

Chapter 6

Outsourcing public services: local government in Italy, England and Denmark

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1. Introduction

Over the past three decades, public administrations have been subject to far-reaching restructuring, not stopping at outsourcing a wide range of tasks and services. Under the pressure of increasing public debt, stricter spending constraints, shifting consumer preferences and the demand for higher value for money in an era of austerity, these organizations have differentiated the provision of services, opening up the traditional direct production and delivery systems to competition through the adoption of a wide set of market-type mechanisms, including public-private partnerships, voucher systems, liberalization policies and contracting out (OECD 2011).

The introduction of market discipline in the provision of public services represents one piece within the broader jigsaw puzzle of public administration reform, an ‘unending wave of reforms’ (Pollitt 2001) that has expanded progressively since the 1980s across all European governments under the label of New Public Management (NPM) (Hood 1991), suggesting uniformity and communality. The aim of this doctrine has been to remove differences between the public and private sectors in a drive to increase efficiency and effectiveness: this has seen governments importing business-like tools and values into their public administrations, along with market-type mechanisms from the private sector (Pollitt and Bouckaert 2011).

Outsourcing is an instrument taken from the NPM-inspired toolbox, a market-type tool for saving public funds (Savas 2000) through a shift of service provision across public sector borders towards private organizations. The hope here is that opening up service provision to market discipline can lead to cost reductions, since private providers in a competitive regime are expected to realize economies of scale and to raise effort or productivity with a given input/workforce-combination. While

outsourcing has unquestionably promoted competition, gains are often largely based on the reduction of labour costs rather than on quality improvement and innovation: empirical evidence increasingly shows that savings may simply correspond either to reduced employment levels or to a deterioration in employment terms and conditions (Flecker and Hermann 2011).

This process, leading to complex changes in the organization of work and employment conditions, has been subject to growing scrutiny in the last few years, given the magnitude of the emerging drawbacks (Hermann and Flecker 2012; Petersen *et al.* 2012). It has been repeatedly assumed that the vertical disintegration of service provision, involving the dispersion of activities across organizational boundaries, has led to a deterioration in employment terms and conditions (Flecker and Meil 2010; Schulten and Böhlke 2012), since it triggers competition with a cheaper labour supply, shifting work from highly unionized and better sheltered public sector organizations to more vulnerable private companies subject to market fluctuations and where trade union power is low or non-existent. Moreover, the overlapping of blurred boundaries between the public and private sector is expected to translate into increased disparities and instability in terms of employment and working conditions (Flecker 2009).

This chapter discusses how outsourcing impacts public sector working conditions and employment structures from a comparative perspective. I will be exploring the issue through a case study analysis of public administrations in three countries – Italy, England and Denmark – with a specific focus on local government. Within each country one municipality was selected. The local government sub-sector was selected as it has experienced extensive waves of outsourcing labour-intensive activities, driven by legislative interventions and budgetary constraints. The comparative perspective also allows us to ascertain whether the implications for reconfiguring work across boundaries display a lowest common denominator for all countries, or conversely whether national distinctiveness emerge. In conclusion, explanations of the outcomes are provided.

The overall picture across the three municipalities studied is dominated by a deterioration of employment terms and conditions for public employees who, depending on the cases, were either transferred to subcontractors or functionally seconded to the external providers. As a consequence organizational boundaries between the public and private

sectors and across organizations have become increasingly blurred and overlapping, leading to negative consequences for labour, both in terms of wages and allowances and in the organization of work (workloads, working hours and workplaces). However, beyond such general convergence, impacts take different forms based on the role played by national institutional arrangements, legislative set-ups and differing national industrial relations regimes (Flecker 2010; Vraengbæk *et al.* 2013; Jaehrling 2014). Specifically, encompassing employment relations institutions and strong legislative protections for public employment, though unable to prevent public services being outsourced, have to a certain extent cushioned working conditions for public sector staff in Denmark and Italy; while, conversely, a market-driven employment relations regime, putting considerable emphasis on market adjustments and self-regulation and thus minimizing the role of employment regulation and organized labour institutions (Gallie 2007), has inevitably led to a broad deterioration of employment conditions in the UK.

The chapter is structured as follows. After providing a brief overview of the debate on restructuring through outsourcing and its implications for employment relations in the public sector, the empirical findings from the three-country analysis are discussed from a comparative perspective. The chapter is then summarized in a brief concluding section.

2. Restructuring through outsourcing and labour issues in the public sector

With reference to the public sector, outsourcing is defined as the transfer of public service provision to an external organization, while retaining public financing of the activity and keeping overall responsibility for performing the function in line with the accountability principle towards citizens (OECD 1993; Jensen and Stonecash 2005). Unlike private company restructuring measures which increasingly involve a delocalization of tasks outside national borders, contracting out within a public administration generally implies a restructuring of activities across organizational boundaries, with the result that the borders between the public and private sectors are becoming increasingly blurred and overlapping.

Maximizing value for money in the provision of services constitutes the overriding rationale for outsourcing (Domberger and Jensen 1997; Savaas 2000): public administrations are likely to adopt such a policy on the

basis of economic evaluation, with a view to reducing their expenditure and boosting efficiency through opening up service provision to market competition. Despite this potential benefit, many drawbacks are reported. Savings are often lower than expected and may even decline in the long term (Domberger and Rimmer 1994; Roberts 2001); moreover scholars have started questioning not only the magnitude but even more importantly the actual source of savings (Jensen and Stonecash 2005) which may indeed be achieved at the expense of output quality (Quiggin 2002; Jensen and Stonecash 2005) or through reducing labour costs at the expense of employment conditions rather than improving input utilization (Domberger and Jensen 1997; Blöndal 2005).

Accordingly, restructuring policies represent a burdensome challenge for labour issues: while outsourcing is used on purpose to downsize the internal workforce (Alonso *et al.* 2013), it inherently leads to the creation of intertwined links between public and private organizations, triggering a shift in work terms and conditions.

A thorough and detailed account has been provided by some previous studies¹ which repeatedly describe how outsourcing public services is always to the detriment of labour (Vrangbæk *et al.* 2013), depriving workers of industrial relations institutions: the overall picture is dominated by a fragmentation of working conditions both in terms of wages (Flecker and Hermann 2009; Flecker and Meil 2010) and work-related benefits (pension schemes, maternity/paternity leave, sick-pay). Moreover it has led to numerically-relevant transfers of personnel to the private company taking over as service provider (Flecker *et al.* 2008; Flecker and Meil 2010) which has often translated into a switch from a public sector collective agreement to the private provider's terms and conditions, usually less protective, more flexible and poorly paid. Redundancies are no exception. The demand for higher contractual flexibility and variable workloads has triggered a shift from permanent to temporary contracts as a way to recruit flexible staff (Flecker and Thörnqvist 2012). Moreover, these studies have depicted a dominant trend towards the standardization and intensification of work, making workers easily replaceable and undermining their bargaining power. Finally, understaffing has

1. For further details: WORKS (Work Organisation and Restructuring in the Knowledge Society) Project - Changes in Work (www.worksproject.be); PIQUE (Privatisation of public services and the impact on quality, employment and productivity) Project (<http://www.pique.at>).

necessarily led to appreciable work intensification, meaning longer working hours, higher workloads and long shifts (Flecker and Meil 2010).

In the next sections, evidence from three local governments is described and discussed from a comparative perspective in an attempt to distinguish similarities and divergences.

3. Implications for labour and working conditions in local government

The way outsourcing has impacted public employees' working conditions and employment structure was explored through a case-study analysis of municipalities in three countries – Italy, England and Denmark. The evidence gained in the study stems from an in-depth qualitative analysis based on 44 semi-structured interviews carried out between September 2013 and November 2014 and complemented by documental analysis of secondary sources such as legislation, annual reports, internal PowerPoint presentations, collective agreements, practitioners' reports, internal employer association and union documents and newspaper articles.

3.1 The Italian municipality: the response to austerity measures

Outsourcing in the Italian municipality was driven by twofold legislative pressure. On the one hand central government intervened proactively to boost contracting out as a policy tool to reduce public spending and increase management economies: during the 1990s legislation incentivized municipalities to either outsource service provision to external providers or to subcontract it to joint-stock or limited liability companies fully or partly owned by the local authority (Law 142/1990; Legislative Decree 267/2000; Budget Law 448/2001). On the other hand increasingly strict austerity measures hit local government budgets in terms of both staffing levels and financial resources: starting with the 2008 annual budget law the government defined the overall financial targets for municipalities in an effort to contain public debt, setting legal constraints on their expenditure, including personnel costs (Decree Law 112/2008; Decree Law 78/2010; Legislative Decree 149/2011; Law 183/2011) (Bordogna and Pedersini 2013). Further legislative interventions directly targeted public sector headcount, allowing municipalities to only hire new employees in 2009 when expenditure on them did not

exceed 10% of the labour cost of those having retired in the previous year ('headcount pruning'). This figure rose to 20% for 2010 and 2011, and 50% for 2012 (d.l. 112/2008) (Bordogna and Neri 2014).

This twofold pressure forced the municipality studied to outsource a wide range of services from the mid-1990s onwards, starting with blue-collar activities such as park and street maintenance, waste collection, cleaning and catering and slowly encroaching on core services in the 2000s such as social care, crèches and residential home services.

The overall picture that emerged is rather strange since, despite the law enabling the shift from public administration to private companies, the municipality held on to almost all staff involved, relocating the workers to different offices and only transferring a residual share to private providers. When catering was outsourced in the early 2000s, including the meals-on-wheels and food service for crèches, the municipality at that time employed ancillary catering staff on temporary contracts and cooks on permanent contracts: as a consequence of the transition the former were all transferred to the subcontractor after a 3-month probationary period while the latter maintained their public status, being seconded to the private company. The number of catering staff with a public sector employment contract has since shrunk due to retirements, with replacements hired by the subcontractor.

The second transfer involved manual workers doing park maintenance: at the end of the 1990s the service was passed to a company in which the administration had a minority holding, and workers were given the voluntary option of transferring to it. The large majority, however, was relocated within the municipality, with only a few workers accepting the transfer. However, the collective agreement applied by private companies providing environmental services and public sanitation provided for higher wages and allowances compared to the public one, though with less favourable working conditions such as longer shifts, different working time schedules including night and weekend work and prolonged on-call periods. A union official who monitored the transfer added that 'working time was longer, they knew they had to work mornings and afternoons but they were content, concluding that 'I work more but I earn more' (CISL union official, 16 September 2014). Moreover 'it was professionally gratifying because they were given greater autonomy, allowing them to feel responsible for their area of competence, thereby raising their level of professionalism' (head of municipal HRM, 10 October 2014).

Such outcomes were achieved through the constant monitoring of unions during outsourcing measures, a strategy that allowed public personnel to keep their jobs through being redeployed within the administration, a move sanctioned by the municipal council: in addition legislative provisions enabled employment terms and conditions to be safeguarded, such as Article 2012 of the Italian Civil Code which guarantees the same contractual conditions in transfers between organizations. This provision has since been incorporated into law 428/1990 which fulfilled obligations arising from EU legislation including Directive 77/187/CEE relating to the safeguarding of employees' rights in the event of transfers of undertakings. At the same time, severe public spending constraints for personnel and 'headcount pruning' cut staff from 1200 to around 700 between 2006 and 2014, hence heightening demands from the local government to internally reallocate staff. Moreover the municipality always included social clauses in its calls for tenders: though not a compulsory requirement, bidders were encouraged to take on council workers, as this led to them being awarded extra points when the tenders were assessed (Head of procurement, 8 August 2014).

Outsourcing quickly led to the creation of a two-tier workforce, as in the case of the catering service. While the seconded cooks with their permanent public-sector employment contracts remained covered by the public sector collective agreement, the transferred staff, now covered by the private sector agreement, experienced a deterioration in their employment conditions: the subcontractor not only drastically cut back working hours and wages, but also dismissed a major slice of the workforce in summertime when schools were closed, only to rehire them in September. Such job reconfiguration inevitably led to a higher workload for permanent public staff, on duty for the whole year. Other benefits and allowances such as maternity leave and sick pay remained basically the same since the collective agreement for workers in the tourist industry, the one applying to catering staff, explicitly protected employment terms and conditions on transfers between undertakings (Collective agreement for workers in the tourist industry 2010-13, Article 97).

However the case of the social workers probably represents the most emblematic example of the two-tier workforce. The outsourcing of social services was driven by the need to replace retiring public sector staff, as succinctly put by the head of social services: 'outsourcing here has to be seen as an alternative to the use of a temporary agency' (15 October 2014). This inevitably led to a perverse situation where workers with the same

educational background performed exactly the same task and worked side by side with each other, yet were subject to great inequalities in contractual arrangements depending on the nature of their employer. The collective agreement for social cooperatives which applied to external workers provided for lower wages – up to €250-280 less a month – and maternity leave pay corresponding to 30% of wages, against the 100% for the first months stipulated in the public sector collective agreement. With regard to union rights, external workers were a lot worse off: ‘fewer hours for assembly, less leave for union work’ (CGIL union official, 21 July 2014). However this mixed management enabled the municipality to gain flexibility in terms of both labour costs and work organization (Head of social services, 15/10/2014).

3.2 The English municipality: in the wake of Thatcherism

Such emotive bumper stickers as ‘government is too big’ or ‘we need to cut red tape’ (Asher 1987) well express the popularity of outsourcing in England as an alternative way of providing public services since the 1980s. The English municipality studied was subject to a series of decisive legislative moves which triggered the adoption of outsourcing through the regulatory regime of Compulsory Competitive Tendering (CCT): starting with the Local Government Planning and Land Act in 1980, which introduced CCT for a limited range of jobs, mainly blue-collar ones such as highway maintenance or building maintenance, CCT was extended in 1988 to cover almost all manual services, including refuse collection, street cleaning, school catering, ground and park maintenance. As a third step, the tasks covered by the Local Government Act were extended in 1992 to include white-collar professional, financial and technical services. In addition to legislative pressure to contract work out, the sector was severely hit by budget cuts as well, with municipalities required to cut their spending by 27% in real terms between 2010-11 and 2014-15 (Bach and Stroleny 2014).

The case-study municipality first tested the market in 1979 for street cleaning, followed by refuse collection in 1982 and a wide range of blue-collar technical tasks during the rest of the decade: park and ground maintenance, vehicle maintenance, building cleaning, school catering and meals-on-wheels. From the 1990s onwards, the municipality started putting white-collar professional services out to tender. Beginning with IT and legal services, it moved on to urban planning

and engineering tasks, payroll management and home care for the elderly.

When the municipality first embarked on competitive tendering for street cleaning, it asked all bidders to consider taking on council workers who were to be made redundant, while offering generous early retirement or severance terms to those workers not taken on by the contractor, or redeployment within the municipality. This 'soft' approach turned out to be a once-only offer, with all subsequent outsourcing contracts featuring large sections of internal staff being made redundant. Moreover, severance terms became increasingly less attractive, rapidly equaling the minimum national standard.

Employment terms and conditions represented a big issue. Key interviewees agree with splitting the historical trend into two parts, whereby the watershed is represented by the municipality's implementation of the Transfer of Undertakings (Protection of Employment) Regulations (TUPE) in 1993.² Before TUPE, workers transferred to external providers did not enjoy any kind of protection of their employment terms and conditions. As a consequence, there was a general erosion of pay scales and benefits: 'workers directly employed by the council were paid more for the same skills compared with the private companies' (GMB union official, 22 October 2013).

The overall picture is dominated by longer and more flexible working hours, spread over 7 days instead of 5. Street cleaners lost their bonuses and allowances for work at night or weekends. Nurses providing home care were not paid for travel time between one patient and the next. Moreover, transferred staff were expected to be much more mobile: gardeners who had previously maintained green spaces within the municipality were now required to cover 5-6 parks in different localities, traveling the whole day. Nurses, as well, had to cover several municipalities.

The application of TUPE from 1993 onwards changed the situation in the early stages, protecting employees' wages and working conditions after the transfer. The most common complaints that workers reported after TUPE implementation concerned insecurity of work rather than

2. The TUPE regulation was enacted in 1981, implementing the European Community Acquired Rights Directive 77/187/EC. But it was only effectively implemented at a later stage in the public sector.

wage insecurity: ‘to put it in a nutshell: jobs are more uncomfortable, there is greater inconvenience for the worker, less security in terms of what he or she would be expected to do’ (UNISON union official, 22 November 2013). This led to higher staff turnover, above all among older workers, and a growth in cases of burnout. Private providers, as a way to circumvent TUPE constraints, often opted for hiring new low-paid workers rather than employing council staff under the same terms and conditions.

Pension schemes presented another thorny question since they were not covered by TUPE legislation. This resulted in most of the private providers slashing pension contributions paid to workers. The issue was so severe and widespread that legislative intervention from central government became necessary. In June 1999 HM Treasury issued its Statement of Practice on Staff Transfers from Central Government ‘A Fair Deal for Staff Pensions’, providing guidance for staff transfers from the public sector to an external contractor: ‘the new employer offers transferring staff membership of a pension scheme which though not identical is broadly comparable to the public service pension scheme which they are leaving’ (A Fair Deal for Staff Pensions 1999). Despite this guidance, a number of problems emerged. The Fair Deal framework did not for instance apply to staff transfer from one private provider to another when contracts were re-tendered, as happened in several cases in the municipality in question. In 2013, HM Treasury revised its Fair Deal for Staff Pensions policy, establishing that staff belonging to a public administration pension scheme and compulsorily transferred out to a private company remain eligible for the public pension scheme. However, the municipality only admits workers transferred after 2008 into its pension scheme, denying access to most of staff previously transferred.

3.3 The Danish municipality: a strategic response to administrative restructuring

Since the 1990s, the Danish public sector has been subject to a wave of reforms, introducing market-type mechanisms and outsourcing into the provision of services in a gradual and incremental manner (Petersen and Hjelmar 2013). Despite the more limited scope of the trend compared to the Anglo-Saxon tradition (Pollitt and Bouckaert 2011), the issue has triggered a heated and persisting debate at both political and academic levels (Greve 2001).

In 2007 the Danish government enacted a major structural reform, revolutionizing the structure of the decentralized levels of government: 273 municipalities were amalgamated into 99 and 14 counties were liquidated and replaced by 5 regions with a narrow range of responsibilities. The aim of the reform was to lever economies of scale and improve welfare services by reshuffling competences and functions between levels of government. Municipalities ended up as 'net-gainers of areas of responsibility' (Mailand 2014), taking on responsibility for welfare services for instance. Outsourcing was exploited as a strategic response to the increasing range of services the municipality had to provide with fewer resources to a larger population, and as a way of rationalizing the use of financial and human resources.

The municipality studied was the result of a merge of two municipalities following the 2007 administrative reform. One of the two had started restructuring service provision in 1996, outsourcing home care. In the subsequent period, cleaning, waste collection and roads maintenance were put out to tender. After 2007, contracting out was extended to the second municipality, including job centres in 2009 (re-insourced after 2 years) and park maintenance in 2010.

The impacts on working conditions show some common traits across all services outsourced. First the large majority of public staff involved was transferred to the private subcontractors, following the service. A second clear-cut consequence was the increase in workload. This led for instance to home care nurses having to visit more patients in the same amount of time; cleaners having to work faster in schools; street cleaners being required by contract to cover wider surfaces in the same amount of hours. Work overload constituted one of the main challenges for union officials, who reported being much more concerned about workloads than wages. The latter indeed remained almost the same, protected by the Transfer of Undertaking (Protection of Employment) legislation – ensuring the maintenance of working conditions on staff transfers from public employment to private companies – and collective agreements signed by most of the private companies (in the case study only one small company in the nursing sector refused to negotiate). Moreover invitations to tender always contained social clauses requiring bidders to take on the public staff concerned under the same contractual conditions.

Though wages remained stable, other benefits were reduced, including maternity leave, sick-pay and pension contributions. Another repercus-

sion was the change in contractual working hours: nurses shifted from the traditional 37 to 25-30, with a subsequent drastic reduction in pay; cleaners conversely reached the cap of 40-47 hours, in many cases working too much in a single week. Nevertheless, union officials pointed out that their members, in particular low-skilled workers, very often preferred private sector arrangements, as these allowed them to boost their wages through overtime (cleaners) or through working on a piecework basis (road maintenance workers); moreover whereas they had felt excluded in the public sector, they represented the core workforce of a subcontractor: 'in the private company they constitute the company, in the public they are just a number' (FOA union official, 15 April 2014). Moreover, in labour-intensive activities such as home care, the private companies (unlike the municipality) provided nurses with new technologies helping them to work faster.

No redundancies were initially reported in the municipality, but in the case of the cleaning tender, once the collective agreement expired, the subcontractor fired half of the cleaners transferred (40 out of 80 employees). Furthermore, there were quite a few examples of workers leaving due to deteriorating working conditions (such as workers in road maintenance), work overload and burnout (in park maintenance). Finally many key interviewees witnessed a widespread feeling of insecurity and instability.

Coping with these issues represented a challenging task for unions, deeply concerned with the sharp increase in workloads and the insecurity of employment which often follow outsourcing processes. The overall picture, however, depicts a collaborative relationship between unions, workers' workplace representatives, municipal managers and KL, the association representing all Danish municipalities. Key interviewees on both sides reported positive experiences, taking advantage of the long-standing social dialogue tradition which allowed conflict to be kept at the lowest level possible (strikes were in fact very rare).

4. Lowest common denominator? A comparative perspective

The previous section discussed the consequences for public employment following outsourcing processes within three municipalities in three countries. As ascertained, despite some convergent consequences for labour, working conditions developed in different ways based on

the broader institutional context in which restructuring was embedded: specifically, industrial relations regimes and institutions to which each country is bound, complemented by national regulation of public employment, played a major role in shaping and moderating the negative effects of externalization on pay and working conditions. In addition, the EU Transfer of Undertakings Protection of Employment (TUPE) legislation acted as a cushion, upholding public employees' working conditions during restructuring.

TUPE regulation, indeed, played a very influential role above all in the UK where public employees not only do not enjoy strong protection from the national legislative framework, but even more importantly where a market employment relations regime prioritizes market adjustments and self-regulation, hence minimizing the role of employment regulation and organized labour institutions (Gallie 2007) and inevitably leading to a widespread deterioration of employment conditions.

Conversely in Italy and Denmark the protections guaranteed by TUPE legislation are strengthened by additional national institutional arrangements (Doellgast and Gospel 2012). In Italy, reflecting the Mediterranean employment model, the state has traditionally played a relevant coordinating role (Gallie 2007), defining a set of strong legislative protections both regarding public employment in general and specifically the transfer of workers as a result of outsourcing (Italian Civil Code art. 2012; Law 428/1990, Art. 40). Denmark's consolidated tradition of social dialogue and collective bargaining, associated with an inclusive employment relations regime where regulations and policies are designed to extend employment and employment rights as largely as possible and to provide welfare and security to all workers while minimizing differences within the labour market, has acted as a buffer for labour issues, alleviating perverse outcomes (Petersen *et al.* 2012; Jaehrling 2014). Though the encompassing industrial relations institutions in force in Italy and Denmark were unable to prevent the outsourcing of a wide range of public services, they obviously played a crucial role in protecting employment terms and conditions from erosion.

Beyond such differences in the extent to which externalization negatively impacted public employment, certain similarities were detected across the three municipalities, as summarized in Table 1. Outsourcing triggered the increased transfer of public employees across public-private organizational boundaries, functionally or even contractually, as re-

Table 1 Implications for labour following outsourcing in comparative perspective

	Italy	England	Denmark
Transfer of public staff to private providers	Limited to temporary staff	Large majority + dismissals	Large part but no dismissals
Redundancies	None	Several	None
Collective agreement applied	Public sector	Conditions often unilaterally defined	Private sector
Wage rate	Same	Much lower	Similar
Workload	Increasing also for internal staff	Remarkably high	Higher
Main issue reported by workers	Two-tier workforce	Dismissal, pension scheme	Feeling of insecurity
Social clauses	Always included	Rare	Always included

ported resulting in a growing fragmentation of employment conditions and a deterioration of work, since employment has generally become more insecure and flexible in terms of both working hours and workplace flexibility. Greater demands are placed on work tasks, including increasing workload, a higher pace of work and the use of piecework. Additionally, employment terms and conditions established by private providers went downhill, not so much in terms of wages but with sharp cuts to pension schemes, maternity leave, sick pay and holidays.

In a nutshell, restructuring public administration through outsourcing has been exploited as a way to circumvent public sector collective agreements – offering greater benefits than private sector agreements – and to deregulate job protection, notably higher in the public sector.

While the main rationales underlying the decision to outsource differ across the three public administrations, the will to open up public services to market discipline based primarily on labour cost competition was rather straightforward, as the evidence suggests. Dependent on what national regulation allowed, public personnel was either directly transferred to external subcontractors as a way to reduce staff costs or seconded to private companies, thereby boosting flexibility in human resources management. Interestingly, a significant rise in workloads emerged as a consequence common to all the municipalities studied: unlike other institutional dimensions, this labour process-related aspect

remains unprotected by legislation, enabling private companies to leverage as a way of gaining competitiveness and cutting labour costs.

As already anticipated, the consequences for public employment display diversified patterns reflecting national variations with regard primarily to the scope of impact and the extent to which staffing levels were involved.

In the Italian municipality, employment conditions only deteriorated for temporary workers transferred to external private companies. These only constituted a small share of total headcount in contrast to the share of permanent public employees redeployed within the administration under the same contractual conditions or, where feasible, seconded to the external provider. In the latter case, the employees enjoyed the same employment terms and conditions established in the public sector collective agreement, while being managed by the private employer. However in many cases the shift in management led to increased workloads, a faster pace of work and increased job pressure. Nevertheless, redundancies were completely avoided, safeguarding employment for the bulk of workers involved.

In Denmark personnel transfer has largely involved public employees following outsourcing: this has meant a collective agreement switch from a public to a private sector one, which, though not so different in terms of wages, is more disadvantageous with regard to other benefits and allowances (maternity leave, holidays, pension scheme, sick pay). In addition it has led to a sharp increase in workload, a faster pace of work and growing flexibility in working hours and working places. Even if only a few cases of dismissal were reported following the transfer to the private provider, the deterioration in working conditions was noteworthy and involved a large group of public employees.

Evidence from the English municipality paints the most extreme picture: outsourcing was adopted on purpose as a tool for downsizing public sector employment, in most cases with public service provision being transferred to private providers and with public workers soon dismissed, only to be replaced by cheaper workers directly employed by the company. Those who kept their job in the private firm experienced a sharp deterioration of working conditions in terms of both wages and other allowances. Moreover, unlike Danish transferred workers who switched from public to private sector collective agreements, in the UK subcon-

tractors often refused to signed collective agreements, unilaterally establishing detrimental employment terms and conditions for transferred workers, at least before TUPE was implemented. Finally, pension schemes were subjected to major cuts.

In the light of this evidence, distinctive national trajectories are developing, dependent on European and national legislative frameworks and employment relations institutional configurations (Flecker 2009; Vraengbæk *et al.* 2013).

5. Conclusions

Restructuring public administration through outsourcing has become widespread in Europe as a way of cutting public expenditure and boosting value for money in the provision of public services. Empirical evidence from the three municipalities studied however sheds light on the actual source of savings, stemming from competition based on labour costs: outsourcing in fact has led to a fragmentation of working conditions within local government and a deterioration of employment terms and conditions for public personnel.

The analysis points to how encompassing employment relations institutions, complemented by the strong protection of public employment guaranteed by national legislation, have played a noteworthy role in sheltering public employment, shaping and moderating the negative consequences of outsourcing (Jaehrling *et al.* 2014). In addition, the TUPE legislation is acting as a cushion, helping to maintain working conditions during restructuring, above all in those contexts where other forms of labour protection are lacking.

Understanding the significant function of such labour institutions is crucial for preventing marketization processes with a concealed political intention to promote social dumping, with detrimental repercussions on the weakest link of the value chain, namely on workers. As evidence suggests, outsourcing choices are often purposely adopted to circumvent public sector collective agreements and regulation, allowing labour costs to be cut via downward pressure on pay and working conditions, often via a switch from public sector agreements to private sector ones. Meanwhile, the widespread importance accorded to the TUPE regulation needs to be exploited as a strategy within the union toolbox. While

not preventing restructuring, it has the potential to at least mitigate the erosion of working conditions, helping to bring up job value.

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