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Photo: MARTIN JENKINSON

Calls for the Government to abandon rail privatisation are becoming increasingly widespread as chaos, controversy and uncertainty dominate the planned sell-off. Details on pages 4 & 5.

ENVIRONMENT MINISTER CHALLENGES EOC REPORT

Eight months after the publication of the Equal Opportunities Commission's report into the gender impact of comulsory competitive tendering, the Government continues to ignore its findings.

The report highlights the serious level of discrimination against women as a result of CCT and challenges Government assertions over savings.

In August, a letter to Kamlesh Bahl, Chairwoman of the EOC, from Environment Minister, Sir Paul Beresford, rejected the research. He stated that *"the methodology adopted for both elements of the study is seriously flawed, throwing considerable doubt on both sets of conclusions. We do not, therefore, accept the premise underlying the Commission's recommendations that CCT discriminates against women. Neither do we accept that the policy gives rise to net costs to the Exchequer. Rather we stand by the view that CCT as a policy has provided substantial benefits for local taxpayers in respect of both cost savings and service quality'.*

The letter does not expand on any reasons for rejecting the methodology or provide any details of the so-called benefits to taxpayers.

The Centre totally rejects the minister's criticisms, we have shown that the methodology is watertight and more representative than any other studies on the effects of CCT.

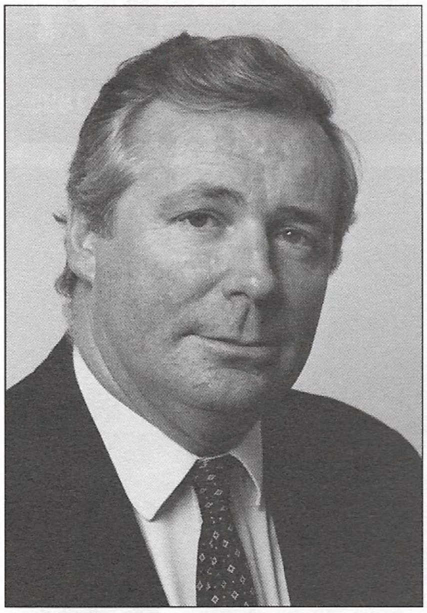
Clear methology

The research was based on a highly rigorous and detailed methodology which is clearly set out in the final report. The key components of the methodology are that:

* The case studies were drawn from all five types of local authority - county councils, regional councils,

inside • Global Private Prisons Market • Housing Companies • Electricity Takeovers • Equal Pay Victory • Personnel Sector Analysis

Environment Minister Challenges EOC Report



Sir Paul Beresford: Challenged research

metropolitan district councils, London boroughs and district councils.

* Five services were included in the study - building cleaning and education catering, large employers of women; refuse collection, a major employer of men; sports and leisure management, which employs men and women at all levels of the service; and in community care (not a CCT service) - home care and residential care services, which are major employers of women.

* A total of 39 local authorities were included in the research. They had a total population of 14 million (25% of the population of Britain). The achieved sample was drawn from an initial sample of 63 local authorities. The largest cities in eight English metropolitan areas, Scotland and Wales, were pre-selected. The remainder were randomly selected within each type of authority from a computerised database.

The sample was checked to ensure that the authorities chosen met a range of key criteria: a mix of urban and rural authorities, some which had awarded contracts to DSOs and some which had privatised contracts, and authorities of different political control.

* 190 in-depth interviews were held with a range of key personnel in the 39 authorities. Half the interviewees were directors and senior managers: the remainder chief officers, equal opportunities officers, CCT staff and local trade union officers. Four private contractors were also interviewed.

* 15 discussion groups were held with women working in the services to examine the impact of CCT on employment, service conditions and their working lives.

* The public costs and savings were analysed using a model with three components - employment change, changes in Government revenue and expenditure and effects on the local economy. The public costs were assessed using Government data.

ADLO's former national chair, Cllr. Theresa Stewart, leader of Birmingham City Council stated: 'Embarrassingly for the Government the report confirms what has been known for some time that whilst the CCT regime has badly hit jobs and conditions of many local authority employees, it has disproportionately affected women. ADLO will continue to press for changes in the law to ensure that the Government complies with its responsibilities under the sex discrimination legislation".

Trade union action in Northern Ireland

The Government's response has not deterred other organisations from taking steps to use the findings of the report to stop the worst excesses of the effects of tendering on women.

As a direct result of the report, Northern Ireland UNISON used it to delay plans to market test hospital support services. UNISON won a judicial review of the decision by Down Lisburn Hospital Trust to put 500 catering, portering, security and telephonist jobs out to tender. It was the first time market testing was challenged at judicial review level, and the first time the impact on Northern Ireland's anti-discriminatory policies were tested.

A Centre for Public Services report for UNISON showed that tendering would lead to the loss of 55 jobs in the trust, mostly women who represent 80% of the ancillary workforce. It also showed that while the trust programme may save £400,000, the total costs when unemployment benefit payments and lost tax income were taken into account would be £600,000. Although the case was eventually lost, UNISON has commissioned the Centre to carry out a comprehensive audit of NHS support services in Northern Ireland.

The EOC report has been used by the European Trades Union Confederation and the Social Affairs Committee of the European Parliament as evidence to back a call for the withdrawal of the revised Transfer of Undertakings Directive. In addition, T&GWU, GMB and UNISON are planning to take legal action in the light of the research findings. T&GWU have made a complaint to the European Commission that CCT, particularly Part 2 of the Local Government Act 1988, is contrary to the European law relating to equal pay and sex discrimination. The unions are also considering applying for a judicial review of the provisions relating to CCT in the 1988 Act, in particular a challenge to Part 2 of the Act which prohibits local authorities having regard to 'non-commercial' matters when awarding contracts.

Taking the debate further

UNISON, in conjunction with Municipal Journal, has organised a major conference on the findings of the report and implications for trade unions, which will be held in London on 5th December 1995.

The EOC is also working with the LGMB and CRE to develop a seminar for DSO managers and elected members on recommendations for employers.

The Centre for Public Services is planning a practical guide to the application of equal opportunities in the CCT process. There is an urgent need to incorporate equal opportunities policies at every stage of the tendering process.

'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.

'Calculation of the national costs and savings of CCT' report available from Centre for Public Services, 1 Sidney Street, Sheffield S1 4RG. Cost £15.00.

Labour Party plans to end CCT

The revised Labour Party policy for local government, 'Renewing Democracy, Rebuilding Communities', includes the welcome abolition of CCT. The EOC report has played a key role in highlighting the impact of CCT, the cost to the public purse and in mobilising support for its abolition.

Although no time commitment is stated, tendering could be effectively ended in the first weeks of a new Government by the Secretary of State for the Environment using statutory powers. For example, services could be removed from the 'defined activities' category, the de-minimis level increased so that all authorities fall below the specified level and/or the percentages applying to defined activities could be drastically reduced. The restrictive tendering regulations could also be changed through the same process. The legislation itself could then be repealed when there is space in the legislative timetable.

Legislative change is only the first step. Future issues of PSA will examine these and other proposals for local government in more detail.

NUCLEAR SELL-OFF SAFETY FEARS

Controversial Government's plans to sell off the most modern - and profitable - parts of Britain's nuclear generating industry by next summer may already be approaching 'meltdown' as concerns over safety, boardroom splits, and insurance costs, have come to the fore since the sell-off was announced by Michael Heseltine in May.

The £3 billion privatisation, which is seen as central to the Government's plans to fund tax cuts prior to the next general election, involves only Advanced Gas-cooled and Pressurised Water Reactors currently operated by Nuclear Electric and Scottish Nuclear. The older Magnox power stations, with massive decommissioning costs, are to remain in the public sector.

Problems for the Government began to escalate in early August after details of an acrimonious boardroom split in the holding company set up by the Government to oversee privatisation began to emerge.

The divisions, which centre on rivalry between top executives of the the two former nuclear generating companies, involve allegations of a secret deal giving former English Nuclear Electric executives a dominant position within the Scottish-based holding company.

News of the boardroom wrangle, which has led to speculation about its impact on the company's ability to attract investors, came just days after the publication of a report by the industry's safety watchdog, the Nuclear Installations Inspectorate, which warned that the timetable for the sell-off may not allow enough time for essential safety arrangements to be carried out.

The report highlights the implication of the breakup of management resources between a newly privatised company and those reactors remaining in the public sector. Some sites, including Dungerness in Kent, Hinckley Point in Somerset, and Hunterston in Ayreshire have both Magnox and Advanced Gas-cooled Reactors which will be split between the two companies.

Concerns about the safety of Britain's nuclear industry have surfaced at a time of growing unease amongst opponents of privatisation and environmentalists - hightened by the recent near disaster at the Angelsey nuclear power station - over the impact of increased commercial pressures on safety.

The Government's plans received a further setback in September after Labour's industry spokesman, Brian Wilson, indicated that a future Labour government would withdraw public insurance cover if the industry was privatised, leaving the private sector to bear the full cost.

Photo: MARTIN JENKINSON

News

Post faces new privatisation threat

Fears that plans to deregulate postal services throughout the European Community will lead to privatisation and 'cherry-picking' by private companies have emerged recently.

Earlier this year, the British government was forced to abandon plans to privatise Britain's postal services following a major public campaign led by the Communication Workers Union (CWU).

The latest threat follows reports that European Commissioner, Sir Leon Brittan, is lobbying hard for deregulation.

The move comes at a time when the Commission, which is responsible for drafting European legislation, is known to be divided over maintaining universal services or increasing competition.

The CWU sees the latest development as an attempt by the Government find alternative route to privatisation. It has warned that direct mail, international deliveries, and the collecting, sorting and transportation of mail, are among services likely to be threatened by deregulation.

EU regional aid probe

The European Commission is continuing with its investigation into the possible misuse of EU regional development grants in an attempt to discover whether the Government used funds as 'sweeteners' to assist with the privatisation of public utilities.

Earlier this year, the commission asked ministers to supply them with further detailed information about the terms of privatisation sales after expressing dissatisfaction with the Government's initial responses.

The Commission is particularly interested in details surrounding the privatisation of water, electricity, the railways, telecommunications and a range of other services.

The Government could be forced to repay over £400 million if the commission concludes that former public assets funded in part by EU grants were subsequently privatised at a discount.

News

Security fears over privatisation of arms transport

The Ministry of Defence has confirmed that it is pressing ahead with plans to use private contractors for the transportation of fuel, weapons and ammunition, despite widespread concerns over security.

Over fifty haulage companies are known to have expressed interest in the contract, which ministers claim will save £220 million over the next ten years. The contract, due to start in 1996, specifically excludes the transportation of military personnel and nuclear weapons.

The National Union of Civil and Public Services cited the move as a clear example of the Government putting privatisation plans before public safety and national security.

DTI backtracks over IT privatisation

Ministers have been forced to drop plans to transfer IT work at Companies House to a private firm following staff outrage and the threat of industrial action.

The eight hundred staff voted overwhelmingly in favour of indefinite action after it became clear that the DTI was planning to ask a single firm, Hoskyns, to bid for the IT contract. Ministers had previously given assurances that the contract would be put out to open competition.

Following a meeting between unions and staff to discuss the proposal Corporate Affairs Minister Philip Oppenheim, issued a statement stressing that there was no guarantee that the company would be awarded the contact. Hoskyns, which has a number of similar contracts with the DTI, had only been approached to see if they were 'interested' in the work, he insisted.

The Department subsequently announced that it was abandoning plans to contract out the IT work.

The union is now considerering whether to take industrial action over a new business plan which would cut staffing levels by over 50% - from 1,000 to 475 - by the end of the century.

Rail sell-off

APPROACHING THE BUFFERS?

Calls for the Tories to abandon rail privatisation are becoming increasingly widespread as chaos, controversy and uncertainty become the predominate features of the government's sell-off plans.

Problems for the Government have intensified sharply over recent months. In July a damning cross-party report revealed that privatisation of the industry could cost the taxpayer an additional £600 million a year in increased subsidies to maintain services and falling contributions to the Treasury.

Published by the Transport Select Committee, chaired by former transport secretary Paul Channon, the report claims that services are likely to deteriorate after 1997/98 when privatisation is due to be completed. It also reveals that the complex restructuring of the industry in preparation for privatisation and uncertainties caused by the sale has produced a legal quagmire. This could leave the select band of law firms and consultants advising on various aspects of the sale among the major beneficiaries of privatisation.

Figures produced for the report by the Department of Transport suggest that the total cost of privatisation could be £240 million. Experience of the way in which official figures are calculated points to the likelihood of this being an underestimate of the true costs. However, it is already twice that estimated by Transport mininster Stephen Norris a month before the publication of the report.

Safety fears

Within weeks of its publication BR and Railtrack officials were forced to announce that privatisation plans were likely to be delayed by at least six months due to problems surrounding the privatisation of the engineering division of BR.

Confidential details revealed that the thirteen separate businesses had failed to complete safety assessments, delaying their transfer to the private sector.

It also became clear that, in the case of BR's main engineering and construction operation, British Rail Infrastructure Service, the Government was going to approach potential buyers directly in a crude attempt to avoid further delays.

Further concerns over safety followed the announcement, one week after the leaking of a Railtrack report predicting "another Clapham disaster", of the imminent privatisation of the Derby-based Quality and Safety Services, an important part of BR's safety operations. The unit, which looks set to be purchased by a management buy-out, will have responsibility for advising the newly privatised

railways on safety procedures.

Opponents of the sale, have warned that the break-up of the safety service will act against the public interest. "Once again... rail safety is threatened by privatisation. Free-market Tory dogma has taken an integrated public service and split it in half. Part will go to a privately owned Railtrack, whose safety record is already highly suspect. The rest will become a private consultancy." said Labour's shadow transport spokesperson, Michael Meacher.

Safety concerns also surfaced in another leaked letter from the passenger franchise office to a senior Department of Transport civil servant. The letter warned of delays in awarding the franchise for the Tilbury and Southend line after raising doubts about the timetable for "safety clearance" on new rolling stock.

Investment doubts

However, the clearest indication that the whole privatisation programme is spiralling into crisis came in late August when, with the announcement that the planned sale of the largest prospective franchise, InterCity West Coast Main Line, would have to be delayed due to doubts over funding for a £1 billion track and signalling modernisation programme.

It appears that Railtrack had been reluctant to secure the necessary investment from the government's Private Finance Initiative which is geared towards raising money for investment in the public sector. Potential private investors are also taking an increasingly cautious view in light of Railtrack's questionable performance and uncertainties about the future of a privatised rail industry.

Unrealistic targets

Despite ministerial comments to the contrary, this latest delay will almost certainly mean that substantial parts of the industry, possibly even a majority, will still be in public hands by the time of the next general election. Originally, the Government had hoped to sell-off over 51% by April 1996. Even the most optimistic of forecasts predict that less than half of this figure will be achieved by this date.

Only three of the twenty five train operating franchises are likely to be working as private companies by next April, severely curtailing the Government's ability to raise substantial funds from rail privatisation to fuel tax cuts prior to the next election. Difficulties over the privatisation of the nuclear industry (see page 3) and the continuing recession have added to their problems.

There are now serious concerns that the Government may be considering selling off Railtrack assets at a massive discount to attract potential buyers, many of whom have looked on with considerable unease at the financial uncertainties and unsteady progress towards privatisation. Initially put at around £6 billion, some reports suggest that the price has been revised downwards to as little as £1.6 billion when offset against existing liabilities.

Railtrack chief executive, John Edmonds, recently warned that the prospect of a Labour victory at the general election could reduce this figure even further. Although some believe that statements such as these could be used to argue for the renationalisation of the industry, in the event of it being sold off before the election, the Labour Party leadership has consistently avoided any firm commitment.

However, recent statements suggesting the introduction of a strict regulatory policy for Railtrack, and a possible withdrawal of subsidies from privatised companies, are likely to worry already nervous potential investors even further. Labour is expected to issue a full transportation policy statement some time in the Autumn.

Insurmountable obstacles

Despite all the signs that rail privatisation is both deeply unpopular and facing almost insurmountable obstacles, the Government has shown no sign of turning back.

The latest batch of operator franchises, InterCity East Coast, Midland Main Line, Gatwick Express and Network SouthCentral, currently employ 7,500 staff and have combined revenues of around £470 million.

Inviting bids, franchising director, Roger Salmon, pointedly informed BR that they would not be allowed to take part on the grounds that this would discourage management-led bids.

London and Continental, which includes Richard Branson's Virgin Group, and predatory bus operators such as StageCoach, First Bus and British Bus (the latter is currently under investigation by the Serious Fraud Office) are among the companies known to be interested.

It remains to be seen whether the bids eventually submitted match up to the "variable quality" reflecting "bidders immature understanding of the businesses concerned" reported by the franchising office after the first round of bids.

Whatever the case, it seems likely that if the Government insists on continuing with privatisation, as all the signs indicate that it will, both passengers and workers in the industry have little to look forward to but increasing uncertainty, chaos, further job losses, and ultimately, a substantially poorer service.

Photo: PHILIP WOLMUTH

ELECTRICITY TAKEOVERS

The privatisation and regulation of electricity is in disarray as the predicted outburst of takeover mania grips the industry. When the Government privatised electricity, it separated distribution (the 12 Regional Electricity Companies – RECs) from power generation, which was divided between National Power and Powergen. Since then three RECs have been acquired by power generation companies (see Table), one by a US electricity company, another by the Hanson Group, and the sixth is subject of a takeover battle between another US company and one of the privatised water companies.

ELECTRICITY TAKEOVERS

Company	Sale price at Privatisation(£M)	Value of Bid (£m)	New Owner
Eastern	648	2,600	Hanson Group
Manweb	285	1,100	Scottish Power
Midlands	502	1,950	Powergen
NORWEB	415	1,723	North West Water
Southern	648	2,800	National Power
SWEB	295	1,100	Southern Electric (USA)
	2,793	11,273	

Examples of Takeover Costs:	**£m**
Trafalgar House failed bid for Northern Electric	12
Northern Electric defence against Trafalgar	15
North West Water bid for Norweb	38
Eastern Group - takeover by Hanson Group	12
Scottish Power - takeover of Manweb	34
Southern Electric - takeover of Sweb	15

£200m spent and not a spark of electricity generated or distributed.

The twelve Regional Electricity Companies were sold in late 1990 for gross proceeds of £5,182m for the Government. By the end of the first week of share trading the value of the companies had soared to nearly eight billion pounds, an undervaluation of 50.5%.

The six takeovers in 1995 value the companies concerned at £11,273m, 4 **times their original sale price.**

Fees bonanza

Over £200m has been spent on takeover fees to date. The main winners are merchant banks, stockbrokers and lawyers who have received nearly a billion pounds from privatisation todate. Merchant bankers Kleinwort Benson acted for the Government in the sale of all 12 companies receiving substantial fees. They are now acting as advisor to North West Electricity for reported fees of £10m.

National Grid rebate mockery

The National Grid was also privatised in 1990, being jointly owned by the 12 RECs who now intend to exploit its value with a Stock Exchange share flotation. The flotation is expected to be valued at between £3 - £4 billion. The possible 'rebate' of £50 to each electricity user is another privatisation bribe, costing £1.2bn. Capital gains tax has been agreed at about £600m leaving the 12 RECs with about £1bn.

TUPE: NEW LEGAL RULING

A ruling by the European Court of Justice, in September 1995, could create further confusion over the application of TUPE (Transfer of Undertakings Protection of Employment Regulations) to the contracting-out of public sector services. The ruling contradicts previous decisions on the application of the 1977 Acquired Rights Directive and could effect its application to CCT for local authority services.

For the last two years both local authorities and private contractors have worked on the assumption that TUPE applies to all competitive tendering. Where TUPE applies, the existing workforce must be employed on the same terms and conditions when work is contracted out. The latest ruling may open up the debate once again.

Wrongful Dismissal

The case concerned Rygaard, a Dane employed by a carpentry business contracted to construct a canteen for the Danish company, SAS Service Partner, which was facing financial difficulties. The contract was transfered to another contractor, along with three employees. When Rygaard was later given notice by his new employer, he sued for wrongful dismissal. The Danish court referred the matter to the European court who stated that TUPE did not apply in such a situation and that the directive only applies to the transfer of a *'stable economic entity'*.

This raises once again the idea that the directive will only apply in some contracting-out situations if assets are transferred. It may not be sufficient to show that materials and work in progress have been transferred. The ruling also suggests that the length of the contract will be an important factor in deciding whether TUPE applies. Contractors may have to draw a distinction between a service being contracted out on a continuous basis and one where the contractor is being asked to undertake a specific project, adding further to the confusion.

However, this is one particular case affecting a specific works contract and there are a further 10 cases involving the directive before the European court.

In addition, the European TUC has been working with the Economic and Social Affairs Committee to ensure that the directive is not weakened. The EOC study was used as part of the case to stop any regressive revision and to call for the strengthening of the original directive.

Without the protection of the directive, and legal uncertainties, public sector workers are threatened and women in particular will face discrimination in the contracting process.

EQUAL PAY VICTORY FOR SCHOOL MEALS STAFF

In July 1995, the House of Lords decided that women who suffer pay cuts to allow councils to submit competitive bids under CCT are suffering discrimination if men doing work of equal value do not. This judgment in the North Yorkshire case confirms the importance of the findings of the EOC research and exposed the kind of discrimination which the 1970 Equal Pay Act sought to remove.

In July 1991, school meals staff working for North Yorkshire County Council in the Scarborough area received letters stating that the school meals staff's hours of work had been cut resulting in loss of wages, sick pay and holiday retainers. The women were dismissed and re-employed at £3.00 an hour instead of the previous rate of £3.30 an hour.

The key issue was that, in 1987, a job evaluation resulted in the catering staff being paid the same as male employees performing various manual jobs, since they were considered to be jobs of equal value.

The school meals contract was divided into six areas and the first contract was won by the DSO, the second lost to a contractor. The council then decided to reduce labour costs in order to compete for the remaining contracts. The women were then employed on new contracts with worse terms and conditions whilst their male comparators continued to have the same terms and conditions.

Legal challenge

UNISON (then NUPE) decided to challenge the cuts which affected 1,300 women. The women won their tribunal case, but the council appealed and reversed the decision. The council argued that sex was not the determining factor and that market forces were the reason.

Four years later, after a long and costly legal battle, the Law Lords found that the council reduced the women's wages in order to win the CCT contracts. They ruled that the women had been the subject of discrimination and were entitled to equal pay with men employed by the Council who had not been treated in the same way.

The council's argument that it could cut pay and conditions successfully as the women would be forced to accept the work because of their domestic responsibilities was highlighted by the Law Lords, who overturned a previous Court of Appeal ruling that wage reductions were due to market forces and not sex discrimination.

The council will have to pay out £2m in back pay. The council has also wasted £1m on legal fees.As a result of the ruling. Cheshire County Council is expected to accept trade union demands that it restores sick pay and holiday entitlements previously paid to 1,400 school cleaners. In July 1993, the DSO reduced these benefits whilst competing with the private sector for the school meals contract. The county could face a bill of £1m.

Need to assess equality issues

Local authorities will have to take equality considerations more seriously following the case. They will have to take the debate away from cost cutting. The finding could also have implications for the implementation of TUPE. UNISON is arguing that an equality clause goes with staff on a relevant transfer, entitling them to continue to use local authority comparators. The union will be issuing advice to branches on the implications of the victory.

COURT RULES AGAINST CONTRACTORS' CARTEL

Evidence of collusion between some private firms in a bid to win public contracts was confirmed earlier this year when the Restrictive Practices Court ruled that a price-rigging and market-sharing agreement involving eleven grounds maintenance contractors was against the public interest.

The court case, which followed an investigation by the Office of Fair Trading into tendering patterns, heard evidence that the contractors were operating an unlawful cartel.

Members of the cartel colluded in the setting of tender rates and agreed not to outbid one another. Four of the firms also agreed not to submit bids for contracts already held by the four, if the incumbent contractor wished to retain them.

The extent of the cartel's activity was highlighted in a memorandum on the Public Register of Restrictive Trading Agreements by the Director General of Fair Trading, Jeffrey Preston, which lists a total of 82 contracts covered by the agreement. It is clear from the memorandum that the list was not intended to be exhaustive.

The eleven firms, G. Burley and Sons Ltd., Cliff Evans (Knockin) Ltd., R. Hewison and Sons, Landscape Maintenance Ltd., Mitchell and Struthers (Contracts) Ltd., J.V. Strong and Company Ltd., Tonrin Contractors Ltd., Turfsoil Ltd., AAH Environmental Services Ltd., and Welborn Sportsgrounds Ltd., have given an undertaking to the court that they will cease operating the cartel and refrain from entering into any similar arrangements.

Commenting on the case, the Director General of Fair Trading, stressed that secret cartels were 'unlawful' and 'reduced efficiency'. "Secret price-fixing agreements invariably result in the exploitation of customers, and in this case the taxpayer who was called upon to foot the bill," he said.

The Office of Fair Trading is continuing with similar investigations into catering contracts in the Ministry of Defence. There have also been calls for them to extend their investigations into cartels and loss-leading bids to other contracting areas, such as refuse collection. In 1991, all but two of the top nine refuse contractors holding a total of 120 contracts were making losses.

GLOBAL 'CORRECTIONS' MARKET DEVELOPING

As news emerges that the Home Office is seeking £100 million of private investment to build two Alcatraz-style maximum security prisons Stephan Nathan examines the developing global market in 'correction' institutions and services.

The Government's private prisons policy started as an experiment and now has a twenty year sentence. Yet fundamental questions surrounding the ethics, morality and legitimavy of privatising prisons, the accountability and probity of the companies involved, and the influence on justice policy making of a 'penal industrial complex', remain unresolved. Further, neither the industry nor this – or any – government have proved unequivocally that privatisation is cheaper, more efficient or more innovative than the public sector.

The first private prison was proposed by the Home Affairs Select Committee in 1987. Wolds Remand Prison opened in April 1992, run by Group 4. Although its operation was supposed to have been independently evaluated before any further privatisation took place, the programme was soon extended to one tenth of the (then) prison estates of around 130 establishments.

So far, four new prisons holding a total of some 2,000 prisoners are managed privately under five year renewable contracts. They are Wolds on Humberside, Blakenhurst near Redditch, Doncaster, and Buckley Hall near Rochdale. The recently refurbished Strangeways prison was market tested and the in-house bid won – the only time a prison service bid has been allowed for a prison contract.

Union Representation

Nine trade unions have members in the prison service. The largest, the Prison Officers Association, does not recruit in the private sector. Group 4 has an agreement with the GMB's Apex but union membership is low at Wolds and Buckley Hall. No unions are recognised at Blakenhurst and Doncaster. Private sector wages and conditions are not comparable with the Prison Service and Group 4 has locally varied rates for its prisoner custody officers.

Twentyfive year contracts to design, construct, manage and finance (DCMF) two new prisons at Bridgend and Fazakerley have also been awarded to Group 4/Tarmac (Fazakerley) and Securicor/Seifert/Atkins (Bridgend). Both prisons are expected to cost around £50m each and open in 1997. The companies will be paid fees for making places available and achieving performance targets, having refused the Home Office's initial plan to relate payments to the number of prisoners accommodated.

Almost all of the prisoner escort services in England and Wales have been privatised with the rest about to be hived off. Contracts for the first two of the five DCMF contracts for secure training centres for young people are to be awarded soon.

New prisons at Salford, Telford and one covering the NE London/Essex area will also be let on DCMF contracts. At least one other existing prison is to be market tested.

Creeping Privatisation

In addition, ancillary services such as catering and shops in some prisons have been contracted out, while in the prison service itself and the Home Office generally, a range of other services have been contracted out. Other parts of the criminal justice system have also been privatised. For example, Group 4 now runs immigration detention centres at Oxford and London while Securicor and Geografix operate pilot schemes for the electronic tagging of offenders in Reading, Norwich and Manchester.

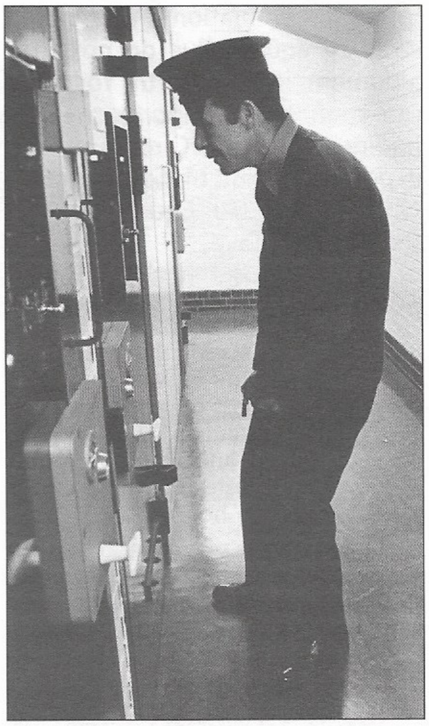


Photo: PHILIP WOLMUTH

PLANS TO BOOST PRIVATE INVESTMENT

The Prison Service recently invited Coopers and Lybrand to assess how far the government's Private Finance Initiative might be extended. The consultants reported that "there is considerable scope" for private contractors to refurbish and manage whole prisons; take over functions such as catering, heath care, prison industry workshops, non-core administration projects, Closed Circuit TV, search facilities, and new IT and communications projects. Also, staff quarters could be sold off to housing associations and high technology companies could provide ways of monitoring and/or controlling the movement of prisoners around prisons. They also warned of the risk of "the impact on industrial relations of a policy which will lead to the private sector replacing prison service jobs," the need for careful phasing and "a policy decision on the acceptable rate of transfer of prisons to the private sector." The second stage of the study will include discussions with "potential PFI bidders to test their interest further."

Secret Costs

The financial details of contracts are kept secret on the grounds of commercial confidentiality. Only the overall prison and escorts contracts over five years at the time of their award is published (see opposite).

No comparable figures

The Prison Service claims that private prison costs are 25-30 per cent below comparable public sector establishments. However, no figures are available in a form that allows proper comparison.

Prison and Escort Contracts

Company	Contract	£M
Group 4 Remand Services Ltd	Wolds Prison	21.5
Group 4 Prison Services Ltd	Buckley Hall	33.0
Group 4 Court Services Ltd	Area 4 Escort	47.0
Group 4 Court Services Ltd	Area 6 Escort	69.0
Group 4 Court Services Ltd	Area 7 Escort	41.0
Securicor Custodial Services Ltd	Area 3 Escort	96.0
Premier Priosn Servies Ltd	Doncaster Prison	66.0
UK Detention Services Ltd	Blakenhurst Prison	57.0
	TOTAL	430.5

• The projected cost the Wolds is now £29.87m
Wackenhut + Serco = Premier Priosn Services Ltd
CCA + John Mowlem + Sir Robt. McApline = UK Detention Services Ltd

The Global Market

It is generally thought that after the US, the UK was the first to privatise Prisons. But the State of Queensland in Australia opened its first private prison in 1990. The two largest American prison contractors Corrections Corporation of America (CCA) and Wackenhut Corrections Corporation also currency dominate in Australia, where by 1997 the State of Victoria alone will have over 50 per cent of its prisoners held privately. CCA also has a court escort contract in Melbourne. Group 4 recently won a contract in South Australia.

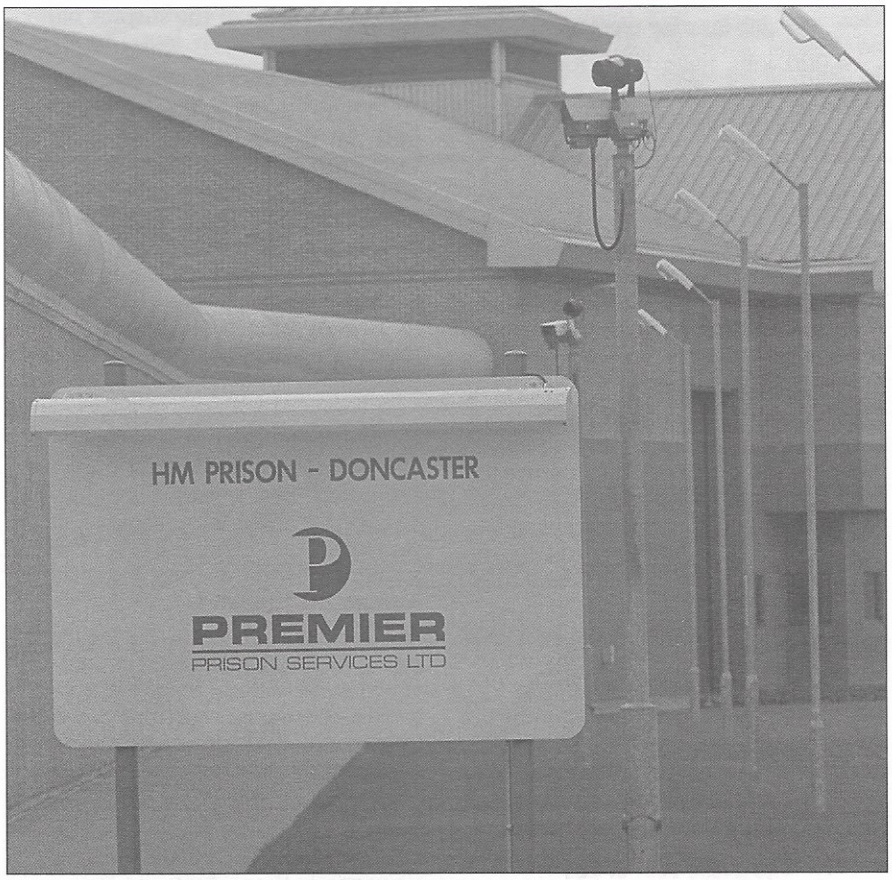


Photo: MARTIN JENKINSON

In the US, the private prisoner population has been stuck at below two per cent for ten years. Now some $7.9bn of federal money is being made available for new prisons, most of which will be privately built and run.

Wackenhut's first contract negotiations in Canada have been suspended pending further investigation. New Zealand recently passed enabling legislation to privatise prisons.

Elsewhere in Europe, Belgium and the German federal state of Berlin each have a prison being built (but not run) privately. A recent survey revealed that Italy, Denmark, the Netherlands, Finland, Iceland, Luxembourg, the Czech and Slovak Republics and at least six German regional authorities are **not** considering private prisons.

But Wackenhut Correction Corporation's most recent annual report stated that it is "preparing for the third millennium and the globalization of privatized corrections" and that while "the international marketplace still reflects the dominance of the United Kingdom and Australia.....other countries in Europe and South America are in various stages of considering the privatisation option."

Contractor Update

ISS COMPLAINS ABOUT WAGE CUTTING!

Having lost a £2.5m contract at Heathrow Airport, ISS, the worlds' largest cleaning contractor, has had the cheek to complain about being undercut by another contractor! Another firm, PCL, had submitted a lower bid with lower rates of pay. ISS built up its market share by precisely the same practice and has consistently undercut NHS and local authority pay rates in order to win contracts.

The head of ISS's European operations has called for a national minimum wage. The firm is trying to reposition itself as a 'good employer'. Whether ISS cleaners employed on NHS or local authority contracts see any tangible benefit remains to be seen.

CCT CONTRACT LENGTHS

The Department of the Environment has introduced new minimum and maximum lengths for new CCT contracts in manual services, to take effect immediately.

Service	Minimum No of years	Maximum No of years
Refuse Collection	6	10
Other Cleaning	5	10
Grounds Maint.	5	7
Vehicle Maint.	5	7
Sports & Leisure	5	10

The contract periods for building cleaning, catering and the additional manual and white collar services remain the same.

BROKEN PROMISES

In May 1994 Capita Managed Services started a £4.4m Revenue Collection services contract for the London Borough of Bromley. TUPE applied and Capita stated that they intended to gain additional work to help secure jobs and may even increase employment.

Six weeks later, without warning, 6 staff were made redundant and had to leave immediately. A seventh, on sick leave, was visited at home and issued with a redundancy notice. The seven staff had over 100 years service combined experience. UNISON took legal action on behalf of three members and won an out of court settlement of £15,000. Capita immediately derecognised the union as soon as legal action started and although the firm agreed to recognise the union as part of the settlement it has not done so to date. They have made clear that any recognition will not cover terms and conditions.

Regional study of CCT and spending cuts

EAST MIDLANDS COUNTS THE COST

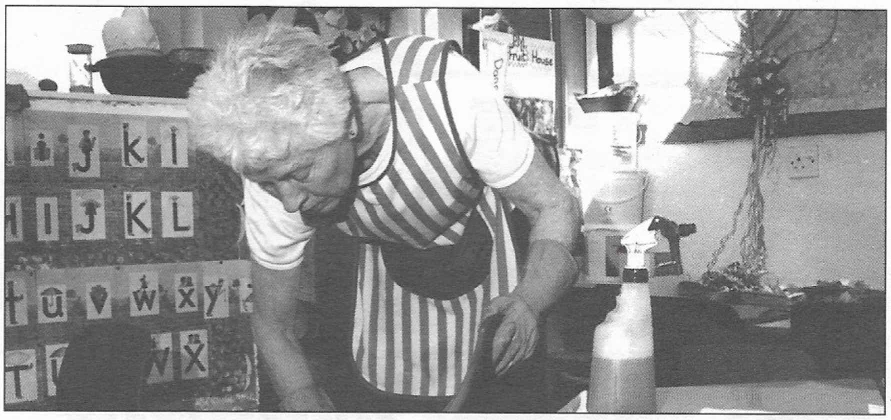


Photo: WENDY HISLOP

East Midlands UNISON has published a regional study of the effects of CCT and cuts in local authority expenditure. The study highlights the impact of CCT on women, based on a regional assessment of the recent national Equal Opportunities Commission study, and the effects of local authority spending cuts.

Job loss for women

4,000 jobs have been lost in the East Midlands directly as a result of CCT in building cleaning, education catering, refuse collection and sports and leisure management. Women's employment accounted for 96% of the job losses. This is despite the fact that DSOs in the region have increased the proportion of contracts won in-house, measured by contract value, which is now well in excess of national performance.

There has also been a substantial increase in the use of temporary staff - in one county council 25% (500) of cleaners are on temporary contracts. Employment of black people in catering and cleaning was minimal in the region and there had been no significant increase since the introduction of CCT in 1988.

Staff in community care services in the region were subject to the same pressures - loss of jobs, flexible working hours, increased casualisation.

Equal opportunities policies were generally under-developed and not applied to the CCT process in many of the region's authorities.

The public cost of CCT

CCT in the East Midlands has cost the Government £56m over the past seven years.

The region is top of the league table in the amount of net surplus on DLO and DSO accounts calculated on a per head of population basis. Five DSOs in the East Midlands accounted for nearly 20% of the £17.4m surplus in the EOC study. Female dominated services accounted for 98% of the surplus in the East Midlands, in contrast to 64% of the surplus nationally.

Effect on the regional economy

There would be over 9,000 more jobs in the East Midlands if the Government had not imposed CCT and budget cuts on local authorities. The region also has a marked gender difference in average earnings. Women in the East Midlands have the lowest average gross weekly earnings in Britain but the region is ranked fourth for men's average weekly earnings.

These problems are exacerbated by Government spending curbs. The East Midlands region has the lowest estimated net revenue expenditure change for 1995/96 compared to the previous years expenditure - less than a quarter of the average expenditure change for England.

The report also sets out the importance of local authority capital and revenue spending to meet people's needs, provide essential services, encourage economic development and support the regional economy.

Counting the Cost is priced at £10.00 (£3.00 for UNISON branches) from UNISON East Midlands, 6 Sherwood Rise, Nottingham NG7 6JS. Tel. 0115 960 3522

The Privatisation of Council Housing

WHAT ARE LOCAL HOUSING COMPANIES?

The Housing White Paper "Our Future Homes' was published in late June 1995 and will be followed by a Housing Bill in the next session of Parliament. The Government plans a series of major changes including extending home ownership and private renting, the repeal of homelessness regulations, probationary tenancies to combat anti-social behaviour, and encouraging local authorities to become enablers rather than providers of housing.

It is under this latter proposal that the Government proposes to encourage further large scale voluntary transfers, promote the emergence of new types of social landlords, including local housing companies, and allow private developers access to Housing Association Grants. This article examines the proposed rules for housing companies and the issues at stake.

Privatisation strategy

The Government is intent on ending council housing. The expansion of housing associations, planned by the 1970-74 Conservative Government, and started by the last Labour Government, was the first part of this strategy. This created a situation in which an increasing proportion of housing investment was deliberately diverted from local authorities.

The Right to Buy council houses, large scale voluntary transfers, Housing Action Trusts and the failed Tenants Choice and Rents to Mortgages policies, together with CCT for housing management, are aimed at reducing the role of local authorities and imposing market led and/or private sector alternatives. Housing companies are but the latest attempt to develop this strategy. The White Paper states that the Government wants to break away from "the tradition of large monopoly local authority landlords by transferring existing council housing to new landlords."

The Private Finance Initiative

The latest proposals underline the Government's commitment to the Private Finance Initiative (PFI) which is being applied to all parts of the public sector. It means that no substantial public investment can take place without private sector involvement. Design, Build, Finance and Operate (DBFO) schemes mean that private contractors carry out the entire construction process and then run the services for a 20 -25 year period.

What is a 'new social landlord'?

The Government proposes three fundamental tests of suitability which also cover local housing companies:

* all new landlords are authorised by the Housing Corporation

* no single interest group must be in the majority in not-for-profit organisations

* all new landlords are genuinely private sector bodies.

The only difference between local housing companies and other social landlords is the means by which they must demonstrate they are private sector companies. This could be done by the local housing company's Articles of Association to make it illegal for the directors to take any action which will enable the company to be classified as a public sector company. Local housing companies in which the local authority has a stake will be covered by Sections 68 and 69 of the Local Government Act 1989 and the Local Authorities (Companies) Order 1995.

Since only designated private sector companies will be permitted, this means:

- companies in which the local authority has less than a 20% share interest.

- companies in which the local authority has 20% or more of the directors or voting members, has a business relationship with the local authority, and where the authority does not have a dominant influence in the company either through a shareholding, the number of directors, or voting rights. The Government has not prescribed a percentage of shareholding or board representation as constituting a 'dominant influence'. Each company will have to demonstrate to the Housing Corporation that it qualifies as a private sector company.

Anyone who thinks that local housing companies can be the existing housing department in all but name, or that local authorities will have a major role in such companies, is in for a shock. **Local housing companies will be private companies, operating business and commercial practices.** Local authorities will have a minority interest. Some companies will be non-profit making. There will be scope for local non-profit companies controlled mainly by tenants, trade union and representatives from community organisations. But they will have to meet all the above criteria and be able to raise substantial finance from the private sector.

This means that non-profit or profit making companies will have to:

- adopt a commercial approach to jobs, pay and conditions of service

- satisfy the demands of financial institutions

- prepare and implement a business plan

Photo: PHILIP WOLMUTH

The Privatisation of Council Housing

Local housing companies will have to seek private finance from banks and other financial institutions to cover the transfer price of the stock and the cost of any necessary repairs and maintenance. This is the way that LSVTs have been financed to date.

Which estates?

The Consultation Paper identifies three types of transfer:

1. Traditional LSVTs covering "relatively good quality stock with low debt in shire areas, suburbs and smaller towns."

2. Better housing in urban authorities which may need some investment and may have higher levels of debt. They may have a "positive value" and "transfers are likely to provide reasonable security for funders" and could "bring financial gains for central and local government."

3. Poorer housing in urban authorities which will "have a low or negative value because of the high level of catch up and future repairs needed.....Security for funders may be poor and some form of additional public expenditure may be necessary to bring estates into a condition where private finance will be available."

"The Government naturally wishes to encourage transfers of the second type because they have the potential to combine substantial housing improvements with financial savings. Although it is not possible to put figures on it, the Government expects that only a minority of potential transfers in urban areas will fall into this category with long term public expenditure savings." (Consultation Paper)

The Government is to encourage local authorities to prepare packages of estates from groups two and three above "which are cost effective and taken together represent reasonable security for funders."

Transfer restrictions

The Government has proposed certain restrictions on the number of dwellings in any one transfer:

* An upper limit of average 5,000 dwellings for each transfer - larger authorities can have up to 8,000 dwellings in a transfer.

* A financial limit is imposed annually within DoE's Housing Programme to cover the additional cost of Housing Benefit and Housing Revenue Account Subsidy. This will in effect place a ceiling on the number of transfers allowed in any one year.

* All transfers will be voluntary and subject to a tenants' ballot.

Local council involvement

The Joseph Rowntree study into local housing companies argued the potential of companies "with a substantial degree of local council involvement" and claimed that "they offer the prospect, not of the end of council housing, but of a fitting and beneficial evolution." This is pie in the sky because the Government has no intention of allowing councils anything more than a minority involvement. They are not an alternative within council housing, an evolution, or a new development in public housing. The argument is simple. Local housing companies equals private companies equals privatisation.

Unlocking new investment

The case for local housing companies is primarily based on *"the search for increased housing investment"* and unlocking public assets to increase investment. *"The main benefit is increased investment in the transferred stock".* (Consultation Paper) The basic concept is to transfer council housing to the private sector, the new landlord borrows money to finance the transfer and any new investment from the private sector, for example banks and building societies, which is outside the limits imposed on local authority capital spending and does not count as part of the Public Sector Borrowing Requirement (PSBR). Local housing companies will also be able to bid for Housing Association Grant (HAG) in order to develop new housing schemes.

But it is not a case of privatisation or no investment. The Government could increase investment in local authority housing by allowing them to borrow to finance investment in the way it has always been done, and still is for most other new public sector building. Sixteen years of Conservative rule have not eroded the basic advantages of a socialised council housing system under which rents are pooled and eventually pay off loans. There is nothing wrong with the basic concept of council housing: it is based on the same principles as the National Health Service. Minor changes to the organisation of council housing and/or the rules governing public investment could eliminate the current restrictions.

Council housing is no longer subsidised from the public purse. Housing Revenue Accounts (HRAs) now produce a surplus (£66m last year and £298m in 1995/96) which currently contributes towards the cost of housing benefit. It could however, be used to finance substantial new investment in council housing.

Usable receipts

Local authorities must use the money received from sell-offs to reduce Housing Revenue Account (HRA) debt. If HRA debt is greater than the net receipt, all of it must be used to pay-off debt. In other circumstances, a minimum of 75% of a receipt must be used to pay off debt. If the receipt exceeds outstanding HRA debt, 20% of the remaining cash is payable to the Government and the remainder can be used by the local authority.

Tenants rights and rents

The Government is primarily concerned with the "security for funders" and not security for tenants. Tenants will have less security. Rents will inevitably rise because of the higher costs of raising private sector finance and VAT being charged on private company expenditure. Rents in LSVTs have been held down for a three – five year period but have increased by 10% or more annually after that period. A two tier rent structure is introduced immediately on transfer with all new tenants paying 50%-100% higher rents. The Government is proposing to introduce the same formula to regulate rent increases as they have used to regulate gas, water, electricity and telephone charges, the Retail Price Index plus, or minus, a given factor (know as RPI+/-X). The X factor will be reviewed every five years. The formula will apply to all landlords developing social housing.

TUPE will give limited protection

The Transfer of Undertaking Regulations will certainly apply. However, there are loopholes in the regulations which enable employers to change staffing levels, terms and conditions within weeks or months of transfer. The formation of local housing companies will further fragment trade union organisation and bargaining.

Enabling role for local authorities

"Freeing local authorities to concentrate on their enabling role" is how the Government views transfers. Local authorities will not be providers of housing but will concentrate on "addressing the housing needs of their area." There is not the space for a detailed criticism of 'enabling' but it will mean the end of the direct relationship between policy and practice, the loss of direct democratic control over service delivery and the marginalisation of local authorities.

Public cost of transfers

Whilst some transfers may bring savings, "the Government recognises that many, perhaps most, transfers will have costs for the public sector." Consultants and financial advisers fees alone have cost over £130m in transfers to date (see box).

Key issues to consider

The number of tenants and trade union representatives and Councillors proposed for the company's board of directors.

It is not the number of representatives but their collective influence - companies will be private sector companies and will have to prove to the financial institutions that they are sound. The banks will be looking for 'business' experience. Tenant and trade union involvement is often exaggerated in order to get them 'on board' and rarely turns out at the level first mooted. Remember, all arrangements will have to be approved by the Housing Corporation and pass the 'private company' test.

Let's proceed because a Labour Government will change the rules

The Labour Party's housing team are keen advocates of local housing companies. No assumptions can be made about what changes they may or may not make to change the rules. Since the main case for local housing companies is the ability to raise private capital, the banks and financial institutions will have a big say in any rule changes.

Cherry picking the estates in good condition with low debt

Local housing companies will be seeking out the estates in relatively good condition and with low debt repayment and where much of the original cost of the housing has been repaid. This will leave local authorities with only the estates in poor condition and high costs. They will have fewer resources for the estates in greatest need which can only further residualise council housing and increase social polarisation. It will also divert management skills and experience to housing companies with more easily managed estates.

Cherry-picking will be inevitable - the Government has specifically stated it wants the better estates transferred. Its financial controls will limit the annual number of transfers and the financial institutions will channel finance to the more secure investments.

A local housing company will remain local

This is unlikely. Housing companies will be involved in takeovers and mergers like most other private sector companies. They will want economies of scale just as housing associations have grown and merged - the sector is now dominated by national and regional associations. The 'local' emphasis is unlikely to last very long.

They will concentrate on improving housing services to tenants

This may initially be the case but, as private sector companies, they will be free to diversify into other services and activities. For example, they could tender for repairs and maintenance, housing management, community care or other service contracts or seek to takeover DSOs in their own or neighbouring authorities.

But won't the Housing Corporation strictly regulate their activities?

There will be regulations both to ensure that they are private sector companies and operate as such and to safeguard the use of public money and tenants interests. But it will be the private lenders who will call the tune. Too much regulation will deter private investment.

We should examine the options

Those who are committed to establishing local housing companies often want to examine the options, when in fact they want to start the process of transfer. Once started, and money is committed to consultants, it gains momentum and is more difficult to stop. Any examination of options must be carefully planned and be genuine, with resources applied equally to all the options.

Remember, there is no turning back once a local housing company takes over control. The company's rules will prohibit any transfer back to the public sector.

Independent consultants?

Local housing companies and further large scale voluntary transfers represent big business for management and housing consultants. Their degree of independence is important - most are not anyway - but their politics, ability to supply strategic advice and their longer vested interest in local housing companies is vitally important.

Don't rely on winning tenants ballots

Don't wait, win the argument before a ballot. By that time those committed to local housing companies will be well entrenched and the resources at their disposal will usually far outweigh those of the opposition.

Why do some Directors of Housing support housing companies?

The Chartered Institute of Housing (CIoH) are one of the main proponents of housing companies. They believe that they are "the best solution" and are annoyed that the media present housing companies as privatisation. Privatisation they certainly are. Just why the CIoH and some senior housing officers are so interested in housing companies is less certain.

Further proposals for housing companies will be published shortly. The Department of the Environment's Joint Study of Stock Options, involving Sheffield, Middlesbrough, Camden and two other authorities, is "still in progress". The DoE also plans to issue new Guidelines for Large Scale Voluntary Transfers by the end of 1995.

References: Our Future Homes: Opportunity, Choice, Responsibility, White Paper, June 1995. More Choice in the Social Rented Sector, Consultation Paper, July 1995. Local Housing Companies: New opportunities for Council Housing, Joseph Rowntree Foundation, March 1993.

The LSVT story so far

Some of the key points from DoE research report:

- 40 transfers had been completed by March 1995 financed by £2.6 billion private capital.
- The cost of transfer was £80.5m, an average 5% of the purchase price, for consultants fees, legal costs, tenants consultation and other costs but excluding all the costs borne by local authorities. Additional costs estimated at £50m were incurred for 22 unsuccessful LSVT ballots and 18 abandoned schemes.
- Only two LSVT associations achieved their planned three year programme of new housing development in nine case study transfers.
- Most local authorities which transferred their stock have disbanded their Housing Committee.
- *"Analysis of performance trends was plagued by data limitations, while interpretation was difficult since it will never be known what changes would have occurred anyway without transfer."*
- 58% and 46% of tenants surveyed on 19 specific services in two detailed case studies considered that the service was about the same after transfer as it was before.
- The study did not investigate changes in staffing levels, terms and conditions.

Evaluating Large Scale Voluntary Transfer of Local Authority Housing, HMSO, 1995.

PERSONNEL SECTOR ANALYSIS

CCT contracts for Personnel Services must start on 1 October 1996. Local authorities will have to tender 30% of their personnel work, although those which spend less than £400,000 per annum on the service will be exempt. The following is a brief summary of main private sector firms currently supplying personnel services to local authorities.

A wide range of activities come under the personnel umbrella:

Corporate and advisory work
Organisational development
Human resource management
Training and development
Pay and non-pay benefits
Equal opportunities
Health, safety and welfare
Industrial and employee relations
Client-side role

There are three types of private contractor:

1. Management consultants: advice on organisational and management services and training

2. Employment agencies: supply of temporary staff and recruitment of permanent staff

3. Small consultancies and individuals: training, counselling and a wide variety of specialist work.

The personnel sector is highly fragmented. KPMG's study for the Department of the Environment covered 22 sample authorities and indicated around 20% of personnel services are already provided by consultants and contractors - training accounts for three quarters of contracted out work. There are some 7,000 organisations such as recruitment consultants, testing and assessment, training, counselling, and management consultancy.

Management consultants

Human resources accounted for only 3.6% of management consultancy fee income in local government in 1994, well behind the main services of financial management (20.1%), strategy and organisation (19.3%), change management (17.5%), information technology (17.0%) and market testing (15.7%).

The major management consultancies in 1994/95 ranked by fee income

	Fee income £m Management Consultancy	% of Total Fee Income £m
Arthur Andersen	284	53
Coopers & Lybrand	136	24
Ernst & Young	88	22
Touche Ross	86	25
KPMG	85	16
Price Waterhouse	84	22

Source: "Management Consultancy", June 1995

Other management consultants which specialise in personnel work include William Mercer Fraser, PA Consulting Group, Hay Management Consultants P-E Consulting, Capita and Towers Perrin.

Employment agencies

There is evidence that the demand for temporary and permanent placements is increasing. A Federation of Recruitment & Employment Specialists (FRES) survey revealed that overall turnover, including fees for permanent outplacement and fees from temporary or contract worker placements, rose 29% in 1994 to £10.3bn.

Major employment agencies in Britain

Group Turnover	Main Subsidiaries	No of branches	No of staff	£m
Employment Service	JobCentres	1,200	-	-
Manpower	Brook Street Manpower Reliance	300		141
Reed Executive plc		205	800	84
Alfred Marks Bureau (Adia International SA)	Centacom Alfred Marks Task Force	120	480	69
Nestor-BNA PLC	British Nursing Assoc Nestor Medical Services	107	500	46
Hays Personnel Services	Accountancy Personnel	100	n/a	n/a
Blue Arrow		80	500	44
Kelly Employment		60	350	n/a
HMS (BET)	Atlas	50	260	35
Select Appointments PLC		50	200	90
Office Angels Ltd		44	n/a	41
ECCO Employment		43	n/a	n/a

Source: Employment Agencies, Key Note Report, 1994

KEY DEVELOPMENTS

National Agreements

Large firms are being encouraged to negotiate national agreements with the main employment agencies in which the company agrees to use the agency exclusively for a planned workload and budget.

Managed services - new employment services and contracting out

The large employment agencies are expanding their role supervising temporary staff at the client's workplace, with agency managers being responsible for the staffing, management and productivity of temporary staff.

For example, Reed Employment employs 350 staff for Mercury Communications' new data-entry centre in Glasgow. Staff are employed and managed by Reed on weekly contracts with three weeks holiday, eight statutory days holiday and a loyalty bonus but do not receive sick pay or maternity leave. Reed described managed services as "...a form of partnership, enabling clients to make cost-effective use of employment agencies."

Longer term effect of Facilities Management

The growth of FM contracts will have an increasing impact on the level of personnel services. FM contracts cover a wide range of services and hence a relatively large number of staff. The letting of one contract can thus have a far greater impact than the accumulated effects of a few separate service contracts.

** Copies of the full Personnel Sector Analysis are available from UNISON, 1 Mabledon Place, London WC1H 9AJ. Tel 0171-388 2366*

Report highlights dangers of 'externalisation'

'EXTERNALISATION UNDER SCRUTINY'

An Advice Note by the National Co-ordinating Committee on CCT (September 1995)

'Externalisation' is becoming an increasingly common feature on some local authority agendas.

'Externalisation Under Scrutiny', produced by the Local Government Information Unit as an advice note by the National Co-ordinating Committee on Compulsory Competitive Tendering, is therefore extremely timely.

Starting with an explanation of what is meant by 'externalisation', the different forms it can adopt, and how this differs from Compulsory Competitive Tendering, the report stresses that externalisation goes beyond contracting out.

It also argues that, while the loss of in-house service provision under CCT obviously effects arrangements for service delivery in the short-term, this is not as damaging as externalisation which it sees as a move towards the long-term re-structuring of public services and local government.

Countering the view of those who see externalisation as a means of avoiding CCT, the report stresses that, despite the difficulties imposed by legislative constraints, DSOs are capable of functioning successfully under CCT by ensuring organisational efficiency and by maximising trading opportunities, both inside and outside councils. By adopting such an approach, DSOs have proved that they are able to compete and provide more effective services than the private sector, and have retained their ability to act as responsible employers, the report argues.

Claims that externalisation offers greater protection for employees, economies of scale, clearer council structures, and opportunities for authorities to negotiate better deals and build up a positive relationship with big contractors, are also examined and challenged.

Importantly, the case for publicly provided services is clearly restated, with specific reference to the benefits provided for by greater accountability, service quality, high standards of management and quality assurance, equal opportunities and the provision of quality employment. An outline strategy for maintaining services in-house under CCT and a useful action plan for dealing with the challenge of externalisation also form part of the report.

Overall, the report provides a useful reminder that, despite the serious problems facing by councils due to the combined effects of stringent financial constraints, a torrent of legislative changes, and the increased centralisation of power, there remain sound reasons why the selling off public services is a flawed option - whatever form it may take.

'Externalisation Under Scrutiny' is available from the Local Government Information Unit, 1-5 Bath Street, London EC1V 9QQ (Tel 0171 6081051, Fax 0171 253 7406); price £5.

CPS Externalisation Reports

Three reports for UNISON on externalisation are also available from the Centre for Public Services:

* **Sheffield Council:** a report into the proposed externalisation of Design and Building Services. Argues the case for in-house services and examines the real costs of externalisation.

* **Coventry Council:** assessment of a proposal to externalise City Engineering Services. Examines alternatives to externalisation.

* **Ealing Council.** Putting Public Services at Risk: The record of the Conservative administration 1990-94. Examines: enabling policies and their effect on staff and local communities; the largest externalisation of council services in Britain.

All reports are available from the Centre for Public Services, 1 Sidney Street, Sheffield S1 4RG. Price: £10 local authorities etc, £5 trade unions and community organisations.

PUBLICATIONS

NEW

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.

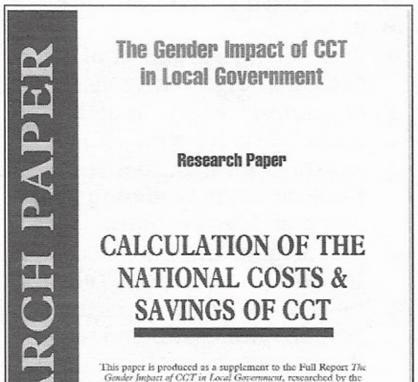
ISBN 1 897692 05 6
Published April 1995
Price £18.00 to local authorities and other public bodies, **£10** to trade unions and community organisations

Calculation of the National Costs & Savings of CCT

A supplementary research paper to The Gender Impact of CCT in Local Government, researched by the Centre for Public Services and published by the Equal Opportunities Commission in March 1995.

Contents include: the cost of unemployment on central and local government; CCT job losses nationally; comparison of national costs and savings of CCT; use of DSO profits; Corporation Tax payments by private contractors.

ISBN 1 897692 02 1
Published March 1995
Price **£15.00** to local authorities and other public bodies, **£10** to trade unions and community organisations


RESEARCH PAPER

The Gender Impact of CCT in Local Government

Research Paper

CALCULATION OF THE NATIONAL COSTS & SAVINGS OF CCT

This paper is produced as a supplement to the Full Report *The Gender Impact of CCT in Local Government*, researched by the Centre for Public Services and published by the Equal Opportunities Commission in March 1995.

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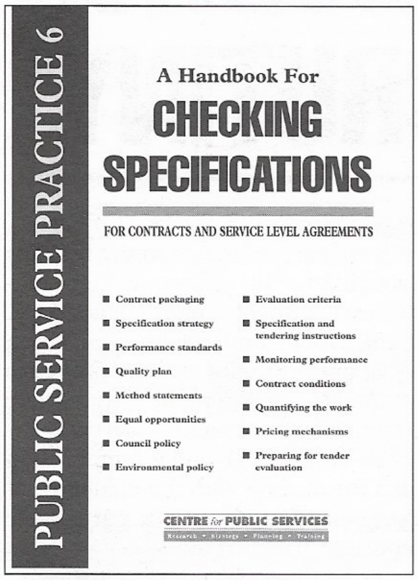
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Essential reading for all those involved in the tendering process.

ISBN 1 897692 01 3
First published 1989, revised 1994
Price **£18.00** to public bodies, **£10** to trade unions and community organisations

Public Service & Business Plans:
Public Service Practice No5

Detailed handbook designed to assist authorities in organising the planning process. Includes a detailed outline of a Public Service Plan covering strategic objectives and market analysis.

ISBN 1 897692 00 5 56
Published 1993
Price: **£18.00** to public bodies, **£10.00** to trade unions and community organisations

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