the House of Commons steadily declined during the last parliament and was 14 in 1994 during the last major debate on Post Office privatisation. This compares with a majority of 144 when British Telecom was privatised in 1984. Furthermore, the Conservative Party has been split on the issue with a number of MPs opposing privatisation because of its potential impact in rural areas. Secondly, public opinion has consistently opposed privatisation and the Communication Workers Union (CWU) built on this with extensive publicity material, a national petition with 1.75m signatures and a broad based campaign. Thirdly, there was good intelligence about Government thinking and plans because a number of internal documents were leaked to the unions by Post Office managers.

The postal unions conducted a national 'Stand by your Post' campaign including a massive distribution of 1.5m items of publicity material, regional rallies and media briefings. The unions also promoted a broad based 'Protecting Postal Services' campaign which included charities, voluntary organisations, pensioners groups and local authorities. The unions commissioned research on the problems of privatisation and the future of postal services. Consultants were hired to target 25 Conservative MPs in the most marginal constituencies and highlight the threat to rural services.

Key campaigning issues

The Government Green Paper 1994 restated the Conservative Party's 1992 Manifesto commitment to:

„* a nationwide letter and parcel service, with daily delivery to every address in the country;

* a uniform and affordable structure of prices, under which it will cost the public the same to post a letter no matter where it is posted or to where it is sent, throughout the United Kingdom;

* a nationwide network of post offices."

(*The Future of Postal Services*, HMSO, 1994)

This set the context for privatisation and a formidable, if not impossible, task for any private sector operator. Full privatisation is thus seen to be a very high risk strategy and partial privatisation expected to lead to 'cherry picking' by contractors leaving other services to suffer. The idea of 'competition' being introduced is likely to have the same impact as privatisation of the regional water companies where public monopolies were transformed into private monopolies. The three parts of the Post Office also have a high level of integration and hence the sale of anyone part would have far reaching consequences on the services remaining in the public sector.

A survey in the Autumn of 1995 showed that the government owned and operated Post Office scored a 85% satisfaction level, compared to 73% for privatised British Telecom, 70% for the electricity industry, 57% for British Gas, 37% for British Airways and 27% for British Rail. Any privatisation proposal which would simply transfer the ownership from the public to private sectors is unlikely to be publicly acceptable.

The campaign against privatisation has thus focused on:

- loss of service and higher charges in rural areas, particularly in Wales and Scotland. The Post Office also operates over 220 postbus routes (using cars to 16 seat mini-buses) in rural areas carrying fare paying passengers. In many areas it provides the only form of transport and the main form of banking;

- the impact of further post office closures;
- the success of the Post Office in improving services and its reputation for being one of the best services in Europe;

- the financial success of the Post Office - in achieving consistent profits;

- the continuing investment in new technology ie it is not standing still but applying it for service improvements.

- questioning the motives of private carriers and their ability to maintain quality of service and current prices.

References

- Communications Workers Union, *Research Briefings*, London, 1996.
- Lucio, Miguel Martinez, *Quality and 'new industrial relations: The case of Royal Mail*, in *The Politics of Quality in the Public Sector*, edited by Ian Kirkpatrick and Miguel Martibez Lucio, Routledge, London, 1995.
- Parker, David, *The Last Post for Privatisation? Prospects for Privatising the Postal Services*, Public Money & Management, July-September, 1994.
- Post Office, *Post Office, Report and Accounts 1995-86*, London, 1996.
- The Future of Postal Services, A Consultative Document*, Department of Trade and Industry, Cmd 2614, HMSO, 1994.

Government study ignores equalities

The latest Department of the Environment research report on CCT (CCT and Local Authority Blue-Collar Services, DoE, March 1997) has completely failed to address any of the key issues raised by the Equal Opportunities Commission study into the Gender Impact of CCT (EOC, 1995)

This is surprising since the Secretary of State for the Environment stated in a letter to the Chair of the EOC, Kamlesh Bahl: "Certainly we are prepared to consider how far the research we have recently commissioned in respect of blue collar and white collar CCT might throw light on the equal opportunities issues of concern to the Commission" (14 August 1995)

The DoE study, by management consultants Austin Mayhead & Co.Ltd, devotes only seven pages to assessing in very general terms, the staffing effects in DSOs and provides no evidence of the employment conditions of private contractors.

The report makes a brief reference to the EOC research but refers to a study by K. Doogan, University of Bristol (Employment Policy Institute, Economic Report Vol. 9, No. 10, December 1995). The DoE report claims that "the differences in findings are mainly explained by the different data sources - Doogan's report used national statistics while the EOC report used figures from a narrow range of CCT services".

The Bristol report is not CCT specific and the EOC research study remains the most comprehensive analysis of the employment impact of CCT in Britain. However, the Government refused to accept the findings and recommendations.

The attempt to compare the EOC study with the Bristol paper is a desperate attempt to find some evidence to use against the EOC findings. But the two studies are quite different.

Methodological differences

- The EOC study was based on detailed evidence from 106 contracts (defined as entire services) in 39 local authorities representing 25% of the population in Britain. It examined employment in the pre-contract and post-contract period in four selected services providing a direct assessment of the changes. The research also examined the impact of CCT on reductions in hours, pay, holidays, sick pay and casualisation.

The Bristol study looked at national LGMB and Joint Staffing Watch data (there is no gender breakdown by service) and 14 local case stud-

ies - there is no evidence that this is a representative sample.

- The EOC research assesses the impact on employment change, terms and conditions of employment and qualitative changes to workers lives whilst the Bristol study looks at employment change generally.

- Both studies look at national employment change. The EOC study examined the gender data broken down into manual Inon-manual for four services. The Bristol study looked only at overall figures broken down by gender and did not focus on particular services.

- The EOC research assessed the impact of competitive tendering in manual services. The Bristol study looks at all local authority services and does not isolate CCT. It looks at "marketisation" across all services including further education. It includes employment in services not affected by competitive tendering.

- The Bristol study does not refer to DoE funded research by INLOGOV which also shows substantial impact on womens' employment.

In addition, the EOC research looked at overall employment change taking into account the jobs transferred to the private sector under CCT. In contrast, the Joint Staffing Watch figures look at absolute changes in local authority employment. The LGMB figures on employment have undergone many changes apart from CCT, for example, the removal of further education from local authority employment. The main changes have include:

- 6,300 full time equivalent (FTE) jobs lost as a result of the abolition of the GLC and metropolitan counties in 1986.

- 14,500 FTE jobs lost due to the change in status of the local authority bus and municipal airport staff in 1986 and 1987.

- Loss of 39,000 FTE jobs when polytechnics and higher education institutions transferred from local government in 1989.

- Loss of 103,000 FTE when higher and further education institutions became the responsibility of the Further Education Funding Council in April 1993.

- Loss of jobs through privatisation, establishment of local quangos, trusts, grant maintained schools.

When the broad changes in manual services in the categories affected by CCT are assessed in the 1988-1993 period, the figures show a large job loss for all services (as shown in our research), but the scale of change is much greater in terms of numbers in the "other education" category - predominantly female.

The Austin Mayhead study examined employment change only in DSOs and very superficially, providing 'evidence' from 21 authorities under 'yes', 'no' or 'unaltered' categories. It did not provide any detailed figures or analysis for comparison with the EOC study.

The Bristol study concluded that because overall male employment fell 18% between 1990-94 and female employment by 9% (though there was little difference in absolute terms) that men rather than women have borne the brunt of employment change. It contrasts this with the EOC research although there is no direct comparability since the Bristol material covers all local authority employment - manual and non-manual.

The main findings of the EOE research

Job losses: There was a loss of 12,587 jobs in four services in the case study authorities and an estimated 74,010 nationally. Female employment fell by 22 per cent and male employment by 12 per cent. Women accounted for 93 per cent of 'pre-contract' employment in these four services and for 96 per cent of the net job loss between 1988-89 and 1993-94. Since 91 per cent of employment in these services prior to the introduction of CCT was part-time, part-time workers accounted for most of the total decline in employment (95 per cent).

Loss of hours: Hours were reduced on average in building cleaning by 25 per cent and in education catering by 16 per cent with virtually all those affected being part-time workers. Some local authorities and most private contractors had a deliberate policy of employing part-time workers below the National Insurance minimum earnings threshold to avoid paying both the employers and employees NI contributions.

Increased use of temporary workers: In building cleaning and education catering temporary workers accounted for 17 and 16 per cent respectively of employment on average, compared to 9 per cent in refuse collection.

Multiple jobs: The reduction in hours in catering and cleaning has meant that more women have had to take on several jobs of a few hours each in order to try to maintain income levels.

Loss of holiday retainer: Many school cleaners and school meals staff are paid for only about 39 weeks of term-time which represents a salary reduction of up to 25 per cent.

Black and ethnic minority workers: The employment of black people was very low in all but three of the case study authorities and has

remained static since 1988-89.

Disabled workers: Both female and male disabled workers were poorly represented in the services studied. There is evidence that the number of disabled workers employed by local authorities decreased during the first round of CCT tendering.

Pay: CCT appears to have resulted in a three tier pay structure. Most authorities (78 per cent of contracts in the case studies) continue to pay National Joint Council rates, while some DSOs (13 per cent of case study contracts) have introduced a local rate. All nine privatised contracts, which represented 10 per cent of the case study contracts, paid lower than NJC rates.

The Cost of CCT

The new DoE research reported that cost savings had increased from an average 6.5% in the first round of tendering to 9% in the second round. However, the latter figure does not take into account one-off tendering costs (para 6.4.1) which are 1.6% and 1.8% of the annual contract value for the client side and DSO respectively. On this basis the average cost saving is about 8.3%. The evidence is based on "some financial data" from 34 local authorities.

In conjunction with the EOC study, the Centre for Public Services carried out a detailed analysis of the costs and savings of CCT. Even assuming that the second round tendering saving of 8.3% is accurate, this will not alter the findings that there is a national net cost CCT. The small increase in service budget savings would decrease the net national cost of CCT by a small amount but would not alter the fact that taxpayers are subsidising CCT (see Calculation of the National Costs and Savings of CCT, Research Paper, Centre for Public Services, 1995).

A detailed description of the methodology, findings and policy implications can be found in the full report, *The Gender Impact of CCT in Local Government*, available from the Equal Opportunities Commission, Overseas House, Quay Street, Manchester M3 3HN. Price £19.95. A Summary Report is also available, free of charge, from the EOC,

School meals: children's health

A new report into the provision of school meals in the East Midlands region highlights the relationship between rising levels of inequality and poverty, the effect this has had on the health of the poorest families in the region, and stresses the importance of access to nutritionally balanced school meals for a growing number of children.

Written and researched by the Centre for Public Services for East Midlands UNISON, the report also analyses the impact of government legislation and fiscal policies on the ability and willingness of local authorities to provide children at school with a well-balanced nutritional meal in the middle of the day.

Since 1980 the Conservative government has:

- Abolished the requirement on local authorities to provide a comprehensive school meals service and meet national nutritional standards, at fixed prices. Since the 1980 Education Act came into force, local councils only obligation in terms of school meals provision has been to children entitled to free school meals;

- Reduced the numbers of those entitled to free school meals (1986 Social Security Act);

- Introduced a compulsory contract system, requiring in-house providers to make a surplus (1988 Local Government Act);

- Imposed massive cuts in local council budgets.

The result has been a deterioration in the standard of many school meals and considerable variation in quality from area to area and from school to school throughout the region. This has come at a time when national statistics show that too many children are consuming too much fat, sugar and salt and too little fibre and that many do not get enough vitamins and minerals.

Despite a marked deterioration in the quality of meals in many school, prices in the East



Photo: Philip Haines

Midlands region have doubled over the last decade. There is clear evidence that fewer and fewer low waged parents are able to pay for school meals, while some local authorities have ceased to supply hot meals altogether. The loss of a nutritionally balanced meal with vitamins and protein is especially serious for already deprived children.

Expenditure on School Meals:

The money spent by local councils on school meals has fallen, both in terms of expenditure per child and as a percentage of overall education budgets, throughout the 1990s. Three of the region's counties, Northamptonshire, Lincolnshire and Leicestershire spent less than the national average of £7.45 per head of population in 1996/97. Spending on school meals

Expenditure on school meals in the East Midlands Region, 1996/97

	Expenditure on school catering £000's	School meals as % of total education	School catering £!head of population
Derbyshire	£12,296	4.3%	£12.78
Leicestershire	£6,261	1.9%	£6.77
Lincolnshire	£862	0.5%	£1.40
Northamptonshire	£2,419	1.2%	£4.02
Nottinghamshire	£8,812	2.3%	£8.51
East Midlands	£30,650	2.2%	£7.40
England and Wales	£386,095	2.1%	£7.45

Source: Financial and General Statistics 1996/97, CIPFA, 1996.

was significantly less than the national average in the cases of both Lincolnshire (£1.40) and Northamptonshire (£4.02) where the service only meets the minimum statutory requirement.

All counties in the region have faced financial pressures to cut costs and increase the price of meals, however price increases have usually been accompanied by a decline in sales.

Poverty and Children's health:

Evidence of a growing divide between the most affluent and most deprived areas in the East Midlands, is reinforced by national research which shows that the number of children living in poverty has risen three fold since 1979 and that children's health has suffered in particular.

Low income, low pay, unemployment and poor housing conditions have all been shown to be important factors in determining poverty. In turn it has been proved that poverty is directly linked to higher child mortality rates, chronic illness and the re-emergence of diseases such as tuberculosis. Healthy eating options are also frequently more expensive.

Indices of poverty

Free school meals: In the East Midlands region 56,650 (15%) primary school children and 23,900 (10.4%) secondary school children received free school meals in 1996/97. All these children lived in families entitled to income support. Although the figure for the East Midlands is slightly below the average for England, records underestimate the extent of childhood deprivation because of the non-take up of benefits.

Low income: Income inequality has increased dramatically under the Conservative Government, with a widening gap between those in work and those on benefits, and between high and low earners (OPCS, 1995). Department of Social Security figures show that

the number of school age children from families in receipt of income support is increasing. In May 1995, there were over 2.3 million children in this category nationally.

In 1995 there were nearly one and a half million children living in families receiving Family Credit, a figure which increased by a third between 1992-95. These children do not receive free school meals. Social security benefits income formed 12.1% of gross weekly household income in the East Midlands region during 1994-95, slightly below the UK average of 13.5%.

According to the Child Poverty Action Group, 10 per cent (1.4 million) of all children were living in poverty in 1979; by 1992/3 this figure had risen to one third of all children (4.3 million).

Low pay: Low pay is one of the key causes of poverty in the UK. Low paid groups consistently show higher rates of all the major diseases in Britain and children in low income families have poorer health than higher earning families. Average pay levels in the region are 11% below the national average, (see Table below).

Women are consistently paid less than male employees, though the difference between the rate for East Midlands and the UK for all full-time employees is similar for both male and female workers.

The Labour Force Survey 1995 showed that women's average earnings in the East Midlands region are the lowest of all regions at £207 per week, some £40 or 16% less than the average for Great Britain. Male earnings were also below the average for Great Britain.

Unemployment: Unemployment is a major cause of poverty and affects health. Unemployment in the East Midlands region rose from 1% in 1966 to 3.5% in 1976, peaked in 1986 at 9.9% and fell to 7.6% in 1995 and 5.8% in January 1997. These rates were slightly below the national average and should be treated with caution since the Government has altered the official count numerous times.

School meals prices in the East Midlands Region, 1986-1996

County	Primary	April 1986			April 1996		
		Secondary	Special	Primary	Secondary	Special	
Derbyshire	45	55	45	100	120	100	
Leicestershire	61	n/a	48	110	110	88	
Lincolnshire	n/a	73	73	95	120	135	
Northamptonshire	60	60	60	-	-	96	

Source: Education Statistics 1986/7 and 1996/97, CIPFA.

Note: all prices in pence

Housing: The East Midlands region includes many areas with significant numbers of unfit dwellings. Living in "unfit" houses or properties with dampness or lack of heating affects health, resulting particularly in respiratory problems.

Homelessness, which has increased considerably during the 1990s, is concentrated in poorer parts of cities and often results in a range of health problems; commonly anaemia and weight loss associated with poor diet, respiratory and other infections, impairment of child development because of a range of problems including poor diet. The increase in homelessness has particularly occurred in inner city areas; for example, in Nottingham the number of homeless families accepted for rehousing by the local authorities in Nottingham Health District more than trebled in the decade 1981-1991 to 3,500.

Overcrowding and multi-occupancy can also directly affect health. Children are particularly at risk and have been shown to underachieve at school when forced to live in overcrowded, damp or cold homes.

Job Seekers Allowance: In October 1996 the Job Seekers Allowance was introduced. The changes mean that some families are still entitled to free school meals and free school milk but other families who previously were, will not now be. To establish eligibility, schools may have to check benefit books.

The Job Seekers Allowance is expected to increase poverty since thousands of claimants will lose entitlements to benefits and many more will be forced to switch to means-tested benefit at reduced rates.

Children's health and diet

The composition of the diet in childhood is crucial to sustain mental and physical growth and health, a fact confirmed by the Department of Health's 1994 survey which concluded that a good diet can have significant long-term bene-

fits for the population's health.

Children's health is directly related to their diet. Research shows that one in ten children don't eat breakfast while one in six don't get a cooked meal in the evening. For some children, a meal at school is their main meal of the day. It is, therefore, obvious that access to a nutritionally balanced meal at school for large numbers of children, especially those from poorer families, is extremely important.

The importance of school meals

Although food eaten in school constitutes only part of a school child's food intake, it can be an important element of the overall diet. School meals provide a greater proportion of the day's nutrients for children in low-income families than for other children. For example, fewer children from lower income groups have a cooked evening meal on the day they have school meals compared with children from higher income groups (DHSS, 1989). More recently the Department for Education and Employment has stated that for many pupils, the meal they eat at school is the main meal of the day (1997).

Since 1980 there has been no legal requirement for schools to provide a school meals service except for children entitled to free school meals. Whilst some authorities have maintained a full service, others have scaled the service down to the statutory minimum, providing only sandwiches to children entitled to free school meals. A full school meals service is important for many reasons:

- * nutritional and health needs;
- * children who eat well during the day can concentrate better in the classroom;
- * sitting down to a meal with other children is an important part of a child's social education;
- * food provided at school can be linked to classroom teaching about health and nutrition in food technology, home economics, health education and science.

From the school's point of view, a good school meals service can enhance a school's reputation. In addition, the more the children use the service, the more cost effective the service is, maximising education budgets.

In spite of national and local guidelines on health and healthy eating, there is evidence of major inequalities in children's health nationally and within the East Midlands region.

The recent School Milk Campaign report "The Hunger Within" found in its survey of 179 local authorities and 36 health authorities evidence of deprived children being underweight

Average weekly pay in East Midlands, 1995

	East Midlands	UK
Full-time males	£341	£375
Full-time females	£235	£270
Part-time females	£99	£102

Source: New Earnings Survey, 1995.

and below average height. It also found increasing cases of TB, rickets and anaemia.

After 1945, with the onset of the Welfare State, free school milk and a national network of school meals provision, childhood epidemics of TB were virtually unknown. However, there has been a recent re-emergence of TB in the UK and there is now more TB in Britain than whooping cough.

Tuberculosis is associated with poverty and the most poorly nourished children are at greatest risk of contracting the disease. Overcrowding increases risk of infection and young children are most at risk. Poor diet reduces the ability to resist the bacteria leading to more of those infected becoming ill. Rates of tuberculosis remain concentrated in areas of greatest deprivation.

Health promotion

School meals should also be central to the promotion of healthy eating in schools helping to increase awareness of what constitutes a healthy diet; encouraging healthy eating; increasing accessibility to healthy food. Healthy eating initiatives should be an integral part of our children's education.

Local councils should have a key role in:

- investing in school meals services to improve quality;
- providing information and advice about nutrition;
- supporting school meals campaigns locally and nationally;
- implementing nutritional guidelines for school meals;
- providing nutrition education in schools and at home;
- providing support and training for school meals staff.

The effect of Compulsory Competitive Tendering

Many of the detrimental changes in the schools meals service over the past decade have resulted from the introduction of CCT where price rather than quality has become a major priority.

Although DSOs in the East Midlands have won most contracts, the drive to reduce labour costs and increase productivity has resulted in significant reductions in staffing levels, hours and earnings for women part-time school meals workers.

Estimates suggest that during the 1990s, about 2,000 school meals jobs were wiped out throughout the region as a result of the first two

rounds of CCT. Most of the jobs were part-time and virtually all of the losses affected women.

The introduction of CCT has also led to a reduction of staff hours in an attempt to cut costs and increase flexibility. In one county school meals staff were employed to work 12.5 hours a week with hours to be reviewed on a term by term basis! By cutting hours, in some cases to a level where earnings fall below national insurance thresholds, councils have benefited financially at the expense of low paid, primarily women, workers.

The introduction of CCT has also led to the introduction of more convenience and prepared foods, cheaper methods of producing school meals and an unequal service - all of which have implications for our children's diet.

Union calls for action on school meals

Recognising the importance of comprehensive, high quality school meals services, both in terms of employment and as a contributor to a nutritionally balanced diet for children, East Midlands UNISON is calling for:

- The re-introduction of national statutory nutritional standards and effective monitoring.
- A comprehensive school meals service and healthy eating policies for all schools including ongoing training for all staff on the development of healthy eating policies
- Improved quality and the re-introduction of hot meals throughout the region.
- A service which responds to particular needs resulting from local poverty and deprivation.
- Increased county council funding for school meals services.
- The replacement of compulsory competitive tendering with an in-house service based on quality, children's nutritional needs, and job creation.
- The development of a school meals strategy for the next century involving schools, local education authorities, health promotion experts, staff and trade unions.