

## The Tories have embarked on a far-reaching strategy to dismember the public sector

Hugo Levie

# Britain goes to the Sales



*Pritchards dustmen, private contractors hired by Wandsworth Council*

From 1945, successive Labour and Tory Governments worked within a framework which accepted the welfare state. There was also a general acceptance of the state's responsibility to provide basic services like rail, roads, tele-communications and public utilities. This era has now come to an end. The present Tory government has chosen to attack this consensus and has been staggeringly successful. Privatisation<sup>1</sup> is a central plank in strategy. Under the guise of creating freedom and banning inefficiency they have turned the tables.

The whole labour movement has to draw its conclusions from the remarkable political success of the Tories in dismantling the public sector and challenging the social principles on which it was founded. Old arguments in favour of the welfare state and Labour's traditional conception of it, are not good enough, neither to defend the public sector now, nor to rebuild it in the future. Thatcherism is showing on what shaky foundations the public sector and the concept of the welfare state were built.

### Why privatisation?

Privatisation is one of the major aims of the present Government, but the Government, probably on purpose, has never given a more precise definition of privatisation than: 'the transfer of ownership from the state to

private enterprise of as many public sector businesses as possible'<sup>2</sup> or 'suggestions for further loosening the grip of the public sector could be faster growth of private health insurance, increased use of charges for social services and student loans, and more community involvement in the financing and management of local schools'.<sup>3</sup>

Why do they do it? The main reasons which are usually given by the Government<sup>4</sup> are firstly 'opening up new areas to market forces'. Secondly 'wider share ownership' has been mentioned as a justification, for example, in the case of the management buy-out of the National Freight Company. Thirdly, there is the need to reduce 'the burden on the Exchequer via receipts from sales of assets' and the 'removal from the Public Sector Borrowing Requirement (PSBR) of any future borrowing by the bodies concerned'. Finally, an increase of 'consumer choice' by increasing competition and decreasing state regulation and monopoly is a further frequent argument. However, these justifications are very thin, more apologies than clear reasoning behind rational decisions.

The following line of thinking probably comes nearer the real motives. The British working class has become used to its right to basic and growing public services. This has meant two things: the rich had to pay for

more services than they needed themselves and a growing terrain was not open to competition and private profits. The end of economic growth and the enduring economic crisis compounded these problems. Privatisation may be the radical answer to exactly these problems. It is like a modern day enclosure; what once was public land is replaced by private property. It costs the rich less and increases their chances of making a profit.

### What is privatisation?

The Tory programme of privatisation built up considerable steam in 1982, as was foreseen by the Chancellor in his 1982 budget speech. The campaign continues apace in 1983 and may well go on in the following years. Thousands of workers in the public sector must have lost their jobs in the process and more are threatened. There appears to be no area of the public sector which is safe from privatisation.

The practice when it comes to privatisation has been to chop public services wherever possible. The only two major obstacles have been firstly, existing laws which forced the Government to legislate before it could 'hive off' or 'open up'. Secondly, it requires two to tango, and lack of interested partners has sometimes forced the Government to stall specific privatisation plans. The Government has found two answers to solve the latter problem. First, to spend *more* public money on making the loot more attractive and second nurturing its own breed of vultures endowed with special entrepreneurial energy.<sup>5</sup>

In practice privatisation has been a rather messy process. It has taken place in a number of different ways, dependent on the legal and financial status of the service or corporation involved, and the Government's possibilities for a quick and easy kill.

### Examples of privatisation i

Some nationalised concerns have been sold wholesale, either to their management and/or workforce (eg, National Freight Company); or to private shareholders (as is proposed for British Airways). A legal reconstruction of the public corporation as a public company may be required before such a sale can take place. In other cases there has been a public issue of a minority or a majority of shares on the Stock Exchange (eg, British Aerospace, Cable and Wireless, Amersham International and the British National Oil Corporation).

Where a total sale of state interest was, as yet, impossible, certain physical assets have been hived off, for example British Rail's hotels, and New Town industrial and com-

mercial properties. Or there have been joint public/private sector ventures such as the setting up of Allied Steel and Wire, an independent company in the private sector formed by the British Steel Corporation and GKN; and the merger of British Rail's hovercraft service with Hoverlloyd.

Another form of privatisation is allowing private competition where a public corporation previously had monopoly rights, as was done under the 1980 Transport Act for express coach routes and under the 1981 British Telecommunications Act for British Telecom. A related form which has been particularly attractive has been to encourage private contractors to tender for services previously provided within the public sector. Examples are catering and laundry services in the NHS and refuse collections for some local authorities. A final way privatisation has taken place is by the development of schemes to introduce finance into areas previously financed from public funds. This could be the case with large scale construction projects as is suggested in the proposals for private funding for road building drawn up by the NEDO Civil Engineering Economic Development Committee.

The examples make it clear that the Tories have been pragmatic, or even opportunistic as to the way privatisation takes place. They have also been rather flexible on the exact relationship between deregulation and privatisation. In theory the New Right should be for total deregulation, although it is important to realise that once privatisation has taken place the lobby for deregulation may gain force.

In a number of cases ownership, regulation and day-to-day management have been handed over to the private sector lock, stock and barrel. This is particularly true for denationalised companies like Amersham International and the National Freight Corporation. However, in other cases ownership, day-to-day management and the execution of the services have been privatised, but some form of regulation by the local authority or central government still exists. This is true for example of the privatisation of refuse collection, and street cleaning, where the work is done by Pritchards, Grand Met or whoever, but it is paid for by the local authority and done to their specifications. The same presumably would be true if British Airways was privatised. As long as air control and international routeing are controlled by agreements between governments, the Government would still have to be involved in some forms of regulation.

So, privatisation can range from total withdrawal of any public involvement in the production of previously public services or

goods, to the contracting out of clearly specified services. School meals are a good example. Assume there were no longer any legal obligations for a local education authority to provide some free school meals. The education authority could then choose between closing down the school meals altogether, leaving it to parents or private catering firms to pick up the pieces; or it could set some standards and contract the services out to one, or various catering firms who could either prepare meals inside the schools or on their own premises. If the school meals services were contracted out, money could pass from parents directly to the contractor, or via the education authority.

### The impact on public sector workers

The public sector workers lose out from privatisation in a number of ways. First of all, in most cases of privatisation one of the immediate consequences is considerable job loss. And those former public sector workers who are lucky enough to be 'taken over' by the private contractor to whom the work has been hived off will most probably have to accept much poorer wages and conditions. In the case of the privatisation of street sweeping and refuse collection in Wandsworth this certainly was the case.<sup>6</sup>

However, the threat of privatisation is also increasingly being used by local authorities to force workers to accept inferior wages and conditions; or even to manipulate them into developing their own proposals for the abolition of established rights in order to stave off wholesale privatisation. This happened last year to refuse collectors in Birmingham and in the Vale of the White Horse, in Oxfordshire.

So, privatisation means a downward pressure on the wages and conditions of large groups of public sector workers and their 'privatised' counterparts. It also directly undermines trade union organisation. Firstly, the combination of high unemployment with the possibility of privatisation seriously erodes the bargaining power of many groups of public sector workers. Secondly, organising the people working for private contractors is notoriously difficult, so the overall number of trade union members will decrease. The degree of organisation and bargaining power of school or hospital cleaners working for a private firm is much lower than if they were employed by the local authority or NHS. Similarly, the membership of UCATT is much higher amongst Direct Labour Organisations, than inside the private construction firms. One reason may be that the black-listing of union activists which is a common feature in the

private construction industry is not a practice amongst local authorities.<sup>7</sup> A potential threat to trade union solidarity is that private and public sector unions will start to compete for members in the privatised services.

### Privatisation and services

The welfare state and the public corporations were set up with one main aim — *the same service for everyone*. Privatisation of health care and education — for example by a voucher system — may mean more 'consumer choice' but only for a few. For most people it means that their rights are eroded. The liberalisation of its monopoly and the threatened sale of British Telecom may turn it into a classic case. At present wherever you live, you pay the same for having a telephone installed and the same rates for using it. This 'equal right to have a telephone' may not exist much longer. On the one hand private consortia like Mercury are starting to cream off British Telecom's most profitable services. On the other hand British Telecom are what they call 'rebalancing the tariffs'. People in rural areas and those presently without a phone will soon find out what this means. They will have to pay more and more, whilst costs for business will continue to fall.<sup>8</sup>

Not only will access to essential services become restricted but also the quality of those services which are available will deteriorate. Since the collection of refuse in Wandsworth was contracted out, the council has received a very high number of complaints about the quality of the service.<sup>9</sup> This must be a consequence of the cutting of corners, both by the council which sets the standards, and by the private contractor. Privatisation means poorer services in general. But the working class will suffer most,

<sup>1</sup>Many of the facts and arguments of this article can be found in *Privatisation?*, edited by Sue Hastings and Hugo Levie and to be published by Spokesman Books in April 1983.

<sup>2</sup>Mr Nicholas Ridley, Finance Secretary to the Treasury, 12/2/82.

<sup>3</sup>Sir Geoffrey Howe, Chancellor of the Exchequer, in a lecture at Cambridge, reported in the *Financial Times* on 5/7/82.

<sup>4</sup>See for example Treasury Economic Progress Report, No 145, May 1982 p 1-2, from which the phrases in inverted commas are taken.

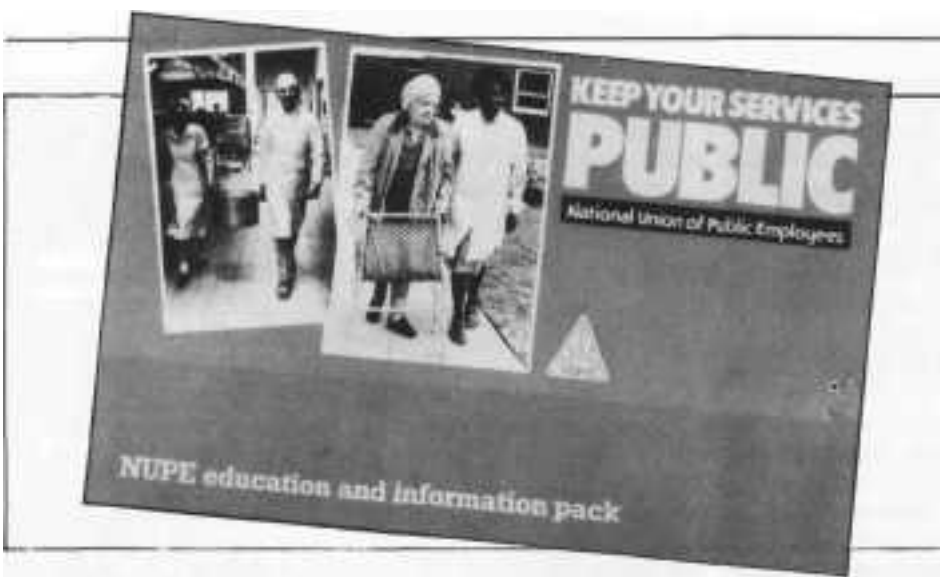
<sup>5</sup>These have now descended on London Transport with minibuses, see the *New Statesman* of February 25 1983.

<sup>6</sup>See Dave Benlow and Ian Scott (NUPE) "The VCkndsworth Story" in *Privatisation?*

<sup>7</sup>See Judith Seeker (UCATT) 'Privatisation and the Construction Industry' in *Privatisation?*

<sup>8</sup>Chris Bulford (POEU) 'Privatisation and BT' in *Privatisation?*

<sup>9</sup>Dave Benlow and Ian Scott, *op at*.



because public services like health care, education and transport already tend to be worse in poorer areas and it is very likely that this will be exacerbated with privatisation.

#### Are there alternatives to privatisation?

The Tories would like us to believe that privatisation is the only rational answer to the problem of ever increasing state expenditure and an ever expanding public sector. However, both the formulation of the problem and the rationality of the answer are very partial and limited.

Growth of the public sector does not necessarily lead to any problem, if the potential for private capital to make profits is not accepted as a priority. What may be a problem is the need to make choices, especially in an economic recession. The health service can only be allowed to grow forever if a conscious choice is taken that health care is a much higher priority than say, education, or transport. But even if there is a limit to the expenditure on health care, this does not imply that privatisation is the answer.

There are also some more specific answers to the pretence of rationality. One Tory argument for privatisation is that it increases efficiency. In fact the Tories are trying to create a new folklore: efficiency is synonymous with private — inefficiency and bureaucracy are synonymous with the public sector. But what does efficiency really mean? It is the difference between the input and the output of any service or production unit. Efficiency is perfectly possible in the public sector, and inefficiency can, and does, exist all over the private sector. Another argument for privatisation was 'wider share ownership'. This is nothing more than a sham. For example, in the case of the National Freight Corporation, the control passed straight into the hands of the previous directors and the banks who supported them; and not into the

hands of the few lorry drivers and administrative workers who, against the advice of their union, bought some shares. Then the question of finance for the public sector. The Public Sector Borrowing Requirement is an artificial concept which has been promoted to the status of a holy cow. There is no logical reason why public sector bodies should not borrow outside the Treasury as they have indeed done in the past, whilst staying in the public sector.

A last, more specific Tory argument for privatisation is 'more consumer choice'. The idea probably sounds attractive to many people. However, in practice it can only be attractive to a few. For most people it means a reduction in the quality of services available, because they have not got the money to pay for the optional goodies.

#### Fighting against privatisation

The fight against privatisation has to happen on various levels. Particular public services have to be defended against specific proposals for privatisation. At the same time a wide ranging counter-attack could help to defend public services in general. The defence of public sector workers directly threatened by privatisation can consist of three elements: *arguments*, *action* and *alliances*. Finding strong *arguments* against a specific proposal for privatisation is perhaps the easiest part, although there may be little time available. Moreover, the workers and unions may find themselves on the slippery slope of cutting the cost of the existing service. This happened to the street cleaners in Wandsworth who axed some of their own jobs in 1981 and still saw the whole service privatised in 1982. But on the whole, developing economic and social arguments against specific acts of privatisation is not that difficult, especially if the cost of unemployment and poorer quality of services is taken into account.

But what forms of action can public sector

workers use to defend their services and jobs? There are three problems in relation to strike action: firstly, it may not affect the employer directly, if no sales or customers are lost. (This argument is less true for public transport and utilities); secondly, it is not directly conducive to forging an alliance with the consumers, because they are often hit much more than the employer; and thirdly, it may make it easier, not harder, for the employer to close the service and/or privatise it.

What is the alternative to strike action? Factory occupation has been developed by private sector workers as a weapon against closure. Although success is by no means guaranteed<sup>10</sup>, occupation as an ultimate weapon has some clear advantages over strike action. Production can go on, but even if it does not, it becomes harder, not easier to close the place. It is high time to think of comparable forms of action in the public sector which affect consumers less and the employer more. Some examples already exist: continuing the bus services, but not collecting the fares; helping the 'customer', but leaving the administrative work; forcing the issues into the media before the public authority is prepared to face the reactions.

Another form of defensive action is to fight for measures that will make it more difficult for local councils to hive off public services, for example protective clauses in the councils' standing orders.

#### Alliances

On the whole, the experience of directly threatened public sector workers seems to be that successful resistance against privatisation particularly depended on the *alliances* they forged. For example, the fight of eight trade unions against privatisation of the gas show-rooms has been very successful. A main reason for this success was their alliance with the Gas Board management, consumer organisations and the manufacturers of gas appliances, who were worried about a drop in demand and increased imports after closure of the showrooms.<sup>11</sup>

In many cases arguments and pressures from other parties involved may have more effect on the people pushing for privatisations, than the arguments of the workers. But building these alliances will often be more difficult than in the case of the gas showrooms. There may be powerful private interests in favour of privatisation, like the telecommunications equipment industry

<sup>10</sup>See for example, Ken Coates *Work-ins, Sit-ins and Industrial Democracy*, Hugo Levie and others, *Fighting Closures* (forthcoming).

with British Telecom or the private health companies eager to take the best parts of the NHS; alternatively, management may chase their own private interest as with the National Freight Corporation. At the same time, consumer organisations may be non-existent or at best unrepresentative and not very effective. Finally, some private sector workers and unions may see advantages in privatisation, as with the electricity show-rooms and with British Telecom.

The biggest problem with building alliances is that it often cannot be done overnight, especially if it means bringing together unorganised sections of people, the 'consumers'. Since no area in the public sector is safe from privatisation and since developing new forms of action and building alliances cannot be done overnight, public sector workers who are not faced with an immediate onslaught should use the time available to them, to prepare themselves. This could be seen as an intermediate level of fighting against privatisation. It has to mean becoming more outward looking, more interested in improving both the substance and the image of public services; developing contacts with other public sector workers, as well as with workers in the private sector who could either support or threaten action against privatisation if it came that far. It also means that public sector workers have to increase their knowledge of their own services, the way they are organised and accounted for.

At a wider political level, defence of the public sector has to mean a general counter-attack against the practice of privatisation and the motives behind it. A union like NUPE is acutely aware of 'the urgency of once again making public services truly popular . . . we need to mount an effective campaign in support of our services which seeks to demonstrate how public services could be improved with the introduction of greater workers' and users' control of the services'.<sup>12</sup> Some first steps have been set. NUPE itself has produced an extensive education programme against privatisation both for its members and stewards.

NALGO is at the moment in the process of spending £1m on a public campaign in defence of public services. These campaigns are trying to convince the less politically aware sections of the working class that privatisation is not about 'taking the state off their backs' but about pulling their rights from under their feet. It is questionable whether these campaigns will have much success if they do not go beyond telling people that 'public services are good, because they are public and have been with us for quite a while'. Fortunately there are

clear indications that people in the public sector unions realise that defending the public sector should go hand in hand with improving the way it is organised and how it is perceived.

### GRASPING THE NETTLE: RETHINKING THE WELFARE STATE

There is a tendency in the labour movement to see re-nationalisation as the not too distant solution for all problems causing, and caused by privatisation. This seems both naive and dangerous. Firstly, we may have to wait another five years and see more and more services demolished. Secondly, we have to ask ourselves *now*, why the resistance to privatisation has been so limited and passive. An honest answer would have to take the following problems into account.

No-one under the age of 40 remembers the time before public services existed, so they have nothing to compare them with and are therefore prone to see the faults and not

. . . we have to ask ourselves  
*now* why the resistance to  
privatisation has been so  
limited and passive . . .

the potential. And even older people probably do not realise that privatisation means a return to the conditions before 1945. This first problem is compounded by the second. Many people have had individual experiences with state bureaucracies: indifference, incompetence, inaccessibility. This is a reality for them which may make it less than convincing if we tell them that public services are good because they are public.

A third problem is to be found in the history of nationalisation. Both workers and users are often aware that nationalisation in the past has been at best only partially in their interests. This must make the panacea of future renationalisation more difficult and less comprehensive a solution than sometimes is suggested. The final problem is probably the most fundamental; too few working class communities have been involved in the running of the public services. They therefore do not know what the choices are and what the longer term consequences of privatisation will be for their own situation.

For more than 40 years the welfare state has been heralded as the road to equality. It would serve as a mechanism to provide a common infrastructure, health, education, transport for all people. This was coupled with the philosophy of redistribution of

income from the rich to the poor. With surprising ease the Tories have turned both concepts upside down. 'Services for all' has become 'the state off our backs', 'redistribution of income' is countered by 'no cross-subsidy; pay for what you want'. On a more theoretical and strategic level, grasping the nettle of privatisation must involve a total rethink of the concept of the welfare state. The reasons are clear: the end of an era of economic growth together with high unemployment and Thatcherism are killing off many of the rights and provisions that constituted the Welfare State, and *people are prepared to let it happen*. For both sets of reasons 'back to the welfare state' is not a very credible programme.

But where do we go then? The main plank of a programme against privatisation will have to be the involvement of people in running the services, both as workers and as users. The short term alliances that are formed in the struggle against privatisation will have to be converted into much more long term relationships. The labour movement will have to face up to the fact that at present it just does not organise the unwaged and the working class as consumers. Not renationalisation but 'socialisation' is the answer to privatisation.

This is a longer term perspective, and clearly a lot more thinking needs to be done. In the shorter term, a number of actions can be taken in the immediate fight against privatisation that would start us off on the longer road. There will have to be a total support in the labour movement for local authorities that go against privatisation, especially if they are faced with penalising extra cuts in income from central government. At present this support sometimes is completely lacking. There will have to be unity against privatisation between public and private sector unions. At present the trend seems to be against this unity. Public sector unions are considering organising in the private sector. Some private sector unions are rejoicing in the opportunities privatisation would give to 'their' members. Workers in the public sector will have to start campaigning for the existing services and their improvement. They will have to reach the users in hospitals, in and around schools, in their homes. Trade unions will have to become involved in the quality and the image of public services, forcing the managers of these services to come out against privatisation, before it is too late.D

"Steve Lord (NALGO) 'Privatisation of gas and electricity shops' in *Privatisation?*

<sup>12</sup>Rodney Bickerstaffe, NUPE general secretary in the foreword to *Privatisation?*