

Photo: JOHN BIRDSALL

Women bear brunt of casualisation, pay cuts and job losses

TENDERING INCREASES INEQUALITY & POVERTY

Poverty has increased as a direct result of the Government's compulsory competitive tendering (CCT) programme and will increase further once CCT is extended to white-collar and professional services from 1996. Tendering of manual services in local government since 1989 has affected women more severely than men. Inequality has increased and there are now glaring differences between male and female jobs, between full-time and part-time jobs, and between permanent and temporary staff working in many local authorities.

These findings are contained in research, launched by the Equal Opportunities Commission at the end of March, and explained in more detail on pages 2-3. The research is the first comprehensive and detailed study of employment change in five local government services. The findings are a damning indictment of Government policies which have resulted in low paid part-time women taking the brunt of cuts and massive upheavals in many local authority services. The Government backed view that there is less inequality is a complete fabrication. The current focus on so called 'middle England' is yet

Tendering local government manual services has affected women more severely than men and there are now glaring differences between male and female jobs, between full-time and part-time jobs, and between permanent and temporary staff

another means of avoiding the often brutal effect of Government policies on low paid workers. Other research studies such as the one carried out by the Labour Party also challenge this view, showing that more than a million people, the majority of whom are women, earn less than £2.50 an hour.

Nationally over 74,000 jobs have been lost in four CCT services since 1989, when tendering became obligatory. Whilst men have suffered substantial employment loss, there have also been some increases in pay in return for increased labour productivity. Women have tended to lose out in every area; at the same time as more intensive working, higher productivity levels have been imposed in female dominated services, many part-timers have suffered cuts in hours, pay and other conditions of services.

At the same time, some of these local authority services have pro-

duced large surpluses on their annual trading accounts, which have not been ploughed back into the service, but used to fund other local authority spending. Surpluses have therefore been made at the direct expense of reduced terms and conditions and pay for women. The public costs of CCT are escalating; every £1 made in so called 'savings' actually costs taxpayers £2. The Government is effectively subsidising increasing casualisation and deteriorating conditions of employment.

We need to ensure that the recommendations in the report are taken up by the Government, by local authorities and by trade unions. A statutory minimum wage is essential. A much stronger commitment to combating unemployment, poverty and increasing inequality must be made if we are to prevent a worsening casualisation and deregulation of public sector employment.

WOMEN HIT HARDEST BY CCT

The Centre for Public Services recently completed a comprehensive research project for the Equal Opportunities Commission on the impact of CCT and market testing in local government on women's employment and pay. The findings show that women working in cleaning and catering have experienced severe cuts in hours, pay and conditions in both local authorities and the private sector, as a direct result of CCT.

Specific objectives

The research had several key objectives to look at:

- Changes in employment levels of women and men, both full and part-time
- The differential treatment between predominantly 'male' and 'female' services
- Changes in terms and conditions of employment and pay between women and men
- The impact on women and men of market testing in community care
- The possible effect on women of the extension of CCT to white collar and professional services.

Rigorous analysis

The research was carried out using a rigorous methodology. Firstly, national research in five local authority services including building cleaning and education catering, which are dominated by women, refuse collection which is a male dominated service, and sports and leisure management, which employs men and women at all levels of the service. Finally two areas of community care, residential and home care services, which are large employers of women, were examined. Secondly, case study research covered 39 local authorities in England, Scotland and Wales. These included all types of local authorities and covered 25% of the population. Thirdly, over 190 structured interviews were held with DSO

directors, chief officers, and other key personnel in five services. Interviews were also held with four private contractors. Fourthly, 15 discussion groups were held with women workers to explore the qualitative effects of working under contract. Finally, an analysis of the public costs of CCT was made using evidence from the case studies.

Job loss

CCT in the four services had a differential impact on women and men with widening inequality in pay and conditions between part-time women workers and full timers, mainly men, in local authority manual services. Women's employment fell by 22% and male employment by 12% in the four services during the first round of tendering. Other findings included:

- Women accounted for 96% of the net job loss.
- Employment fell by 13% in residential and home care services between 1988 and 1993.
- Part-time employment fell by 22% and full-time employment by 12% in the first round.

Increasing casualisation

CCT has led to a large increase in temporary employment. Temporary workers now account for 16% of the workforce, on average, in catering and

cleaning whilst the numbers in refuse collection remain low. Temporary workers have fewer employment rights than permanent staff in local authorities. Existing differences between permanent and casual work, between full-time and part-time jobs and between male and female employment have been accentuated by CCT. The study also found that:

- Black and ethnic minority workers were severely under represented in both female and male dominated services compared to their share of the population.
- Both female and male disabled workers were poorly represented in all services and there has been no improvement in their employment since 1988. Increased productivity and intensification of work have reduced the scope for the employment of disabled people.

Cuts in hours

In addition to a decline in jobs, the hours worked by part-time staff reduced under CCT.

Average hours in building cleaning declined by 25% and in education catering by 16%. Contractual hours in refuse collection remained the same, although the actual hours worked increased. This reduction forced more women into multiple job holding, with some part-timers working for two or three hours on several contracts to increase their earnings.

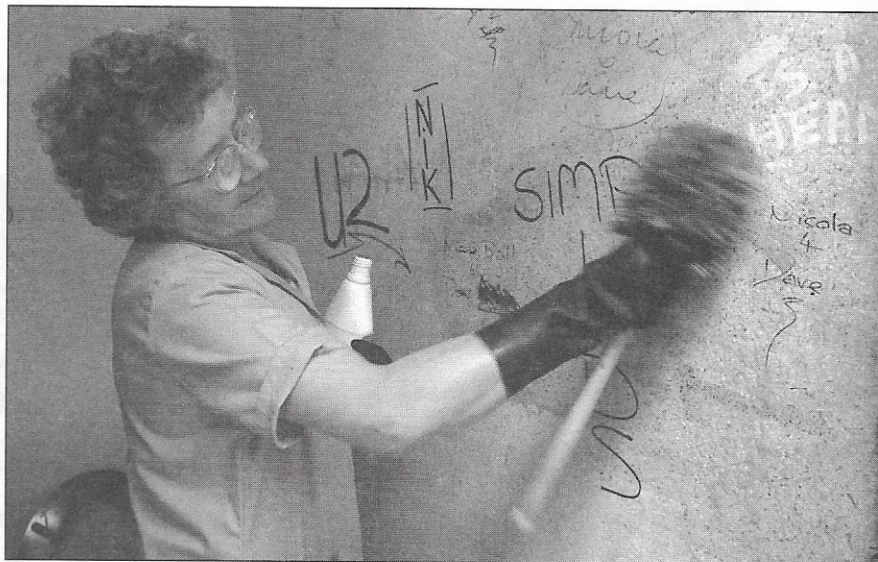


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The decline in hours also meant that a greater number of women had weekly earnings below the National Insurance Lower Earnings Limit and were often excluded from employment protection.

Women's pay squeezed by CCT

The research shows that differences in pay levels between full-time and part-time workers have widened since 1988. Pay levels increased in refuse collection during the first round of tendering, primarily through the increased use of bonuses. In cleaning and catering pay rates did not increase and in some cases declined for part-time workers. Bonus pay was removed, local pay rates introduced and privatisation of some contracts resulted in pay cuts. Other findings included:

- Pay rates were generally better in DSOs than in the private sector. Where DSOs had won contracts, National Joint Council (NJC) rates were maintained in 84% of cases and a local rate was introduced in 16% of cases.
- All nine private firms, representing 10% of case study contracts, paid lower wages than the NJC rate.
- Some school cleaners and education catering staff lost additional earnings. These staff are only being paid for 39 weeks rather than 52 weeks, representing a salary reduction of up to 25%.

Equal opportunities policies weakened

All 39 authorities had some form of equal opportunities policy although the application of these policies varied widely. However, equal opportunities officers were not generally involved in the CCT process. All four of the private contractors interviewed had equal opportunities policies or statements, but evidence of their application was limited. Systematic and comprehensive monitoring of changes in employment and terms and conditions by gender in DSOs was rare and none of the private contractors interviewed carried out this role. The research also showed that:

- Only 60% of the local authorities had records of the ethnic composition of the workforce and fewer had black employment broken down by gender.
- The pressure to drive down employment costs has meant that employment standards in manual services in local authorities have

been undermined by CCT.

CCT in white-collar services will affect women's full-time jobs

Over 200,000 white-collar and professional staff in Britain will be affected by the extension of CCT from 1996. This includes workers in legal, finance, computing, housing management, construction and property services.

- Women represent a smaller proportion of white-collar employment than manual services - half of the workforce.
- 73% of women's jobs are full-time compared to the high level of part-time employment in manual services.
- Four out of five women's jobs affected by white collar CCT are in grades scale 1-6. The concentration of women in these grades has implications for lower paid staff and the effects of CCT.

Surpluses generated by low paid women

Surpluses on DSO trading accounts for the four CCT services totalled £17.4m in the 39 case studies 1991-92. Female dominated services accounted for over 90% of the surpluses. In some local authorities, low paid women in catering and cleaning are effectively subsidising council expenditure.

Public costs of CCT are double the savings

The combined costs of unemployment and the loss of income to central government were £41m in the case study authorities, of which women's employment accounted for £32m (77%). The total savings in the case study authorities were £16m. The national costs of CCT are calculated to be £250m per annum. The net national savings are estimated to be £124m per annum. The net national cost of CCT in the four services is therefore £126m per annum. (see page 4-5)

'The Gender Impact of CCT in Local Government' summary report is free and the full report costs £19.95. They are available from the Publications Unit, Equal Opportunities Commission, Overseas House, Quay Street, Manchester M3 3HN.



Photo: JOHN BIRDSALL

What can be done?

The research has implications for national and local government and for trade unions. The EOC has made a series of recommendations:

- Stop the reduction of hours and associated loss of earnings.
- Maintain National Joint Council rates of pay and conditions.
- Introduce a statutory minimum wage to improve the position of low paid women.
- Provide statutory employment rights for all workers irrespective of their hours and earnings.
- Amend the Local Government Act to allow terms and conditions of employment to be a commercial matter.
- Apply TUPE in all cases of CCT.
- Local authorities should audit their pay systems to assess the impact of CCT.
- Equal opportunities staff should devise policies to reverse the trend to casualisation of DSO employment.
- Local authorities should reinstate model employer and good employment policies.
- The national insurance system should be reformed to ensure that all part-time and low paid staff are included.
- Positive Action programmes should be introduced for all part-timers in local authorities.
- Training programmes should be introduced for DSO managers and equal opportunities staff on incorporating equalities into CCT.
- Local authorities should carry out detailed employment monitoring.
- DSOs should only meet Government's financial targets and not seek to achieve a surplus over and above the capital requirements and profit sharing schemes.
- Trade unions should develop more specific strategies for part time women, especially those working very short hours.

Women hit hardest by Civil Service cutbacks

Civil Service cutbacks have damaged the promotion prospects of female clerical staff more than their male colleagues according to a recent Whitehall report.

Last year, promotions from administrative officer to executive officer fell from 4 to 2.8 per cent for men compared with a decline of 3.1 to 2 per cent for women.

The figures, published on the tenth anniversary of the introduction of the first equal opportunities programme in Whitehall, also show that less than one in ten top Civil Service posts are held by women and only two have made it as far as permanent secretary. Ten years ago only 5 per cent of senior management posts were held by women.

Taxing time ahead for Inland Revenue staff

Civil service unions have expressed concern that job losses in the Inland Revenue could eventually reach 30,000 after ministers announced the closure of a sixth of all local tax offices and the loss of up to 14,000 jobs over the next eight years.

The latest cutbacks follow the loss of 10,000 Inland Revenue jobs over the last three years.

The Inland Revenue Staff Federation have said that the cuts will lead to an increase in errors and a less efficient service, putting the collection of taxes at risk.

Security threat posed by job cuts

The Government is being accused of putting profit before safety following an announcement by the Department of Transport staff responsible for anti-terrorist security at airports, ports and the Channel Tunnel, are to be cut by over a third.

It is believed that 35 out of 100 inspectors employed by the department's Transec division will lose their jobs by early 1996, resulting in the scrapping of three out of five teams responsible for carrying out spot checks. The job losses have been widely condemned by the Civil Service union NUCPS and Labour's shadow transport spokesman, Michael Meacher who accused the government of taking "unacceptable risks" to save "minuscule sums of money".

GOVERNMENT SUBSIDY FOR CCT

Compulsory Competitive Tendering (CCT) is being subsidised by the Government to the tune of at least £125m per annum. The Government first claimed that CCT resulted in savings of 20%. But they were forced to accept the results of Government funded research which concluded that savings were on average just 6.5%.

The latest detailed research shows that CCT in four services, building cleaning, education catering, refuse collection and sports and leisure management, that every £1m of CCT 'savings' actually costs the Government and the public purse £2m. So, far from saving money CCT has a direct cost.

The research was carried out as part of The Gender Impact of CCT in Local Government project, covering 39 local authorities, carried out for the Equal Opportunities Commission by the Centre for Public Services (see page 1-3).

The research was based primarily on Government data. It identified the cost of unemployment and other related benefits such as housing benefit and council tax rebates, and the cost of administering these benefits. Other costs connected with unemployment such as training and other employment measures targeted at the unemployed, the cost of increased use of local authority services and health care costs were also taken into account. The analysis also quantified the effects of cuts in hours, changes to pay and conditions and the loss of holiday retainers on Government income. The study examined the increased cost of benefits and the loss of Income Tax, National Insurance contributions and loss of indirect taxation.

The cost of CCT

■ Job losses of 12,587 in the four services in the 39 case study authorities are equivalent to 74,010 job losses in the four services nationally.

■ The cost of unemployment combined with the loss of income resulting from job losses, cuts in hours, loss of the holiday retainer and lower

wages has been calculated to be £41.2m in the four services in the 39 case study authorities.

■ Gender differences are highly significant with changes in women's employment accounting for £32m or 77% of the cost of increased unemployment and loss of income to central government in the case study authorities.

■ Cost savings in the four services in the case study authorities has been calculated to be £16.4m but were outweighed by costs of £41.2m, a net cost of CCT of £24.9m in the case study authorities.

■ The net national cost of CCT in the four services is £126m. This sum will in fact be larger if three other services subject to CCT (grounds maintenance, vehicle maintenance and street cleansing) are taken into account. These services have a much smaller proportion of part-time workers and hence the indirect cost to the government will be proportionately larger.

■ The Government is in effect subsidising CCT. Local authorities make £124m 'savings' whilst central government is responsible for 97% of the £250.1m costs.

■ These are recurring costs. If these costs applied since the start of CCT in August 1989 the net cost over the 6 years to August 1995 will be £755m (based on 1993/94 prices).

■ The transfer of surpluses from some Direct Service Organisations to local authority general funds is treated as if authorities were drawing on their balances and does not affect the level of Government grant. It is not additional income for local authorities.

■ Corporation Tax payments by private contractors have only a marginal impact on Government income, amounting to a mere £0.44m in the case study authorities or £4.6m nationally. The study examined Corporation Tax (UK tax rates were 34% in 1991, and 33% in 1992 and 1993) payments by twenty major contractors over a three year period which revealed that their tax payments represented an average of only 2.1% of their annual turnover. One firm paid no Corporation tax over the three year period, another had a two year tax-free period, and six other compa-

nies paid no tax in one of the three years covered.

■ The extension of CCT to white collar services will lead to further costs if job losses and changes to hours, terms and conditions are on a similar scale to those experienced in the manual services. Although the distribution of job losses between women and men is likely to be about the same, the proportion of women's full-time jobs will be substantially greater.

■ A more rigorous implementation of the Transfer of Undertakings Regulations (TUPE, which implemented the European Acquired Rights Directive), for example, requiring contractors to maintain staffing levels, pay and conditions throughout the contract period rather than for a few months, would reduce the public costs of CCT.

■ The CCT regulations require local authorities to take 'savings' over a ten year period into account in the evaluation of tenders. However, this does not reflect economic reality. The regulations clearly need to be amended to either take into account other costs and savings or to simply focus on contract prices.

■ Competitive tendering is not 'saving' public money which could either be invested in other services or used to reduce Government expenditure. Whilst public sector employment is reduced by contracting out and private

Comparison of national CCT costs and savings

| Savings and costs | Female employment £m | Male employment £m | Total £m |
|--|-------------------------|-----------------------|-------------|
| Savings from CCT in the four services | +65.7 (53%) | +58.3 (47%) | +124.0 |
| Indirect costs falling on central government | -192.6 (77%) | -57.5 (23%) | -250.1 |
| Net cost of CCT p.a. | -126.9 | +0.8 | -126.1 |

sector employment increased, the latter is in effect being subsidised by the public purse. If there are no savings but substantial costs to CCT, then there can be few, if any, macro-economic benefits of this policy. There is no evidence, at least in the four manual services examined, that CCT is providing highly profitable opportunities for the private sector which may lead to benefits for the economy as a whole. Far from increasing consumer spending, CCT reduces it through lower earnings.

The analysis of public costs was based on certain estimates based on the research findings:

- 24% of the 12,587 job losses claimed unemployment benefit
- a third of workers suffering a cut in working hours from an average of 18 to 15 hours (a 17% reduction)

■ only 20% of those losing their holiday retainer claimed unemployment benefit during school holidays.

■ 5% average reduction in wages for half the workforce

These estimates are conservative.

The cost of CCT would be substantially greater if the proportion of those affected were increased. It should be emphasised that marginally different estimates alone cannot account for the £126m differences in the savings and costs of CCT.

Copies of the Research Paper can be obtained from: Centre for Public Services, 1 Sidney Street, Sheffield S1 4RG. Tel. 0114-272 6683 Price: £15.00 to local authorities and other public bodies, £10.00 to trade unions and community organisations.

TUC calls for better deal for part-timers

Two new reports published by the TUC highlight the raw deal experienced by Britain's growing battalions of part-time workers.

'The New Divide', the first authoritative analysis of part-time workers' pay in Britain, reveals that 2.5 million part-time workers earned less than the National Insurance threshold of £57 a week in 1994. Denied access to basic maternity rights and redundancy pay, over half a million were paid less than £2.50 an hour.

The report concludes that new part-time workers are worst off, while the gap between full-time and part-time pay, and between low paid and better paid part-time workers, has risen steadily throughout the 1980s and 1990s.

A second report, 'The Pros and Cons of Part-Time Working', shows that three out of four British men work more than 40 hours a week, more than

three times the average for the European Union. The report, written and researched by National Opinion Polls, also highlights the serious mismatch between the existing working hours and many workers' desire for a shorter working week or part-time employment.

Two thirds of those questioned said that they wanted to work less hours, with over half of the women and 14% of men saying that they preferred to work part-time (less than 30 hours a week). Only 40% of women and just 3% of men said that they were able to achieve this. Respondents cited pay, employer inflexibility, problems with childcare and a shortage of available jobs as the major obstacles.

Speaking about the two new reports, TUC's General Secretary John Monks stressed that their findings had strengthened the TUC's resolve to press for a national minimum wage as part of a framework of minimum



Photo: MARTIN JENKINSON

labour standards offering protection against low pay and exploitation.

The TUC, which launched a campaign in support of part-time workers in March, is also calling on the government to reverse its opt out of a recent Euro directive guaranteeing a range of key rights for part-time workers and is pressing for an end to discrimination against part-time workers over basic maternity and redundancy pay.

Prisoners win grass cutting contract

The decision of a local council in Devon to award a school ground's maintenance contract to a prison has angered trade unionists and DLO bodies who have raised concerns about jobs, safety and civil rights.

The Council claims to have awarded the £800 contract to Channing Wood prison on quality grounds, despite it being only £50 higher than the internal DLO bid. Fears have been raised that prisons are under pressure from the Home Office to find alternative forms of work for inmates and that more could follow Channing Wood's example.

The Prison Service Agency moved swiftly to deny suggestions of widespread tendering by prisons, however they did not rule out tendering for further contracts, if invited

Speaking at a Parliamentary lobby in London recently, UNISON General Secretary Alan Jinkinson said "Isn't something wrong when prisoners are awarded a contract by a primary school to cut the grass?"

MP raises concern over special advisers

Evidence that special Whitehall advisers with access to confidential information are being allowed to move directly from ministerial offices into the private sector has been uncovered by the Labour MP Alan Milburn.

The MP recently expressed his concern over whether the special ministerial advisers, who must be positively vetted, were making use of secret information in subsequent private sector employment following an investigation across Whitehall departments by researchers working for the MP.

Unlike other senior civil servants who must report their employment plans to the Business Appointments Committee, which may insist on a period of 'quarantine' before allowing them to move over to the private sector, special advisors are subject to no such restrictions.

The information gathered by the researchers reveals that at least seven out of 23 special advisers recently employed to work closely with cabinet ministers have moved on to work for lobbying and public relations firms. Others have moved on to work in the City, industry or have become MPs.

EDS win Brent contract

Multinational computer giant EDS has won its first local government contract, the largest revenues and benefit contract so far awarded under voluntary competitive tendering. The London Borough of Brent contract worth £50m over eight years, will involve the transfer of 240 staff to EDS. The contract is part of Brent's policy to become an enabling authority with market testing of a whole range of services and the break up of all department into business units.

EDS claim that they will make £8m worth of savings over the eight

year contract and has further claimed that the company could save £200m a year if it took over the administration of council tax and housing benefit nationally.

EDS, a subsidiary of General Motors, is planning further expansion in local government. EDS Scicon already has a massive civil service contract; the company were awarded the Inland Revenue computer contract processing income tax and corporation tax data in November 1993. The contract was valued at over £1bn over 10 years and 2,000 staff were affected.

Inquiry into British Coal sell-off

The National Audit Office has launched an inquiry into the £815m sale of British Coal to RJB Mining. The investigation is focusing on a number of issues including the appointment and role of the Government's advisers, the merchant bank NM Rothschild who claim to have spent 37,000 person hours on the sale leading to yet undisclosed multi-million pound fees. Another issue is the £116m unsecured loan granted to RJB Mining by the Government, a facility evidently not made available to other bidders. The Secretary of State for Energy who appointed Rothschilds in 1991 was John Wakeham. He is now Lord Wakeham and is a director of Rothschilds who are still employed selling off British Coal's surplus land and machinery.

panies increased 40% to £7.7 billion in the past year. The combined profits of the electricity companies (including the 10 Regional Electricity Companies, National Power, Powergen, Scottish Hydro, Northern Ireland and the National Grid) increased 13% to £4,675m. British Gas recovered from a loss of £215m in 1993/94 to a £1,245m profit in 1994/95 whilst the 10 water companies increased their profits 12% to £1,800m.

Cleaning contractor moves into community care

ISS Servisystem, the world's largest contract cleaner, has moved into community care services in Sweden with the acquisition of Vaardbo, a private health care company. ISS are planning to build up a 20% - 30% market share exploiting the financial difficulties currently facing local authorities who "are looking for new and cost effective solutions to the problem of caring for the elderly" according to a company spokesperson (Financial Times, 3 April 1995).

Utilities profits soar

The combined profits of the privatised electricity, gas and water com-



Changes planned to European Acquired Rights Directive

TUPE: A NEW THREAT

The European Commission is currently consulting on proposed changes to the Acquired Rights Directive 1977. Any agreed changes would result in amendments to the Transfer of Undertakings (Protection of Employment) Regulations 1981 which enacted the Directive in UK law.

The British Government has strongly opposed the application of the Directive in the public sector. It wants the Directive repealed or made the subject to subsidiarity so that Britain could opt out of its implementation.

A number of rulings by the European Court of Justice (ECJ) have established its application in contracting out. However, the European Commission is proposing to amend the regulations.

"The transfer of an activity which is accompanied by the transfer of an economic entity which retains its identity shall be deemed to be a transfer within the meaning of this Directive. The transfer of only an activity of an undertaking, business or part of a business, whether or not it was previously carried out directly, does not in itself constitute a transfer within the meaning of the Directive."

This is further explained in the consultation paper:

"The proposed Directive distinguishes between two fundamentally different situations: the transfer of an activity as such, and the transfer of an economic entity which retains its identity, without however lowering the level of protection currently enjoyed by workers."

This could have profound implications for white collar CCT where local authorities are having to tender between 35% - 95% of services. Armed with a new definition, the Government could claim that TUPE would not apply to such contracts or to contracting out parts of manual services although the ECJ would be the final arbiter.

The regulations need to be strengthened. This is reinforced by the findings of the EOC research (see pages 1-5). We highlighted the loopholes on the regulations in PSA No 48 and those relating to changes in jobs, pay and conditions are summarised below.

Pensions and CCT

The Department of the Environment issued further guidance on the application of TUPE in March 1995. We quote various sections of the

guidance:

"In the Department's view, where there is a transfer to which TUPE applies, there is a risk that a failure on the part of the transferor to require a successful contractor to provide pensions after transfer which are broadly comparable to those available before the transfer, or otherwise compensate transferred employees, could give rise to successful claims of constructive unfair dismissal against the transferor."

"In requiring the provision of comparable pensions an authority is acting to protect itself from claims of unfair dismissal and the financial consequences that may arise from such claims. This is clearly a commercial matter rather than a non-commercial matter and therefore one which the authority is entitled to consider." (our emphasis)

The guidance also states that authorities who wish to require a contractor to provide broadly comparable pensions or offer compensation they should state this in the invitation to tender. Compensation could include increased pay or improvements in other benefits.

"It is open to an authority to reject a tender which it considers does not provide a broadly comparable pension or otherwise compensates employees." (our emphasis)

Loopholes in the TUPE regulations

There are certain limitations in the regulations which are being exploited by contractors. The Directive should be strengthened, particularly to improve protection for part-time women workers.

■ An employer is allowed to make changes to jobs, pay and conditions of service before or after a transfer if they are in connection with "economic, technical or organisation" matters not connected with a transfer. Those affected could claim unfair dismissal and would have to prove their case at an Industrial Tribunal.

■ There is a great deal of uncertainty concerning the length of time which TUPE applies. The trade union position is that TUPE should apply for the length of the contract. However, most contractors believe that it should last between 6 - 12 months. Hence contractors believe they are legally entitled to 'harmonise' terms and conditions with the first year of externalisation or a CCT contract.

■ TUPE applies to transferred staff and not to new starters. Contractors can, and do, operate a two tier pay structure from day one.

■ TUPE applies to temporary and casual staff but a

private contractor could simply not renew the contracts of temporary staff when they came up for renewal. This could result in the loss of many jobs given the increasing use of temporary labour by local authorities and DSOs.

■ Contractors can buy out terms and conditions once a contract has started. This particularly applies to holidays. For example, a contractor may offer a small lump sum in return for a weeks reduction in holiday entitlement.

■ Contractors are entitled to offer compensation if it chooses not to provide a broadly comparable pension scheme. Compensation in the form of a lump sum has also been offered prior to a transfer in return for staff accepting changes to terms and conditions.

■ The regulations do not alter the fact that under existing UK law, employers can terminate collective agreements and derecognise trade unions.

■ If a local authority succeeds in bringing work back inhouse on retendering, and assuming TUPE applies, it will have to take on the existing contractor's staff at their current pay and conditions. These are likely to be below the prevailing local authority nationally agreed rates.

THE GROWTH OF QUANGOS

There are an estimated 5,521 quangos in Britain with about 73,000 board members. They spend £46 billion of public money, representing a third of all public expenditure. Non-elected quango board members outnumber democratically elected local government councillors by nearly 3 to 1.

What are quangos?

Quangos have been defined in a number of ways - as non-elected public bodies or as extra-governmental organisations. They can be distinguished from central and local government in that they have appointed (or have a majority who are appointed) boards or committees, as opposed to elected members. They also operate at arms length from central or local government.

There are three types of quango:

1. **Executive** - the majority of quangos fall into this category and include most local quangos such as those in health, education, housing and training. Nationally, executive bodies act largely as agencies for central government and carry out Government policies, for example, the Housing Corporation and the Funding Agency for Schools.

2. **Regulatory** - national bodies such as National Rivers Authority, OFTEL and OFWAT, sometimes with regional and local offices.

3. **Advisory** - these are usually national bodies and include bodies such as the Property Advisory group, commissions eg. Museums and Galleries Commission, and Royal Commissions.

Changes at local level

The key change in the development of quangos over the past decade has been the growth and increase in importance of locally appointed quangos. The number of national quangos has reduced in recent years.

Local quangos vary in their activities, depending on whether they are a public body, a charity, a company etc. but have certain general features which apply to virtually all:

- Members are appointed not elected and many of their boards are self-perpetuating;

- They are not required to hold meetings in public;
- They are not subject to the same requirements of access to information as local authorities;
- Appointed members are not subject to surcharge.

Most of these quangos produce annual reports and accounts but they are not always publicly accessible.

Why quangos are a concern of local government

Services have been transferred to quangos which were previously provided or at least influenced by local authorities. These include local government responsibilities for education, planning, housing, and training. In addition, transport, health and police services are run by local boards with little or no local authority representation. In addition, national quangos are replacing the work of Government departments and elected regional and local bodies.

The growth in public spending on quangos is shown in Table 1 (opposite).

A new model of government

Quangos:

- remove functions from local councils thereby reducing the ability of local communities to govern themselves.
- centralise power to ministers.
- fragment service provision both inside and outside the local council.
- create organisations which are run by people who are unelected, unaccountable to and unrepresentative of their local communities.



Who's keeping an eye on her £46 Billion?

Publicity produced by Stevenage Borough Council as part of an initiative to monitor and provide information about unelected bodies such as Quangos.

- remove direct accountability of ministers for whole areas of public service provision through the creation of agencies and the introduction of contracts.
- involve decision making processes that are devoid of public scrutiny.
- are part of the pretence that people's rights are being enhanced through the myriad of 'charters'.
- the erosion of public service principles and their replacement by commercial values and practices.

Many quangos provide basic local services in health, education, housing and development and training. The expenditure in these four areas are detailed in Table 2.

The Government have not only transferred responsibilities to quangos but have also removed local authority representatives from appointed boards. Only 14% of quangos are subject to scrutiny by ombudsmen and only a third have their finances examined by the Audit Commission or National Audit Office.

A typology of quangos

There are many different types of quangos. However, with respect to local authorities there are five distinct changes which have taken place.

1. Transfer of local authority powers and responsibilities for services to non-elected bodies:

Quangos with a responsibility for functions covering a defined service within a specified local area:

Training and Enterprise Councils

Further Education Colleges

Urban Development Corporations

Housing Action Trusts

Bus Companies

Quangos set up as separate institutions:

Grant Maintained Schools

City Technology Colleges

2. Removal of local authority representation on locally run services:

NHS Health Trusts

3. Transfer of local authority powers to national quangos:

Funding Agency for Schools

Further Education Funding Council

4. Transfer of public spending allocations to national quangos

Housing Corporation

5. National Quangos with local offices:

Benefits Agency

Inland Revenue

Employment Service

Investigating and monitoring quangos

A guide written by the Centre for Public Services for the Local Government Information Unit is designed to assist local authorities, trade unions, and community organ-

Table 1: Quango expenditure 1978-79 and 1992-93

| | 1978-79 expenditure £m | 1992-93 expenditure £m |
|--------------------------------|------------------------|------------------------|
| NHS Bodies | 21,440 | 26,992 |
| Training & Enterprise Councils | 0 | 2,247 |
| City Technology Colleges | 0 | 50 |
| Grant Maintained Schools | 0 | 485 |
| Non-Departmental Public Bodies | 12,680 | 15,410 |
| Northern Ireland bodies | 1,082 | 1,468 |
| Total | 35,202 | 46,652 |

Source: Democratic Audit, Ego Trip: Extr-Governmental organisation in the UK and their Accountability 1994

Table 2: Numbers and expenditure of Non-Elected Bodies in four service areas (England & Wales)

| Non-Elected Body | Number | £m 1992/93 unless stated |
|-----------------------------------|--------------|-----------------------------|
| Health | | |
| District Health Authority | 150 | 12,960 |
| Family & Health Services Auths. | 98 | 6,833 |
| NHS Trusts | 443 | 6,017 |
| | 691 | 25,810 |
| Education | | |
| Further Education College | 488 | *2,844 |
| City Technology College | 15 | 49 |
| Grant Maintained Schools | 1,023 | *917 |
| Higher Education College | 144 | *3945 |
| | 1,670 | 7,755 |
| Housing | | |
| Housing Associations | 2,402 | 1,942 |
| Housing Action Trust | 5 | 87 |
| | 2,407 | 2,029 |
| Development & Training | | |
| Urban Development Corporations | 13 | 551 |
| Training & Enterprise Councils | 82 | 1,642 |
| | 95 | 2,193 |
| Total of four areas: | 4,863 | 37,787 |

Source: *The Quango State: An Alternative Approach*, Commission for Local Democracy, 1995, Tables 1 and 2.

* Figures for 1993/94

isations in monitoring the unelected state. The main criteria for monitoring quangos are outlined below:

- Control
- Quality of Service
- Meeting social and economic needs
- Performance Indicators
- Responsiveness
- Right to Consultation
- Access to Information & Openness
- Representation
- Equal Opportunities
- Accountability
- Auditing and Inspection
- Register of Members interests
- Complaints procedure and redress

■ Employment Policies

■ Trade Union Recognition and Involvement

The book also details how to investigate quangos. It looks at rights and access to information, sources of information on companies, housing associations, public bodies and individuals. Detailed information profiles are provided on quangos involved in health, training, education, housing, police and utilities.

'Secret services: A handbook for investigating quangos' is available from Local Government Information Unit, 1-5 Bath Street, London EC1V 9QQ. Cost £25.00.

Market testing

Unions call for end of market testing 'car boot sale'

The Government's policy of privatising large areas of the Civil Service continues to gather momentum, with disastrous results for jobs, services and quality claim Civil Service unions.

Earlier this year, public service minister David Hunt announced that a further 1 billion of government services - including quangos - were to be market tested in 1995, in addition to the £2 billion worth of services reviewed since the launch of the 'competing for quality' programme in 1992. The programme had resulted in £400 million worth of savings claimed the minister.

However, new research into the national costs and savings of compulsory competitive tendering in local government published by the Centre for Public Services has fuelled existing doubts over government savings claims.

According to government figures, nearly 27,000 Civil Service posts were either cut or transferred to the private sector between April 1992 and September 1994, resulting in 3,000 redundancies, over half of them compulsory. The biggest cuts have been in the Ministry of Defence where 11,000 posts have been lost.

Government figures revealed that tendering followed eight out of ten reviews and that where these had taken place, awards were divided evenly between in-house bids and the private sector, although the latter won nearly three quarters of the work by value.

Civil Service unions continue to insist that service cuts and a decline in quality are the inevitable results of a policy based on ideology rather than efficiency. Concern has also been expressed, over the growing number of contracts that in-house workforces are being prevented from bidding for.

A recent report by the House of Commons Treasury and Civil Service Parliamentary Select Committee concluded that the market testing programme had not been conducted effectively and expressed "surprise" that so many in-house bids had been ruled out by the Government.

Calling for a halt to the market testing "car boot sale" NUCPS General Secretary, John Sheldon, said: "The Government have tried to con Parliament and the public into believing that contracting out means value for money. In reality it is part of a deliberate attempt to destroy the Civil Service and hand over easy public money to private contractors - many of whom contribute millions to the Conservative Party's war chest."

Civil Service News

Union concerns over contract award

Employment Service chief executive, Mike Fogden, has dismissed union calls for a re-run of the support services market-test, despite evidence that the private US security firm which was awarded the contracts in January has been allowed to make important changes to its original bid.

Union fears for the future of around 30 security, mail, messenger and clerical staff affected by the transfer have since deepened with an announcement by the company, Burns International Security Services Ltd, that it will not recognise trade unions.

Despite being a clear breach of TUPE regulations, union officials are known to be concerned about their enforceability under UK law. The unions are now considering interim measures to prevent derecognition before deciding on whether to take the matter up with the European Court as a breach of the EU 'Acquired Rights Directive'.

A recent European Court ruling confirmed that the directive takes precedence where national law fails to uphold transfer regulations.

Both NUCPS and CPSA have queried the fairness of the market test after obtaining confidential information revealing discrepancies between proposed staffing levels in the company's original tender bid and the numbers employed to run the new contracts from April 3.

Union representatives are known to have expressed particular concern about arrangements at Northern Region's two offices in Newcastle where the company's original bid involved cutting staff levels from eight to four. According to the bid, the four remaining staff would have been expected to provide security, post room and messenger services for 400 staff, occupying two five story buildings, between the hours of 7 am and 6 pm.

However, following negotiations with the Employment Service, the company have agreed to take on all eight staff working in the Newcastle office. The company will now under-



take a full review of staffing levels over the next four months with a view to making two of the Newcastle staff redundant.

Rejecting the union's call to nullify the market test, the chief executive is understood to have stressed that management's major considerations in awarding the contracts to Burns focussed on whether the company was able to offer 'value for money' and whether it was able to deliver the services required. A request for affected staff to be given an opportunity for redeployment within the Employment Service was also turned down.

There is now growing concern that the alterations to staffing arrangements will force the company to seek further savings by reducing wages and terms and conditions of employment. Burns have already made it clear that it is only prepared to offer a twelve month guarantee on the retention of existing terms and conditions for transferred staff.

"It looks as if the company simply put in a 'loss leading bid' to beat the in-house competition," said Ian Taylor of NUCPS. "What's perfectly clear is that management have not been operating a level playing field as far as these contracts are concerned and some staff are now faced with another four months of uncertainty and the threat of redundancy."

Mergers and budget cuts cast shadow over TECs

Repercussions from last year's collapse of South Thames Training and Enterprise Council with debts of £5 million, and the prospect of further cutbacks in training budgets continue to cause uncertainty throughout the TEC network.

The end for the cash-strapped London TEC finally came last December when the Department of the Environment appointed receivers Grant Thornton to administer the affairs of the bankrupt 'quasi-quango'. The DoE's decision followed desperate attempts by directors to keep the TEC afloat by making 50 of the 170 staff redundant just one week before the receivers were appointed.

Operating in an area of central London with the highest unemployment in Britain and with a large and diverse ethnic minority population, the TEC was seen as being one of the most progressive in the country, working closely with Greenwich, Lewisham, Lambeth and Southwark councils, and being one of the first to offer training to prison inmates.

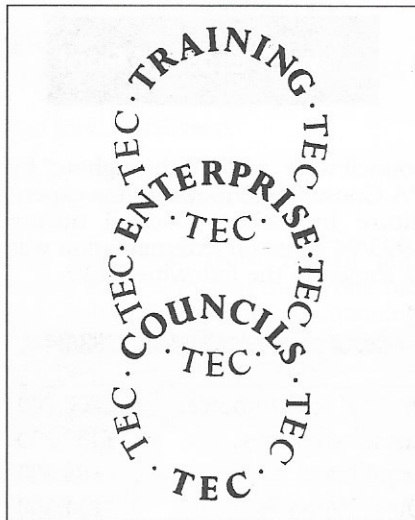
Local trade unions

The TEC had also established a good working relationship with local trade unions and was one of the few TECs to recognise the right of its own employees to be represented by a trade union.

Ironically, a developing partnership between the TUC and TECs over the provision of training for union members, has brought strong criticism from civil service unions because of the deep hostility towards employee trade unions which pervades the majority of TECs.

An announcement earlier this year that two neighbouring TECs were being asked to take over the functions of South Thames TEC has since raised concerns about the possibility of further mergers, particularly in London where it is generally accepted that there are too many TECs.

According to the government's own figures, London TECs are among the worst performers in the country and ministers are known to



want to reduce their number of TECs in the capital by a half.

Training budget cuts

Unions such as NUCPS now believe that Michael Portillo's plans to cut a further 250,000 from training budgets will increase merger pressures, both in London, and eventually elsewhere, and lead to a spate of further redundancies.

Unions are also worried that it will be the more costly schemes for the unemployed that will be hit hardest as budgets are squeezed.

"There will be tremendous pressure on TECs to deliver on the more prestigious schemes at the expense of those that really help the unemployed," said NUCPS national executive member, Liz Pemberton.

She stresses that the financial debacle surrounding the collapse of South Thames TEC raises important questions about accountability.

Financial mismanagement

"It's inconceivable that the level of financial mismanagement witnessed at South Thames would have been allowed to drift towards crisis point without serious attention had the organisation been a full part of the Civil Service," she said.

The union, which believes that TEC staff should be public servants, has since reiterated its call for TECs to be made accountable to both the local community and Parliament, and for an end to their domination by the local business community.

"If they are to stand any real chance of success, TEC boards should reflect all sections of the community which they are attempting to serve. At the very least, TEC chief executives must be public appointments accountable to Parliament through the Secretary of State," she said.

A recent report into the relationship between training and enterprise councils and the voluntary sector concludes that London TECs are failing to meet the challenges of unemployment and economic underperformance in the capital.

'A New Partnership', written and researched by the research director of the Unemployment Unit on behalf of the London Boroughs Grants Committee concludes that:

- London TECs must improve strategic co-ordination to meet London-wide needs
- TEC Boards are unstable and unrepresentative of local communities
- TECs have accumulated large financial surpluses and introduced funding systems and contracts disadvantaging and destabilising voluntary sector training providers
- The role of voluntary sector groups in providing mainstream training has been undermined
- The performance of London TEC training programmes is among the worst in Britain.

Copies of the report 'A New Partnership' are available from the Unemployment Unit, 322 St John's Street, London EC1V 4NT.

EALING'S EXTERNALISATION

Less than nine months after all Ealing council's technical services and related direct service organisations were sold to US multinational, Brown and Root, the company is making staff redundant and threatening further job losses. Warnings about the major problems ahead for Brown and Root Ealing Technical Services (BRETS) were made in a report written for Ealing Unison by the Centre for Public Services last year.

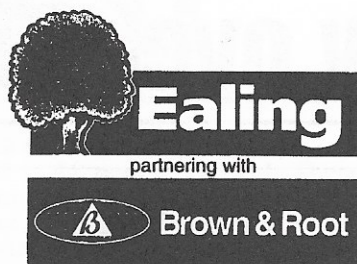
The Tories prepare ground for failure

Between 1990 and the local government elections of May 1994, Tory-run Ealing Council embraced the concept of the 'enabling authority' and pursued policies designed to minimise the role of the council as a direct provider of services. The plans culminated in April 1994 with the sell-off of the whole of the Technical Services Group, including thirty-six services, to a company with no track record in local government. The contract, worth £130m over five years was the largest ever sale of council services and involved 1500 staff, 15% of the council's workforce.

The council adopted a high risk strategy which backfired as local people became intolerant of the level of cuts, at the same time as incalculable financial resources and staff time were wasted on introducing unnecessary changes. The trade unions vehemently opposed the council cuts and privatisation programme.

Private consultants profit from the sale

A great deal of money was spent on employing consultants to make proposals to reorganise and privatise many sections of the council. The



council were 'advised throughout' by PA Consulting Group and the expenditure by Ealing Council during 1993/94 alone on externalisation was as shown in the following table:

| Costs of externalisation 1993/94 | |
|----------------------------------|-----------------|
| Internal staff resources | £200,000 |
| Consultancy fees | £152,200 |
| Legal fees | £80,000 |
| Other expenses | £31,400 |
| Total | £463,600 |

This did not account for all the costs of externalisation, for example, council committee meetings, full in-house staff costs and the financial impact on other parts of the council.

In the long run externalisation could mean a more expensive service. The council was forced to set up a large client side to monitor the work and agreed to take on additional health and safety and finance officers as part of the contracts team. In addition, the full costs of pensions (an estimated £5m) for TSG staff will continue to fall on the council rather than Brown and Root. Added to this is the £500,000 of costs incurred in developing and carrying out the externalisation exercise. The long term impact in cost terms is unclear and it may be that as well as being a very risky experiment, externalisation is also a very

expensive one.

The report 'Putting Public Services at Risk' highlighted the implications of the sale:

Impact on users: BRETS is being run as a commercial organisation and not as a public service and quality of service will not be improved by externalisation.

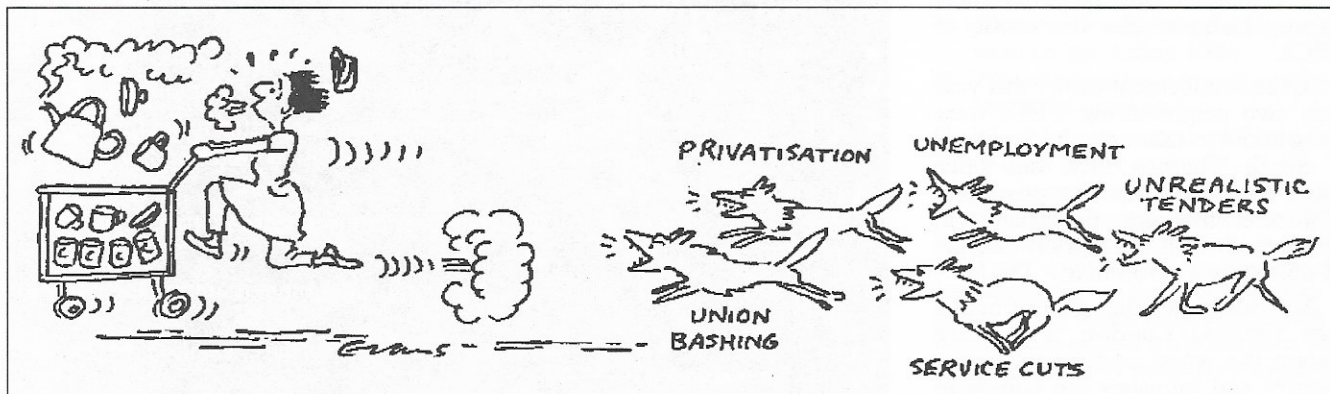
Health and safety: In spite of UNISON's arguments that all health and safety functions should remain with the council, fire officers and officers with safety responsibilities for buildings were transferred to Brown and Root. A number of health and safety incidents have already arisen since the contract started in April 1994. These have resulted in difficulties and confusion in respect to management responsibilities for particular pieces of work in the borough.

Impact on other council services: The sale of TSG effectively means that work on wages, supplies, repairs, legal and financial advice previously obtained from other council departments has been privatised.

The range of services sold off meant that in some instances the contractor acts as the council's client agent responsible for monitoring itself. As the acting client, the company can give advice to the council which clearly benefits the company's interests rather than the council's.

High costs of monitoring: The additional cost of staff involved in monitoring BRETS is over over £220,000 in the first year.

Impact on the local economy: The loss of 1,500 jobs from the public sector has a direct knock-on effect on the local economy. It has been calculated that for every four local authority jobs lost through contracting out, one additional job is lost in the local economy. Externalisation could result in 373 jobs being lost from Ealing's economy. Job security has



FAILS TO MEET TARGETS



been undermined and social costs will be caused by the strain on individuals and their families of working within a system requiring greater productivity and financial targets to provide public services.

Expansion has not materialised

Brown and Root's intention was to bid for other work, and indeed BRETS is facing major problems as a result of failing to win further contracts, in spite of tendering for work in many areas of the public sector.

Brown and Root initially brought in 15 of their own staff into BRETS with the aim of turning it into a 'commercial organisation'. 'Winning new work will be an urgent and important task for BRETS in order to reduce reliance on work from one client, Ealing Council, to spread overhead costs over a larger workload and to provide work for any surplus staff.' In the nine months, expansion has not occurred and their projections have not been met; staff have suffered the consequences and BRETS is being run by its third managing director in nine months.

In addition, BRETS have lost the Thames Water drainage contract which was held by the London Borough of Ealing and assigned to BRETS. Thames Water tendered the work but decided to set up an in-house service.

There are threats to the school cleaning contract; with the delegation of the budget to schools, many schools are expected to make their own, more reliable, arrangements for cleaning. Cleaners could then be transferred back to the local authority under TUPE.

BRETS has tried to halve the workforce for meals on wheels by suggesting that one person, rather than two, a driver and attendant, deliver the meals. Currently a fleet of 24 vans deliver over a 1,000 meals a day. The cuts would involve 29 staff. The trade union made major objections to this on the grounds of safety and infe-

rior service delivery.

Job loss at BRETS

It was clear from Brown and Root's statements that the Ealing bid was highly dependent on obtaining additional work. The company has not achieved this and in addition the council is seeking savings, among the BRETS staff delivering the Ealing contract. 62 redundancies have already occurred within months of externalisation and further job loss is planned as outlined in the table below.

Staff who volunteered for redundancy were refused, leading to compulsory redundancies. BRETS have also informed the trade unions that they want to revise terms and conditions of employment.

BRETS Redundancies

| APT&C staff (Dec 1994 - March 1995) | | Manual & Craft (Proposed redundancies) | |
|--|----|---|-----|
| Property design | 11 | Refuse Collection | 23 |
| Property management & maint. | 5 | Street Cleaning | 22 |
| Engineering & admin. | 30 | Grounds Maintenance | 11 |
| School cleaning supervisory & admin. staff | 3 | Mechanical & Electrical Eng. | 5 |
| Finance & admin. | 5 | Transport workshop | 2 |
| Depot based staff | 8 | Transport drivers | 2 |
| | | Mobile meals staff | 29 |
| | | Building cleaning | 40 |
| Total | 62 | | 134 |



IS THIS THE END OF THE NHS?

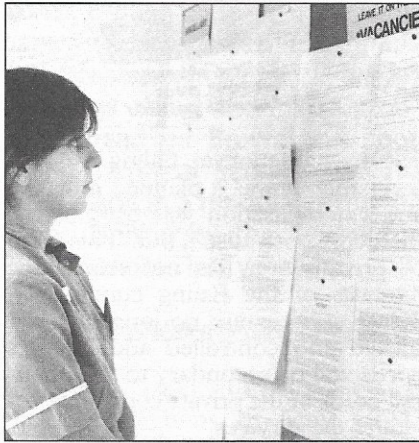


Photo: DAVID BOCKING

The creation of the NHS market is now nearing completion. This article briefly considers two areas of concern - the growth of the private sector and the impact on health workers. NHS Trusts are now the main providers of health services - hospitals, ambulance services etc. Trusts are run in a very different style from the old health service system with reduced involvement from local authorities, trade unions and local community organisations.

The first 45 trusts became operational on 1st April 1991 and now 98% of NHS services are managed by over 500 trusts. The Secretary of State for Health determines the membership and duties of the boards. NHS Trusts are designed to compete with each other in providing services to health purchasers within the internal market created by the Government.

Services under pressure

The establishment of trusts involves the break up of strategic planning for local health services with competition between trusts for a share of the health market.

They have much greater freedom than hospitals managed under the District Health Authorities had for deciding what staff are employed, their conditions of service, and how resources are to be used generally. The new system has not resulted in improved services. A recent survey by Labour Research showed that among the first wave of Trusts created in 1991, there has been a 9% reduction in the total number of beds available and an increase in the number of people waiting for treatment (see Labour Research April 1995 for further details). In addition, patients do not stay in hospital as long; for example, surgical acute stays

fell from an average 5.3 days in 1991-92 to 4.8 days in 1992-93. There has also been a huge expansion in the number of people being treated as day patients and now a quarter of all hospital admissions are day cases.

NHS spend more in the private sector

Spending by the NHS in the private sector increased 80% between 1992, when spending was £215m to £388m in 1994. The figures cover all NHS spending including care in private nursing homes.

In addition Trusts are seeking to generate more income from private patients. In 1994, 34 Trusts had private income exceeding £1m and two Trusts - Guys-St Thomas's and the Royal Free in London - earned more than £8m.

Private sector squeezed in the new market

Following a period of rapid expansion, private hospitals are facing increased competition from pay bed units run by NHS Trusts. The revenue of independent acute hospitals increased by only 1.9% in 1993, compared to 11.5% and 13.6% in the two previous years. Trusts raised £170m from private beds in 1993, up 25% on the previous year and its share of the private acute care market grew to 15%. The changes in the market and problems for private hospitals were illustrated in the collapse by the new 260-bed Clydesbank hospitals in Glasgow which went into receivership. Nevertheless, operating profit margins in the private sector rose to 19.4% in 1993.

Government encourages increase in privatisation

Under the purchaser/provider split, competition between Trusts for contracts is bound to increase. In addition, private firms are eagerly preparing to tender for services in the NHS internal market. Many Trusts are considering market testing their services and new guidance issued by the Department of Health to health authorities and trusts has changed the rules to extend its Private Finance Initiative so that trusts have to seek private finance for running services such as radiography and pathology, as well as for capital projects. This could amount to £1.5bn worth of privately financed projects. Construction companies - McAlpine, Laings and Tarmac are also joining up with private health care companies to bid for contracts. McAlpine has set up McAlpine

Healthcare Ltd, a joint company with Healthcare Group Limited to specialise in contracts to finance and operate health services. Tarmac, the road construction company, has set up Tarmac Health Estates, which will tender for joint contracts with United Medical Enterprises, and John Laing PLC is forming consortia with private health care companies. These companies are bidding for NHS contracts including running health services.

Staff lose on jobs and wages whilst trust boards gain

The changes in the NHS have had severe consequences for staff at all levels of the NHS. For example, there was an overall fall in nursing and midwifery staff of 9.2% across England between 1989 and 1993. At the same time spending on NHS administration has doubled since the new reforms were introduced in 1991.

The creation of the Trusts has been clearly financially beneficial for board members. Salaries of chief executives of Trusts in some cases exceed £100,000. Bonuses are also paid to some Trust managers of up to £10,000 a year. Almost £20m a year is being spent by the NHS on payments for chairmen and non-executive directors of Trusts.

Local Pay bargaining

Meanwhile, nurses, midwives, ambulance crews, clerical staff and ancillary staff are being forced into local pay bargaining. All these staff are employed by the providers - the Trusts - who are competing with other Trusts which may end up paying different rates. Staff have been offered a national rise of 1%, which is well below the rate of inflation, plus locally negotiated increases of between 0.5 and 2%. The trade unions are campaigning for a three per cent rise and have rejected the pay offer. If employers succeed, this could result in a break-up of national pay bargaining and a major weakening of trade union organisation.

This pressure for local pay bargaining is part of a broader trend. A review by Industrial Relations Services showed, that although three-quarters of Trusts had fewer than 20% of staff on local contracts, many were planning for changes:

Key Findings of the IRS Report:

- 65% of Trusts had local pay action plans by September 1994
- 55% of new bargaining arrangements were set up during 1994
- 78% of trusts have introduced local terms for some staff
- 47% of trusts expect staff numbers to drop in the next year.

An increasing number of NHS Trusts are insisting employees agree individual contracts before awarding local pay increases. Managers are taking advantage of the recent House of Lords ruling which allows employers to discriminate against trade unionists who insist on collective bargaining by paying them less.

Sector Analysis

HOME TRUTHS

Local authorities are preparing to advertise the first tranche of housing management CCT contracts. With between 350 and 400 contracts in 1996 and a further 600 contracts over the following three years, contractors are likely to be highly selective where they submit tenders.

Authorities should not panic when a number of contractors respond to the tender advert – many contractors automatically respond to every advert because there is a substantial difference between an expression of interest and the submission of a serious bid.

Contract packages which are substantially smaller than 4,000 - 5,000 dwellings may attract more competition. Much will also depend on the type, condition, social profile, the strength of tenants organisations and trade unions.

Some authorities are considering putting all their housing management contracts out together. This is only likely to be considered 'anti-competitive' if contractors complain to the DOE and the authority cannot justify its decision. At least one local authority has been told by the DOE that they will not take punitive action if the authority lets all its contracts in 1996. However, this approach depends on the full implementation of a comprehensive CCT strategy and submission of effective and well prepared in-house bids.

Who will bid?

Potential bidders can be divided into several categories under which are listed the major contractors.

■ Housing Associations

- those interested in management contracts
- those interested in voluntary transfers of housing stock

A large majority of housing associations have stated that they will not bid unless invited to do so. Most smaller associations simply do not have the ability or capacity to take on council housing management contracts, even assuming they submitted successful bids. Some housing associations have been bidding for Voluntary Competitive Tendering contracts but only because authorities had agreed to seek a voluntary trans-

fer (dependent on tenants ballot) towards the end of the contract. There were also no in-house bids.

■ Managed Services Consultants

CSL (Touche Ross)
Psec (Generale des Eaux)
Capita Group
WS Atkins

■ Facilities Management Companies

Serco

■ Property management companies and agents

Chesterton International
Donaldsons

■ Building Services contractors offering facilities management type contracts

Mowlem Facilities Management
Tarmac Professional Services

■ Other firms

Sita GB

■ Tenant Management Boards (as another means of 'avoiding' CCT)

■ Local Authority Housing Companies

■ Management Buy-Outs

■ European companies

A developing market?

The housing management sector is the least developed of the CCT white collar services. In-house services are likely to win between 90%-95% of the first round contracts. However, the continuing pressure on housing association development programmes, the

recession in the construction industry, Governments Private Finance Initiative and the diversification of contractors to cover a wide range of manual and white collar contracts will inevitably intensify competition in the longer term.

Construction

Firms seeking improvement, regeneration and major repairs and maintenance contracts may see housing management contracts as a means of securing contracts, achieving a regular cash flow from rents, and establishing a foothold for further work.

Design & Consultancy

Construction and financial services consultants are seeking to diversify. Firms which have acquired technical services departments by hosting externalisation may be particularly interested.

Contractors providing CCT manual services

Several of the larger contractors are likely to express interest, particularly those seeking to achieve economies of scale. Those which have acquired DSOs in trade sales may be particularly keen.

Facilities management

Some of the increasing number of companies developing FM strategies are likely to express interest.

Property management

Depending on the strength of the housing and commercial property sectors some surveying and property companies may target housing contracts in certain areas.

Further details in UNISON CCT Sector Analysis: Housing Management, available

Current Housing Management contracts

| Authority | Contractor | No of houses | Value £m p.a. | Length | Start Date |
|----------------------|----------------------|--------------|---------------|---------|------------|
| Bexley* | Orbit HA | 4,000 | 0.80 | 4 years | April 1994 |
| | London & Quadrant HA | 4,300 | 0.77 | 4 years | April 1994 |
| Brent* | CSL | 1,470 | | 2 years | April 1994 |
| Dartford | Hyde HA | 5,500 | | 5 years | |
| East Herts* | Network HA | 3,500 | | | April 1995 |
| | Wherry HA | 3,500 | | | April 1995 |
| Harrow*+ | Jephson Homes HA | 3,500 | | 5 years | |
| | Chiltern Hundreds HA | 2,700 | | 5 years | |
| | Housing 21 | 550 | | 5 years | |
| Newham | In-house | 7,800 | 3.00 | 3 years | |
| Rutland* | CSL | 3,500 | 0.51 | 5 years | April 1993 |
| South Oxfordshire | Psec | 5,500 | 1.27 | 5 years | |
| Wandsworth (Tooting) | In-house | 4,500 | | 3 years | Aug 1993 |
| | (Ethelberg estate) | | | 3 years | Aug 1993 |
| | (Park Court) | | | 3 years | Aug 1993 |
| | (Harwood Court) | | | 3 years | Aug 1993 |
| (Wendelsworth) | In-house | 350 | | 3 years | Aug 1993 |
| | Scotts Estates | | | 3 years | Aug 1993 |
| Westminster | In-house | 1,794 | 0.27 | 3 years | Sept 1994 |
| | In-house | 1,151 | 0.25 | 3 years | Sept 1994 |

* No in-house bid + DOE refused to approve contract and ordered retender.

Source: Centre for Public Services

Leisure firm collapse

Sports and leisure management contractor Contemporary Leisure was placed in the hands of administrators late last year. The firm had 14 CCT leisure contracts valued at over £5.2m, the largest market share held by private firms in this sector. Contemporary Leisure tried to persuade local authorities to transfer the contracts to another firm, City Centre Leisure Ltd. However, staff in Hillingdon, Bournemouth, Croydon and Redbridge all returned in-house.

Gardner Merchant sold to French firm

Contract Caterer Gardner Merchant was sold to the French catering company Sodexho earlier this year in a £730m deal. The combined group is now the world's largest contract caterer with an annual turnover of £2.5 billion although the firms will continue to operate separately. Gardner Merchant was acquired by its management in a buy-out in 1992, further proof that even the largest buy-outs don't retain their independence for long. The hotel group Forte received £140m for its 24% stake in Gardner Merchant.

Granada buys contract caterer Sutcliffe

The television and leisure group, Granada, acquired Britain's third largest contract catering group, Sutcliffe Catering, in a £360m deal with P & O. Sutcliffe's has more than 2,000 catering contracts with £358m turnover last year but operating margins were only 4.3%, almost half those of the Compass Group. Granada also acquired the laundry and cleaning firm Spring Grove Services from P & O. In a separate deal, Spring Grove acquired the textile and cleaning services firm Initial Ireland from BET for £3.5m.

Compass acquires SAS Catering

Health care and catering group Compass acquired the SAS Airlines catering subsidiary SAS Service Partner in a £71.9m deal last year. Compass now has access to the European market. SAS operates airport and contract catering at various British airports together with others in Scandinavia and Norway's gas and oil offshore sector.

Market share analysis

TRANSNATIONAL MONOPOLY

Government claims about the benefits of 'increasing competition' for public sector contracts defy the reality of decreasing competition as transnational companies relentlessly increase their market share. The table opposite reveals how a few companies have a dominant position in each service. The analysis is based on the value of contracts rather than the number of contracts because it is a more realistic indication of market share. The top firm in street cleaning, grounds maintenance, other catering, vehicle maintenance and sports and leisure management has between a quarter and a third share of the private sector market.

| Service | No of contracts | % share of private contracts by value |
|--|-----------------|---------------------------------------|
| REFUSE COLLECTION | | |
| Sita (GB) Ltd (Lyonnaise des Eaux, France) | 15 | 15.0 |
| Onyx Ltd (Generale des Eaux, France) | 13 | 14.7 |
| AAH (Environmental Services & Tyler Waste Management) | 20 | 11.3 |
| Cory Environmental (Ocean Group) | 14 | 8.6 |
| Biffa Waste (Severn Water) | 17 | 8.2 |
| BFI Wastecare (Browning Ferris Industries Inc., USA) | 3 | 5.8 |
| FOCSA Services (Spain) | 5 | 4.3 |
| 7 firms | 87 | 67.9 |
| STREET CLEANSING | | |
| AAH (Environ. Services, Tyler Waste Manag, Charlesplant) | 22 | 29.6 |
| Onyx Ltd (Generale des Eaux, France) | 8 | 12.5 |
| FOCSA Services (Spain) | 5 | 9.6 |
| Sita (GB) Ltd (Lyonnaise des Eaux, France) | 5 | 7.5 |
| Cory Environmental (Ocean Group) | 3 | 5.0 |
| 5 firms | 43 | 64.2 |
| SCHOOL MEALS | | |
| Commercial Catering Group | 14 | 32.0 |
| BET plc | 10 | 30.6 |
| Chartwells (Compass Group) | 17 | 25.8 |
| Sita (GB) Ltd (Lyonnaise des Eaux, France) | 4 | 3.4 |
| Gardner Merchant (Sodexho, France) | 3 | 2.7 |
| 5 firms | 48 | 94.5 |
| OTHER CATERING | | |
| Gardner Merchant (Sodexho, France) | 14 | 29.6 |
| BET Catering Ltd | 2 | 12.4 |
| ARAMARK Services | 1 | 7.1 |
| 3 firms | 17 | 49.1 |
| BUILDING CLEANING | | |
| Initial Services (BET plc) | 41 | 11.4 |
| Taylorplan Services (Berkeley Holdings, Australia) | 44 | 10.3 |
| Office Cleaning Services (OCS Group plc) | 50 | 10.3 |
| ISS Servisystem (Denmark) | 17 | 5.5 |
| Brown & Root (Haliburton Holdings, USA) | 6 | 4.8 |
| 5 firms | 158 | 42.3 |

GROUNDS MAINTENANCE

| | | |
|--|----|------|
| Brophy plc (Thames Water) | 67 | 24.2 |
| AAH (Environ. Services & Tyler Landscapes) | 62 | 13.9 |
| Glendale Industries Ltd | 29 | 9.8 |
| Krinkels (Holland) | 18 | 7.9 |
| Serco Group plc | 21 | 5.6 |
| Sita (GB) Ltd (Lyonnaise des Eaux, France) | 15 | 4.6 |

6 firms **212** **66.0**

VEHICLE MAINTENANCE

| | | |
|---|---|------|
| Serco Group plc | 4 | 23.0 |
| Smith Self Drive | 2 | 10.6 |
| Transfleet Services (Nat West Bank) | 2 | 9.3 |
| Bevan Commercial Services | 2 | 5.6 |
| Brown & Root (Haliburton Holdings, USA) | 1 | 5.0 |

5 firms **11** **53.5**

SPORTS & LEISURE MANAGEMENT

| | | |
|------------------------------------|----|------|
| Contemporary Leisure* | 14 | 28.4 |
| City Centre Leisure Ltd | 6 | 11.4 |
| Sports & Leisure Management | 5 | 10.2 |
| Serco Group plc | 8 | 7.9 |
| Circa Leisure plc | 6 | 7.9 |
| St Albans Leisure (Relaxion Group) | 2 | 7.9 |

6 firms **41** **73.7**

* Contemporary Leisure went into administration in 1994

Source: LGMB CCT Information Service, Survey Report No 10, December 1994.

Data for England and Wales.

Browning Ferris takeover

Browning Ferris Industries (BFI), the world's second largest waste management operator, recently acquired Attwoods plc which has waste management and quarrying operations in Britain (with its Drinkwater Sabey subsidiary) and the US. The bitter takeover battle involved the agreed sale by another waste management firm, Laidlaw, of its 30% share stake in Attwoods to BFI. Attwood's US subsidiaries had alleged links with Mafia organisations (see PSA No 22). Sir Denis Thatcher was deputy chairperson for ten years. Waste Management International also entered the fray by offering to acquire Attwood's British assets if the BFI bid had failed. BFI had to increase its bid to £391m before finally clinching the deal. A private Canadian company submitted a last minute higher bid which was rejected.

More waste disposal deals

Construction and building materials group, **Tarmac**, has sold its waste disposal subsidiary to the Hanson conglomerate subsidiary, **ARC** for £44.2m. This is the latest in a series of waste disposal deals (see PSA No 48). ARC also acquired a 4.9% stake in another waste disposal firm, **Shanks & McEwan** earlier this year. ARC now has a total of 38 sites with 96m cu ft of landfill capacity in England and Wales.

In another deal, **UK Waste**, a subsidiary of Wessex Waste Manag-

ement, the joint venture between **Waste Management International and Wessex Water** (see PSA No 44) acquired the paper recycling firm Clarfield Waste Paper for about £2m. It is part of their strategy to offer a comprehensive waste service.

Consultants grow

Global fee income of the top six accountancy and management consultancies increased a further 5% to \$33.5 billion last year. Income is shared between auditing and accountancy work, management consultancy, tax advice (or evasion) and insolvency.

Fee income \$bn

| | |
|--|-----|
| 1. Arthur Andersen (inc Andersen Consulting) | 6.7 |
| 2. KPMG Peat Marwick | 6.1 |
| 3. Ernst & Young | 6.0 |
| 4. Coopers & Lybrand | 5.5 |
| 5. Deloitte Touche Tohmatsu | 5.2 |
| 6. Price Waterhouse | 4.0 |

The rank order in Britain is headed by Coopers & Lybrand followed by KPMG, Andersen, Ernst & Young, Price Waterhouse and Touche Ross. The big six dominate the sector accounting for 76% of the fee income generated by the top 30 consultancies. This concentration is increasing. These firms are also expanding into other work such as legal services and outsourcing. For example, Arthur Andersen has a large number of contracts providing services to clients which were previously carried out in-house.

Contractor Update

Computer deal

Sherwood Computer Services has formed a joint venture with facilities management company CFM, a subsidiary of ICL which is 85% owned by the Japanese firm Fujitsu. Sherwood suffered losses last year and has also closed its Romford computer centre.

SERCO profits rise

The facilities and contract management group Serco increased its turnover to £260m in 1994, a up 39% on the previous year. Profits also increased by a similar proportion to £12.5m. Defence contracts still account for 36% of turnover. But the firm has expanded activities in all areas of the public sector. It operates contracts in a wide range of services in local authorities, the NHS and Civil Service. It has a joint venture partner in Premier Prison Service which operates the privatised Doncaster jail. It is also bidding for Railtrack's maintenance operations.

Profits in Nursing Homes

Britains largest nursing home operator, Takare, increased profits 41% in 1994/95 to £21.1m. The group operates 6,810 beds of with an annual turnover of £90m, of which 86% is derived from state-funded patients. Takcare has a building programme adding 1,800 new beds annually. It operates with a 97% occupancy rate with each bed producing an average revenue of £313 per week. The accounts included a £210,000 severance payment to its former managing director.

Capita Group

The rapidly expanding Capita Group nearly doubled turnover last year to £73.8m. Profits in its contracting division increased 87% to £4.8m on contracts worth £51.2m which represents an overall profit margin of 9.4%. Capita also has property and advisory divisions with turnover of £13.5m and £9.1m respectively.

Sector Analysis: Construction & Property Services

CONSULTANTS WAIT TO CHERRY PICK

The main design and engineering consultancies are awaiting the tender adverts for construction and property services having already built a base by acquiring many local authority technical services departments through externalisation.

Local authorities are required to tender 65% of construction and property services by April 1996 (de-minimis of £450,000). It covers architectural, structural engineering, highway engineering, mechanical & electrical engineering, building surveying, quantity surveying and property management.

Major trends

There are a number of major changes taking place in the construction industry.

- **Declining capital programmes:** Most local authorities capital programmes are declining as a result of budget cuts despite the increasing need for investment in housing and the urban infrastructure.
- **Building sector recession:** The construction industry is in deep recession. Over 450,000 jobs have been lost since 1989 and more are expected.
- **Externalisation and privatisation:** Some 20 local authorities have sold all or part of their technical services departments to consultants and about another 15 authorities are currently considering doing so. This has enabled firms to increase their experience and management of local authority work and extend their regional network of offices.
- **Design, Build, Finance and Operate:** The Government's Private Finance Initiative is another form of privatisation in which the major construction companies are being encouraged to be responsible for the finance, design, construction and operation of projects. It started with major transport projects but the Government is trying to apply

it to a wide range of capital projects such as new schools and hospitals.

- **Growth in facilities management and multi-disciplinary approaches:** Most of the major firms have expanded the range of services and have ceased simply to be firms of engineers or architects. They now include project management, surveying, building property and other services.
- **Globalisation:** The major consultancies have offices in Europe, Africa and Asia and are increasingly developing strategies to take advantage of major projects in other countries.

- **Privatisation of Government services:** Privatisation of the Government's Property Services Agency (PSA) has enabled several consultants and construction companies to diversify and to consolidate their share of the market. PSA was privatised as described in the panel below.

The acquisition of PSA building Management Manchester by W.S. Atkins was the prime reason behind its rise to first place in the consulting engineers 1994 rankings. It increased its British based engineering staff 51% to 1552.

The Government is also planning



Privatisation of the PSA

Design

Tarmac (2000 staff)
£54.9m fee dowry
£50m fee income

| Building Management South East | Building Management South & West | Building Management North East | Building Management Manchester | Building Management Scotland |
|--|----------------------------------|--------------------------------|--------------------------------|------------------------------|
| Amec/Pell Frischmann joint venture (2500 staff) £100m fee income | | Mowlem FM (1360 staff) | W.S. Atkins (1550 staff) | Serco Group (870 staff) |

to privatise NHS Estates which is responsible for 40,000 acres and land and building valued at £24bn. NHS Estates controls annual capital expenditure of some £1.5bn. With the all NHS developments now required to attempt to raise private capital, the scope for consultancy and facilities management contracts is considered extensive.

The main contenders

Competing firms can be grouped into several categories. The list of firms is not exclusive.

■ Professional-based independent firms:

There are a large number of local, regional and national firms which are traditional profession based partnerships.

Architectural practices

Civil engineering firms

Property management companies

■ Engineering, building and transportation consultants:

Acer Consultants Ltd (Welsh Water Plc)

W.S. Atkins & Partners

Babtie Group

Brown & Root

Capita Managed Services

Carl Bro Ltd

Mott MacDonald

Parkman Group

Pell Frischmann Consulting

Engineers

M.R. Rust (Waste Management International)

Travers Morgan

WSP Group

■ Facilities Management companies:

Serco

Psec (Generale des Eaux)

■ Construction Contractors: Tarmac Professional Services Mowlem FM

Taylor Woodrow

Amey FM

■ Property Management Companies:

Chesterton

Donaldson

Conrad Ritblat

DTZ Debenham Thorpe

Erdman Lewis

Hartnell Taylor Cook

Healey & Baker

Herring Baker Harris

Hillier Parker

Jones Lang Wootton

Local authorities which have sold Construction & Property Services

| Local Authority | Contractor | Service | No of staff | Value £m |
|---|--------------------|--|-------------|----------|
| Construction & Property Services | | | | |
| Berkshire | Babtie Group | Highway Engineering & Planning | 309 | £30m |
| Bexley | Parkman | Property services | 83 | |
| Brent | AMEY | Property services | | |
| Bromley | Bullen Consultants | Technical services | 16 | |
| Cambridgeshire | WS Atkins | Engineering | 123 | |
| Cheshire | M.R.Rust | Architecture | 190 | £6m-10m |
| Croydon | Buildingcare Ltd | Building & Architectural | | |
| Croydon | WSP Group | Building Services | | £5.0m |
| Ealing | Brown & Root | Technical services & DSO | 1,495 | £130m |
| Essex | W.S.Atkins | Architects, engineers, surveyors | 211 | |
| Gloucestershire | Halcrow | Engineering | | |
| Kingston | SERCO | Architecture & Building Services | | |
| Oxfordshire | W.S.Atkins | Architects, engineers, surveyors, | 85 | |
| Oxfordshire | W.S.Atkins | Highways & Engineering | 44 | |
| South Oxfordshire | Babtie Group | Engineering, 5 years | 7 | £1.2m |
| Surrey | W.S.Atkins | Architects and structural engineers | 31 | |
| Surrey | W.S.Atkins | Building surveyors, engineers, valuers | 95 | £3.0m |
| Wychavon | 3 local firms | Architecture | | |

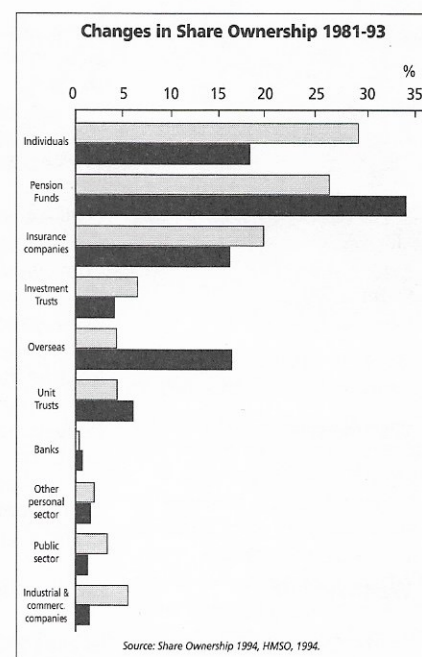
—Source: Centre for Public Services, 1995

This table does not cover the trade sales of DSOs which we will cover in the next issue of PSA.

Government fails to stop share ownership decline

Despite all the Government propaganda about a 'share owning democracy' and the distribution of free shares under privatisation, the proportion of shares owned by individuals continues to plummet. In 1963 individuals held 54% of total equity but thirty years later it less than a third of this figure. The survey of share ownership by the Governments Central Statistical Office concluded that all the privatisation share sales in the 1980s "appear to have served only to slow or obviate the decline of the private shareholder, not to reverse it." (Share Ownership 1994, HMSO, 1994)

Share ownership in the companies sold off at the start of the privatisation programme have fallen even faster. Individual share ownership in British Aerospace, Associated British Ports, British Airways and Cable & Wireless is now down to 6.2%, 9.2%, 11.5% and 8.5% respectively, well below the 17.7% average for all companies.



Sector Analysis: Legal Services

LEGAL FIRMS GEAR UP FOR COMPETITION

There will be a range of legal work on offer in local authorities from 1996, when 45% of local authority legal services is subject to compulsory competitive tendering. There will be no shortage of companies seeking new work and, given the volume available, they will be able to be selective with particular companies targeting contracts relating to their experience and expertise. Those with public sector experience will have an added advantage over those commercial legal firms who have traditionally worked in the private sector.

A detailed Sector Analysis for UNISON by the Centre for Public Services has identified five possible sources of competition for legal services:

1. Large international firms providing a wide range of services.

2. Regional or Provincial firms with offices in a number of cities.

3. Firms specialising in public sector work.

4. Small, local firms offering particular services relevant to local government.

5. Accountancy firms with legal divisions.

Table 1 shows local authorities which have contracted out sections of their legal work ahead of the Government's CCT timetable. Most of the firms bidding for this work are regional and local law firms.

Top legal firms

Although the law industry is no longer considered to be a growth industry, it is still big business. In 1992-93 the top 100 firms grossed £2.7 billion. These firms made £690m profits and average profits per partner of £176,000. Nevertheless,

law firms are competing with each other for less work and takeovers and mergers of medium-sized firms are expected. Allen and Overy were the most profitable UK firm in 1993 with profits per partner of £377,000 on a turnover of £117m.

The leading and most powerful law firms in the UK are listed in Table 2.

The most successful firms in recent years have been those with a strong international market. The top companies have become more international during the 1990s, with an increased emphasis on foreign earnings. These companies have not been at the forefront of the limited tendering experience in local authority legal services, but must not be discounted in the possible competition when white-collar CCT is underway.

Regional Law Firms

Regional firms are of increasing

Table 1
Voluntary contracting out of legal services

| Local authority | Service | Contractor | Date | Annual Value |
|-----------------|-----------------------------|---------------------------------------|---------------|--------------|
| Brent | Conveyancing/property | Kingsford Stacey | May 1994 | (|
| | Environmental | Tirvedy & Virdi | May 1994 | (£250,000 |
| | Housing | Hodders | May 1994 | (|
| Broadland | All legal services | Steele & Co | February 1994 | |
| Bromley | Conveyancing | Judge & Priestley | May 1994 | |
| Croydon | Criminal & civil litigation | Stoneham Langton & Passmore | April 1994 | £1m |
| Hertfordshire | Conveyancing | In-house | 1993 | |
| Lincolnshire | Conveyancing | Robinsons | April 1993 | |
| Stirling | All services | Harper Macleod | May 1993 | £150,000 |
| Wandsworth | Conveyancing | Gotelee & Goldsmith | October 1993 | £71,000 |
| | Non-routine conveyancing | In-house | October 1993 | £54,000 |
| | Routine litigation | Currently tendering | | |
| | Non-routine litigation | Currently tendering | | |
| Westminster | Conveyancing | Shindler | April 1993 | |
| | Contracts | Sharpe Pritchard | April 1993 | |
| | Debt collection | Bermans | December 1992 | £277,000 |
| | Civil Litigation | Judge & Priestly | December 1992 | £504,000 |
| | Criminal Litigation/ | In-house | October 1993 | £750,000 |
| West Wiltshire | Range of services | Planning enforcement Wilkie Maslen | July 1989 | Retendered |

Source: Centre for Public Services files and PSPRU database.

importance within the legal services market (see Table 3). Regional or 'provincial' law firms are reputed to have lower costs and have greater ability to undercut London based companies. There is considerable competition between regional firms and many have reduced their staffing over the last two to three years. Many local authorities expect that the medium-sized regional firms will be the main competitors for legal work.

The largest regional law firm Dibb Lupton and Broomhead, based in Leeds, ranked 17th in the UK by turnover, with gross fees of £36.7m and profits per partner of £200,000 in 1992-93. This company has grown very rapidly over the last decade and has taken steps to strengthen its position by expanding through acquisitions and cutting back on staffing costs.

Eversheds, an amalgamation of independent firms, is the only firm with a national presence since it has offices all over the country. This has recently merged with Jacques and Lewis (see below) making it the second largest legal firm in the UK.

Those legal firms with specific interest in local government are listed in the legal directories eg. Chambers and Partners Directory 1995.

Accountancy firms

Several leading accountancy companies are also moving into the provision of legal services to the public sector. KPMG has for example, strong links with the French law firm Fidal, one of the largest in Europe. In addition, international auditors and management consultants Arthur Anderson, backed the setting up of a new London law firm, Garrett and Co. This connection between the financial and legal sector may be of importance when it comes to tendering out a range of local authority services.

Table 2
The leading UK law firms, 1993

| Rank | Firm | Gross revenue £m | Profits/ partner £'000s |
|------|---------------------------------|---------------------|-------------------------------|
| 1 | Clifford Chance | 210 | 256 |
| 2 | Linklaters & Paines | 154 | 322 |
| 3 | Freshfields | 124 | 302 |
| 4 | Allen & Overy | 117 | 377 |
| 5 | Lovell White Durrant | 115 | 260 |
| 6 | Slaughter and May | 112 | 333 |
| 7 | Herbert Smith | 78 | 249 |
| 8 | Simmons & Simmons | 72 | 222 |
| 9 | Norton Rose | 69 | 218 |
| 10 | Denton Hall Burgin & Warrens | 62 | 185 |

Source: Legal Business September 1993.

Interest and likely response to CCT

- On the evidence of tendering legal services in local government so far, firms are more prepared now than they used to be to accept unit prices and tie themselves to long-term contracts. The private sector is likely to be most interested in high volume, routine work such as conveyancing and less competitive in other areas such as corporate and social services work.
- Several firms have set up sections to deal with public sector work and to liaise with in-house legal departments. A number of firms are also seconding staff to local authorities.
- Interest in specific authorities is likely to be affected by a number of factors.
 1. The type of work being tendered and the way in which it is packaged;
 2. The geographic location;
 3. Track record of working for local authorities and other parts of the public sector.

Further details in *UNISON CCT Sector Analysis: Legal Services*, available from UNISON, 1 Mabledon Place, London WC1H 9AJ.

Table 3
The leading regional law firms

| Company | Gross fees | Fees per fee-earner | Profit index | Total fee earners |
|--|------------|------------------------|-----------------|----------------------|
| Dibb Lupton Broomhead (Leeds, Manchester, London) | £28.8m | £87,000 | 1.9 | 333 |
| Hammond Suddards (Leeds, Bradford, London) | £20.1m | £98,000 | 1.7 | 206 |
| Evershed Wells and Hind (B'ham, Notts, Derby) | £20.0m | £79,000 | 1.3 | 253 |
| Booth & Co.(Leeds) | £17.4m | £97,000 | 1.4 | 179 |
| Pinsent & Co. (Birmingham) | £17.1m | £107,000 | 1.5 | 160 |

Source: From table 'The Legal Business Regional 30' in Legal Business Jan/Feb. 1993

CENTRE for PUBLIC SERVICES

Research • Strategy • Planning • Training
1 Sidney Street Sheffield S1 4AG Tel: 0114 2726683 Fax 2727066

The Centre is committed to the provision of quality public services and has unrivalled experience of working with local authorities, public bodies, trade unions and community organisations on:

- developing strategies to retain and improve public services
- monitoring privatisation and competitive tendering
- researching changes in public service provision

Established in 1973, and based in Sheffield since 1989, the Centre for Public Services is an independent, non-profit making organisation offering research, strategy, planning and training services to a wide range of organisations.

Services include:

Research: market and sector analysis; local, national and international trends and policy developments; social and economic audits; company performance and employment practices; workforce surveys.

Strategy: Corporate and strategic approaches to CCT and market testing; improving service quality, delivery and equality of access; trade union and community involvement; strengthening local accountability.

Planning: preparation of public service, business and employment plans; trade union and community plans for improved and expanded services; implementing public service practice in monitoring, tender evaluation and service delivery.

Training: 1 and 2 day courses on a strategic approach to competitive tendering, equal opportunities, and training for tenants representatives; workshops on best practice approach to tender evaluation, public service plans, contract monitoring etc.

The Centre's current work includes:

- Researching the impact of externalisation of public services.
- Preparing sector analyses of white collar services.
- Assisting local authorities and trade unions in tendering strategies and specifications.
- Researching the public costs of tendering in Northern Ireland.
- Developing equal opportunities best practice advice and seeking the implementation of the recommendations of The Gender Impact of CCT report.
- Training and education courses for local authorities, trade unions and tenants organisations.
- Preparing Public Service Practice strategies.

BUS MERGER BRINGS PRESSURE TO END DISPUTE

Hopes of a settlement to the long-running Chelmsford bus dispute have been raised following an offer by the conciliation service ACAS to mediate between the Transport and General Workers Union and Eastern National, the Badgerline subsidiary at the heart of the dispute.

The move, the first time throughout the six month dispute that management have shown signs of willingness to sit down and negotiate with the union, coincided with the announcement that Badgerline is to merge with Grampian Regional Transport Holdings to form the second largest bus company in Britain.

TGWU General Secretary, Bill Morris has since met with the Managing Director of Eastern National, Robin Orbell, and the union are now awaiting a response to their demand for reinstatement, or full compensation for those drivers not wishing to return to the company.

The dispute centres on the sacking of 106 bus drivers last November after they took a few hours of legal industrial action. The union responded by setting up its own free bus service which has attracted considerable public support and undermined Badgerline services.

With the exception of a slight blip in February, company share prices have fallen consistently over the last six months and the union is linking the current tentative moves to settle the dispute to the company's desire not to attract further harmful publicity in the run up the flotation of the new company, First Bus, in June.

The merging of the two conglomerates, comprising around 20 subsidiary companies, will create the second largest bus company in the country, controlling one eighth of the total UK market and highlighting the ever increasing trend towards monopolisation in the industry.

TGWU national bus group secretary, Graham Stevenson suggested that management's tentative approach towards negotiations with the union has been due to the union's successful campaign, and management concern over the effect of the dispute on potential investors in the newly merged company.

"The very last thing that they need is an albatross scaring off investment"

Speaking about the rising number of mergers in the industry he said: "We predicted that this sort of thing would happen, it's an inevitable process. This is an industry that lends itself to monopolisation and the simple fact is that you can't run an efficient and effective bus industry in

a free-market environment."

"We're not against monopolies in the industry, but against aggressive anti-union employers. But what we'd like to see is that monopoly publicly owned, democratically accountable, and controlled by local authorities."

Deregulation puts busses in a spin

The crisis facing bus services throughout Britain will continue to worsen unless positive steps to end the chaos of deregulation and win back passengers suggests a new report published by The Public Transport Information Unit.

'Buses for People or Buses for Profit', written and researched by PTIU policy advisor, Bruce Allan, and sponsored by UNISON, provides a detailed examination of the disastrous impact of deregulation and privatisation and how it has failed to fulfil Ministers' promises of halting passenger decline, and cheaper fares.

Describing an industry scarred by falling usage, unsustainable competition, small profit margins, poor investment, low wages and increasing industrial conflict, the report demonstrates that while bus mileage has risen, the number of bus journeys has declined every year since deregulation was introduced in 1986. Passenger levels have dropped by more than a quarter throughout the same period, while there has been a substantial increase in private car usage, urban traffic congestion, and air pollution.

The role of the transport authority is covered in some detail while three case studies, Derbyshire, Merseyside and Tayside, provide examples of the differing ways in which local authorities carry out their responsibility to ensure the provision of socially necessary services.

Importantly, the report also includes proposals for improving and expanding public services, central to which is a substantially enhanced role for local authorities in planning and regulating bus networks. This should be done in

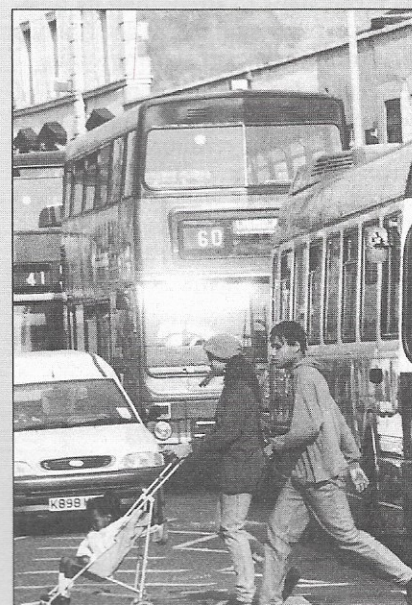


Photo: DAVID BOCKING

conjunction with operators who would retain responsibility for wages, premises and other costs, the report argues. However, a continuation of the tendering system - or its replacement with franchising - is strongly opposed on the grounds that both only encourage an already existing tendency in the private sector to compete on costs.

The report concludes: "The inappropriate application of a free-market economic doctrine to a major public service has put the bus industry's future under threat. Sooner or later, the pressure of environmental demands for more energy-efficient transport, and the economic need to provide a proper network of services will combine to force a U-turn. When this happens the planning and efficiency benefits that come from public control will again be seen to be central to regulating the provision of what is, after all, a public service."

"Buses for people - or buses for profit?" is available from the Public Transport Information Unit, Barclay House, 35 Whitworth Street, West Manchester M15 5NG; price £25.

Review

CORRUPTION INCREASES WITH SPREAD OF CCT

Evidence that the government's policy of subjecting increasing numbers of public services to competitive tendering has led to an increase in corruption and the misuse of political connections is the subject of a recent report published by the Public Services Privatisation Research Unit.

Using information from their own extensive database and material from press reports, 'Private Corruption of Public Services' demonstrates that while fraud and corruption have traditionally been linked with the construction industry, they have now spread to almost every area subjected to compulsory tendering.

The report also reveals how a small number of private companies, mostly multinationals, have come to dominate contracts won by the private sector. This process has been accompanied by a growing trend to discourage, or even exclude, in-house workforce bids, and increased levels of casualisation as hours, pay and conditions of service are cut back, say the researchers.

Focusing on the effect of compulsory tendering in local government, the Civil Service, and the NHS, the report compliments a growing body of material demonstrating that concerns about corruption in these areas is far from being the sole preserve of trade unions and in-house labour organisations.

A report on fraud published in January 1994 by private sector accountants KPMG, quoted in the PSPRU document, describes the growth of corruption as "a particularly disturbing feature".

"This crime is notoriously difficult to detect and prosecute, owing to problems in obtaining evidence, but represents a vast pool of undiscovered crime throughout British industry and the public sector," wrote the head of KPMG's Fraud Investigation department, Ian Huntington, about procurement fraud.

One particularly topical aspect dealt with by the PSPRU report concerns political and financial links between companies involved in con-



Photo: WENDY HISLOP

tracting for public services and the Conservative Party.

'Private Corruption of Public Services' reveals that many of the companies which have benefited from the contracting regime have made substantial donations to the Conservative Party. The PSPRU research has been able to identify donations totalling £1,626,331 over an eight year period.

Links with MPs

However, the report stresses that further donations have been channelled through an organisation known as British United Industrialists. Companies are able to extend their influence over government policies even further by exploiting political links with MPs, including appointments to directorships or by using them as advisers, consultants or lobbyists, the report argues.

The recent suspension of two Conservative MPs in the 'cash for questions' scandal is just one obvious example of where this kind of relationship can lead. At a higher level, links between Cabinet Ministers and privatised companies are currently under investigation by the Nolan Committee which is conducting a major investigation into standards in public life.

The PSPRU report is an unwelcome but timely reminder of the that 'contract culture' brings with it 'cor-

ruption culture'. The message from the PSPRU is clear: "It is now necessary to stem the advancing tide of corruption by halting the ideological programme of contracting-out. The programme is not only generating corruption and creating monopolies. There is no hard evidence that it is even saving money, and none at all that standards can be maintained..... the provision of public services by directly employed workers should be reinstated as the normal, most efficient and cleanest way of providing public services" (Private Corruption of Public Services)

Copies of 'Private Corruption of Public Services' are available from PSPRU, 1 Mabledon Place, London WC1H 9AJ; price £10 public sector, £50 private sector.

Re-launch of Public Service Action

We apologise to our readers for the long delay since the last issue of PSA. This was due to a series of major projects and to limited resources. All subscriptions are unaffected by this delay. We are now committed to producing PSA quarterly.

PUBLICATIONS

NEW from the Centre

Checking Specifications Public Service Practice No 6

Provides detailed practical advice on how to check specifications in preparation for white-collar CCT and re-tendering of manual services.

Contents include: contract packaging criteria; performance standards; specification and tendering instructions; quality plan and method statements; equal opportunities in service delivery; council and environmental policies; quantifying work; monitoring performance; preparing for tender evaluation.

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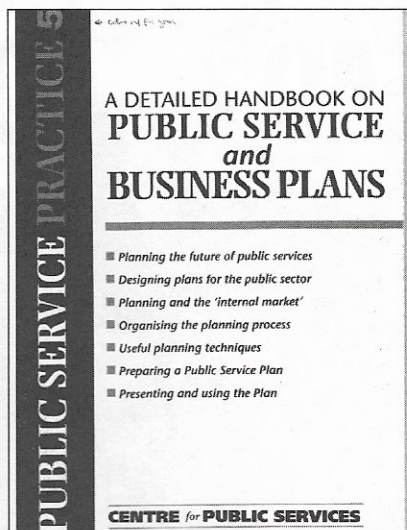
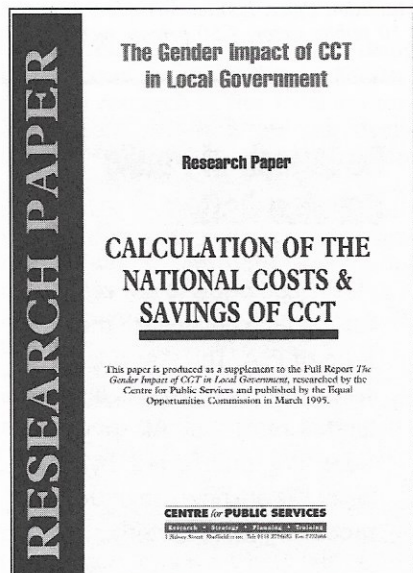
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