PRIVATISATION, STATE RESTRUCTURING AND COMPETITION

MICHAEL JOHN PADDON B.A. Hons (Cantab),
M.A. (Cantab), M.A. (Essex)

PROGRAM: Doctor of Philosophy (by Publication)
SCHOOL: Management
COLLEGE: RMIT Business

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Completing a Doctoral thesis is invariably a challenge. Submitting the material for consideration for a PhD by publication poses additional, particular challenges. While the publications being submitted may constitute a body of original work, and examine themes or empirical issues which are linked, they are unlikely to have been prepared in anticipation that they would be presented as a coherent, developed set of integrated arguments. The purpose of preparing an integrating paper to accompany the published portfolio is to provide some coherence, albeit post hoc, with the additional requirement that this include theoretical or conceptual consideration or reconsideration.

This is not a straightforward enterprise, and in the case of the material prepared for this PhD by publication, presented a tension. Each of my published pieces was written to engage with a policy discussion or debate, as described in more detail in the Introduction to the Integrating Essay. It is therefore located in a specific dialogue and set of considerations. For all the publications bar one, that dialogue was more than a decade ago and with several of the publications dealing with the UK, was twenty years ago. In the intervening period, much of what was then original research or thinking has been overtaken or updated by more recent investigations or conceptualisation. And the policy debates are no longer conducted with the same focus, or in some cases, in the same terms. However, it would not be feasible to review and update all the themes and issues covered in the published papers, with their geographical coverage, in preparing this PhD by publication. The challenge here, and for me, has been how to do justice to the published pieces, in context, and as a contribution to a then current debate, whilst also presenting them as a coherent body of argumentation and research evidence with contemporary relevance.

The timing of my publications thus also presented another challenge in meeting the requirement of any PhD that it demonstrates how it makes a contribution to the development of knowledge. The case that my research contributed to knowledge has helpfully and very kindly been made for me in the comments from two of the formal examiners of the thesis. Both are well known nationally and internationally, and write extensively on the issues covered in this integrating paper.

The first examiner has said:
“There can be no doubt that Michael has made a major contribution to our understanding of privatization, state restructuring and competition through the extensive range of publications that he has produced. Many academics who work in this area exclusively, or those that draw on it, will be both familiar with his work, and impressed by it....Michael has made a major contribution to the field, over more than two decades .....his work had been very influential and shaped the work of many others who came after him.

Drawing on a range of publications from the period 1991-2004, Michael sets out a serious body of work that has explored these critical areas and through his examination of them, shows us he has made a substantial contribution to policy studies and practice. Quite simply, he changed the way we think about many of these issues.....his work has always been widely read and influential... It is not an overstatement to say that a generation of scholars who examined privatisation, contracting out and competitive tendering, were influenced by his work”.

The second examiner comments:

“Critics of the process [of competitive tendering and contracting], argued that, from the viewpoint of society as a whole, savings were largely illusory. Rather than reflecting increased efficiency due to competition, critics argued, the savings ..were largely due to a combination of reduced service quality and reductions in the wages and conditions of service workers. A consistent theme .. was of unequal gender impact...The papers collected in this thesis broadly support this critical viewpoint. Indeed, Paddon’s work formed, at the time of its publication, a significant part of the evidence base for those supporting this view”.

Given that my publications were all generated with the intention of contributing to and engaging in policy debate my first inclination was to combine autobiography, with policy contextualisation and thematic integration in one narrative in this thesis. After some trial and error, I decided to disentangle these and present them separately. I outline my personal journey as a “policy political economist”, set within a discussion of the re-emerging debate about how social sciences can or should have “relevance”, in the Introduction to the Integrating Essay, in part A of this submission. In the remainder of the Integrating Essay, I have tried to isolate and reconceptualise important themes arising in a body of work produced over
more than twenty years. For the most part, and because of the periods in which the material was written, the essay is presented in the past tense. The discussion of the context in which the publications were prepared, conveying the policy debates and my personal role, is presented in part B. In part B I have also indicated how the research was conducted, in most cases as a combination of secondary and primary research. Further details of the approaches and methodologies are contained in the publications themselves, which are in part C of the thesis submission, in a separate volume.

Each of the publications in part C has its own references and/or bibliography which in some cases are extensive, such as the bibliography in my review of privatisation of utilities in the Asia Pacific in de Luca, L. (ed), 1998. Given the range of issues covered and the breadth of empirical material, in parts A and B I cite my own publications and reference only authors and publications directly relevant to the issues under review where these are not covered in the previous publications.

In the Integrating Essay I elected not to engage directly and comprehensively with the question of how relevant this body of research and knowledge is to research and policy in 2013 and 2014. To do so would have required reviewing twenty years of research on and reconceptualisation of all the issues in all the locations covered in the papers collected in part C. This is a much longer term and extensive research project. However, once again, one of my examiners has made the case for my work’s contemporary relevance in suggesting areas where I should consider contributing to contemporary policy and research debates: the first is in relation to the economics of competition theory (not just competition policy); the second is in documenting systematically and empirically what the outcomes have been of the era of New Public Management; the third is in reminding policy makers of the lessons from previous eras of reform as we enter a policy environment in Australia which seems to presage another era of restructuring, contracting out and privatisation. In revising the concluding section of the integrating paper, I have therefore included some tentative comments about potential areas for future and further research.

MICHAEL PADDON

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PRIVATISATION, STATE RESTRUCTURING
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SECTION A: SUMMARY AND INTEGRATING ESSAY
SUMMARY OF THE THESIS

The last two decades of the 20th century saw a fundamental restructuring of the ways in which public services were delivered in developed economies. The dominant paradigm for reform over this period, New Public Management (NPM), had a significant focus on introducing greater competition into the provision of services, particularly between public organisations and agencies and the private sector. The promotion of competition was, arguably, the inherent “theory of change” in the reform agenda. The core of the integrating essay for this thesis, presented in section A, is to investigate the promotion of competition as a “theory of change” as articulated through various forms of privatisation, and in particular, competitive tendering and contracting out. Through a re-examination of my work in relation to two primary national locations, the UK and Australia, I develop a thematic argument about NPM, its implementation and the responses to it.

More generally, NPM can be seen as a response to the dynamics of globalisation. There is evidence for internationalisation of the reform agenda (from developed to developing economies) in the patterns of privatisation of public services, discussed here in relation to the Asia Pacific Region. There are also identifiable processes and mechanisms through which the reform agenda was transposed to different contexts. At the policy level, this was through what was characterised in the 1980s and 1990s as the Washington Consensus. At the organisational level it occurred through the strategies and activities of transnational corporations. There is an emerging internationalisation of the regulation of competition in the public sector.

This thesis is concerned, centrally, with the responses to NPM from two perspectives: local government and organised labour (specifically national and international trade union organisations). Two themes recur in the policy debates around NPM: the effects on the quality of public services and the impacts on employment. Both are examined in this thesis as they had been under-researched and were overshadowed in the research literature by an economist concern with costs and technical efficiency. In the developed economies of the “north” (including the UK and Australia) the labour force that delivers public services was
comprised, disproportionately, of women, though this is less so in the workforces in public utilities or for public services in other parts of the world. The employment impacts of competition and related reforms were, thus, also, experienced, disproportionately, by women in the workplace. This impact is therefore examined.

By the first decade of the 21st century, the significance of the NPM paradigm in driving reform has been waning as has the dependence on competition as the major “theory of change”, even in the developed countries which were enthusiastic implementers of the reforms. A case study of urban water services in Australia illustrates technical and political barriers to more extensive privatisation in any of its forms or modalities. However, while, as the thesis argues, policies to support or reform the “supply side” of service provision are no longer prevalent, the urban water sector displays the structural outcomes of reforms from competition and organisational consolidation in the previous decade.

The integrating essay is accompanied by a portfolio of published work which is summarised in Section B and presented in its entirety in Section C. The material in the portfolio was written with three objectives. The first was to engage in public policy debate with the dynamics of the NPM agenda, specifically contracting out and privatisation, since all the research presented here was conducted to inform policy discussion. This engagement was part of longer term personal journey commencing with research in the late 1970s connected to the second objective. This was to formulate and analyse responses to privatisation and state restructuring either by public bodies and agencies (predominantly local government and to a lesser extent state owned enterprises) or by trade unions (nationally and internationally). The third objective was to analyse public management reform as a contributor to the restructuring of the state. In Section B, I locate each piece of research contained in the portfolio of publications in the policy context in which it was generated, identifying why a particular set of issues or concerns are addressed. I also show how publication attempted to provide an evidence base to a practical policy discussion and action.
INTEGRATING ESSAY

1. Introduction: A journey as a “policy” political economist

The last two decades of the 20th century saw a fundamental restructuring of the ways in which public services were delivered in developed economies. The dominant paradigm for reform over this period, New Public Management (NPM), had a significant focus on introducing greater competition into the provision of services, particularly between public organisations and agencies and the private sector. The promotion of competition was arguably the inherent “theory of change” in the reform agenda. The core of this thesis is to investigate the promotion of competition as a “theory of change” as articulated through various forms of privatisation, and in particular, competitive tendering and contracting out. It would be inaccurate to depict NPM as a coherent set of policies which were implemented systematically. In practice policies were introduced selectively and were contested if not actively resisted. These reforms were also adapted to and applied in many states with relatively less developed economies. Hence, it is necessary to locate and understand the reforms as they were implemented in specific political, economic and social contexts and also to understand the nature of the responses to these developments.

The UK and Australia are two primary locations in which to examine the implementation of NPM. Both countries are seen by many commentators as enthusiastic, early adapters of the dominant reform agenda (e.g. Pollitt and Bouckaert, 2011). Historic and continuing links between the countries mean that many of the reforms implemented in both countries are intertwined, having processes of exchange and movement (and, as the case, though to a lesser extent, with New Zealand).

Key Concepts

Through a re-examination of my work in relation to these two national contexts, I develop a thematic argument about NPM, its implementation and the responses to it. In the UK introduction of competitive tendering and contracting out were important components of the neo liberal restructuring of the state, initially prosecuted by successive Conservative governments. They were forms of privatisation in which the essential “theory of change” was
the projected positive and beneficial impacts of competition which therefore differentiates them from other variants of privatisation. As argued in the next section of this paper, conceptualising these reforms in terms of a “theory of change” approach enables us to identity that regulation of these processes by national government was focussed predominantly on removing any supposed impediments to competition. Impact was assessed primarily along dimensions consistent with the primary “theory of change” (cost, efficiency etc.). In Australia, the other primary location, the NPM approach and the promotion of economic liberalism as the national level is initiated by social democratic, federal Labor Governments. The central “theory of change” is also around competition. However, it is constituted in the renegotiations of the distinctive settlement between the state and organised labour (the Accord; see for example, Ewer et. al., 1991) and articulated with the sets of principles or considerations of social democratic politics. Hence, for example, the major enquiry by the Industry Commission (which stands at a watershed between governments led by different political parties and in the justifications for competitive tendering) has equity considerations integral to its terms of reference (impacts on employment, labour conditions and gender). The main embodiment of intergovernmental agreements and legislation for pursuing competition, National Competition Policy (NCP), contains a “public interest” test. As a result the research agenda around impacts is arguably broader and at a national level, union responses are articulated in terms of broad principles and impacts (not merely technical compliance).

More generally, NPM can be seen as a response to the dynamics of globalisation. There is evidence for internationalisation of the reform agenda (from developed to developing economies) in the patterns of privatisation of public services. There are also identifiable processes and mechanisms through which the reform agenda was transposed to different contexts; at the policy level, through what was characterised in the 1980s and 1990s as the Washington Consensus; and at the organisational level through the strategies and activities of transnational corporations. Over the same period there was an emerging internationalisation of the regulation of competition in the public sector.

This thesis is concerned centrally with the responses to NPM from two perspectives: local government and organised labour (specifically national and international trade union organisations). Two themes recur in the policy debates around NPM: the effects on the quality of public services and the impacts on employment. Both are examined in this thesis as they had been under-researched and were overshadowed in the research literature by an
economistic concern with costs and technical efficiency. In the developed economies of the “north” (including the UK and Australia) the labour force that delivers public services is comprised, disproportionately of women, though this is less so in the workforces in public utilities or for public services in other parts of the world. The employment impacts of competition and related reforms were, thus, also experienced, disproportionately, by women in the workplace. This impact is therefore, examined.

By the first decade of the 21st century, the significance of the NPM paradigm in driving reform has been waning as has the dependence of competition as the major “theory of change”, even in the developed countries which were enthusiastic implementers of the reforms. A case study of urban water services in Australia illustrates technical and political barriers to more extensive privatisation in any of its forms or modalities. However, while, as the thesis argues, policies to support or reform the “supply side” of service provision are no longer prevalent, the urban water sector displays the structural outcomes of reforms from competition and organisational consolidation in the previous decade.

The Publications

With the exception of a recent book chapter published in 2013, the portfolio of publications being submitted as part of this PhD by publication was written and put in the public domain over a thirteen year period between 1991 and 2004. The publications implicitly, and in most cases explicitly, engage with and attempt to contribute to a number of linked policy debates. One of the earliest pieces I am submitting, an overview paper “Competitive Tendering and Contracting Out in British Local Government 1979-1992”, was commissioned by the Commonwealth Secretariat in London as one of a series on the international experience of public sector reform. It was subsequently reprinted for distribution in Australia by the Public Sector Research Centre (PSRC), because of its relevance to policy and academic debates at state and federal levels. Together with a later paper which makes a comprehensive review of contracting out in Australia, this provides the foundations for much of the other research presented in the portfolio. The second paper was a submission made by the PSRC in 1995 to a formal inquiry into Competitive Tendering and Contracting by Public Sector Agencies

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1 The citation in this integrating essay is to Paddon, 1993a, which is when this review was reprinted in Australia. The original paper was completed in 1992.
undertaken by the Australian Industry Commission under terms of reference set by the federal Government. It sets out, systematically, the critical terrain for evaluating competitive tendering in the Australian context. It both summarises the empirical research available at that time, including unpublished material from research commissioned from me at the PSRC, and lays out a potential research agenda.

There are four defining features of these two pieces. First, they are about public services (albeit in the first paper, services provided by local government in the UK). Second, they are about the impacts of public management reform. Third, the starting point in each is with the issues of cost and service quality which dominated the initial policy debate in both countries, bringing to bear original research evidence and analysis. However, fourthly, in each case, they introduce analysis and research intended to broaden that research and policy debate. Because of the mechanisms being employed to drive reform through mandated competition, the research portfolio engages also with the nature of the private sector companies engaging in competition at the interface with public services and the forms of reorganisation taking place in local government.

The material in the portfolio was written with three objectives. The first was to engage in public policy debate with the dynamics of the NPM agenda, specifically contracting out and privatisation, since all the research presented here was conducted to inform policy discussion. In some cases this was direct (for example in the submission to an Inquiry by the Australian Productivity Commission and the two reports prepared in preparation of international tripartite meetings organised by the International Labour Organisation, ILO). In others it was less direct but aimed to raise issues which had not previously been a significant focus for debate (including Fairbrother, Paddon and Teicher, 2002a). The explicit intention to engage with and influence policy debate had implications both for the focus of the research and the nature of the written material I produced since it was aimed at audiences other or wider than academic peers or researchers.

This engagement was part of longer term personal journey commencing with research into the implications of introducing enforced competition into the local government run segments of
the British construction industry in the late 1970s\textsuperscript{2}. This research proved prescient given the introduction of compulsory competitive tendering (CCT) by the first Conservative, Thatcher government elected in 1978. The framework of CCT was subsequently extended across local government in the UK as discussed in section 3 of this essay.

This personal journey is connected to the second objective: the papers and chapters are essentially about formulating and analysing responses to privatisation and state restructuring either by public bodies and agencies (in my case predominantly local government and to a lesser extent state owned enterprises) or by trade unions (nationally and internationally).

The third objective was to analyse public management reform as a contributor to the restructuring of the state. From an initial focus on competitive tendering and contracting this then extended to the forms and modalities through which privatisation has been implemented, the role of competition in the processes and in particular, the impacts of these changes on employment and industrial relations with specific consideration given to women in the workforce.

In Section B, I locate each piece of research contained in the portfolio of publications in the policy context in which it was generated, identifying why a particular set of issues or concerns are addressed. I also show how publication attempted to provide an evidence base to a practical policy discussion and action.

A “Policy” Contribution

In the first decade of the current century, and after the majority of this portfolio was written, there has been a reactivation of debates in the academic social sciences about the relevance of their disciplines instanced by the discussion generated by Michael Burawoy’s invocation for a “public sociology”. In his attempt to recover an identity for sociology as a moral and political force (rather than just a “science”) rooted in its primary focus on civil society, Burawoy provides a typology of four sociologies ranged across two main dimensions: the characteristics of the intended audience (academic or “extra-academic”) and the nature of knowledge

\textsuperscript{2} The publication from that research by the Direct Labour Collective, titled \textit{Building With Director Labour} is referenced in Gough and Eisenschitz, 2010
(instrumental or reflexive) (Burawoy, 2005). Two of Burawoy’s sociologies have academic audiences as their points of reference (professional and critical sociology). The other two, political and public sociology, are directed at audiences outside academia. These latter two are relevant here since the research in the publications I am submitting was intended to address audiences focussed primarily on policy (even with those pieces published in journals or by academic publishers) or to provide research evidence with specific policy objectives.

For Burawoy, the distinction is that:

“policy sociology’s raison d’etre is to provide solutions to problems that are presented to us, or to legitimate solutions that have already been reached” (Burawoy, 2005, p. 9).

Policy sociology thus generates knowledge that is concrete, pragmatic, and aimed at making an intervention in policy. Public sociology emerges from a dialogue between the sociologist and the (diverse range of) public(s). Founded in public dialogue, and normative in its process rather than its substantive moral or political content, public knowledge is relevant and communicative. Burawoy’s intention was to re-energise an academic discipline and how it is practiced within the academy by reference to how it is conducted and, importantly here, how it engages with those outside academia. Though widely criticised (see, for example, Critical Sociology, 2005) Burawoy’s call reactivated discussions about “knowledge for whom?” and “knowledge for what?”

The relevance of these questions and the policy/public distinctions has been picked up more widely in the social sciences. Kevin Ward, incorporated the public/policy division into his review of the public policy role of geography distinguishing between what he terms three geographies: activist, participatory and policy (Ward, 2007).

Using Ward’s typology, my personal trajectory can be characterised as moving from the “activism” of researching and producing a publication on the nature of competition and tendering in the UK construction industry followed by a period undertaking similar research (in process and content) outside academia. From the late 1980s, in the period leading up to the preparation of this portfolio of material, I became more directly and explicitly engaged in “policy” research applying what I would characterise, following Burawoy, as “joint disciplinary”
knowledge from political economy and applied sociology. At that time I was Director of a UK local government and union consortium focussed on providing research and professional support to UK councils operating within the environment of compulsory competitive tendering (CCT). I then had a brief period based back in an academic environment, when I produced three of the papers in this portfolio, before becoming a senior adviser on CCT to a major local government advisory and training body for England and Wales, the Local Government Management Board (LGMB). Whilst with LGMB I produced the summary paper on local government reforms and CCT for the Commonwealth Secretariat included in the portfolio of work. In the early 1990s I moved to Australia to take up the Deputy Directorship then Directorship of a public sector union funded, university based research centre, the Public Sector Research Centre (PSRC) at the University of New South Wales. Here I developed a series of policy research programmes conducted in collaboration with unions, international bodies (including the ILO) and Australian NGOs on competitive tendering and contracting, National Competition Policy and international privatisation. Other than a 2013 book chapter on Australian urban water services, the other papers I am submitting in the portfolio were written over this period and in the years immediately following when I was completing research on Australia and in the Asia Pacific region.

As “policy” political economy (adapting Burawoy’s typology), the publications focussed on “feeding into or shaping” the policy process. They therefore display the characteristics and also the limitations of “policy sociology”. The critiques of government policy were political, in that they explicitly engaged with policy, and were couched in terms of providing empirical evidence or eliciting “scientific truth” (on a similar reflection in relation to her work in applied geography, which talks of introducing scientific truth into policy debates, see Massey, 2001). So, while neo liberalism/economic rationalism as articulated through NPM were the overarching drivers for the reforms in government and local government I was researching, my focus was predominantly on policy outcomes and impacts. In my publications I did not attempt to engage with the conceptual bases or antecedents of the policies, other than by pointing to the “real” dynamics of processes (for example, the roles of transnational companies in various privatisations).
One reason for this, in my own case, was I was working directly with or advising local governments in the UK and Australia, and trade unions in these two countries and internationally. At that time they were preparing, articulating and enacting policy and practical responses. The conceptualisations underpinning those policies or inherent in their assumptions, were of less concern, although each of these organisations recognised the significance and importance of political responses. Later in the period, international unions were also more actively engaged in more broadly based policy and analytical discussion with the international agencies of the UN (notably the ILO) and multilateral agencies delivering aid.

In the next section, I outline conceptual issues and questions relating to the reform of public services in the late twentieth century. I introduce the notion of “theory of change” as a means of isolating and assessing the main assumptions and drivers in the reform process. Subsequent sections then focus on the application of privatisation and restructuring, driven by competition, in the two major locations (the UK and Australia) then more widely in the Asia Pacific. These sections are followed by investigation of two important themes: the impacts on women’s employment and the increasing role of transnational corporations (TNCs)\(^3\).

2. The ideological, political and legislative terrain: new public management, neo liberalism, social democracy

The introduction indicates how the portfolio of research in this PhD by publication was largely generated in response to specific policy questions, initiatives or legislation as well as to develop or assist in developing responses. However, the research did not attempt to conceptualise the broader processes or dynamics of which the policies were a part. This section provides a conceptualisation by identifying the broad approach to public sector reform

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\(^3\) The debate about the appropriate terminology for describing the companies operating globally, reflects different views about the nature and extent of globalisation and the importance of whether nor not companies are linked to a “home base” (Paddon, 2001). In Paddon, 2001, I use the term Transnational Corporation (TNC) because it is the terminology used by the most comprehensive source of regular data from the United Nations Conference on Trade and Development (UNCTAD). For consistency, this integrating essay uses the term TNC throughout, though specific publications in the portfolio of published documents may use other terminology.
which provided a rationale for the specific initiatives, New Public Management (NPM), and then locating this approach within a longer term paradigm shift in thinking about the role of the state (with reference to “neo liberalism”).

There are two aspects to the analysis. One is to isolate the common features of NPM and neo liberalism. There is an extensive comparative literature which maps how these policy reforms have been applied internationally. We therefore need to also examine how this broad approach to policy reform was transmitted between countries and locations. Conversely, the second aspect is that, in examining these developments, it is necessary to understand and analyse the specific character and features of the reforms in different locations (geographically, politically and socially). In this respect, analysis should take into account the specificity in the implementation of reform, which, amongst other things, requires discussion of why the term “economic rationalism” has been used to analyse the application of neo liberalism in Australia.

Despite the extensive literature on NPM (and neo liberalism) there has been little or no comprehensive analysis of the impact of NPM as a general approach to public sector reform. The research presented here contributes to the emerging literature on the impacts of specific applications of reform (privatisation, contracting out and so forth) which was being developed at the same time the reforms were being implemented. A starting point in developing a comprehensive analysis is to think in terms of a “theory of change” approach in which competition is seen as the core theme and driver of change.

**Characterising New Public Management**

Writing about Australia, Aulich and O'Flynn argue that:

“The rise of new public management provided a framework where privatisation became seen as a legitimate and potentially lucrative means of increasing the efficiency and effectiveness of the state, a pragmatic tool for addressing challenges faced by the state” (Aulich and O'Flynn, 2007, p.156).
NPM thus provided a legitimation and rationale for privatisation in restructuring the state to meet economistic objectives (efficiency).

NPM is consistently referred to in academic, management and policy literature as:

“The intellectually and practically dominant set of managerial and governance ideas of the last two decades” (Dunleavy, et al., 2005).

However, there is no single definition or identification of what it means. Indeed, as Dunleavy and his colleagues put it:

“There is now a substantial branch industry in defining how new public management should be conceptualized “(Dunleavy et al., 2005, p469).

NPM has been characterised as a multi-level phenomenon (Dunleavy et al., 2005; Pollitt and Bouckaert, 2011). At one level NPM is a:

“...general doctrine that the public sector can be improved by the importation of business concepts, techniques and values” (Pollitt and Bouckaert, 2011, p.10).

On another level, NPM is a developed theory of management change around three integrating themes: disaggregation, competition and incentivisation (Dunleavy et al., 2005). And at another, and more mundane level, it is a “bundle” of practices (in Pollitt and Bouckaert’s description, 2011) or specific technologies which Dunleavy and his colleagues see as maintaining and extending the momentum for reform. The practices and technologies included purchaser-provider separation and corporatisation as components of disaggregation and outsourcing and internal and external contracting as forms of competition (Dunleavy et al., 2005, p. 471). These issues are developed further in the following sections.

While NPM is a “slippery label” (Manning, 2000) there is, nonetheless, general agreement on its core features. NPM did not start as a well formed manifesto or program for change but evolved over time.
"...it has changed, in particular as it has evolved through the New Zealand, Australian, U.K. and latterly European public administration systems" (Dunleavy et al, 2005).

It emerged through application, trial and error (Pollitt and Bouckaert, 2011, p.9), was contested both conceptually and in practice (Larner, 2000), has been controversial (Pollitt and Bouckaert, 2011) and hence, has been applied inconsistently. NPM is inherently normative and prescriptive, which means it is political (Gow and Dufour 2000). So, while its object has been the management of public organisations, it is inaccurate to describe it purely as an "administrative label" (as Hood does in a relatively early analysis, see Hood, 1991).

While there may be common elements or similarities in NPM reforms internationally, they have been applied or adopted to varying degrees and in different ways. Comparative research has identified four major sets of factors which are significant in determining how far and in what ways NPM has been used in different countries (Pollitt and Summa, 1997; Green-Pedersen, 2002). First, is the macro economic situation, for example in terms of the challenges facing OECD countries in the 1970s. Second, is the nature of the political institutions both macro (whether they are based on consensual or majority models of government, Green-Pedersen, 2002) and micro (including the power and influence from public sector unions, see for example, Christiansen, 1998). The third considerations are the main administrative traditions, with the suggestion that an Anglo-American tradition is more receptive to market-type reforms than European traditions (see Peters, 1997). The fourth explanation is party political doctrine: Pollitt and Summa (1997) couch this in terms of the question of whether reforms were due to the dominance of left- or right-wing parties, with their characteristically pro-market or pro-labour traditions.

This latter issue, the nature of party politics, opens out an avenue for examining differences in the application of and the responses to NPM between the UK and Australia. Green-Pedersen’s research into the NPM reforms in Denmark and Sweden argues that the appropriate level of analysis is the state (rather than specific policies in areas such as health care, childcare, care for the elderly, or primary education) because the political and ideological battle ground is argued out on the issues of the future of the welfare state more broadly (Green-Pedersen, 2002). His research identifies that the application of market-type reforms was more extensive in Sweden than in Denmark. The basic reason was the differences in the responses of the
Social Democratic parties in the two countries (Green-Pedersen, 2002). The economic, political and administrative similarities between the two countries would suggest that one would predict that there would not be differences between them in the adoption of NPM. However, in Denmark the Social Democrat Party (SAP) opposed market-type reforms, whereas in Sweden, the Social Democratic Party was more open to them. The key, according to Green-Pedersen’s research, is whether the Social Democratic Party was in power when market led reforms were first initiated and hence, at this point, whether they are seen as drivers and supporters of the agenda or opponents. Social Democrats formed the Government which introduced NPM in Sweden whilst they were in opposition in Denmark. In looking for opportunities to test out this analysis more extensively and internationally, he points to Australia since it had “...come to stand in the vanguard of NPM reforms” which he suggests had:

“...something to do with the fact that labor governments ruled when NPM ideas came on the political agenda and responded positively to many of them” (Green-Pedersen, 2002, p. 287)

In considering the international application of NPM, the resultant restructuring of public sector service provision and the implications for employment and labour, New Zealand provides another interesting and significant point of reference (Larner, 2000). As Green-Pedersen points out, in New Zealand as in Australia, the reform agenda was initiated by a social democratic, Labour Government (Green-Pedersen, 2002). Similar to Australia, in New Zealand reforms to the legislative frameworks governing industrial relations, concurrent with though not directly linked to privatisation but as part of the NPM agenda for “micro economic “reform, shaped both the process and consequences of restructuring (discussed later in this paper in section 6 on privatisation in the Asia Pacific Region).

While NPM has common features, implementation of NPM needs examination in specific political, economic and spatial locations. Doing so allows for recognition of the importance of economic imperatives, political institutions, administrative traditions and the impact of the

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4 For a comparison of state restructuring in Australia, New Zealand, Sweden and Denmark see Schwartz, 1994. Kelsey, 1995 provides a more extensive survey of the sources of NPM approaches in New Zealand.
articulations of policies by political parties, particularly when developing political or practical responses.

NPM, and neo liberalism

NPM can be located within a broader conceptualisation of state restructuring, as a component of “neo liberalism”. Following Steger and Roy, we can think of NPM as public administration and management “operationalizing the neoliberal mode of governance” (Steger and Roy, 2010, p. 13). In this statement they are categorising NPM within governance, one of three “intertwined manifestations” of neoliberalism.

Much like the NPM, while the term neo liberalism is used extensively in political and scholarly analysis, there is no single or shared understanding of what it means or implies. The concept has taken shape over several decades of the 20th century, largely through its practical application and as a focus of critique (Boas and Gans-Morse, 2009).

David Harvey provides a general and high level formulation:

“Neoliberalism is in the first instance a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets and free trade” (Harvey, 2005, p. 2)

It had its antecedents in liberal philosophy but also in a particular form of economic analysis. In Shiel’s assessment of its application in Australia:

“..it has its substantive basis in the revival of neo classical economics [or as it should more accurately be called “marginalist” economics] in the 1970s” (Shiel, 2000, pp.16-17).

This analysis constituted a major break with the Keynesian economic and social policy paradigms as:
“...a confluence between the revival of an unadorned orthodox neoclassical [economic] theory in the early 1970s and the resurgence of classical liberal philosophy” (Shiel, 2000, p.26)

Following Larner, we can distinguish three interpretations of neo liberalism, as:

“new forms of political-economic governance premised on the extension of market relationships” (Larner, 2000, p.5).

The first, and most common, interpretation is to view neo liberalism as a policy framework, marked by a shift from Keynesian welfarism towards the relatively unfettered operation of markets. Often this renewed emphasis on markets is directly associated with the “globalization of capital” (Larner, 2000, p. 6). As Larner points out that this prompts a focus on the outcomes of neo-liberal policy reforms which may be useful in elaborating the consequences of state restructuring, but does not constitute an explanation. Moreover, it limits the terms of research and strategy engagement to those established by the framework itself. This interpretation has been the guiding paradigm for most of the work in the portfolio of work presented as part of this thesis.

The second interpretation is to regard neo liberalism as an ideology. As articulated, notably in the analyses of Thatcherism in the UK by Stuart Hall, this approach argues the need to understand that neo liberalism (as least in its manifestation in Thatcherism) "changed the currency of political thought and argument"(Hall, 1988, quoted in Larner, 2000, p. 9). Neo liberalism created a new public discourse about and way of interpreting the social and political world. This interpretation views neo liberalism as something much more than a shift in focus of policies (or management practices as in NPM) with an influence extending beyond the confines and terrain of the state. However, since neo liberalism (Thatcherism) is seen as a hybrid of political imagery rather than the straightforward implementation of a unified and coherent philosophy, it contains contradictions and complexities. It is also contested, so that new state forms emerge from political action and counteraction, rather than simply being imposed.
Larner’s third conceptualisation analyses neo-liberalism as governmentality using the concepts and approach from neo-Foucauldian literature. This post-structuralist conceptualisation, regards neo liberalism as a system of meaning that constitutes institutions, practices and identities albeit in contradictory and disjunctive ways. This literature makes a useful distinction between government and governance, and argues that while neoliberalism may mean less government, it does not follow that there is less governance. Larner has developed the term “market governance” to capture the emerging forms of governance integral to the application of neo liberalism in the welfare state.

Alternatively, these three different levels of analysis, ideology, governance and policy, can be thought of as identifying separate but intertwined “manifestations” of neoliberalism (Steger, and Roy, 2010). As an ideology, it offers a coherent picture of the world as it is or as it might be, built around viewing global economic interdependence as both inevitable and beneficial, but it is inherently economistic. As a mode of governance (and following Foucault) it is based on particular premises, logics, and power relations which has competiveness and decentralisation at its core, with NPM as its articulation in public administration. The basic policy manifestations are in deregulation of the economy, liberalisation of trade and industry and privatisation of state owned enterprises (Steger and Roy, 2010).

The term neoliberalism is an abstraction. It must be linked to specific periods, or locations to be given a particular identity and to be of practical use in analysis (Saad-Filho and Johnston, 2005). Neo liberalism in the UK is, thus, closely associated with Thatcherite policies in the 1980s (Steger and Roy, 2010). However there are also differences in terminology used to describe the application of this abstraction in specific periods and locations. Larner argues that neo liberalism is an overarching concept:

“In critical social science literatures, the term [neo liberalism] has usurped labels referring to specific political projects (Thatcherism, Reganomics, Rogemomics), and is more widely used than its counterparts including, for example, economic rationalism, monetarism, neo-conservatism, managerialism and contractualism.” (Larner, 2000, p.5).

Shiel also regards neo liberalism, neo conservatism and economic rationalism as an equivalent (if not interchangeable) terminology and set of concepts. The publications presented in this
portfolio are directed at researching and analysing their application, through NPM, in the UK (where the term “neo liberalism” is applied to Thatcherism), in Australia (where the alternative term “economic rationalism” has been used widely) in parts of Asia (“neo conservatism” as refracted through the Washington Consensus) and, less extensively, New Zealand (where the term neo liberalism also seems to be generally applied). Which leads us to question whether these differences in terminology matter? Are they constructing or capturing different phenomena or histories? There is an important argument that the use of the term economic rationalism in relation to Australia is isolating a particular set of processes and relations which have been unique\(^5\).

**Economic Rationalism in Australia**

Shiel attributes the “popularisation” of the term “economic rationalism” in Australia to the landmark study by Michael Pusey (Pusey, 1991). Pusey does not provide a succinct or coherent description or definition of what he means by “economic rationalism”. However, he is addressing a set of dynamics which he sees as distinctive, if not unique, in the economic and social development of Australia, and which are captured in the book’s subtitle: “A Nation Building State Changes its Mind”.

Pusey views economic rationalism as a fundamental challenge to the form of development with a “settlement” between state, capital and labour, which has characterised Australia and which he terms “social democratic labourism” (Pusey, 1991, p. 2). Contrasting the “distinctiveness of Australia” with the major developed countries which he regards as the source of this “conservative agenda” (the UK and USA), he comments on the relatively small scale of the public sector compared with other OECD countries (Pusey, 1991, p. 3). However, while the impetus for economic rationalism in both the UK and USA comes from the recognised and self-acknowledged “right” of politics (in Thatcherism and Reaganism respectively) what is also distinctive about Australia is that the economic rationalist approach has had bi partisan support between the major parties. In Pusey’s account the groundwork for economic and political reform was prepared by Liberal Governments between 1975 and 1983 but thereafter was prosecuted by Labor Governments.

\(^5\) I am grateful to Dr Larissa Bamberry for drawing my attention to the importance of this distinction at a time when, like Larner, I was using the term neo liberalism generically without reference to the analysis underpinning distinct usages for individual locations.
The differences in preferred terminology (neo liberalism or economic rationalism) when examining Australia are a consequence of taking two different starting points or points of reference. One point of reference is to what is common across the economies and states where similar approaches and policies were applied; the other is to what is distinctive about Australia. The distinctiveness of the break with the settlement in Australia between state, capital and labour flows through into a distinctiveness in the manner in which it was applied, at least at the federal level, and the form and nature of the response.

The term “economic rationalism” first entered the Australian lexicon in the early 1970s, during the period of the Whitlam government but used primarily in a positive sense, as in being “economically rational” in arguing against entrenched notions such as protective tariffs and agricultural price support schemes (Quiggin, 1997). During the Fraser (Coalition) and Hawke (Labor) governments, both the intellectual character and the theoretical and policy content of economic rationalism changed from what Quiggin describes as “critical and sceptical thinking” to what he then characterises as:

“a dogmatic, indeed, quasi-religious, faith in market forces and in the supreme importance of 'efficiency' and 'competition'”.

In which

“economic analysis was based on deductions from supposedly self-evident truths, which were effectively immune from any form of empirical testing” (Quiggin, 1997, p. 4)

Similarly, Shiel argues that we can discern economic rationalism in the policies of 1970s Labor Governments but, more specifically, that:

“It is generally accepted that the Whitlam Labor government’s final budget- the 1975 Hayden Budget- displayed the first unequivocal influence of economic rationalism, or at least Friedman’s ‘monetarism’” (Shiel, 2000, p. 30)

According to Shiel, the “corpus of economic rationalism” extended rapidly after 1988 in the policies of the Hawke Labor federal Government and the Coalition Government in the largest state, NSW (Shiel, 2000). Arguably the unpicking of elements of the distinctive settlement
between state, capital and labour in Australia can also be identified in wage determination and in the pursuit of greater “competitiveness” in industry policy from the early 1980s (Chester, 2010). In this assessment, the reversal of the post-war Keynesian approach to economic management began in earnest after the federal Labor government’s election in 1983, following early flirtations with expansionary programs linked with the Accord and accelerated when the Liberal-National conservative coalition assumed government in 1996 (Chester, 2010).

There is agreement in these analyses that federal Labor Governments were instrumental in promoting and adopting economic rationalism in Australia. This gives distinctiveness to the way in which economic rationalism was argued and pursued in Australia. It had important ramifications when examining the policies or legislation through which it was implemented, the dimensions deemed to be relevant when assessing their impacts and how responses were directed and articulated. Hence, for the remainder of this essay, where the discussion focuses on Australia, the terminology of economic rationalism will be used, in recognition of the distinctiveness of the application by Labor governments. Where the focus is on the UK, internationally or globally, these processes and approaches will be referred to as neo liberalism.

**Neo-Liberalism and Economic Rationalism**

This conceptual and terminological clarification, linking NPM with neo liberalism, then differentiating the Australian variant of economic rationalism as distinctive, provides us with several helpful contributions for an analysis. First, it underlines that we cannot assume that specific objectives of NPM, such as increasing competitive elements into public management, or rhetorical positions of neo liberalism, such as reducing the scale of state intervention, translate into the disappearance of the state (Chester, 2010). What is distinctive about the period of neo liberalism of the 1980s and 1990s in Australia is the active engagement by the state in economic “micro restructuring” which entailed reconfiguring regulation of taxation (the goods and services tax); terms and conditions or work (through decentralisation of agreements) and competition (including the decade long National Competition Policy reforms). Not only does the state remained involved in key interventions but it sets the terms for competition. Indeed, since the period in which most of the material contained in this portfolio of research was published, the nature and forms of regulation of privatised or ostensibly
deregulated industries have become a major areas of intellectual and policy enquiry (see for example, Cook et. al., 2004).

Second, by making the points of focus neo liberalism or economic rationalism (rather than NPM) and the tools of analysis the state and governance, we are better able to engage with the empirical reality in Australia. The initial implementation of the policy agenda and sets of reforms took place under Labor Governments. They were therefore implemented by governments whose authority and institutional links were rooted in social democratic political traditions which meant that the debates and the evidence adduced about the policies and reforms had to address principles and values central to that tradition. These include issues of equity, justice, and impacts on employment. Paradoxically, initial implementation by a social democratic government may undermine the potential for effective opposition when the reform agenda is taken forward more aggressively by a Government not coming from those traditions (as Green-Pedersen argues was the case in Sweden in Green-Pedersen, 2002).

Third, in most analyses, neo liberalism is seen as linked immanently to globalisation (see various papers in Saad-Filho and Johnston, 2005). It thus provides an additional entry point into the question of how neo liberalism (or its articulation in management thinking and policy, NPM) was transferred internationally between states.

The Policy Transfer of NPM

If the high water mark of the application of NPM was in the decades of the 1980s and 1990s, the questions of how NPM or the specific application in privatisation were transmitted, and came to have such purchase internationally, have only attracted attention rather belatedly. Research into what is now termed, generically, “policy transfer” has largely blossomed since the turn of the century with growing interest in “the global geographies of policy transfer”. Research has since focussed on:

“..tracing how theories (Peck, 2008), policies (Dezalay and Garth, 2000; Peck, 2004; Stone and Maxwell, 2004) and techniques (Larner, 2002; McCann, 2008; Ward, 2006) shape diverse geographies of neoliberalism” (Larner and Laurie, 2010, p. 221).
To some extent, the growing interest in policy transfer can be attributed to more frequent and more apparent international transfer of policies in the 1990s and into the 2000s. This has been the result of wider patterns of globalisation, rapid growth in communications and the activities of international organisations:

“international organizations, such as the European Union (EU), the International Monetary Fund (IMF) and the World Bank, [which] advocate, and at times enforce, similar policies across diverse countries” (Dolowitz and Marsh, 2000, p.6).

Dolowitz and Marsh constructed their widely quoted conceptual framework for understanding the processes of policy transfer around four main questions:

- **Who Is Involved in the Policy Transfer Process?** In answering the question Dolowitz and Marsh identify nine main categories of political actors: elected officials, political parties, bureaucrats/civil servants, pressure groups, policy entrepreneurs and experts, transnational corporations, think tanks, supra-national governmental and nongovernmental institutions and consultants (see also Pollitt and Bouckaert 2011, pp. 11-15, Stone, 2001 and 2004).

- **What Is Transferred?** Dolowitz and Marsh summarise eight categories: policy goals, policy content, policy instruments, policy programs, institutions, ideologies, ideas and attitudes and negative lessons.

- **From Where Are Lessons Drawn?** Which they argue is from three levels of governance: international, national and local.

- **Why are Policies Transferred?** In a development from an initial conceptualisation, which distinguished only between voluntary transfer as a form of lesson learning and coercive transfer as external imposition of policies and approaches, Dolowitz and Marsh suggest this transfer is best understood as sitting along a continuum in which lesson drawing and coercive transfer sit at the extremes as indicated in figure 1 (Dolowitz and Marsh, 2000).

While there is little doubt that NPM themes dominated the thinking of and approaches taken by the major international funding and public banking organisations involved in providing development aid (Fforde 2009 and 2013; Minogue, 2004,) focussing solely on this end of Dolowitz and Marsh’s continuum does not provide a comprehensive account of how or why policy transfer took place. A more systematic analysis would need to understand the specific
dynamics and “political economy” in what Larner and Laurie have termed the “multiple points and geographies” in which these “translations of policies” have taken place (Larner and Laurie, 2010). Larner and Laurie’s own recent work points to the importance of going beyond institutions and policy makers in understanding how transfers take place to include what they call the “middling actors” such as the engineers who are actively involved internationally in developing professional notions of what is desirable or possible.

**Figure 1: A Policy Transfer Continuum** (Dolowitz and Marsh, 2000, p. 13)

**Evaluating NPM: competition in the inherent “theory of change”**

It has been observed frequently that the implementation of NPM as an overall policy framework has never been subjected to a comprehensive policy analysis or evaluation.

“One of the paradoxes of contemporary public sector management has been the absence of well-designed evaluation of reform programs despite the requirement in

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6 Larner and Laurie’s work focusses on the transfer of privatisation through the activities of telecommunications engineers from New Zealand and water engineers from the UK (Larner and Laurie, 2010).
new public management that governments and public service agencies focus on outputs and outcomes “(Aulich, 2000, p. 171).

As Christopher Pollitt has argued in several places, in respect of major government reforms it is “difficult systematically to evaluate large scale public management reforms” (Pollitt and Bouckaert 2011, p. 15; see also Pollitt 1995; Pollitt 2009 and Wollman 2003). This is because the causal links and relationships between organisational change and outputs or outcomes are complex, sometimes contested and often long term. Reforms may be politically sensitive, so that initiators are keen to minimise comment or criticisms that may arise from review. Or, they are working to perceived imperatives in which policymakers either cannot wait for results from evaluations or argue that in any case reversal of policy once it is underway is impracticable. Nonetheless:

“..it is hard to discuss reform policy making without assuming that it is a purposive activity with some shape or pattern to it”(Pollitt and Bouckaert, 2011, p. 15).

Hence, in order to:

“..examine reforms and their results, we first need some kind of conceptual framework” (Pollitt and Bouckaert, 2011, p. 15).

The introduction of greater competition into public services was one of the fundamental, defining elements of the NPM agenda in the UK and Australasia in the 1980s and 1990s. It was also a fundamental feature of the reform approach in the USA, but less so, and was arguably contested, in continental Europe. By using the approach of designing or assessing reform programs and initiatives termed, “theory of change” we can isolate competition as the mechanism to be employed as a key driver for the overarching agenda, and specifically for privatisation.

“Theory of change” is a an approach to developing and evaluating policies and initiatives in complex situations or problems where the causal chain between cause and effect or outcome is either not explicit, not known, or difficult to predict (Chen and Rossi, 1992; Weiss, 1972). It has been adopted widely for planning and evaluating development aid policies and initiatives to replace more mechanistic or programmatic tools for predicting or assessing outcomes particularly for complex and dynamic situations (Stein and Valters, 2012). “Theory of change” approaches work from the initial premises that making the conceptual assumptions for a policy
or initiative explicit is necessary to predict and examine results, and that the theory then provides the basis for “if –then” chains of expected or predicted outcomes. It also allows for differences in premises or predicted outcomes between stakeholders, and for these to be contested, so that evaluation is not seen merely as the carrying through of a technical process. In evaluation it is then possible to examine whether predicted outcomes have taken place, as links in the “if-then” chain are reached, and if not, whether this requires a review of the initial premises, or the more immediate links in the “if-then” change.

Thinking in terms of a “theory of change” provides two dimensions to the analysis here. First, it enables identification of the basic premise that competition, for example through competitive tendering, will drive change. Competition is the bridge between the various levels of analysis in NPM and neo liberalism: it sits at the core of marginalist economics which ostensibly provides the analytical rationale for neo liberalism, and is present in every form of NPM. However, the ways in which competition is promoted by governments, differs and is the subject of the empirical material in the papers in the following sections. It is both the pillar which defines what is common between locations and the focus on which we can identify the specificity of particular locations. Second, the logic of a “theory of change” approach is consistent with how and why the research in the publications accompanying this essay were prepared. The ultimate outcomes of NPM were unknown and, indeed, have not been researched. Research was being undertaken at various stages in the implementation of policy initiatives in order to anticipate or project likely longer term impacts, but when the ultimate outcomes were contested and largely unknown.

3. Public Management Reform and State Restructuring in the UK

New Public Management and Conservative Governments 1979-92

The UK was a significant and enthusiastic implementer of the broad agenda of NPM and the application of a specific form of neo liberalism during the Conservative Governments from
1979\(^7\). Two particular aspects of that agenda are relevant here: privatisation and the reorganisation of local government as part of a radical revision of the operation of the post 1945 Welfare State.

Privatisation had both economic and political objectives (Paddon, 1993a). The political objective was to contribute to the changing balance of influence of public sector unions and thus “free up” labour markets to respond to market forces. The economic objectives were to limit public expenditure, at the macro level, and to improve the technical efficiency of public services, at the micro level.

Local government had been the major vehicle for delivery of major aspects of welfare state policy and services in housing, education, social services and planning. Once macro-economic policy shifted to halting the rise of public spending under the Labour Government from the mid-1970s, then to cutting capital and current public spending and reducing the public sector borrowing requirement in the first Conservative Government from 1979, local government was inevitably a focus. After 1985, the second Conservative administration targeted the micro economic objective of improving efficiency in the public sector which gave added impetus for policies to make competition mandatory in local government services. From the late 1980s, the stated policy intention was to shift local government from being the major direct provider of services to a role as “enabler”.

By the early 1990s, such had been the degree of change in the organisational and financial base of local government and the shift in policy discourse, that in the preparations for the 1992 general election in the UK, there appeared to be a convergence of views between the major political parties that local government would no longer be the sole or even possibly the major provider of public and community services (Paddon, 1992). Instead, its role would be to plan how services might be delivered and to put in place the procedures necessary to engage the range of organisations which would deliver services. At the same time that this normative or politically infused view of the future role for local government was being developed,

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\(^7\) This section is based predominantly on Paddon, M., 1993, *Competitive Tendering and Contracting Out in British Local Government 1979-1992*. Public Sector Research Centre (PSRC) University of New South Wales, Discussion Paper no. 30, PSRC. Sydney. This is reprinted for this thesis submission as Volume 2, Section C pages C 59-103
academic researchers were attempting to theorise the nature of the changes taking place in the role of the local state (see for example Cochrane, 1992, and Jessop, 1991).

**Compulsory Competitive Tendering (CCT) in the Implementation of NPM**

The introduction of Compulsory Competitive Tendering (CCT) for local government services was a key instrument in the introduction of competition to implement NPM. It also enables us to identify competition as the main driver in the “theory of change”. To do so, it is necessary to make the distinction between competitive tendering, contracting and contracting out (Paddon, 1991a, 1993a and 1998a; Paddon and Thanki, 1995). Competitive tendering is the process by which governments invite bids or financial offers before deciding how a service or activity will be provided. It links directly with the notion of using competition as a driver for change and was a major component of NPM. Contracting-out occurs where a government or public agency ceases to provide a specific activity or service through directly employing its own staff and instead purchases that good or service from a private corporation or non-government agency. It is in this sense that contracting out can be characterised as a form of privatisation. Contracting, a process by which governments secure services or products from the private or not for profit sectors on the basis of a legal contract, has been conventional in government as, historically, all governments have purchased goods and services from private corporations and NGOs. This is more generally termed “procurement” (Paddon, 1993c).

Very early in its first term, the Conservative Government elected in 1979 made competitive tendering for local government building and civil engineering services compulsory in the 1980 Planning and Land Act. Designated work had to be subjected to competitive tender with private contractors before a council could consider using its in house workforce. Councils were also obliged to operate these services under separate financial accounts and meet financial rates of return designated by the national Minister. This legislation established a basic framework for CCT which was extended significantly in two further phases by subsequent Conservative Governments. Legislation in 1988 empowered the government to apply

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8 Recent literature points out that a variety of arrangements have now been developed between the private sector, NGOs and governments. Alternative terminologies have been used to describe this wider set of arrangements which distance them from a direct association with NPM as a particular approach to the reform of public services. Alford and O’Flynn prefer the term “externalization” and identify a taxonomy of forms differentiated by types of external providers, roles (differentiating deciding from producing) and the types of arrangements between agencies (Alford and O’Flynn, 2012).
competitive tendering to any local council service it “defined” and introduced restrictions on how councils conducted all their contracting and procurement. The initial “defined” services included refuse collection, building cleaning and catering with sport and leisure management added shortly afterwards. The second major extension in 1992, was to include professional services (architecture, engineering, legal and financial services and IT) in a rolling programme intended to be completed before the next UK General Election (which actually took place in 1997, following which the incoming Labour Government removed CCT in 1999)

CCT signified an introduction of a particular form of competition into decision making about how services should be provided and contributed to the introduction of internal trading arrangements between sections and departments within local government. CCT and contracting out were linked but different parts of a Central Government reform programme for local government.

The basic response by local government was legal compliance whilst exploring the latitude available from interpreting the legal obligations. This latitude was restricted incrementally by national government, alongside the extensions in coverage of CCT, particularly through prohibitions on acting “anti-competitively”.

The restrictions placed on how councils conducted contracting and procurement highlight the centrality of competition as the main driver in the “theory of change”. Councils were prohibited from acting “anti-competitively” which was defined as anything “which actually has the effect or is intended to have the effect of restricting, distorting or preventing competition” (Paddon, 1993a, p. 3). Councils were also prohibited from taking “non-commercial matters” into account when awarding contracts, which included workforce related matters and thus precluded:

“issues [which] had been used by some Councils in pursuing wider economic and social policies, for example in relation to local economic development, affirmative action, or equal employment opportunities” (Paddon, 1993a, p. 5).

The exception was in respect of prescribed questions which could be asked in relation to race.

The restrictions effectively made price/cost and the quality of services provided (as defined in contract specifications) the only “legitimate” bases on which tenders could be evaluated and hence around which competition would take place. This also effectively staked out the terrain
in which local government operated in implementing CCT obligations and the terrain for the
claims about the impacts of CCT (positive and negative) in policy debate.

We can examine the impacts of CCT on local government services in respect to two linked
processes of state restructuring (Fairbrother and Paddon, 2002). The **redrawing of the
boundaries** of the public sector and the restructuring and redefinition of the **internal
operations** and social relations of the public sector.

**Redrawing the Boundaries: CCT and Contracting Out of Services**

The “redrawing of the boundaries” is indicated by the extent to which CCT resulted in the
contracting out of services. Data compiled by the Local Government Management Board
covering contracts awarded in the “defined” services in the first four years of CCT, between
1988-1992, indicated that 26% of contracts in number and 17% in value were contracted out.
There was significant variation between the services with the largest number of contracted out
services being in building cleaning (46% of contracts) while the largest overall value of work
contracted out was in refuse collection (24%). From the limited time series information then
available there appeared to be emerging, but divergent, trends. In three service areas
contracting out was increasing over time, in three it was decreasing and in one there was little
change. Another limited but emerging feature was for management buy outs of council
departments or units competing for or awarded contracts.

**Redrawing the Boundaries: Management Buy Outs**

Management buy outs (MBOs) had been significant in privatisations across the UK public
sector. In the decade of the 1980s there were over 100 public sector MBOs involved in various
privatisations in the steel, aerospace, rail, shipbuilding, car and bus manufacture industries and
in privatisation of rail and bus services (Paddon, 1991). Indeed MBOs appeared to have been:

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9 This section is drawn from Paddon, 1991, Management Buy Outs and compulsory competition in Local
for this thesis submission as *Volume 2, Section C pages C3-29*
“..specifically encouraged as a mechanism for transferring assets out of the public sector with policies which have included underwriting of fees and other inducements.” (Paddon, 1991, p. 29; see also Wright et.al., 1989).

An MBO involved:

“..the setting up of a company by managers previously employed by the Authority. These managers acquire a substantial equity stake in the new company with the balance typically being held by financial institutions. Usually, the majority of the local authority workforce transfer to the company. The new company is almost invariably tied, at least initially, to its parent authority, by a contract for service delivery” (Audit Commission 1990 quoted in Paddon, 1991a).

MBOs started to emerge in UK local government as a result of competitive tendering. They combined privatisation with an enhancement of the role of market forces within the internal operations of local government.

At the beginning of the 1990s MBOs had been established in 19 English councils of different scales and responsibilities and another 4 had considered establishing MBO companies (Paddon, 1991a). There were two distinguishable groups. The first group, Westminster and Bradford Councils, were flagships for the “implementation of the New Right approach to the public sector championed by the Conservative Government nationally” (Paddon, 1991a, p37). A second, larger, group of councils saw MBOs as a pragmatic policy solution for the challenges facing local authorities arising from the restrictive requirements of CCT legislation, a decline in work available from departments in local government (due to funding restrictions and local governments’ changing roles in housing and education) and legal constraints on undertaking work for clients outside the council.

The establishment of MBOs, albeit in the relatively small group of councils illustrates the extent to which the regulations being imposed on local government were establishing conditions and drivers conducive to both privatisation and greater commercialisation which were the rationales and drivers for the MBOs taking place.
CCT and restructuring of the internal relations of local government

More widely across local government, the institutional, political and managerial changes in the way that local governments operated internally were a result of arrangements made for the four different “functions” required to make competitive tendering operational. These are: first, a policy function, setting overall policy and allocating resources. Second a “buyer” or “client” function developing the documentation and processes required for contracts, then awarding and monitoring them. Third, a “provider” or “contractor” function to carry out the work/provide the service and meet financial rates of return. And, fourth, central support functions providing technical and professional advice and support to all the other functions. The distinctions relate to what Dunleavy et.al. describe as the “technologies” of NPM (Dunleavy et al., 2005). The Conservative Government and some of the agencies advising councils on implementation of CCT (notably the Audit Commission) were advocating as clear and formal a separation of these roles within local government as was possible, particularly between the “client” (or purchaser) and “contractor” (or provider) roles. In practice, a variety of arrangements were adopted by councils for departmental structures and for identifying political oversight and responsibility (Paddon, 1993a). In addition, the introduction of CCT required types of support services which would not have been necessary previously, such as management and financial information systems, prompting other changes such as decentralising support services and the introduction of internal “contracts” through service level agreements:

“In these ways the impact of CCT on the internal management of local government has gone far wider than those services directly subject to enforced competition” (Paddon, 1993a, p. 19).

Competition under CCT

For the competitive dynamic of CCT to drive change, there is a presumption that there will be competitors in the market willing to contract for work. Developing an understanding of the nature of the likely competitors and their market strategies thus became fundamental components of analysing the likely effects of CCT and predicting future outcomes. At the time when the first CCT obligations were introduced there was already a well-established market of
potential contractors for the building and civil engineering work covered in the first phase of CCT, even if this was an unstable one due to the well documented cycle of booms and slumps characterising the construction industry (Paddon, 1993a). For the services “defined” in 1988, research indicated that the corporations involved in public contracting had developed since the 1960s as national and international service industries took shape. The markets differed between sectors covered by CCT but one of the documented features of contracting for 1988 services was the emergence of American and North West European based international contracting conglomerates (Paddon, 1993a and 1993b). Charting the changing and developing strategies of these conglomerates and then assessing the implications of changes to the regulation of contracting and competition were important components in developing responses by local government and, in particular, by trade unions nationally and internationally.

**CCT and Service Quality**

As argued previously, the constraints on how local government could undertake tendering procedures under CCT, made the costs of services and their quality the two fundamental parameters which could be considered. However, the impact that CCT was having and would have on service quality was also one of the contested areas in policy debate. There was no single or accepted measure of service quality in the services covered by CCT nor, by the early 1990s, had there been any systematic appraisals of how CCT affected service quality. Indeed, there was a lack of clarity about what was actually meant by service quality even in the context of competitive tendering where preparing written specifications of what is required in the delivery of a service (i.e. defining its quality as well as quantity) is a technical necessity for the process. There was an argument to be made that competition, rather than providing a “technical” guarantee that service quality would be maintained, provided impediments to greater service quality since the quality of the services communities receive is linked directly to workplace and employment related issues including staffing, staff training, gender and even ethnicity (Paddon, 1992). The stipulations of what councils could and could not take into account were thus likely to have a major impact in the community and human services for

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which the Conservative government was intending to introduce competitive tendering in the early 1990s.

The limited empirical evidence available on the actual outcomes of competitive tendering using objective measures of quality indicated that contract failure rates in terms of contract problems or terminations, were four and a half times more likely to occur with private contractors than when services were being delivered by the council’s own workforce following a competitive process (Paddon, 1992, p73).

However, CCT was one of a number of factors which increased interest in local government to go beyond the “formal” and more “technical” notions of achieving quality through service specifications to adopting broader quality assurance systems and quality management techniques. In the CCT context this was exhibited by councils making third party quality assurance accreditation a requirement for tenderers wishing to bid for services, identifiable in 157 contracts across service areas in the early 1990s, and a very limited number of councils (around 10 in total) seeking accreditation for their own organisations or parts of them (Paddon, 1992).

**CCT, Employment and Labour**

A political objective in the implementation of NPM was to contribute to deregulation of the labour market, particularly in the heavily unionised sections of the public sector, which included local government. At the end of the 1970s, trade union density in local government in the UK was above 75% and considerably higher than for privately operated services (Paddon, 1993a). Industrial relations in local government were governed through relatively comprehensive (by UK standards) national agreements between local government associations (represented by the Local Government Management Board in England and Wales) and national trade unions (Paddon, 1993a).

There was early evidence that CCT was leading to reductions in employment. Research commissioned by the national Department of the Environment, which had overall responsibility for the implementation of CCT, estimated there had been staff reductions in all the “defined” services, with the greatest reduction in street cleaning services (25.7%) and the lowest in school and welfare catering (1.1%) (Paddon, 1993a). However, in adapting to the
requirements of CCT, the majority of councils, the associations of local government (which collectively represented the employer side in national negotiations), as well as public sector trade unions were generally resistant to moving away from the nationally negotiated systems of wage and conditions of employment. Alternatively, increasing use was being made of the aspects of employment conditions in which these frameworks allowed some flexibility, including hours of work and bonus payment systems. There were indications, however, that the use of these areas of “flexibility” was contributing to a significant bifurcation in the local government labour market, with a disproportionate impact on women workers. This is discussed further in section 5.

One of the major concerns of local government about the introduction of the 1988 Act obligations had been about the effects of policies intended to address equality of opportunity for women, ethnic minorities and other historically disadvantaged groups. The Act effectively prohibited councils from using their own policies or their obligations under national legislation to select or monitor contractors on the basis of their employment practices in relation to gender or disability, thus removing the basis for “contract compliance” initiatives developed by many councils in the early 1980s. However, the developing case law in relation to obligations under EC legislation, including equal pay for women, was less clear. Of particular importance were the implications of the transposition of the EC Acquired Rights Directive into UK law through the 1981 Transfer of Undertakings Protection of Employment Regulations (TUPE). In principle, TUPE (mirroring the Directive) required automatic transfer of all aspects of staffing and contracts of employment, with trade union recognition, in the event of a transfer of ownership of a business. By the early 1990s, as a result of emerging case law in Europe, the relevant unions, local government associations and even some central government departments were developing a view that TUPE applied to “market testing” and contracting out by the public sector and local government, with the implication that staff affected would transfer with their existing terms and conditions of employment from local or central government to the successful contractor. Though there has continued to be a range of contested interpretations of the legislation and its implications, and the legislation has since been amended, where councils have deemed the obligations to apply employment conditions linked to TUPE have continued through until the present11.

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11 The complexity in legal interpretations of TUPE arose from the particular way in which the Conservative Government transposed the EU Acquired Rights Directive into UK law which appeared to
The Implications of European Union Regulation of Procurement

The application of TUPE was one of two aspects of the greater integration of the UK with the legislative frameworks of the European Union which were particularly significant for competitive tendering. The other was in relation to an extensive set of Directives covering procurement and tendering which, in principle, covered all forms of contracting by the public sector for goods and services12. The introduction into the UK of European wide regulation of procurement and tendering procedures raised two important issues.

The first, for local government, was the intersection of and degree of congruence between the European procurement Directives and the domestic obligations for competitive tendering (Paddon, 1993b). While the Directives were not in themselves intended to promote contracting out or privatisation, since they came into play only once a public entity had made the decision to contract with a private company or other external provider, in the UK context they had to be viewed in conjunction with the national competitive tendering obligations which made the council’s decision about providing a service through its own workforce or through an external provider consequent on the outcome of a tendering process.

The second issue was in relation to the implications the European procurement regime might have for increasing the competition from the private sector to provide services and the forms this might take. There were reasons for anticipating that the UK local government market would be attractive to European based contractors (Paddon, 1993b). There was the overall size of the potential market, with Britain fourth in a European “league table” of total spending by local government combined with the fact that, individual UK local governments were larger than their counterparts in other parts of Europe. The series of policies by the Conservative Government to promote privatisation in various forms including privatisation of water, introduction of competitive tendering in health services, and reorganisation of local government waste management had:

be more restrictive in its scope than was the intention with the European legislation. Hence the potential for differences of interpretation, and cases taken to European jurisdictions. The Directives and TUPE have since been revised. See Johnson. and Williams, 2007.

12 This section of the paper is based on the book chapter Paddon, 1993, “EC Public Procurement Directives and the Competition from European Contractors for Local Authority Contracts in the UK” in T Clarke and T Pitellis (eds) The Political Economy of Privatisation Routledge, London, pp. 159-184 The chapter is reprinted for this thesis submission as Volume 2, Section C pages 104-129.
“...provided development opportunities for private firms, including European contractors” and had “enabled strategies for entry into UK public sector markets” (Paddon, 1993a, p168).

The ways in which the transnational private companies were likely to access those local government markets were complex. Surveys of the main metropolitan (i.e. largest urban) councils in England on the application of previous versions of the European procurement directives indicated that there had been no bids from companies based in Europe for construction contracts, and that less than 1% of contracts for supplies of goods were awarded to companies bidding from a European base (Paddon, 1993b). Instead, analysis indicated that European contractors with an interest in the UK local government construction market had made acquisitions in the UK construction industry or entered into joint ventures with domestic contractors rather than tendering from a base in Europe.

“The impetus for these strategies may [have] come from an intention to establish European wide contracting bases in preparation for the Single Market.....they are unrelated to the procedures of the Directives and point to the need for a more comprehensive and contemporary assessment of the actual processes of concentration in these sectors” (Paddon, 1993a, pp. 170-171).

For the service sectors which were about to be covered by the Directives, and which were subject to domestic CCT legislation, initial analysis suggested that European based transnational companies and conglomerates had been pursuing strategies of concentration and diversification since the mid to late 1980s as a prelude to incorporation of the Single European Market. The strategies had used the associated channels offered by privatisation, CCT and the other extensions of contracting for public services in the UK and had combined company acquisitions, joint ventures and establishment of UK subsidiaries to:

“...overcome the operational, technical and legal difficulties contractors [had] found in trying to compete for contracts from a base in mainland Europe” (Paddon, 1993a, p.179).
4. Privatisation and Restructuring of the State in Australia

Implementing NPM in Australia

Social democratic, Labor Party governments had been responsible for the initial introduction of the policies associated with NPM in Australia (Fairbrother, Svensen and Teicher, 1997a and 1997b). The federal Labor Party began introducing various forms of privatisation from the mid-1980s. In this first phase of privatisation and corporatisation, state enterprises were corporatized and businesses which already operated in competitive markets, such as the banks, insurance companies and airlines, were sold. This was followed by the second phase, led by state governments, where large state monopolies, such as the utilities, which do not necessarily operate in competitive markets, were restructured on a competitive basis, most clearly evident in the electricity industry, creating competitive markets, with limited regulation to ensure the operation of these markets. State governments also promoted the corporatisation of public services, although not as extensively as with the federal public service. In the decade of the 1990s the Australian programme of privatisation was one of the most extensive among developed countries with receipts from public asset sales comprising 7.4% of the total received by OECD countries, making it the third largest “privatiser” behind Italy and France (Parker and Saal, 2003; see also Aulich, 2000)

As indicated previously there are two dimensions to be considered in relation to these reforms. One is the *redrawing of the boundaries* of the public sector. The other is the restructuring and redefinition of the *internal operations* and social relations of the public sector:

“...the introduction of private sector management practices and processes (new managerialism) into public sector organisations and the operation of these bodies according to market-based criteria through a change in the formal legal and institutional structure” (Fairbrother, Paddon and Teicher, 2002, p. 3 citing Ferlie, et.al., 1996).

Privatisation was redrawing the boundaries of the public sector. In Australia, as internationally, we could distinguish, conceptually, several modalities (Paddon, 1998b; see also Fairbrother, Paddon and Teicher, 2002)
• Capital Privatisation, through the complete or partial sale of assets, arguably the most visible and controversial of the forms of privatisation.
• Financial Privatisation, in the form of private funding of public infrastructure through schemes such as Build-Own-Operate and Transfer (BOOT) and Build-Own-Operate (BOO) under which a private developer/consortium funds, builds, owns, operates and maintains a facility and can charge users through fees or other means.
• Contracting out or outsourcing where the State owns the assets and funds the service but the operation of the service or utility is transferred to a private operator or contractor with the result that labour, or employment, is the main factor which is privatised.
• De-regulation, with a reduction in or removal of government regulations.

Corporatisation and commercialisation of public services (also termed “management privatisation”, Paddon, 1998b, p. 59) were reshaping the internal operations of the public sector. Corporatisation changed the legal form of utilities and introduced different forms of accountabilities (financial and administrative). Commercialisation imported private sector accounting and management practices into public organizations.

Ostensibly, in the late 1980s and early 1990s, the privatisation policies of the major political parties in Australia differed only in matters of detail (Fairbrother and Paddon, 2002). There were identifiable continuities in the policies for the public sector between the Keating Labor government and the first Howard Coalition federal government which followed (Aulich, 2000; Halligan, 2000). However, there were two consequences of privatisation federally being initiated by social democratic Labor Governments. One was in terms of how organised labour responded, discussed later in this section. The other was in the scope of policy issues which were deemed to be relevant or appropriate in assessing the costs, benefits and overall impacts. These are identifiable in two particularly important policy initiatives by the Labor government: National Competition Policy (NCP) and an Inquiry by the Industry Commission into contracting out and competitive tendering by the public sector.

These policy initiatives by the federal Labor Government set in motion dynamics which were still at work throughout the Howard Coalition Governments. Indeed, Aulich argues they established a framework which guided the development of future privatisation policies (Aulich, 2000). With NCP, this was in the form of the emphasis on removing impediments to
competition. The Industry Commission review of competitive tendering concluded that there was scope to increase the use of competitive tendering and contracting out of services for the public sector; a conclusion which was incorporated into policy (Aulich 2000 and 2005). The election federally of the Coalition Government in 1996 undoubtedly saw the extension and promotion of privatisation of state assets as a key feature of the national economic programme. In addition, the Coalition Government promoted the re-composition of the federal public services and committed itself to a programme of corporatisation, complemented by an opening up of state services to tendering and franchise (Aulich 2000 and 2005). However, the introduction of the fundamental reforms by Labor governments arguably provided legitimation for later privatisations by endorsing the terms in which the debates were subsequently conducted, accepting the logic of competition as the “theory of change”. This provides a striking parallel to the analysis by Green Pedersen of the varying responses to privatisation in Scandinavia (Green-Pedersen, 2002).

**National Competition Policy**

The 1995 National Competition Policy agreements between the federal and all state Governments gave considerable impetus to de-regulation and management privatisation (corporatisation) at all levels of government. NCP was intended to run as a medium-term, ten-year, reform agenda, with the objective of opening up sections of the economy, and particularly those in which governments operated, to greater competition. There were specific components of NCP covering infrastructure reforms (leading to separation of generation, distribution and transmission in electricity and gas plus the equivalent in water utilities and providing a further impetus for corporatisation); the reforms of public monopolies (with further obligations for separation of regulatory from commercial activities and review of financial arrangements, particularly for any subsidies or “community service obligations”); competitive neutrality (requiring that government business activities should not enjoy advantages compared with private competitors with implications for pricing and taxation); and a series of specific obligations on local government (requiring states to develop policies to implement the components of NCP as they applied to local government and particularly their commercial or business activities).

These inter-governmental agreements, underpinned by legislation, ensured that all state governments embarked on corporatisation, disaggregation and deregulation in the utility
sector. The Coalition Government in Victoria, which embraced restructuring and privatisation with notable enthusiasm, linked them explicitly to NCP. This contributed to policy confusion between what was the actual obligation under NCP that governments introduce measures to ensure greater competition, and a perceived obligation, that it also required privatisation or contracting out of services. Though in an analytical assessment we could now add that since competition was seen as the main driver for reform (the inherent “theory of change”) with privatisation and contracting out as tools or mechanisms to achieve it, this was less a confusion than a piecing together (albeit untidily) of cause and effect.

If the core of NCP was an emphasis on competition and increasing competition in the public sector (with competition at the centre as the “theory of change”) it, nonetheless, also contained a significant acknowledgement of or accommodation to the “traditional” concerns of Labor Governments in the form of a “public interest test”. The “public interest test” was a set of procedures for governments to use when considering the costs and benefits of applying the policy in particular circumstances (Paddon and Small, 1999a). It incorporated assurances the Labor Government’s Minister gave when introducing the primary NCP legislation into Parliament:

“...the package gives appropriate recognition, not only to competition and efficiency considerations, but to all the other policy objectives which governments must balance in making policy decisions, such as ecologically sustainable development, social welfare and equity considerations, community service obligations and the interests of consumers” (quoted in Lee, 1999).

**Australia’s Contracting Public Services**

By the mid-1990s, the use of contracting out and competitive tendering was becoming more widespread at all levels of government in Australia driven by federal and state governments.

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13 In practice there were considerable problems and deficiencies in the application of the test, reflecting, amongst other things, differences of emphasis in interpretations particularly by the body responsible for overseeing the NCP Legislation, the National Competition Council, which, in the period after the Coalition federal Government replaced the Labor Government, elevated economic efficiency to be the primary consideration (discussed in Paddon and Small, 1999 and other papers in Paddon and Small (eds), 1999a).
from each of the main political parties. In 1995 the federal Labor Government instructed the Australian Industry Commission to undertake a formal Inquiry into Competitive Tendering and Contracting by Public Sector Agencies which was completed in 1996. The terms of reference for the Inquiry displayed several issues particularly germane to this paper (Industry Commission, 1996). First, while the reports from the Inquiry are titled Competitive Tendering and Contracting, the terms of reference relate only to “contracting out”. Second, and consistent with the overall focus of the Industry Commission, there was a primary emphasis on “the principles of efficient resource use in the economy”. But, third, and significant in terms of the broader social democratic concerns to which a Labor Government at the time was obliged to give deference, the Commission was asked to report on the implications for employees, specifically the terms and conditions of employment, and on the differential impacts on different groups of any measures to make the use of contracting out more “cost effective”.

The discrepancy between the terms of reference (which related only to contracting out) and the terminology of the Commission’s final report (competitive tendering and contracting out) was symptomatic of a definitional and conceptual imprecision in much of the Australian research and policy debate at that time. The imprecision had produced spurious claims about the value of apparent cost savings. It also obscured the actual or potential role of competition (through competitive tendering) as the key driver for change. Restating the distinction made previously in this paper: contracting (or as it would be titled in international procedures and regulations, procurement), where governments secure services or products from the private or not for profit sectors on the basis of a legal contract, is undertaken and has historically been undertaken by all governments. It is distinct from contracting out, a form of privatisation where a government or public agency ceases to provide a specific activity or service through its own staff and instead purchases it from a private corporation or non-government agency (Paddon, 1998a). Competitive tendering is a form of market testing introducing competition into service arrangements by inviting bids or financial offers before deciding how a service or activity is to be delivered: it is an integral component of the New Public Management framework for government reform.

14 This section of the paper summarises the content of Paddon, M. and Thanki, R., 1995, PSRC Submission in , Paddon, M., and Thanki, T. (eds), Australia’s Contracting Public Services: Critical Views of Contracting Out by the Public Sector PSRC Collected Papers No 2, PSRC, Sydney, pp. 10- 51 This is reprinted for this thesis submission as Volume 2, Section C pages 130-174
Much of the policy debate in Australia was dominated by cost and efficiency considerations with an ostensible precision in the quantification of projected budget savings from competitive tendering which was responsible for an accepted notion about the beneficial impacts of competitive tendering:

“[the] working assumption in the academic and policy making literature that competitive tendering and contracting out lead to significant savings in operating costs” (Paddon and Thanki, 1995a, p.13).

There were a number of recurrent methodological flaws in these quantifications of which the most fundamental was to compare actual service costs with tender prices (see Paddon, 1991b). Original primary research on the Commonwealth Government’s Commercial Support Programme (CSP) in the Department of Defence, completed in the year before the Industry Commission Inquiry, illustrated the significance of the errors. Publicly quoted “cost savings” of 31% from CSP were based on a comparison of tender prices with previous costs of service delivery made during tender evaluation using a specific methodology devised for CSP.

Significant costs were excluded in this comparison including management costs (preparing bids, support consultancy services, overall support to the Programme) and transaction costs of which the most significant were as a result of retrenchments which were not monitored as part of the CSP process. Whatever the precise magnitude of any cost savings from competitive tendering or contracting out was, a further question in the ongoing debate in research and policy was, what would be the source? Three potential sources were reductions in service quality, changes in employment (including conditions and payments), and transfers of costs (Quiggin, 1995).

As in the UK literature discussed previously, there was no consensus in Australian at that time on the impact of competitive tendering and contracting on the quality of services so it was difficult to draw clear conclusions in relation to any reductions in cost being a consequence of reduced quality.

On employment issues there was mounting evidence that competitive tendering and contracting out:

“invariably lead to reductions in overall employment in the public agencies where the activity has previously been undertaken” (Paddon and Thanki, 1995a, p29)
Though it was notable that:

“there has been little systematic attention paid to the employment impact of contracting out and competitive tendering in the empirical work that has so far been undertaken in Australia”(Paddon and Thanki, 1995a ,p29).

The CSP independent review documented that the number of Australian Defence Force and Public Service personnel was reduced in each of the five case studies.

The possibility that costs were merely being transferred was not investigated in the comprehensive review of competitive tendering and contracting out be used as the main source for this section (Paddon and Thanki, 1995a). However the examination of local government childcare services which are discussed later in this paper the Victorian Auditor General concluded that apparent net “cost savings” to the councils which had competitively tendered childcare services had resulted largely from increased fees to service. In other words, there had been a transfer to service users rather than a reduction in costs due to competitive or other internal organisational processes (Ranald and Paddon, 1999).

After the Industry Commission’s Report report was completed, the only major contracting out of water provision took place in Adelaide in 1996. The service was contracted out, following corporatisation of the state owned water company (Shiel, 2000) in a 15 year contract to a consortium (United Water) of the privatised British based company Thames Water and the French transnational corporation then operating as Compagnie General des Eaux. Current, management focussed accounts of the outsourcing arrangements tend to depict the contracting out as a success. However, the initial tendering process was controversial and the subject of both audit and parliamentary enquiries (Ranald and Black, 2000). There have been also been issues with operating failures and pricing during the initial period of the contract (Paddon, 2013).

**Competitive Tendering and Contracting out by Local Governments in New South Wales**

The final report from the Industry Commission Inquiry set the tone for future policy discussion in its assertion that:
“[competitive tendering and contracting] can lead to significant improvements in accountability, quality, and cost-effectiveness, providing benefits to clients, taxpayers, and the broader community” (Industry Commission, 1996, p. 1).

Under NCP, each state was committed to preparing a policy on how it could be applied to local government and NCP was also being taken as an encouragement by some state Governments and some commentators for greater use of competitive tendering and contracting out of services. In 1994, Victoria had become the first, and only, state in Australia to introduce CCT for local councils based on a variation of the UK model. There was therefore increased interest amongst Australian states in the policy discussion around the use of competitive tendering in local government but a paucity of empirical knowledge about how councils were actually contracting for services. In this context the NSW Minister of Local Government commissioned what was, at that time, the first comprehensive assessment of competitive tendering and contracting by local government in any Australian jurisdiction\(^\text{15}\). As with the Industry Commission Inquiry, the terms of reference for the research included concerns with the impact of contracting-out on the nature and levels of employment within Council’s jurisdiction, in particular the impact on women, people from non-English speaking backgrounds and other ethnic groups. These terms of reference reflected the “social democratic” considerations of Labor governments at the time.

Australian research in the early 1990s had estimated that between 8% and 18% of total council expenditure was contracted with external bodies while the Industry Commission estimation was that around 20% of councils’ total spending was competitively tendered or paid to contractors (Paddon and Thorowgood, 1996, pp. 17-18). Survey results from 56 councils in NSW as part of the comprehensive research indicated that, on average, 7% of total expenditure was contracted out, though there was considerable variation between councils from 0% to 30% (Paddon and Thorowgood, 1996). Most existing contracts were for services for which the use of contractors was then conventional in local government, with buildings/public works, roads and garbage collection accounting for 80% of contracts and more than 90% of the total value of contracts (Paddon and Thorowgood, 1996). However, when focussing on services which had only been subject to contracts in the previous three years, 

\(^{15}\) This section of the paper is based on Paddon, M. and Thorowgood, R, 1996 Competitive Tendering and Contracting Out by Local Government in New South Wales, Sydney: Department of Local Government. Reprinted for this thesis submission as Volume 2, Section C pages 175-221
there was evidence of increasing contracting (albeit from a low base) of recreational and library services and increased interest in contracting for some professional services (Paddon and Thorowgood, 1996). While there were indications from detailed case studies of organisational restructuring between funder and provider roles often associated with the setting up of 'business units', generally Councils were reluctant to commence organisational change solely for the purpose of introducing or managing competitive tendering.

So, overall, while contracting for services, with accompanying procedures, was well established in NSW local government, competitive tendering was not being used as a mechanism to determine whether a service should be contracted-out or provided in-house. Hence competition was not being used as a driver for organisational change and/or with the rationale that it would reduce operational costs (Paddon and Thorowgood, 1996). At that time, there were no indications that competition, as such, was a driving force in the restructuring or local government in NSW, and there were no indications that the state government intended to use competitive tendering, under the auspices of NCP. Nonetheless, subsequent institutional reorganisation of local government was a significant contributor to changes in the way particular services were delivered (as is discussed in a later section of this essay or urban water services), and, if we look more broadly across Australian governments, the various forms of privatisation were contributing to a fundamental restructuring of the state with the impacts of economic rationalism.

Corporatisation, Privatisation and State Restructuring

Corporatisation and privatisation were part of a wider program of changes as the Australian state was being restructured in an increasingly internationalised economy\(^\text{16}\). The processes of formulating and implementing corporatisation and privatisation policies were significant contributors to disengaging the state from the organization, ownership and control of

government businesses. In practice the processes of privatisation and corporatisation had been complex and multi-faceted, inter-linked and protracted over several years.

Earlier in the essay we identified the important conceptual distinction between modalities of privatisation. However, detailed analysis of privatisation in eight case studies across federal, state and local governments led to the conclusion that the contrast between corporatisation and privatisation made in policy debates and the literature is largely illusory. In practice, the modalities were used in combination rather than as alternatives. The case studies illustrated that state restructuring involved both corporatisation and the various other modalities of privatisation, often in relatively complex arrangements but which overall:

“..imply that the state form is changing and that a privatised state is in the process of emerging, comprising elements of public and private ownership” (Fairbrother and Paddon, 2002).

There was no instance where privatisation has been along a single dimension or through a single process. In particular, every Government entity contracted out or outsourced significant parts of its business either prior to or as part of other changes. It was therefore impossible, in practice, to disentangle the effects of the different phases of competition, deregulation, restructuring, asset sales and contracting-out. Instead, there were a series of inherently, inter-related processes at work, often involving hybrid forms of organization and ownership between the public and private sectors. So, while a focus on ownership of assets and the retention of public ownership was a major consideration in the policy discussions within the Labor Party and labour movement when privatisations were proposed, the changes which had taken place within organisations and enterprises, had arguably had as significant a set of impacts as formal changes in ownership (particularly in the areas of industrial relations, which were the main focus of the case studies and which are discussed in greater length below).

The results of the complex and interlinked modes of privatisation were significant changes in employment relations and conditions. There was evidence that privatisation (in each of its forms) provided the opportunity to redefine employment contracts with significant increases in casual and “a-typical” forms of employment. Workplaces began to exhibit more clearly a bifurcation between secure, full time and relatively well paid employment on the one hand, and temporary, part time and poorly paid work on the other, with initial indications that there
were important gender dimensions to these changes (Fairbrother, Paddon and Teicher, 2002a).

Privatisation, Restructuring and Labour

While the terms of reference for the Industry Commission Inquiry and the application of NCP acknowledged the importance of considering the impacts on public sector employment of competitive tendering, contracting out and of the various forms of increased competition, even by the end of the most significant phases of privatisation there had been little systematic research into the effects on employment or the overall framework of industrial relations of these reforms in Australia. Indeed, reform of the system of industrial relations was also part of and subject to the NPM agenda of reforms in Australia. How organised labour responded, through trade unions, was important for the overall trajectory of NPM trajectory for governance and state reform.

Deregulation of Australia’s industrial relations system, or more accurately the re-regulation of industrial relations, had been accomplished through legal reform by successive federal governments under the rubric of “modernising government”, and promoting an internationalised economy (Fairbrother, Paddon and Teicher, 2002). As with the NPM agenda more widely, this legal reform can be traced to Labor federal Governments (commenced under the Hawke then extended by the Keating Governments). However, while there were strong continuities between Labor and the Coalition governments, there were clear differences of emphasis. The incoming Coalition Government in 1996 initiated fundamental deregulation by constraining the scope of Awards, reducing trade union rights and compulsory unionism whilst encouraging employers to deal directly with individual employees, through the registration of individual contracts, Australian Workplace Agreements (AWAs). Overall the reforms to the industrial relations (IR) system shifted the basis for bargaining and negotiation to the enterprise level with enterprise agreements becoming the vehicles for workplace change. As a consequence, in the 1990s the provision for Local Area Work Agreements (LAWAs) was

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arguably the most significant mechanism for workplace change with competitive tendering of local government services in Victoria.\(^{18}\)

In practice in Australia, redesign of the industrial relations legislation thus paralleled the various privatisations combined with changes in organization and ownership to fashion what happened in individual workplaces. The outcome was a range of different owners, awards and agreements in public services even within the same industry or sector. Overall award coverage was in decline with promotion of various types of agreements. As a result there was increased emphasis on workplace bargaining and enterprise agreements affecting the roles and activities of both managers and employees. Nonetheless, the State retained a fundamental role in setting the framework and parameters for industrial relations and bargaining even if the role was less immediate and direct than in pre privatisation situations.

**The response from organised labour**

There are three distinct “moments” or periods in analysing the response to privatisation by organised labour, through trade unions.\(^ {19}\) First, union responded to the initial government decisions to privatise or restructure state functions, agencies and services. Second, they took steps during the period in which the entity or agency was changed from public control or management to the new form of privatised arrangement. Third, once the privatisation had taken place, union organisation adjusted to a privatised workplace and unions engaged with the new management and ownership structures.

In the initial phases of privatisation in Australia, the decision or announcements were opposed by organised labour, trade unions, using political means. However, the high profile, initial privatisations nationally (such as Qantas) were undertaken by federal Labor Governments and corporatisation, restructuring and de-regulation of telecommunications and several utilities were initiated by Australian Labor Party (ALP) federal or state administrations. So in Australia,

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\(^{18}\) The use of the provisions for individual agreements by TNCs is discussed further in Paddon, 2001a (a book chapter submitted as part of the portfolio for this thesis) and the impacts of negotiations of LAWAs for female workers in Victorian local government childcare centres is discussed in Ranald and Paddon, 1999 (see section 5 of this essay).

the articulation of this opposition was mediated through the historic and organic relationship between trade unions and the ALP. This meant that unions took their opposition “internally” to Party Conferences. But in the context of the wider programmes of economic rationalist policies then being developed by the federal and state governments, to which privatisation and NPM more broadly were central, with notable and limited exceptions ALP conferences endorsed government proposals. In these instances union leaderships and Labor party opponents of privatisation accepted conference decisions to proceed, without apparently continuing significant political or community campaigns outside the party20.

Even where privatisation was initiated by Liberal or Coalition Governments, so that there was no option of using internal party mechanisms to oppose decisions, it is notable that unions did not attempt to develop widespread, active opposition campaigns of “social movement unionism” (Pocock, 1998). Instead they focussed on established mechanisms of formal political representation (either within the ALP or through Parliaments) or attempted to use legal frameworks to protect their members employment interests (discussed below).

In practice, it is not possible to talk of a union position on privatisation. Some unions were involved in several privatisations federally and at state level21. While each union had a general national policy opposed to privatisation and a specific position with regard to each privatisation, there was considerable variation in the way in which officials and delegates of the same union approached particular privatisations. This suggests that unions dealt with each case differently and pragmatically according to the particular circumstances and/ or those unions did not have the internal mechanisms to develop common strategies across sectors. In most privatisations more than one union was involved. Throughout the 1990s the Australian

20 The Public Sector Research Centre (PSRC) at UNSW was significant in this context. A group of federal and state public sector unions provided core funding for the Centre with the intention of having access to well-researched arguments to take into these debates. As one illustration, I was commissioned to co-author two linked reports in 1994 one on the proposed privatisation of the Australian National Line and the other the privatisation of federal airports specifically so that the relevant unions could take these documents and arguments into the federal ALP conference debate.

21 These included unions which were the major core funders of the PSRC notably the Australian Services Union (with members in Victorian local government, state electricity in Victoria and NSW and in Qantas, which were four of the case studies in Fairbrother, Paddon, and Teicher, 2002a); the federal Community and Public Sector Union (involved in Qantas, Telstra, and Employment Services, three case studies in Fairbrother, Paddon, and Teicher, 2002a) and the state level Community and Public Sector Unions.
Council of Trade Unions (ACTU) coordinated an inter-union public sector committee to coordinate the unions’ responses to privatisations and other policy issues including making joint or coordinated submission to national inquiries and other initiatives (Ranald, 1995). However at the workplace or organisation level the evidence suggests there was a continuum in the degree of cooperation between unions in responding to privatisation from pragmatic and uneasy alliances to outright hostility with unions taking different, sometimes widely differing, positions (as discussed in the specific case studies in Fairbrother, Paddon and Teicher, 2002a).

The first concern of trade unions once privatisation in all its forms became certain was to attempt to secure continuity of employment and employment conditions for members transferred or who might potentially be transferred to the new private sector employer using, primarily, legal provisions. Unions had some success in pursuing employment protection and challenging reductions in wages and conditions in instances of contracting-out taking cases under the “transmission of business provisions” of the federal Workplace Relations Act which provided for the continuing application of an award when a new employer took over an existing business (discussed more fully in chapters Seven and Eight in Fairbrother, Paddon and Teicher, 2002a). Indirectly this appears to have provided a similar form of employment protection to that given in Britain and Europe under the European Acquired Rights Directive (through its UK transposition, TUPE, the Transfer of Undertaking Protection of Employment Regulations, discussed in the previous section of this paper). However, using established legal channels was not always successful as a union strategy. In Victorian local government, the ASU did not proceed with its claim in 1995/96 to amend the relevant federal Award in the Australian Industrial Relations Commission (AIRC) to provide employment protection to employees whose work was contracted out. Critically, this was because of the implications of the 1996 Workplace Relations Act and resulting uncertainty about the likely outcome of the claim.

22 Taking a case to the AIRC to amend the relevant federal award was a final, stage in the ASU strategy in relation to CCT in Victorian local government. The first stage had been for the ASU to prepare a “log of claims” which was essentially an agreement on the process to be used in managing CCT, largely based on the approaches developed in the UK and which I had documented in material both for UK and Australian unions. The log of claims was made on every council in Victoria simultaneously and the union then pursued it in negotiation council by council. A number of councils, in which the Labor Party had the majority of councillors, agreed to the log of claims. The union then ran the case in the AIRC (see Chapter Eight of Fairbrother, Paddon and Teicher, 2002a, pp 22-27.)
Where opposition to privatisation was unsuccessful and attempts to protect employment and conditions during the “transmission period” were exhausted, unions refocussed on organisation, representational structures and practices to engage with changing circumstances. Unions found themselves confronting local bargaining driven by a new set of imperatives, in the case of competitive tendering, or in privatised industries facing a different industrial relations environment with new employers, often multinational. They adopted bargaining strategies to meet these new circumstances which appear to have reflected a pragmatic acceptance of the new terrain of trade unionism in the public services sector. They also began to develop more pro-active approaches to internal organization, particularly at a workplace level, or, to responding to and negotiating with geographically remote but significant transnational consortia (see the later section of this paper on transnational corporations).

5. The Impact on women of the re-composition of labour in local government

In assessing the impacts of competitive tendering and state restructuring in the UK, increasing attention was being paid in the late 1980s and early 1990s to the consequences for women in the labour market. Landmark research examined the relative impacts of CCT on men’s and women’s employment recognising the gendered segmentation in the local government workforce (Escott and Whitfield, 1995). The research concluded that the differential impacts of CCT on women and men had:

“..accentuated the development of a two tier labour market” in which “full time and permanent jobs generally have a wide range of benefits whilst part time and casual jobs [had] fewer hours, less security and fewer benefits” (as summarised in Paddon and Thanki, 1995a).

The “contract culture” had resulted in emergence of a two-tier workforce (Paddon and Thanki, 1995a). Reductions in the number of female employees were twice the level of reductions in male employment. In particular, part time employment fell nearly twice as much as full time employment with the effect being most marked in the services where employment was largely female; hours of work and pay and conditions of part time workers (predominantly female)
had also been effected disproportionately (Escott and Whitfield, 1995).

While the services provided by local government differ significantly between the UK and Australia, and there are important differences between the Australian states, research over a twenty year period up to the early 2000s had also identified segmentation in the local government workforce in Australia, with some occupations being overwhelmingly male and others overwhelmingly female (though local government employment had not been an area of extensive research)\textsuperscript{23}. ABS census data provides comprehensive confirmation of the gender differences in specific occupations and groupings of occupations in Australian local government (using categories from the Australian Standard Classification of Occupations). In 2001, four out of every ten women working for councils were working in “intermediate clerical positions” (as keyboard operators, receptionists, clerks, library assistants, child care workers and in similar jobs) (Paddon, 2004a). A further two in every ten were working in “professional” positions (covering librarians, human resource professionals and welfare and community workers as well as what are more traditionally seen as the professions such as accounting, architecture and engineering) (Paddon, 2004a). Segmentation and concentration in the industry’s employment was more apparent in the proportions of male and female employees in each occupational category. Women predominated in “advanced clerical work” (women were 95\% of employees in this group which includes secretaries and PAs), “intermediate clerical work” (where 76\% of workers were women) and “elementary clerical work” (where 63\% of the employees were women employees working as filing clerks, trainees, laundry workers and caretakers) (Paddon, 2004a). Nine out of ten tradespeople and labourers in local government were men and these occupational groups were 23\% of total employment in local government (Paddon, 2004a).

In the managerial levels of Australian local government the broad picture was that the more senior the position, the more likely it was to be filled by a man. From ABS data for 2001, 70\% of those in “managerial and administrative employment” were men and 30\% were women. The only state in which the proportion of women in these positions was significantly greater than the national figure was Victoria where nearly 4 in 10 managers and administrators were women, (though this proportion had declined marginally in the five years between 1996 and

An international comparison in 2001 estimated that the total of 35 women who were CEOs or equivalent constituted 5.1% of the total number of CEOs in Australian local government. This was around half the proportion of women CEOs (or equivalent) in English local government at that time. In NSW, in 2003 there was a total of six women general managers (the highest staff position in NSW local government) across 172 councils (Paddon, 2004a).

The Australian Human Rights and Equal Opportunities Commission, HREOC, had funded research into occupational segregation in local government community services in Victoria and its implications for pay equity (Charlesworth, 1994). The most obvious manifestations of the occupational segregation were that the majority of outdoor workers were male while community services employees in home care, family support, meals-on-wheels, aged hostels and child care were overwhelmingly female. From these “segregated” occupational groups, council practices, refracted through National Awards then local Enterprise Agreements had created the potential for inequities in pay. Issues of gender differences in occupation structure, pay and employment in community services and specifically in Victorian local government were thus already on the HREOC radar.

In the late 1990s funding of community services was also in public and policy debate. Federal and state governments were changing their modes of funding for NGOs in the community sector including large NGOs which were providing significant social services to the community. The move was from institutional, grant funding to fee for service or more contractually based models, some of which also incorporated competition for funding between providers (House of Representatives Standing Committee on Family and Community Services, 1998).

In this context, the Sex Commissioner of HREOC commissioned research to document the effects of changes in federal government budgeting, policy and forms of service delivery (particularly through the contracting out or outsourcing of services) on both the nature of employment of women and the services that women were receiving24.

The research was conducted through two detailed case studies: the Commonwealth Employment Service (CES) and the provision of federally funded Community Childcare Services

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24 Ranald, and Paddon, 1999 The Impact of Changes in Government Policy and Forms of Service Delivery on the Employment of and Services to Women, Canberra, HREOC. Reprinted for this thesis submission as Volume 2, Section C pages 284-400.
by local government in the state of Victoria. Both were in areas with high levels of female employment, where changing forms of service delivery might increase casualisation of employment and where access to services was of particular significance to women.

In this essay I focus on the case study of local government provided childcare. In childcare, over 90% of paid employees in the workforce were women, mainly in long day care and family day care, (Ranald and Paddon, 1999). Significant proportions were part time (24%) or casual (20%); and 14% were from non-English speaking backgrounds particularly in family day care. The workforce was also comparatively young (Ranald and Paddon, 1999). Despite evidence that this largely female workforce was becoming more formally qualified, low wages, low status and poor working conditions in the industry were recurrent themes in research and contributed to the apparent high turnover of workers (McNiece et al., 1995). Local government was the only tier of government with a direct role in providing childcare services: in 1996 local government was responsible for 38% of the 1,100 long day care centres funded by the commonwealth government outside the private for profit sector. Local government also provided 42% of the 366 family day care centres receiving federal funds (Ranald and Paddon, 1999). The main role of federal and state governments in childcare had been to fund and regulate services, though regulation in Victoria covered mainly long day care facilities, with little or no regulation of family day care which provided 30% of the childcare places in the state (Ranald and Paddon, 1999).

Childcare services in Victorian local government were responding to two immediate pressures. The first was a federal Budget decision to withdraw operational subsidy from community childcare centres (including those sponsored by local government). The rationale was that this would remove inequities in government assistance between private centres (which were not receiving subsidies) and community-based centres thereby encouraging community centres to be more efficient and cost competitive with private sector centres (Ranald and Paddon, 1999). The second pressure was the introduction of Victorian state legislation to implement compulsory competitive tendering (CCT). Rather than specifying services to be subject to competition (the UK model of “defined services”), Victorian councils were required to subject services equivalent in value to 50% of their operating expenditure to CCT. The decision as to which services would be covered was left to the council. In practice, these requirements were

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25 This was the case study for which I was personally responsible as described in section B of this submission.
being managed alongside other major financial and organisational changes, notably Council amalgamations, state Government restrictions on overall levels of Council spending, and wider organisational and structural reviews in which many Councils had been reassessing their overall role as providers of services.

Councils adopted three strategies in responding to these pressures in a substantial restructuring of childcare service provision (Ranald and Paddon, 1999). An estimated 50% of councils decided to competitively tender their childcare services (Ranald and Paddon, 1999). No contracts for childcare services were actually awarded to external providers since there appear to have been no alternative bids to the in-house providers (Ranald and Paddon, 1999). Nonetheless, there were changes to organisational and employment practices in anticipation of competition. Other councils opted for strategic restructuring of the service and childcare centres without competitive tendering. The third strategy was for councils to withdraw completely from direct provision of childcare.

These developments impacted on employment arrangements. A review of the registered Local Area Work Agreements (LAWAs) covering childcare workers together with the detailed assessments of four case study councils, concluded that CCT contributed to the 30% reduction in overall numbers of employees between 1993 and 1998. Competitive tendering was also found to be contributing to casualisation of the labour force in the case study councils (Ranald and Paddon, 1999). While state regulations on staffing ratios for qualified and unqualified child care worker centres appeared to have placed limits on reductions in employment levels in long day care, centres were reducing staffing to the minimum levels required by the regulations and at the same time reducing staffing or hours in support and coordinating services which were not covered by the regulations (Ranald and Paddon, 1999).

The most widespread effects on employment conditions occurred when councils withdrew from childcare resulting in redundancies and/or reductions in pay and other conditions if staff transferred to centres under new management arrangements.

Changes in working conditions negotiated through LAWAs as part of the preparations for CCT seemed to have produced increases in the spread of hours worked, changes to hours of work and reduced over award and overtime payments. Negotiation of LAWAs also carried negative implications for several initiatives intended to improve the overall employment conditions in
the sector by addressing inequities in pay, bringing greater employment security and reducing the high level of labour turnover (Ranald and Paddon, 1999, p.19).

There were three general conclusions from this analysis. First, in practice, it is not possible or indeed helpful to try to isolate the specific impacts of competitive tendering and contracting out of services from other reforms and changes. Local government was responding to the cumulative effect of changes in policy, funding and forms of service delivery (including competitive tendering).

Second, while all organisations examined had policy commitments and documentation on equal opportunities including Equal Employment Opportunities (EEO) there was no evidence that these policies have been adapted to or applied in competitive tendering and contracting processes. As a basic benchmark, none of the organisations covered in the research appeared to have assessed information on the gender composition of the workforce in areas which were competitively tendered or made any assessment of the outcomes in gender or other equity terms.

Third, even where competitive tendering may not have directly increased casualisation of the workforce it provided impediments to de-casualisation since it was inhibiting attempts to move from individual contractual arrangements to longer term employment contracts for female providers.²⁶

This latter conclusion draws attention to the fact that the gendered segmentation of the local government workforce had been acknowledged in policy and research documents and that various initiatives were being introduced to address factors which generated the segmentation and the ways in which these flowed on through to Awards, Enterprise Agreements and into terms and conditions of employment. It was, therefore, important to refocus the discussion about the impacts of competition in respect to gender from a concern solely with the current (or immediate) situation to consideration of how the changes in funding and service delivery were likely to impact on policy approaches in the industry intended to modify the traditional

²⁶ In the other case study, the Commonwealth Employment Service, there was evidence that competitive tendering was generating greater casualization of employment.
patterns of employment. The conclusion was that competition and the culture associated with it was likely to make those initiatives less likely to be successful27.

6. Privatisation and Restructuring in Asia and the Pacific

In the mid to late nineteen nineties it was possible to conclude that:

“Over the past decade privatisation has become so internationally widespread that it is characterised as a global phenomenon” (Rondelli and Iacono, 1996 quoted in Paddon, 1998a).

However, across a region such as the Asia Pacific, economies at varying stages of development adopted different strategies for future development, assigning greater or less significance to the role of the State and therefore embraced privatisation as a reform agenda with varying degrees of enthusiasm or urgency28.

There is little doubt that NPM themes dominating the thinking and approaches by the major international funding and public banking organisations involved in providing development aid though this does not offer a complete explanation of how and why this policy transfer occurred, and it is less relevant in discussing developed economies.

27 The development of policies and practices to reconfigure the role of women in employment in local government has been a significant focus in the past decade. Amongst the policies under review has been the potential for home based work. In 2004 I undertook a research project for Local Government Managers Australia funded by the federal government Department of Transport, and Regional Services, which at that time held federal Government responsibility for local government, to investigate the use being made of home based work in local government and the potential for its further and future development. The report from this research project, using survey research, case studies and reviews of national agreements, was published as Paddon, 2003 Home Based Work in Australian Local Government, Local Government Managers Australia / Department of Transport and Regional Services, Canberra. This report is included in the portfolio of published work submitted as part of this PhD reprinted as Volume 2, Section C pages 569-637.

The implementation of Structural Adjustment Programmes (SAPs) in the 1980s and 1990s as obligations for funding and loans from the major global multilateral financial institutions, the World Bank and IMF, signalled a major shift in the predominant thinking about development and hence development aid (Fforde 2009 and 2013). This was premised on an argument that excessive state intervention in developing countries was inefficient and, as instanced by the success of the newly industrialising countries of East Asia (Korea, Malaysia and Thailand, prior to the economic crisis of the late 1990s), unnecessary for successful economic growth. The policy themes contained in SAPs were codified as the Washington Consensus in the widely quoted work of American economist John Williamson with ten broad policy components, including redirecting public spending, privatisation and deregulation (Williamson 1990, 2000).

There is some debate about the degree to which the consensus really existed as a set of commonly understood and enacted approaches or principles even across the main multilateral agencies (see for example Naim, 1999). There is also an argument that rather than being an enforced product of multilateral loan agreements, many of these reforms were already being enacted in several developing countries. As an illustration, Tan, 2008, and Syn, 2004 argue that privatisation policies in Malaysia were driven by the political interests of and networks supporting the national government rather than by international pressures.

Nonetheless, there was an identifiable consistency, verging on homogeneity, in SAPs required of countries across continents so that:

“...there can be no gainsaying the practical hold that neoliberal policies have exerted since the 1980s through their adoption and promotion by official aid agencies and bilateral donors” (Minogue, 2004, p. 163).

And for which the Washington Consensus constituted-

“...a broad set of ingredients in a recipe for successful economic growth and development” (Minogue, 2004, p. 164).

The Washington Consensus arguably set the parameters for privatisation, deregulation and wider private sector involvement in specific sectors, such as water, through the activities and funding of donors. The terminology, Washington Consensus, was used as shorthand for market led reforms promoted by aid agencies.
An emphasis on increasing the potential for competition, and freeing up avenues for international and cross national investment can also be discerned in international trading and economic cooperation agreements which covered both developed and developing economies, such as the agenda for infrastructure in the Asia Pacific Economic Cooperation agreement (APEC) (Paddon, 1998b, p. 60).

In the late 1990s, international organisations, including the ILO, and international NGOs, including trade union organisations, were starting to focus attention on the broad approach to policy reforms in NPM, in part to document emerging or common international trends and to develop international responses. When privatisation and restructuring are examined in this light, what is remarkable is the degree to which they were identifiable, in some forms, across the region in virtually all public utilities providing services in water, gas and electricity (though in an interesting parallel with the previous analysis of Australia, less so in water services, as discussed further below).

Applying the typology of modalities of privatisations outlined in the previous section to the restructuring which had taken place in utilities across the region, it is apparent that, to the end of the 1990s, water and waste facilities had not been targeted for full scale privatisation in most of the Asia Pacific region, even where governments have pursued very extensive privatisation programmes. There had been no instances of capital privatisation through the sale of assets and little deregulation of the industry (attributed to a concern across the region for water quality, as in Australia Paddon, 1998b).29

However in many countries (notably Bangladesh, Pakistan, the Philippines and the various states of Australia) there had been extensive reforms in the public water industry to introduce more commercially based and market-driven practices including corporatisation (management privatisation). The most frequent form of privatisation of water and waste facilities in the region involved contracting out: there had been contracting out of specific activities, of the management of single plants (in Thailand), or, less frequently, through the award of long term contracts for managing whole service facilities, (as in the three major privatisations of water

29 This was the conclusion of the research undertaken for ILO which captured the situation in the wide sample of countries to the end of the nineteen nineties. Detailed research in Nepal a few years later indicated that Nepal Drinking Water Corporation was one of the State Owned Enterprises the Government had identified for privatisation in 2002 resulting from a conditionality in a World Bank loan. (Paddon, 2002).
and waste in the region: in Adelaide, the Philippines and Malaysia). Increasingly private companies were becoming involved in the development of water infrastructure investment projects which they subsequently managed on contract (finance privatisation, through Build Own Operate, BOO, or Build Own Operate and Transfer, BOOT, schemes).

In every country of the region, the public sector had taken the major responsibility for generating and providing electricity. In the late nineteen nineties, the pressure from the projected steep increase in demand generated the perception of the need to fund additional infrastructure. This resulted in the extensive development of privately funded and built schemes across the Asia Pacific, particularly for generation. As with the water and waste utilities, however, to the end of the nineteen nineties, there had not been extensive capital privatisation through sales of public electricity assets or transfer from public to private ownership of major parts of the electricity supply industry. The exceptions were partial privatisation through sales of shares (in Malaysia and the Republic of Korea) or sales of individual plants or facilities (as in the state of Victoria in Australia, discussed also as one of the case studies in Fairbrother, Paddon and Teicher, 2002a). There were also plans for future sales of shares (Philippines, Pakistan and Malaysia) and individual operating plants or distribution facilities (as in NSW in Australia). Management privatisation, through corporatisation establishing electricity generating and distribution companies as entities autonomous from government and more directly linked to commercial imperatives, was widespread having occurred across the Australian states, in Bangladesh, India, New Zealand, the Philippines and in Thailand. There was also an emerging pattern of restructuring and deregulation of key parts of the industry (particularly through break up of integrated generation and distribution organisations and systems). As identified in the previous section with respect to the various privatisations in Australian, including electricity, the processes of deregulation and finance privatisation were often conducted simultaneously.

The usage of gas and hence the development of public utilities providing gas was uneven across the region with the industrialised countries, Australia, New Zealand and Japan, having developed gas infrastructure over many years. However developing countries were generally without basic infrastructure and technology even when they have substantial gas reserves. State involvement in the gas industry in Asia had therefore mainly been in development and exploration. Only in Australia and New Zealand, where the industry was more established, had the state taken a wider role. The limited development of gas as a power source in the region,
and the limited role of the state, meant there has been little active privatisation. However, privatisation through selling assets had taken place or was planned in the two economies in which Governments were involved most directly in the industry, Australia and New Zealand, (privatisation of the Australian Gas Pipeline Authority is included as one of the case studies in Paddon, 1998b, pp 89-91 while privatisation of gas in New Zealand is summarised in a case study pp 92-93). In both countries and more extensively there were also plans to privatisate public agencies involved in development and exploration of gas resources and for deregulation.

**Privatisation, Restructuring and Labour in the Asia Pacific**

As in Australia, the impacts of privatisation on labour internationally in the Asia Pacific region have been relatively under researched in both academic and policy literature (Oestmann 1996 quoted in Paddon, 1998b). Previous research in other contexts, notably of utility privatisations in the UK, had identified a number of factors which mediate the direct effects on levels and conditions of employment (Paddon, 1998b, pp. 66-67). These include the extent to which privatisation is also associated with changes in technological, in organisational structures changes (as in disaggregation of electricity utilities) or in management practices (such as decentralization of decision-making). The extent and pace of privatisation are also important: where privatisation is planned over a number of years, employment levels employees may be reduced by natural attrition and redeployment for example. More closely and directly linked to levels of employment and employment conditions are the nature of the industrial relations system and implementation of any reforms to those systems concurrent with privatisation. As was the case in the UK and Australia, the terms under which employees “transition” to new organisational and employment arrangements might be governed by legal provisions or policies which cover privatisation generally in a country, or specific agreements between the government, the new private company and trade unions at the time of privatisation.

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30 At the end of the nineteen nineties there were five general types of employment arrangements covering public sector utilities across the region: national agreements or legislation covering all public sector workers (Malaysia and Thailand); national agreements specific to the water or electricity industry (Bangladesh); pay commission awards covering whole states or municipalities, (India); enterprise-level agreements (Australia); individual contracts (New Zealand) (Paddon, 1998b and 1999).
In many of the instances of capital privatisation or contracting out of utilities in the Asia Pacific, potential impacts on employment and working conditions for public sector workers were mitigated by specific agreements, guarantees or (in a limited number of instances) by legislation. At their most general, agreements or legislation covered all privatisations implemented in a country, as for example in Pakistan and Nepal. More widespread in the region have been undertakings or agreements covering privatisation of specific entities or utilities. These are of two broad types: in some instances governments have given undertakings to cover the whole privatisation process; elsewhere agreements had been reached between trade unions and government and/or the new employing company, often as a culmination of industrial disputes or campaigns. (Paddon, 1998b).

Where there is no legislation or agreement to guarantee workers’ rights to transfer these conditions into their new employment, privatisation has almost invariably led to changes in most working conditions which were detrimental to employees (Paddon, 1998b). Whilst the complexity of the mediating factors makes it difficult to generalise across countries and modalities of privatisation, privatisation of management (through corporatisation and commercialisation) in water and electricity utilities, the most widespread forms of privatisation in the Asia Pacific had most commonly been accompanied by, or contributed to reductions in overall employment (Paddon, 1998b, p 67). The other form of privatisation applied extensively in water and waste utilities had been contracting out which case studies indicate have also usually resulted in significant reductions in employment (Paddon, 1998b).

Once the process of transition to new “privatised” arrangements has taken place, the medium to longer term impacts on employment and working conditions are less easily identified, and even less researched in the Asia Pacific than the more immediate consequences. A study of nine privatised entities in Nepal (mainly in manufacturing) indicated a 60% reduction in overall employment in the period immediately after privatisation but total employment had increased back to slightly more than the original levels within five years (Manadhar and Bajracharaya, 2000; Paddon, 2002).

31 For example, in Nepal the primary legislation underpinning all privatisations provided for no redundancies and guarantees that salaries and benefits would be no less favourable than when entities were owned by the government (Paddon, 2002).
Decentralisation, Privatisation and Labour in New Zealand

New Zealand provides a case study of the effects on employment when industrial relations legislation is transformed concurrently with state restructuring and privatisation so that there were no managed or negotiated transition arrangements for labour.

Reforms to the legislative frameworks governing industrial relations in New Zealand were conducted at the same time as, though not directly linked to, privatisation, as part of the NPM agenda for micro economic reform, shaped both the process and consequences of restructuring.

There were four interlinked components in NPM reform in New Zealand relevant to the main concerns of this paper with the impacts of privatisation and restructuring on labour and employment\(^\text{32}\). One was reform of local government, including corporatisation of specific units and the introduction of greater competition. This had a direct impact on the second issue, provision of water services, since councils had been the major providers of water and waste water. The third was restructuring and privatisation of energy, in which New Zealand provides a detailed case study of disaggregation, corporatisation and changing legal structures resulting in increasing provision by the private sector including TNCs. The fourth was the extensive deregulation of labour markets.

The major reforms to local government in New Zealand were initiated by the Labour Government in the late 1980s, commencing with a fundamental review of the structure, functions, organisation and funding of local government. The reforms were driven, in part, by intentions to introduce greater contestability in provision of services, and commercial structures for councils’ “trading” activities (Paddon, 2001, summarising Anderson and Norgrove, 1997).

\(^{32}\) This section summarises Paddon, M., 2001 Social and labour consequences of the decentralization and privatisation of municipal services: The cases of Australia and New Zealand (with particular reference to utility services), ILO, Geneva, reprinted for this thesis submission as Volume 2, Section C pages 432-479.
As an initial task in reorganising local government the Local Government Commission initiated a restructuring program dramatically reducing the number of local government bodies from 741 in 1989 to 92 by 1990. The reform process placed an obligation on local governments to consider all possible forms of delivery for each service including companies, partnerships, trusts, incorporated societies and, most importantly, local authority trading enterprises (LATEs) and contracting out (Anderson and Norgrove, 1997, in Paddon, 2001). LATEs became a key feature of the reform of service delivery by local government. These were essentially companies in which the council held a significant (but no more than 50%) share with the principal objective, prescribed in legislation, being that they would “operate as a successful business”. LATEs were established for services including water supply, drainage, sewerage, refuse collection and disposal, property, forestry, and street maintenance and cleaning. The consequences overall were that the role of councils in direct service provision declined significantly. It was estimated that in 1989, prior to these reforms, council departments directly delivered 70 per cent of the council services. By 1994 this had declined to 26 per cent, with a shift to services being provided by business units (34 per cent), a mixture of private sector and council departments or business units (31 per cent) and LATE’s (8 per cent)(Anderson and Norgrove, 1997).

The local government reforms initiated in the late 1980s, particularly the establishment of LATEs, had a direct impact on how councils considered the continuing provision of water services. Auckland was the first council to establish its water and waste water supply as a LATE in early 1997. A survey of local government water services at the time the central government initiated a major “water review” in 1998/9 provided a snapshot of the changes which were then taking place (LGNZ, 1999 in Paddon 2001). Of 20 councils surveyed, 10 had established LATEs for services (though none had done so for water) and 3 of these had subsequently privatised their LATEs completely. And while most councils saw themselves having a continuing important role in water and waste water services as coordinators and managers of services in a local area many of them contracted out some aspects of their operations. Key maintenance and operations were contracted out by 12 of the councils and 2 councils put all aspects of their operations through competitive tendering processes (LGNZ , 1999, p. 10).

Prior to the mid-1980s, all aspects of the electricity industry in New Zealand were controlled by the State. National governments initiated a programme of reforms from 1986 creating the
Electricity Corporation of New Zealand (ECNZ) as a corporatized state-owned enterprise (SOE) then throughout the 1990s; the industry was disaggregated, and deregulated with further corporatisation and with privatisation of a significant section of the generation industry.

The wider moves to a deregulated economy in New Zealand, of which the reforms in local government, energy and water were a part, impacted on direct employment and working conditions through two processes. The first were changes directly associated with corporatisation and privatisation per se. Corporatisation of ECNZ in 1986 was associated with significant job losses, with employment numbers reducing from 5,999 to 3,690 between 1987 and 1990. The second process, and arguably more significant in terms of its impact on labour overall, was the deregulation of the labour market, both public and private, by the Employment Contracts Act 1991. A precursor to this legislation three years earlier, the State Services Conditions of Employment Act, had given state-owned enterprises powers equivalent to those used in the private sector in relation to the workforce. The Employment Contracts Act then replaced the system of national award coverage and compulsory unionism with individual employment contracts and a focus on one-to-one bargaining between employers and employees (Kelsey, 1995, pp. 180-181). While the changes to the industrial relations system applied to both public and private sector employees, the removal of national bargaining and compulsory unionism had a particular effect on employment and working conditions of employees affected by the restructuring and privatisation in the public sector.

7. Globalisation and the increased role of TNCs

As noted previously in this essay, conceptually, the notion that competition will provide a driver for change in the “theory of change” holds a presumption that there will be competitors: so the nature of the competition and the competitors becomes of interest. What was emerging, clearly, in the empirical evidence in relation to competitive tendering and contracting in the UK, in the privatisations in Australia, and in reviewing privatisation and restructuring internationally across the Asia Pacific region, was the significance of identifiable clusters of TNCs. In Australia, the prevalence of transnational companies amongst the owners and operators of privatised utilities and services was identified as another major public policy issue in the wider debate about public ownership and privatisation (Walker and Walker, 2008). Understanding the nature and character of those TNCs thus became a focus for local
government and organised labour in considering responses and strategies. This was within the context of shifting international frameworks in a number of areas, notably in relation to providing protection to labour and employment (the EU Acquired Rights Directive and TUPE in the UK) and regulation of public sector procurement (both through the EU and globally through the WTO).

We can use the term “public service TNCs” to distinguish the TNCs which grew in prominence in the last quarter of the 20\textsuperscript{th} century, using the opportunities provided by privatisation policies of governments internationally, which were operating in three categories: utilities; mainstream public services including healthcare, social services and prisons; and support services including IT and finance. The rationale for preferring the term TNCs to describe the international companies and consortia operating globally was discussed in section 1 of this essay. The growth and significance of TNCs was both an indicator of the extent of globalisation and, at the same time, one of the major vehicles for the development of globalisation (Paddon, 2001a).

From the mid-1990s there had been a number of shifts in international foreign direct investment and the modes of operation of TNCs some of which consolidated existing patterns but others of which foreshadowed shifts in the geography and nature of corporate globalism. The latter included TNC expansion from Asian states other than Japan, particularly South Korea and Taiwan which had been stalled but not halted by the Asian economic crisis of the late 1990s.

In the late 1990s, global foreign direct investment (FDI) increased substantially, largely driven by mergers and acquisitions. In this period Australia became a significant recipient of FDI. The major drivers, liberalisation of trade, investment and capital markets, were linked to national deregulation and privatisation of state owned enterprises. Two of the largest mergers involving the UK and US were of utilities involved in energy privatisations in Australia and the United Nations Conference on Trade and Investment (UNCTAD) was anticipating more mergers and acquisitions in the sector with continuing deregulation and liberalisation (Paddon, 2001a).

Analysis of the first phases of CCT in the UK indicated that competition for the services “defined” after 1988, was emerging in the form of American or North-West European based international contracting conglomerates, largely developed since the 1960s with the
emergence of national and international service industries, which had been particularly successful in acquiring refuse collection and street cleaning contracts (Paddon, 1993a).

Australia has been a relatively open economy for the operation of TNCs but became more so from the mid-1980s. By 1999 it was 4\textsuperscript{th} in a league table of “transnationality” prepared by UNCTAD covering the world’s 22 largest economies (Paddon, 2001a) \textsuperscript{33}. The extent and influence of transnational ownership in the former state enterprises was identifiable across industries and sectors with international companies involved directly in privatisations of utilities, transport, finance, airlines, and other sectors (Fairbrother and Paddon, 2002, table 9.2, p. 221). TNC’s were engaged in all the modalities of privatisation identified in Australia in the 1990s. Sales of energy assets by state governments, for example, had been to US based utility companies or to one of the UK companies privatised by the Thatcher government in the 1980s (Paddon, 2001a). In 3 of the 5 cases studies of the federal government’s Commercial Support Programme discussed in section 4 of this paper, where the “competitive” tendering processes resulted in contracting out of services, the contracts were given to large TNCs or their subsidiaries (Paddon and Thanki, 1995a). Privately funded infrastructure projects, without exception, involved European or US based TNCs, but often in consortia arrangements with domestic companies (then an emerging characteristic of this form of funding which has become more apparent in the past decade as discussed later in this essay)(Paddon, 2001a).

This increased presence of service or utility based TNCs was also observable across the Asia Pacific, accompanying (and actively promoting) the various processes of privatisation and restructuring. The private companies which purchased assets, had taken on contracts and concessions, and financed BOO and BOOT schemes, were largely transnational corporations (TNCs), subsidiaries of TNCs, or consortia in which TNCs were major partners (Paddon, 1998). The review of private sector involvement in the various forms of water services in seven Asia Pacific countries to the end of the 1990s identified eight TNCs, falling into three groups (Paddon, 1998b): two “French” TNCs (of the three then dominating the world’s water industry) were involved in the two largest privatisations in the region, South Australia and Manila; three water-based TNCs originating from the privatised British water utilities had also been partners in the privatisations in South Australia and one of the Philippine concessions; and there were a

\textsuperscript{33} Transnationality is a composite measure of relative FDI to total investment in the economy and relative employment by foreign owned companies to total employment (Paddon, 2001a).
group of TNCs, less important in terms of number of projects in which they are engaged, with a broad portfolio of activities but no specific base within the water or waste industries. In electricity utilities, 14 TNCs had been involved in 3 or more privatisations or privately funded development projects across 10 countries in the Asia Pacific region (Paddon, 1998b). Six were European based (including two British privatized utilities, National Power and Power General); five were based in the United States, and three in Asia itself.

Beyond identifying and “cataloguing” the presence of TNCs, the challenge for both local governments and organised labour has been to develop a more nuanced and comprehensive understanding of the manner of their operations. This has included the recognition that this goes beyond merely engaging in competitive processes, offering alternative bids to those of in house service providers, for example. Earlier in this paper (see section 3 and Paddon, 1993b), I drew attention to the analysis of the strategies of European based contractors positioning themselves to acquire market shares for public sector construction and service contracts prior to the opening up of these sectors to increased competition by EU procurement Directives. There were identifiable French, German, Dutch and Italian contracting companies which had been pursuing strategies of geographical expansion and industrial diversification since the mid-1980s, making acquisitions in the UK construction industry or entering into joint ventures with domestic contractors rather than tendering from a base in Europe. In service sectors European based transnational companies and conglomerates had similarly been pursuing strategies of concentration and diversification since the mid to late 1980s as a prelude to incorporation of the Single European Market. Overall:

“..those European multinationals with an interest in the UK local government and public service markets [had] used the opportunities available through the Conservative governments’ restructuring of the UK public sector” (Paddon, 1993c, p. 179).

In the sphere of industrial relations, it is clear that, in practice, TNCs did not bring either a common philosophy or homogeneous industrial relations practice (see Paddon 2001). Even in the same industry, such as the Victorian electricity generation, TNCs exhibited quite different practices, with, in one instance, extensive autonomy and discretion being given to local managers working within financial guidelines and limits, but in another, TNC employers taking a hands-on role intervening and setting the terms and conditions of employment and work
organization in rather direct and immediate ways (Fairbrother and Testi, 2002). In most cases there was a mixture of practices, varying by corporation and consortium, by industry and, less often, by occupation. In practice this means that the implications of multinational ownership on industrial relations were worked out enterprise by enterprise (Fairbrother and Paddon, 2002).

In the context of this paper there are four important considerations arising from the increasing role and presence of TNCs in the various national and international privatisations. One is the role of the TNCs as active agents in policy transfer. This is not considered extensively in this paper but has been an important focus of the continuing work of David Hall and his colleagues at the Public Services International Research Unit, now at the University of Greenwich in the UK, though they have not necessarily used the terminology policy transfer. A second is in relation to the practical challenges for governments, particularly sub national governments, in negotiating with, regulating or monitoring TNCs when they are providers of fundamental services at the community level or through utilities. Third, is the ability of emerging international regulation across the many spheres in which it has been developing to engage effectively with the structures and practices of TNCs. The previous section has provided an indication of the interdependence of regulation by the state and the strategies of TNCs. There are indications that the attempts at minimal regulation of TNCs employment and social obligations since the 1970s under international guidelines from the International Labour Office (ILO) or the OECD had been largely ineffectual up to the early part of this century (Paddon, 2001a). Though there seemed, at that time, the possibility that regulation of various aspects of TNCs by inter-governmental agreements, notably EU Directives covering works councils and of areas of employment-linked social policy, might be more effective since:

“..[Directives] are legally binding on member countries and the importance.... extends beyond the EU since the union is the ‘source’ of many TNCs” (Paddon, 2001a, p 120).

The fourth consideration of interest is the response by organised labour. At the start of the present century embryonic industrial responses were being developed by the international organisations of trade unions, attempting to coordinate their member unions on a company

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34 The Public Services International Research Unit has an exhaustive publications list from the past decade on relevant issues. As an illustration see Hall and Lobina 2012a and 2012b; Hall et. al., 2011.
wide basis across the locations in which they operate. The peak body of public sector unions internationally, Public Services International (PSI) was one of a number of union secretariats developing new means of international responses. This included, most importantly, funding of an international data base on TNCs involved in the public sector and privatisations, commissioning of action research linked to development of strategies (including the annual surveys of privatisations in the Asia Pacific reported in Paddon, 1998), and active engagement with international fora such as the ILO (PSI coordinated and led the trade union contributions to the tripartite ILO discussions to which Paddon, 1998 and 2001 were contributions). Despite the long period over which the TNCs had been extending and consolidating their activities, it is notable that these attempts by organised labour, through international secretariats, to develop initiatives in response were recent (as of the late 1990s) and embryonic (Paddon, 2001a). The focus on building international organisations within the same TNC or union organisations across jurisdictional boundaries also created a challenge for the conventional forms of trade union organising since it was across countries and beyond individual employers and corporations. This undoubtedly contributed to the growing recognition that to be successful the responses would require organisation not just unions but also in alliance with NGOs and other organisations of civil society (Paddon, 2001a).

8. The limits to competition and the role of the private sector in public service: urban water services in Australia

The empirical material and detail in the portfolio of publications being submitted for this PhD, is time limited: it relates to periods between the late nineteen eighties to the first years of this century. Updating and revisiting all the issues covered in the publications and in this integrating paper would be a major and long term research program. In this section, and before drawing final conclusions, I reflect on some of the themes covered in the publications and the themes raised previously in the integrating essay focussing on one, limited, aspect of contemporary public sector service provision in Australia: urban water services.

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35 Which has now become the Public Services International Research Unit referenced in footnote 34
36 This section of the paper draws significantly from Paddon, M., 2013, Urban water governance in Australia: The private sector at the margins in A. Gunawansa and L. Bhullar, eds, 2013 *Water Governance: An Evaluation of Alternative Architectures* Edward Elgar, pp. 262-289 which is reprinted for this thesis submission as Volume 2, Section C pages 638-666.
For water services, there appear to be limits to the degree of competition and to the extent of private involvement for a combination of technical and public policy reasons which this has set parameters for NPM influenced reforms. A comprehensive review of urban water in Australia in 2011 by the Productivity Commission, which has historically been associated with encouraging implementation of the economic rationalist reform agenda through promoting an increased role for the private sector and more extensive use of markets in government activities, concluded that government owned and controlled utilities play the dominant role in the provision of water services and will continue to do so (Productivity Commission, 2011). The Productivity Commission’s report notes that:

“..water is perceived to be different from other utility services (electricity, gas telecommunications and mail) because water is ‘essential for life’ and /or exhibits common property characteristics” (Productivity Commission, 2011, p. XVIII).

Public policy debate is, arguably, influenced significantly by community anxiety about water supply both in quantity (after years of prolonged drought in Australia) and quality. In the case of water internationally, it has been observed that:

“..piped water and sewerage networks resemble natural monopolies as these involve huge capital investment and multiple networks competing for the same consumers are totally unjustified”(Hoque and Gunawansa, 2013, p. 393).

The last Howard Coalition Government in Australia attempted an initiative to increase competition and the role of the private sector in the supply of water and wastewater services in 2006 but could identify only two proposals, neither of which amounted to a significant change in the fundamental structural arrangements (Paddon, 2013, pp. 285-6). The first was for a national code for “third party access” to water infrastructure using the provisions of and a legal interpretation of NCP. The second proposal was for national guidelines for contracting with the private sector. Neither proposal was followed through, which is indicative of the extent to which the focus and agenda for policy in the water sector had shifted significantly both nationally and internationally.
Where there has been investment in water infrastructure, this has been at particular points in the supply chain. The main avenues through which the major multinational companies active in global water privatisation have been involved in water services have been through financial arrangements where Australia governments across jurisdictions have also entered into longer term contractual arrangements, either directly or as part of more complex joint ventures, to finance, build and operate specific plants or facilities which contribute to the overall supply chain for water and wastewater particularly in bulk water sourcing (desalination), and water and wastewater treatment plants. The degree of finance privatisation in water has thus been limited: the official government estimate in Australia of the extent of Public Private Partnerships (PPPs) is that in 2011 only 6 out of a total of 51 PPPs involving federal or state governments and agencies across all sectors were for water or water recycling schemes (Paddon, 2013).

The patterns of industrial domination in water services have also shifted profoundly in the early 21st century as transnational groups curtailed water and wastewater activities in response to increasing opposition to water privatisation internationally linked to an apparent failure by the private sector to deliver anticipated investments (Hall and Lobina, 2008). In consequence, the drive for increasing finance privatisation through investments anticipated in the late 1990s (Fairbrother and Paddon, 2002), has not materialised, while there have been changes in the patterns of international ownership with regional and nationally based TNCs becoming more significant.

Overall in water policy in Australia there has been a significant shift, as there has internationally, with less emphasis on supply side solutions involving large scale investment (the potential impetus for further “finance privatisation” through Public Private Partnerships and similar arrangements) and a greater focus on demand side and planning solutions in which the state remains the major agent.

However, the current arrangements for water provision indicate the extent and impacts of NPM infused institutional reforms through corporatisation (management privatisation), implementation of NCP and restructuring of local government, often driven by similar considerations in relation to “efficiency” to those are at the core of NPM (Paddon, 2013, pp. 280-282). The impacts of NCP were particularly evident in local government because water
and/or wastewater services were the most “significant businesses” operated by councils outside metropolitan area so that, in all cases, NCP resulted in some reforms including corporatisation, or greater commercialisation (Paddon, 2001). The other dynamic for reform, usually informed by arguments about effectiveness and sustainability of local government operations, and the potential for economies of scale to be derived from consolidating councils into larger units, have been through changes in the roles, scale and administrative arrangements for local governments. These reforms and amalgamations had extensive impacts in Victoria, South Australia and Queensland (Paddon, 2013).

While water utilities have remained publicly owned and there has been no incidence of wholesale outsourcing of services since Adelaide City, every state and local water utility has been contracting with the private sector for components of its activities. In capital works this engagement is extensive with an estimated 80% of capital spending by the largest state owned metropolitan utilities being outsourced (Paddon, 2013).

These bald figures obscure the fact that there is a change in the pattern of the use of contracting. The one major privatisation which has taken place, in Adelaide, illustrates the move to different forms of contractual arrangements based around collaboration rather than competition. As described previously, during the major phases of privatisation in Australia the only significant water service which was privatised was for the city of Adelaide where water services have been contracted out completely to a private sector consortium since 1996 (Paddon, 1998b, pp. 75-77; Paddon, 2001b, pp. 27-29). The contract was retendered in 2011 at the end of the first contract period. The tendering process itself was competitive, but the form of contract signed with the new provider is what Alford and O’Flynn term a “collaborative partnership” rather than a conventional form of outsourcing (Alford and O'Flynn, 2012). The state government’s contract with the Allwater Consortium, is an “Alliance” contract. This is a form of collaborative, “joint venture” contracting, promoted by a number of large infrastructure firms operating in Australia, also used in the construction of a number of the desalination plants mentioned previously. Its use in this instance is illustrative of the changes and diversity in the forms of arrangements between governments and different sorts of providers which now characterise public services, and the extent to which competition is no longer the predominant driver (Alford and O’Flynn, 2012).
The premise on which the expectation of an impetus for further “finance privatisation” in public services was based, the need for extensive increased investment, is now challenged more fundamentally in water services. In the late 1990s it was a plausible assumption that the need for increased investment would drive financial arrangements involving private institutions and finances (including Public Private Partnerships) and hence “finance privatisation” given the prevalence of “supply side” solutions to water and wastewater challenges. Where Australian governments have continued with supply side solutions they have done so through ventures with extensive private sector involvement, such as in the commissioning of desalination plants.

The OECD has identified a discernible shift in water policy internationally during the 1990s:

“...[there has been a] shift in the focus on the sector [so that]...... the political agenda has gradually moved from ‘technical’ supply-driven, infrastructure-led solutions towards demand-based approaches emphasising the role of institutions and economic and social instruments” (OECD, 2011).

This shift is also visible in Australia where, it would appear, that competition (as a major driving force) has had a more limited role in recent national water policy initiatives developed by the intergovernmental body which endorsed and drove NCP, the Council of Australian Governments (COAG). Issues of ownership, where they are articulated as major concerns, are in relation to water rights rather than the types of organisations that deliver water services. The broad issues identified in the OECD’s observations as themes across the developed economies are, also brought to the fore in recent Australian water governance discussions with an emphasis on demand management and integrated planning for urban water systems.

9. A contemporary picture and conclusions: the reconfigured role of the state

This, final, section of the integrating essay revisits the conceptual discussions introduced in the first two sections of the paper in the light of the extensive empirical material and more detailed assessments, covering a range of issues, in the intervening sections. It also provides an opportunity to identify areas and topics which would reward further research and
A significant point of reference of this integrating paper has been the central role played by competition in the “theory of change” driving reforms to the public sector and the ways in which public services are provided, derived from NPM and with its roots in neo liberalism/economic rationalism. It was argued previously in the paper that introducing a “theory of change” approach contributed to the analysis by pin pointing the basic premise that competition will drive change since it is at the core of marginalist economics which is invoked to provide the rationale for neo liberalism, and is present in every variant of NPM. It can thus be employed to identify what is common between the locations in which NPM was implemented but also, by analysing the particular forms in which promotion of competition has taken, allows us to identify what is specific to different locations. Most importantly and additionally, the “theory of change” approach provides a logic consistent with how and why the research presented in the portfolio accompanying this essay was prepared. In practice, and over time, the evidence base was being amassed, incrementally. The narrative about the impacts of NPM was being constructed alongside the preparation of responses to the policies. The evidence was often contested, as in the debates in the UK and Australia about the effects of competitive tendering and contracting out, and the ultimate outcomes of NPM were presupposed and assumed, but in practice, unknown. As indicated earlier in this essay, “theory of change” has hitherto been used mainly to assist in developing and designing programmes of funding or intervention in complex development contexts where there are multiple and sometimes conflicting stakeholder considerations. Its use in this integrating issue indicates its potential for more extensive use in policy analysis where the evidence base is being constructed alongside the policy intervention.

However, characterising the body of work assembled in this portfolio and integrating essay in this way, as the incremental piecing together of an evidence base around contested policy initiatives, also emphasises that it cannot be seen as a comprehensive testing out or reviewing of NPM. While the more recent comparative literature referred to in section 2 of this Integrating Essay has been analysing factors which influenced how the broad agenda of NPM was applied or adopted in different countries or regions at the policy level and what has now replaced NPM as the dominant paradigm internationally in policy terms, it appears that the task of documenting empirically and analysing the overall impacts of the implementation of
NPM, in specific countries like Australia, is yet to be undertaken systematically. As the policy focus has shifted, so too, apparently, has the research interest. Thus, this remains an area and set of issues for significant, future research and analysis.

It should also be emphasised that the focus on competition in the “theory of change” in this essay has been on its role in driving and legitimating public policy, not on testing or assessing how well grounded are the claims of marginalist or other variants of economics. The portfolio of research and the review in this integrating essay suggest that there are three distinct areas for further and continuing investigation in relation to competition. The first is the nature and implementation of Competition Policy which existed in most explicit form in NCP in Australia but is present in some form in most developed economies. The second is the organisational impact in public bodies of actual competition or the potential that there will be competition to deliver services since there are instances, such as local government childcare in Victoria, where there is in practice no competition but restructuring takes place in anticipation that there will be. The third is the nature of the competition or to be more precise the competitors, since the research contained here indicates that there have been shifts in the character and geographical identity of the private corporations involved in delivering public services, notably the TNCs. While the strategies of these TNCs may be built around the opportunities competition offers, they include acquisitions, alliances, collaborations and other mechanisms which can and do change over time.

In terms of the practical implementation of NPM in privatisation and public sector restructuring, the detailed material in the portfolio of research identifies how competition was contributing to the restructuring of the state by redrawing the boundaries of the public sector and public service provision, and reshaping the internal operations of and social relations in public sector organisations. However, there was no instance or case study reviewed in this portfolio of research is which privatisation was along a single dimension or through a single process. In reviewing the responses from local government, and the impacts on employment and labour (including the specific impacts on women) it is clear that there are several processes at work, concurrently. Some of these processes were parallel elements of NPM infused reforms. In the UK, local government was adapting to and implementing CCT as a component of fundamental changes in the provision of services through councils and in overall public funding. Similarly, local councils in Victoria in Australia, made decisions to continue with childcare provision, to competitively tender services, or to withdraw completely from
providing childcare, in the context of reduced federal funding, and obligations to competitively tender proportions of overall spending.

This identifies that the responses at the organisational or agency level are significant intervening or mediating dimensions for analysing the impacts of reforms associated with NPM. These cannot be read off from an understanding of the drivers or imperatives for reform. This is particularly the case with local government, where, as I indicate in the first section of this Essay, I was contributing to the formulation of practical responses to reforms initiated by a higher, (in governance terms) tier of government. The degree of autonomy afforded to local governments (though this has arguably been diminishing in the longer term) allowed for the range of responses documented in various parts of this essay. It is seen in the range of different organisational structures councils developed to implement CCT in the UK; in the decisions by a group of councils to take activities outside the regulated competition of CCT by setting up MBOs but in so doing exposing them more fully to competition; and it is seen in the different decisions made by Victorian councils providing childcare.

A recurrent theme in the detailed country studies has been on the policy initiatives through which governments have promoted or required competition. They have also regulated the forms that competition might take; or to put it differently, the terrain on which competition between potential service providers which are publically or privately owned is legal (in the case of CCT) or deemed to be legitimate. In the process of documenting these issues and engaging in the policy debate about their implications, the research was capturing a fundamental shift in the role of the state in respect of public services and utilities. An increasing role of the state in regulation has accompanied privatisation in its various forms in the USA and in Europe (Blundell and Robinson, 2000), so that regulation and privatisation are linked, immanently:

“..the reforms associated with regulatory governance, privatisation and post privatisation regulation are closely related in conceptual terms but also in practice, to the general process of public management reform”(Cook et. al. in Cook, Kirkpatrick, Minogue and Parker, 2004).

Regulation has, thus, become an important area of research and analysis which has developed alongside privatisation and the restructuring of the role of the state in direct service delivery.
Since NPM was a broad agenda for reform, frameworks and systems of industrial relations were also being altered, radically, at the same times that privatisations were being implemented in Australia in New Zealand, while privatisation was expected to contribute to refashioning industrial relations in the less structured system in the UK. This shaped both the impacts of these reforms on labour and employment and how organised labour responded. The responses by organised labour to privatisation and contracting out were the other focus of my personal, policy engagement in the UK, Australia, and in the Asia Pacific. I have argued in this integrating essay that we can isolate three “moments” in the trade union response to privatisation and associated restructuring. First, the response to the initial government decisions to privatise or restructure. Second, the point at which an entity is transitioned from public ownership and control to the new set of privatised arrangements. Third, in the workplace or organisation once the privatisation had taken place.

A significant mediating factor identified in this thesis as determining how organised labour in the two main countries under review, the UK and Australia, responded to privatisation as policy reform at the political level and indeed to NPM as a cluster of policies has been where social democratic governments, linked organisationally and historically to organised labour, have been the initiators and implementers of reforms. This analysis could also be extended to New Zealand, but would not provide a “general theory”, nor the sole basis for comparative analysis in a region such as the Asia Pacific, given the diversity in forms of government, political representation and union organisation.

When the previous public entity or activity was moving to the privatised arrangements organised labour has attributed considerable importance to obtaining agreements or legislation to cover the transition of employment from pre to post privatisation situations. This has been identified in the UK and Australia (though in the case of the UK has been only partial and through the interpretation of EU legislation through TUPE) and across other countries in the Asia Pacific. This is also the point at which the interconnection of privatisation (including contracting out) and the nature of and reforms to the industrial relations system becomes most apparent and significant.

The “second moment” was the predominant focus of the research contained in the portfolio of publications and covered in this Integrating Essay directed at documenting the initial impacts on all aspects of employment, including employment of women. As a result of the periods
when this research was undertaken, it has less of a focus on the periods after privatisation, though the review of privatisations in Australia identifies some of the emerging patterns of industrial relations (Fairbrother and Paddon, 2002). The longer term development of patterns of industrial relations and the terms, conditions, arrangements for and levels of employment in post privatisation situations is thus another area in which additional research would be informative and extremely relevant to contemporary policy debates.

At the turn of the current century, it appeared that the push for further privatisation and the implementation of competition policies was losing momentum in Australia (Fairbrother and Paddon, 2002). This was, to some degree, a product of how far corporatisation and privatisation had already extended but also due to reactions by civil society to the perceived and/or actual negative consequences of these forms of restructuring. It seemed likely that policy debate about public services would be refocussing on alternative funding approaches such as public-private financial initiatives (Fairbrother and Paddon, 2002). Examination of the provision of water services in the previous section directs us to slightly revised conclusions. Water services continue to be delivered overwhelmingly by public sector agencies and there are no indications that this is likely to change, at least in Australia. However, these agencies bear the imprint of reforms initiated and completed during the period of NCP. The agencies rely, significantly, on contracts with the private sector and, in some specific areas of infrastructure investment and to a lesser degree than anticipated, on private funding, often involving TNCs.

However, the nature of contracting has been changing. Government contracting is now displaying diversity in the forms of arrangements between governments and providers in which competition is not necessarily the predominant driver (Alford and O’Flynn, 2012). In the context of these diverse arrangements, the other emerging issue is how contracts are being used in the pursuit of a range of social and environmental policy objectives. While the use of public contracts to pursue labour rights, and in affirmative action (including in relation to gender) has a long history internationally, with initiatives in Europe, North America, South Africa and in Malaysia (McCrudden, 2004), using contracting and tendering for these purposes was arguably inconsistent with the emphasis on competition as a driver for change in the logic of NPM. UK CCT legislation prevented the use of contracts in this way by labelling the use of contracting for social or other policies “anti-competitive”. There is now an emerging literature
and policy debate on how procurement and contracts can and are being used in protection of labour standards, social policies and environmental standards37.

McCrudden has developed the concept of “linkage” to describe the use of contracts and procurement for other policy ends. His conclusions are close to those of this paper when he argues that the international spread of ideas linked to economic liberalism (his term and which he aligns with what he calls “economic globalisation”) challenged and restricted linkage; but he claims that now the spread internationally of ideas and approaches to social policy (which he terms “social globalisation”) will encourage linkage (McCrudden, 2004, p. 263). Both the use of contracts and procurement to pursue wider policy objectives (environmental, social, or in employment) and the internationalisation or globalisation of these initiatives are fertile and potentially rewarding areas for further research.

In Australia, privatisation has reappeared on federal and state government political agendas in the past two years, which argues for the continuing relevance of the issues reviewed in this paper. However, the emphasis and rationale focusses on selling existing assets as a means of funding new public infrastructure in unrelated areas, driven, ostensibly, by imperatives to replace or extend infrastructure without public borrowing (for a short discussion see Walker and Walker, 2014, which draws on the extensive analysis in Walker and Walker, 2008). It is notable for the arguments in this essay, that the current head of the Australian Competition and Consumer Council (the ACCC), whose role was extended under NCP to give it oversight responsibilities for the NCP reforms, has been critical of these recent proposals for privatisation because of the absence of a concern with and commitment to competition (Robins, 2014).

Overall, the empirical work in this submission was documenting the early stages of a transition to a system of public service provision with a diversity of providers, regulated by the state along a range of dimensions both direct and indirect. Some providers are still publicly owned but most have been radically reformed internally. Importantly, regulation and regulation of competition, have taken on international dimensions, with, for example, the development of

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37 See for example McCrudden, 2004; for an example from Victoria of labour standards being incorporated into public contracting in Australia, see Howe and Landau, 2009; on the limitations of the use of contracts to maintain labour standards in Australian public services see Holley, 2013.
the European Union Directives governing all forms of procurement by public sector organisations, which were providing the basis for a framework being promoted globally by the World Trade Organisation (Paddon, 1993b).

The conclusions I reached in discussing urban water in Australia could be applied more widely to the role of the public sector and the state in relation to reforms to public services:

“..the agenda has arguably shifted from investing in supply side solutions to a greater emphasis on planning and other instruments focussed on the demand side. This suggests a future governance agenda with more emphasis on administrative, political and social components and less on technical, financial or ownership elements” (Paddon, 2013, p. 287).

I would add to these previous conclusions, that the administrative, political and social components are predominantly those in which the state has a major, continuing interest and role.

We can extend this assessment internationally. In the past decade the Washington Consensus has been replaced or at least significantly modified as a policy framework by a Post Washington Consensus (Tropp and Dewan, 2013). The Post Washington Consensus is based on the assessment that markets as well as governments can and do fail, and takes the view that, rather than seeking to remove the state or reduce its role significantly, governance and institutions are all important in shaping development. The role of the state is redefined to what has been termed the “good governance state” (Meagher, 2010, cited in Tropp and Dewan, 2013) in which the state partners with the private sector in development initiatives. The shift in conceptualisation of the role of the state from the period of the Washington Consensus in the nineteen eighties and nineties to the present provides an end note to this thesis:

“While the initial structural reforms propagated rolling back of the state to the most basic functions of law and order, the contemporary view of the Post Washington Consensus stresses the importance of the state both as a nurturer and a regulator of the private sector and markets “(Tropp and Dewan, 2013, p 328).
This section outlines each of the publications for the submission and indicates how it meets the basic requirements of RMIT thesis policy for a PhD by publication.

For each publication I have indicated why it was written, the sources of information and data and how it contributed to the advancement of knowledge. Each summary indicates how the primary data in the publication was generated. A methodological note at the end of the whole section runs through the main methodologies used in the researching in the publications.

All the pieces of work were written to inform or advise on policy debates or policy outcomes. So for each of the pieces I provide a summary of the policy context and indicate why their production and publication made an original contribution to the directions of policy in the particular context in which they were prepared.

To locate each publication thematically I present them in relation to the sections in which they appear in the integrating essay, Section A. Cross reference is made to where the publications can be found in Volume 2, Section C of this PhD by publication.
Public Sector Management and State Restructuring in the UK (section 3 of the integrating essay)

Four pieces of my work contributed to policy debate in the UK on the impacts of compulsory competitive tendering in local government. All were written and published in the early 1990s.


Reprinted for this thesis submission as *Volume 2, Section C pages C 59-103*.

This policy analysis was one of several papers commissioned by the London based Commonwealth Secretariat to examine New Public Management (NPM) reforms in the UK Public Sector with the objective of making information more widely available to governments in the Commonwealth. Other commissioned papers covered central government and the National Health Service. The commissioning editor moved to the World Bank shortly after the paper was completed and was subsequently instrumental in developing the World Bank’s approach to public sector management including involvement of Chris Pollitt in leading and contributing to an on line debate on the key facets of public sector management reform between 2010-2012 (Manning, 2000). The paper was drafted while I was working as an a senior adviser on compulsory competitive tendering (CCT) issues for the Local Government Management Board (LGMB), which was at that time an official body funded by the main local government associations in England and Wales to advise and build capacity in local government. The report drew on my experience in heading a national organisation of nearly 200 local government bodies and national public sector unions across the UK (then called the Association of Direct Labour Organisations, ADLO, subsequently renamed the Association of Public Service Excellence) which was established to provide strategic and professional advice and support to local government and unions on the implementation of CCT. The paper was made available and reproduced in Australia by the Public Sector Research Centre because the

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38 The Commonwealth Secretariat provides various forms of institutional support and advice to the 54 member countries of the Commonwealth.

39 The blog for this discussion, initiated by Pollitt’s summary of the major public sector management changes in the period of NPM, is found at [http://blogs.worldbank.org/governance/30-years-of-public-management-reforms-has-there-been-a-pattern](http://blogs.worldbank.org/governance/30-years-of-public-management-reforms-has-there-been-a-pattern)
state Government in Victoria had become the only significant government outside the UK, to place a legislative obligation on local government to offer services for competitive tender, albeit on a slightly different basis to that which operated in the UK.

The paper/report analyses the legislative mechanisms employed to mandate competitive tendering for UK local government (compulsory competitive tendering or CCT), the organisational structures introduced within local government to both implement the legislative requirements and to compete successfully with other potential providers of services (a significant contributor to the restructuring of the local state) and the impacts of these changes. The paper/report was a synthesis of the best available secondary data and sources but also drew from two primary, national data sources on the outcomes of competitive tendering to which I had access (one funded by and operated for the main public sector trade unions in the UK, the other funded and operated by LGMB).

The paper/report was therefore published with the intention of informing and having an impact in policy debates on two terrains. First, in the commission from the Commonwealth Secretariat it was made available to all governments in the Commonwealth as part of a provision of information about government reform and restructuring. Second, the reproduction subsequently in Australia, the version provided here, was in response to the introduction of a version of CCT by the Victorian Government


Reprinted for this thesis submission as Volume 2, Section C pages C3-29.

This paper explores one specific mode of local government restructuring which accompanied or resulted from CCT in a limited number of councils in the UK. I was asked to conduct this research by the researchers managing the CCT database which had been established by the main public sector unions (at that time operating as the Local Government Privatisation Research Unit) because of mounting interest in management buy outs (MBOs) at a time when there was limited, often only anecdotal, evidence about how and why they were being established.
The paper analysed how MBOs fit with the other patterns of change associated with CCT. It examined why certain local authorities restructured their service organizations into MBOs and reviews the short and long term implications of setting up MBOs (including their impacts on employment). Finally it assessed the prospects that further MBOs would be established.

The paper is based on primary research using three sources: first, the database of information compiled about CCT and its impact on local government maintained by the Local Government Privatisation Research Unit; second the other major data base on the implementation of CCT, operated by Local Government Management Board; third, documents relating to individual councils to which I had privileged access from my previous role as Director of the Association of Direct Labour Organisations which undertook research and prepared strategic advice and support for local government in managing within the CCT context.

The paper was the first systematic evaluation of the extent and likely impact of management buy outs in local government.


Reprinted for this thesis submission as Volume 2, Section C pages C30-58

This book chapter was written as a contribution to several linked public policy debates in the UK in the early 1990s. It sets out a framework for assessing the quality of services provided by local government in the UK in the context of CCT requirements and anticipates the implications of two significant changes in the application of CCT and in the legal architecture accompanying it. The first change was the extension of CCT obligations from local government “manual” services to professional and community services. The second was the imminent application of international legal obligations (in this instance from the European Union) alongside, or as an “overlay” on domestic CCT requirements (which I analysed in more detail in the following paper in this section). The other important contexts were the political and academic debate in the UK about the future role of local government delivering services. The impact of competition and tendering on the quality of services emerged as a major policy consideration rebalancing the previous (over) emphasis on relative cost as a measure of efficiency and economy.
The chapter sets out a framework for assessing the quality of services provided by local government in the UK in the context of CCT requirements and an ongoing debate about the future of local government in the UK. It provides empirical material on how councils were introducing quality assurance into their procedures for CCT using primary research material from the national data base operated by the LGMB.

The research and the framework in the chapter make an original contribution to the conceptualisation of how competitive tendering can both contribute to and inhibit the achievement of quality in the delivery of services. Through my advisory role with LGMB, the analysis in preparing the chapter contributed to the development of national local government policy in response to the application of CCT to professional services and in advising local government on the implementation of international procurement and tendering procedures (resulting in an edited manual on EC Directives, Paddon, 1993 b).

Paddon, M., 1993, EC Public Procurement Directives and the Competition from European Contractors for Local Authority Contracts in the UK in T Clarke and T Pitellis (eds) The Political Economy of Privatisation Routledge, London pp. 159-184

Reprinted for this thesis submission as Volume 2, Section C pages 104-129

In anticipation of the range of international regulations which would apply once the UK was integrated into the Single European Market in 1993, local government and public sector unions were attempting to assess and understand the implications of the application of various European Directives. This book chapter originated as a paper to an international conference on privatisation held in the UK. It summarised work I had been undertaking with a small group of researchers, trade unions and local government specialists to understand the implications of the extension to the Public Procurement Directives. In developing this understanding I had run specialist workshops on the Directives for practitioners whilst at Leeds Business School. In the period after the conference, while working as a specialist adviser to LGMB, I participated in a group coordinated by the peak body of metropolitan councils in England, the Association of Metropolitan Authorities (AMA). Working from draft contributions from members of that working group I wrote sections of and edited a guide to provide practical guidance to local government on how to implement the Directives, giving particular attention to how councils could meet their new obligations in relation to the European regulation, whilst meeting their
obligations under UK legislation. The guide, *Going Public in Europe*, was published jointly by the AMA and LGMB (Paddon, 1993 b). It is not included as a publication in the portfolio being submitted as part of this Doctorate as I was the editor rather than sole author and it was written as a practical guide rather than an analysis or research assessment.

The chapter examines the issues arising from the, then, imminent introduction into the UK of European wide regulation of procurement and tendering procedures. It also reviews the access to local government contracts by transnational corporations (TNCs) which had been opened out up the UK domestic CCT legislation and assesses the likely consequences of the introduction of the European procurement directives on the marketing and acquisition strategies of TNCs.

The chapter draws from extensive secondary material and primary data obtained from the national data base on contracts awarded by local authorities held by the LGMB.

At the time the research was undertaken, there was increasing research and policy interest in the nature of the international markets in which competition for public sector contracts and privatisation were taking place. The paper makes a contribution to knowledge by projecting what was known already about TNCs competing for local government contracts, and their merger and acquisition strategies to an assessment of the potential impacts of the European directives on market competition and concentration.

**Privatisation and Restructuring of the State in Australia** (section 4 of the integrating essay)

Four documents provide the basis for this section of the integrating essay. Two are focussed on contracting and competitive tendering in Australia. One of these is a comprehensive summary of the major policy issues and relevant data originally prepared as a submission to a formal Inquiry and hence intended to have a direct impact on policy discussion. The other was commissioned by the state government in New South Wales to contribute both to the development of its application of National Competition Policy to local government, and more generally to its policies on contracting and tendering by councils. The other two documents are chapters from what was, at that time, the first and most comprehensive review of the
impacts of the various forms of privatisation on industrial relations and labour undertaken in Australia. The book was intended to inform both policy and academic debate and identify future questions for research and policy.


Reprinted for this thesis submission as Volume 2, Section C pages 130-174

The Productivity Commission Inquiry into Competitive Tendering and Contracting out by Public Sector Agencies provided an opportunity to contribute to the policy debate on how competitive tendering was being conducted in Australia and the impacts of contracting out. I authored a submission to the Inquiry from the Public Sector Research Sector (with assistance from Roisin Thanki) which was subsequently published in a series of collected papers containing research on and analysis of contracting out. Authorship of this paper is attributed to Roisin Thanki and me. Roisin Thanki was a research assistant who contributed to the assessment of the methodological bases of the studies of financial benefits from competitive tendering and contracting included in the paper and edited the collected papers in the book in which the submission was published. The final submission from the PSRC to the Inquiry, reproduced here as part of the portfolio of published material, was authored by me. I supplemented this with a verbal presentation to the Inquiry and participation in a workshop of invited research specialists on its draft conclusions.

The paper engages with the issues specified for the Inquiry in its terms of reference and a paper prepared by the Commission to set the parameters for submissions and responses. As a result, the paper gives attention to the impacts of competitive tendering and contracting on the cost of services and then links this discussion to the wider policy aspects of the terms of reference. Thus, while it can be characterised as an attempt to set the broad agenda for policy focussed research into competitive tendering and contracting in Australia, similar to the earlier paper for the Commonwealth Secretariat on UK experience, its starting point is narrower than the UK paper which had an explicit objective of characterising government reform and organisational change.
In the contribution to the Industry Commission Inquiry, the main objectives were, first was to bring greater conceptual and empirical precision to the policy discussion. Linked to this, the second was to provide a methodological critique of the research which provided the basis for projections about the increased efficiencies and hence the cost savings from competitive tendering and contracting-out. The third was to bring into the public arena primary research data and information, notably in relation to the Commercial Support Programme (CSP) being implemented by the federal Department of Defence in Australia. In 1994, I co-led an independent review of the CSP which was one of the most extensive exercises in competitive tendering and contracting-out of services conducted by the Australian federal government in the 1990s. The commissioning of the independent review was the outcome of an industrial dispute between the federal Department and unions. The reports of the review were in the public domain, via the unions involved in the dispute which were also represented on the joint steering committee for the review. The contents of the review were also quoted extensively in a submission to the Inquiry from the ACTU which was also included in the collection of critical papers published by the PSRC (Paddon and Thanki, 1995). The review of CSP was conducted through an extensive documentary analysis of the full range of documentation prepared by the Department to guide its processes of implementation, and detailed case studies of the processes actually followed in five different locations, for different services. The case studies were conducted through analysis of documents, semi structured interviews with key personnel and focus group discussions. A fourth objective was to identify the potential sources of any savings in cost which do arise from contracting out and competitive tendering specifically service quality, conditions of employment and equity. Finally the paper, engaged with some of the wider macro-economic and industrial implications and impacts of competitive tendering and contracting-out.

In the period preceding the writing of this summary paper, I had been directly involved in advising the Australian Services Unions (ASU) on its strategy in relation to CCT in Victoria drawing on the experiences of unions and local governments in the UK. The first stage was for the ASU to prepare a “log of claims” which was essentially an agreement on the process to be used in managing CCT, largely based on the approaches developed in the UK and which I had documented in material both for UK and Australian unions. I had worked with colleagues in the UK to draft guidance documents for the main UK public sector unions on the processes to be followed in competitive tendering situations. The log of claims was made on every council
in Victoria simultaneously by the ASU. The union then pursued it in negotiation council by
council. A number of Labor controlled councils agreed to the log of claims. The union then ran
the case in the Australian Industrial Relations Commission (AIRC). I was then an Expert
Witness to the AIRC on the employment impacts of CCT into the commission. Based on
documents I had prepared for the UK and the work I had undertaken with the ASU, I also
wrote outline process documents for the Australian context for use by the Australian Metal
Workers Union and for the state branches of the Community, and Public Sector Union
(Paddon, 1996).

The research and the report provide a critical summary of the Australian and international
research relevant to the issues under review by a formal national Inquiry in Australia. The
paper contains an important methodological critique of much of the research that had been
quoted and used without qualification in both public debate and formal financial estimates by
state treasuries. It was the first opportunity to introduce into public debate the findings of
detailed, primary research I had conducted into the federal Government’s Commercial Support
Programme (CSP) in the Department of Defence.

Paddon, M., and Thorowgood, R. 1996, Competitive Tendering and Contracting Out by
Local Government in New South Wales Sydney: Department of Local Government.

Reprinted for this thesis submission as Volume 2, Section C pages 175-221

This paper contains the main sections of a report commissioned by the Minister for Local
Government in NSW. The version of the report I am submitting is the one released by the
Department of Local Government. It comprises four sections of the research report I submitted to
the Department, covering the policy context for the research, and the main conclusions in respect
of the empirical questions. It does not include two additional sections which were part of the
original research report: section 5 was a more detailed presentation of the survey of councils
conducted and section 6 contains a description and summary of the 9 case study councils. I led,
conceptualised and designed the research for the project (including the survey instrument, and
the conduct of the case studies) and was sole author of the final report. Richard Thorowgood,
also named as an author, was a research assistant at the Public Sector Research Centre who
analysed the survey of councils which is one of the main sources of primary data used for the
report. Two other researchers conducted case studies of councils for the project.
As summarised in the introduction to the report, consideration had been given to introducing a compulsion on local government to tender for “significant public works or services”, in preparation of the NSW 1993 Local Government Act⁴⁰, but had this had been removed from the final legislation. In 1994, Victoria became the first, and only, state in Australia to introduce a version of CCT for local councils based on a variation of the UK model. The Industry Commission Inquiry into Competitive Tendering and Contracting Out by Public Sector Agencies (discussed earlier) had set the tone for policy discussion in its conclusions:

“[Competitive tendering and contracting] can lead to significant improvements in accountability, quality, and cost-effectiveness, providing benefits to clients, taxpayers, and the broader community” (Industry Commission, 1996, p. 1).

Under the Competition Principles Agreement, a component of National Competition Policy, each state was committed to preparing a policy on how NCP would be applied to local government. This research was commissioned by the Labor state government’s Minister of Local Government at the time when the NSW government was developing its policy position.

The research reviewed the secondary literature on competitive tendering in Australia and internationally, and used primary data from a survey of Councils in NSW (to which 56 responded) supported by detailed case study reviews of 9 councils. The research was the first comprehensive assessment of competitive tendering and contracting by local government in NSW (and at that time by local government in any Australian jurisdiction).

The report was made available to all councils in the NSW in a Department of Local Government Circular 96/42 (1996). As the Circular indicates, the report was then used to assist the NSW state Government in formulating its approach to applying National Competition Policy to local government. It was the basis for guidelines on competitive tendering which the Department of Local Government issued to all councils.

⁴⁰ This legislation introduced the most significant reforms in local government in NSW since the turn of the 20th century and still provides the basic architecture for local government governance, management and planning twenty years later.

Reprinted for this thesis submission as Volume 2, Section C pages 480-504


Reprinted for this thesis submission as Volume 2, Section C pages 505-530

These are, respectively, the opening and closing chapters of an edited book which was the most comprehensive review of privatisations in Australia across national, state and local tiers of government covering a range of industries and services. The first of the chapters is attributed to three authors. The second was co-authored, with Peter Fairbrother, on an equal basis. The analysis of the substantive references and analysis in relation to Australia, and particularly NCP, was my prime responsibility and contribution. I devised the typology of modalities of privatisation based on other research I was carrying out at that time.

The book was produced to fill a significant gap in the public policy debate about privatisation.

“As Australia restructures its economy, the state, and by extension the provision of public services, is changing dramatically. These have been extensively debated, both in Australia and elsewhere. In this respect the subject of this book is at and is likely to remain at the forefront of public debate and concern. In these debates, thus far there has been a stunning neglect of the impact of state restructuring on labour, on those who work within the current state structures and the former ones” (Fairbrother, Paddon and Teicher, 2002, p. 23).

The first chapter provides the analytical overview to the seven detailed cases studies which had been conducted as part of an integrated Australia Research Council funded research programme. It applies the broad typology of modalities of privatisation used in my report for the ILO on the Asia Pacific Region (discussed further below). Further, it examines the extent of privatisation across Australia, the significant of National Competition Policy in providing a legal
framework for government reform (including aspects of privatisation), and identifies changes in industrial relations law.

The edited book contains seven case studies which were the product of original research. Three were at the commonwealth level. Two of these were former publicly owned bodies, one of which was wholly sold (Qantas), and the other partially sold-off (Telstra). The third was of the competitive tendering for the former Commonwealth Employment Service (also one of the major case studies in the research conducted on the impacts of changes to women, for the federal Human Rights and Equal Opportunities Commission discussed below). Two linked case studies explored the importance of the question of ownership by contrasting the corporatized but state owned electricity generation industry in NSW, with the fully privatized generating plants in Victoria. A third state level case study reviewed the move by the Gas and Fuel Corporation of Victoria from a state-owned Government Business Enterprise to a series of fragmented privatised entities. The final case study, focussed on compulsory competitive tendering by local government in Victoria.

The closing chapter provides an analytical review of the case studies which illustrate how corporatisation and privatisation were major components of a comprehensive and definitive restructuring of the Australian state (Fairbrother, Paddon and Teicher, 2002). Importantly, while change in ownership (from public to private) was a key determinant in the restructuring, it was not the sole driver since it was invariably accompanied or preceded by other modalities of privatisation. The chapter contains an analysis of the responses by organised labour to the different privatisations and the ways in which industrial relations were being reshaped in the organisations which had been privatised. It finished with projections about the likely directions and dimensions of future privatisations which are taken up in the final paper in this submission.

The impacts of the re-composition of public service provision on women workers in local government (section 5 of the integrating essay)

Three publications address issues relating to the gender composition of the workforce providing public services in Australia, and the impacts of state restructuring through competition and competitive tendering. One is a general assessment of women’s employment
in local government prepared for and with financial support from the peak body of local
government management, Local Government Managers Australia (LGMA). The other is a
detailed investigation for the federal Human Rights and Equal Opportunities Commission,
HREOC, of the impacts of funding changes and competitive tendering on women as employees
and as users of services. A third publication is an investigation of the current and potential use
of home based work in local government, one of many policy initiatives aimed, inter-alia, at
making changes to the employment possibilities for women: this was funded by the federal
Government, commissioned by LGMA and was the basis for a policy guidance document
prepared by LGMA for local government in Australia.

Ranald, P., and Paddon, M., 1999, The Impact of Changes in Government Policy and
Forms of Service Delivery on the Employment of and Services to Women Canberra,
HREOC.

Reprinted for this thesis submission as Volume 2, Section C pages 284-400

This research was intended to provide an analysis for Australia similar to comprehensive
research undertaken in the UK (Escott and Whitfield, 1995). As part of my advisory role with
the UK’s Local Government Management Board, I had facilitated discussion at the UK Equal
Opportunities Commission (EOC), the national agency with responsibility for carriage and
oversight of the UK’s Equal Opportunities Legislation, on impacts of competition, and
competitive tendering on women in the workforce. I advised and assisted the EOC in
developing terms reference for and selecting the researchers to undertake this research.
There was no comparable material for Australia available in the early nineteen nineties so I
had referenced the UK research extensively in publications and used it in Expert Witness
statements to the AIRC.

In 1996 I proposed to HREOC that it fund a study to replicate the research conducted for the
UK EOC. As a federal body, HREOC had limited jurisdiction and role in relation to services
delivered by local government. However, for certain community services, including childcare,
the federal Government had an indirect role both as a regulator but also as a funder of
services. At that time there were significant changes taking place to the funding model for
community services with moves to more contractually based approach\textsuperscript{41}.

The research project covered by this publication was then commissioned by the federal Sex Discrimination Commissioner with the specific objectives of assessing the impacts of significant changes in policy, levels of expenditure, forms of funding, and forms of service delivery on:

- Access to and quality of these services for women.
- Employment conditions, training and morale of women employees.
- Labour market changes including greater casualization of women's employment or the extension of part time employment.

The primary research was conducted through two detailed case studies of services which were funded by the Australian federal government but in which fundamental changes in funding and in service delivery (through contracting out of services) were taking place: the Commonwealth Employment Service (CES), and the provision of federally funded community childcare services by local government in the state of Victoria. Both were services with high levels of female employment, where changing forms of service delivery might increase casualisation of employment and where access to services is of particular significance to women.

I led the research project overall and personally researched and wrote the study of childcare services in Victoria covered in pages 127-185 of the original report, included in the portfolio of research material being submitted as pages C310-369. In order to locate this within the overall intentions of the project I have included in the work submitted the introduction and overview of the research which I co-authored with Dr Ranald (pages 1-25 in the original report and pages C 285-309 in the research portfolio submission). In the portfolio of documents I have also included details of the case study councils used in the childcare research (pages 186-217 in the report, C 360-400 in the portfolio submission) with which I received assistance as noted in the acknowledgements in the report. Dr Patricia Ranald is acknowledged as co-author in the final report since she undertook and wrote the other case study, on Commonwealth Employment Services, and we prepared jointly the introduction and overview to the final report.

\textsuperscript{41} Concerns in the community services sector about the implications of this move to more contractual funding models were instrumental in generating an official Inquiry by the House of Representatives Standing Committee on Family and Community Services, between 1997-8, into the desirability and feasibility of increased contracting out of welfare service delivery by all service providers. (House of Representatives Standing Committee on Family and Community Services, 1998)
The analysis of local government childcare in Victoria was based on a review of secondary material and original research conducted for the project. There were three parts to the primary research. First, there was detailed research into four case study councils, using documentary analysis, and interviews with key informants, supplemented, in two of the cases, by focus group discussions with childcare workers. Second, all the local area work agreements (LAWAs) which had been completed for childcare workers and registered with the Industrial Relations Commission (13 in total) were reviewed to assess the impact of changes in funding and CCT on employment conditions. Third, a survey of coordinators of 50 local government sponsored long day care centres conducted in March 1998 (results of which were reported in a separate report on childcare, Vromen and Paddon, 1998) provided data on the impacts on access to and the quality of services.

The research constituted the first national assessment of the impacts of service funding and delivery changes on women as employees and users of services in Australia. However, the change in federal government in the 1996 election (after the research had been commissioned) and the policies then pursued meant that the research was not widely used or disseminated by the Government.

The research for HREOC identified two potential areas for further research. The first was that there was an overall paucity of research into the employment of women in local government in Australia. *Paths for Women in Local Government: National Figures and Local Successes* provided an opportunity to document and contribute to knowledge about the position of women in local government. The second was the importance of giving consideration to the impacts of initiatives to refashion the position of women in the local government labour market rather than to focus only on the existing situation of women in the workforce. Home based working arrangements were innovative forms of work practice, aimed, in particular, at providing more flexible working arrangements for female employees: home based work seemed to be growing rapidly nationally and internationally at the start of the current century. The report *Home Based Work in Australian Local Government* was written to provide an evidence base on what was taking place in local government across the country but also to provide an impetus for more extensive availability of home based working arrangements.
This research was undertaken between 2003 and 2004 funded by the national office of Local Government Managers Australia (LGMA) under its research grants program introduced in 2003. It was prompted by the indication from the research undertaken for HREOC that there had been very little research into the employment of women in local government in Australia. It was conducted within the context of a national initiative, the National Framework for Women in Local Government, which had been developed in 2001 in order to increase the representation of women both as elected representatives and in employment in local government.

The research in the report:

- Provides a comprehensive, contemporary review of women’s employment in local government in Australia.
- Documents the career and developmental profiles of women who had succeeded in attaining senior managerial positions in local government in NSW.
- Assessed the impact of innovative practices for the recruitment and development of women employees in councils.

The report drew on the limited, secondary research available on the employment of women in Australian local government, with primary data analysis commissioned specifically for this research from the Australian Bureau of Statistics from the national census. At that time there were a total of 5 female General Managers of the 177 General Managers of local councils in NSW. Semi structured interviews were undertaken with each of them as another source of primary data.

The report provided the first comprehensive overview of the issues relating to women’s employment in Australian local government. I reported the outcomes of the research to the Australian Local Government Women’s Association, one of the founding organisations of the National Framework. The other supporting organisations were the federal Government (through the National Office of Local Government and the Office of the Status of Women), the
Australian Local Government Association and LGMA. The data in my report was used in a publication, *The Way Forward* which was the outcome of a review of The National Framework in 2006-7.

Paddon, M., 2003 *Home Based Work in Australian Local Government*, Local Government Managers Australia / Department of Transport and Regional Services, Canberra

Reprinted for this thesis submission as *Volume 2, Section C pages 569-637*

This was the first piece of research conducted in Australian local government on home based working arrangements as an innovative form of work practice, aimed, in particular, at providing more flexible working arrangements for female employees (though in most cases not made available exclusively to women). It was commissioned by LGMA with funding from the federal Department of Transport and Regional Services (DOTARS).

The report analyses the extent of home based working arrangements in Australian local government and what is required for making these arrangements effective. It also identified strategies for getting home based working used more extensively.

I used five sources of primary data for the research:

- A survey of 25 councils from across Australia.
- Case studies of 5 councils which were already implementing home based work.
- A review of all federally certified Enterprise Agreements for councils which make provision for home based work.
- An assessment of specific council policies and procedures on home based work made available by surveyed and case study councils.
- Consultation with ten organisations representing employees or professions in local government.

The publication was the only source of information and analysis of home based work in local government. It was made publicly available by LGMA and DOTARS on their web sites and provided the basis for practical guidelines on home based working developed by LGMA for use by local government across Australia.
Privatisation and Restructuring of the State in Asia and the Pacific (section 6 of the integrating essay)

Two publications, are the basis for this section of the integrating essay. Both were reports commissioned by the ILO as research material to inform global, tripartite discussions between governments, employers and unions.


Reprinted for this thesis submission as Volume 2, Section C pages 222-283

This report was commissioned as one of five (covering all the continents and regions of the world) under the ILO’s Action Programme on Privatization, Restructuring and Economic Democracy the objective of which was:

“To improve the capacity of ILO constituents, both to adopt a participatory approach to privatization and restructuring, and to better grasp and address the social and labour consequences of those processes. Its publications are primarily for use by governments, workers’ and employers' organizations, development assistance agencies, but also consultants, scholars, and others involved in or studying them.” (Introduction to de Luca, L, 1998)

This report surveys the restructuring and privatization of utilities in the Asia Pacific region, and analyses the impact on employment, working conditions and industrial relations. It covers water, waste and sewerage, electricity and gas, and was based on detailed, country reviews. The review of the water, waste and sewerage industries focuses on eight countries: three industrial (Australia, Japan and New Zealand); two developing economies in the Indian subcontinent (Bangladesh and India); two rapidly developing economies; in South-East Asia (Malaysia and Thailand); and the developing economy of the Philippines. The review of electricity and gas covers these eight countries plus Pakistan in South Asia and the Republic of Korea in East Asia. The selection of countries was intended to provide adequate coverage of
the diversity of economies within the region, but was also determined by the availability of adequate and reliable sources of information.

Secondary material was used extensively for the report (as indicated in the very detailed references) but it also drew on primary data collected over several years through research undertaken for the peak body of public sector unions, Public Services International, PSI. From the early 1990s, I had been working directly in the Asia-Pacific region with PSI undertaking an annual, research review of privatisation in a specific sector, supported by an annual survey of all PSI affiliates across the region. Using the research documentation, I then facilitated an intensive workshop discussion each year with the leaders of affiliated unions to develop their strategy for responding to the challenges posed to them by privatisations. Sequentially, over several years, these reviews and strategy discussions covered water, electricity, gas, health and local government. This research for PSI, and specifically the information gathered through the surveys, provided both primary data and the identification of relevant case studies, for this ILO report.

This report provides:

- A typology of the forms or “modalities” of privatisation (subsequently used in Fairbrother, Paddon and Teicher, 2002a, amongst other publications).
- A general and comprehensive overview of the types and extent of privatisations of utilities in developed and developing countries across the Asia Pacific Region, covering Australia, Bangladesh, India, Japan, Korea, Malaysia, New Zealand, Pakistan, the Philippines and Thailand.
- An assessment of the “direct labour consequences” of restructuring and privatisation including both an identification of the key “mediating” factors and an indication of actual impacts on total employment, working conditions and industrial relations.
- An initial analysis of the impacts on employment of women.
- An analysis of the involvement of Transnational Corporations (TNCs) in privatisation.
- An assessment of the “indirect labour consequences” of restructuring and privatisation.
- An assessment of the impacts of privatisation on the provision of services by utilities including the “quality” of those services.
- An assessment of the budgetary repercussions of restructuring and privatisation.
- Case studies of 8 privatisations across the region.
I was the sole author of the interpretative and analytical overview in pages 57-74 of the version of the report published by ILO in de Luca (ed) and the conclusions and recommendations in pages 97-99. I personally prepared 3 of the 8 detailed case studies in pages 75-95 (the Philippines, Korea and New Zealand). The chapter acknowledges a contribution from 4 people who authored other case studies and to 2 people who assisted with the list of abbreviations and glossary, the layout of tables and compiling the extensive bibliography.

The reports for ILO, including this one on the Asia Pacific region, were products of and contributions to an important international public policy debate. The report was one input to a weeklong global meeting of governments, unions and employers (the “social partners”) focussed on producing an agreed statement of conclusions which also became a public document. I participated in the meeting as an author of one report and also in the detailed discussions of the agreed statement. The five regional reports were published by the ILO in the form presented here.

A paper summarising this research, with an updated assessment of planned privatisations in the region, was published subsequently in Public Sector Industrial Relations: Australian and International Perspectives Julian Teicher (ed) Monash University, Melbourne 1999, pps. 387-422 (not included in this submission).

Paddon, M., 2001 Social and labour consequences of the decentralization and privatization of municipal services: The cases of Australia and New Zealand (with particular reference to utility services), ILO, Geneva.42

Reprinted for this thesis submission as Volume 2, Section C pages 432-479

This was one of a series of reports prepared for the ILO to inform a global tripartite meeting of governments, employers and trade unions on decentralisation and privatisation in relation to municipal services three years after ILO’s comprehensive review of privatisation of utilities. In considering the impacts of public service reform on employment, the ILO took the view that “In the context of public service reforms, decentralisation is regarded as an important means

42 In the summary of the report in this section, I have changed the spellings of privatisation and decentralisation from those used in the publication to the Australian English spelling used in the thesis.
to achieve improved efficiency and quality of services”(Cleopatra Doumbia-Henry, ILO, foreword to Paddon, 2001b, p iii). A major challenge with decentralisation, which constitutes a transfer of responsibilities from higher (usually national) levels of government to regional or local levels of government, is how to maintain the financing of services. This can produce a driver for “municipalities and local government [to] opt for a variety of approaches to privatizing services provided in the public interest” (Cleopatra Doumbia-Henry, ILO, foreword to Paddon, 2001b, p iii).

The contents of the report are:

- An outline of the nature of local government and service delivery in the two countries.
- A conceptual outline of how issues of decentralisation and privatisation may be discussed and the major relevant changes taking place in each country.
- An account of the privatisation which has taken place in local government, in water services and in electricity services in each country.
- Five detailed case studies of the effects of various forms of privatisation, four taken from Australia and one from New Zealand.

In practice, Australia had seen little widespread or systematic decentralisation or devolution of service delivery, however this is defined. Indeed, at that time, state governments had been reducing the role of local governments as part of a wider restructuring. This had been the case, for example, with the roles of local councils in electricity distribution in New South Wales and Victoria. For Australia, the report therefore focussed on the distinction between services provided for and to municipal areas, many of which have been delivered by state government organizations, in utilities such as water and electricity; and services provided by municipalities and local government institutions which in some states or areas of states had previously included utilities but which for the most part were mainly focussed on community infrastructure. The report revisited many of the arguments and used extensively case study material from Fairbrother, Paddon and Teicher (eds) 2002a, so does not constitute new research material. However, the detailed research material on New Zealand, though based predominantly on secondary material, comprises a comparative case study for reviewing the impacts of NPM in Australia.
The report was commissioned to inform a global tripartite meeting of governments, employers and trade unions on decentralisation, and privatisation in relation to municipal services.

**Globalisation and the Increasing Role of TNCs** (section 7 of the integrating essay)

This section of the integrating paper draws material from three of my publications. The book chapter *EC Public Procurement Directives and the Competition from European Contractors for Local Authority Contracts in the UK* (summarised above) documented both the growing interest by European based contractors in acquiring UK contracts under CCT, the new company structures emerging after the privatisations of utilities, particularly in water, and the strategies being used by European based TNCs to acquire access to markets.

Monitoring the operations of TNCs in privatisation was emerging as a significant focus for national and international union movements in assessing how they could respond to privatisation. It was a major component of the annual reviews of privatisation I conducted for Public Services International in the 1990s and hence is also covered prominently in the publication *Restructuring and Privatisation of Utilities in the Asia Pacific Region* (also summarised above).

The third publication, the book chapter *Making Australia Home: Transnational Corporations in the globalisation of Australia*, analyses the growing role of TNCs in providing public services and operating utilities.


Reprinted for this thesis submission as *Volume 2, Section C pages 401-431*

The book edited by Chris Shiel, *Globalisation: Australian Prospects*, was conceived of as an initiative to provoke public and policy debate: as stated in the Preface it was to:

“To provide reliable reference material on globalisation and Australia and to stimulate public debate on key issues concerning this relationship “ (Shiel, 2001, p. viii).
Undertaking the research for the chapter provided an opportunity to consolidate available empirical material on the role of TNCs in Australia’s various privatisations but also to look more broadly at the growth and significance of TNCs with globalisation. The chapter analyses the growing role of TNCs in providing public services and operating utilities (drawing on the empirical details collected for and covered in the appendices to Fairbrother, Paddon, and Teicher, 2002a). It examines the development of international codes of conduct as one means of influencing the impacts of these global changes on industrial relations and reviews the strategies being developed by organised labour internationally, through secretariats including PSI.

**The limits to competition and the role of the private sector in public service: urban water services in Australia** (section 8 of the integrating essay)


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This book chapter was written to provide a review of the governance arrangements for urban water across Australia and the involvement of the private sector in these arrangements. The chapter was researched, written and published during my period of candidature for the PhD by publication.

The book is the culmination of an international research programme conducted by the Institute of Water Policy, Lee Kuan Yew School of Public Policy, and National University of Singapore. This was designed to provide international evidence and policy advice on the “architectures” of water governance and the current and potential engagement of the private sector, particularly through Public-Private Partnerships. The book contains individual country studies covering Europe and Asia as well as several overview and summary papers.
I accepted the invitation to prepare this material for international discussions and the book chapter because it gave me the opportunity to reviews changes which had taken place in water governance in the past decade and to update and reflect on projections in Fairbrother, and Paddon, 2002 about the likely extensions of finance privatisation.

The chapter thus revisits some of the conclusions and projections from this previous work in Australia. It is a review of the respective roles of the public and private sectors in the provision of water services in urban Australia.

It draws on the most recent secondary material, including an extensive review of arrangements for urban water undertaken by Productivity Commission. It also includes primary research on the role of the private sector at specific points in the value chain for urban water, the extent of public private partnerships and the portfolio of involvement of major TNCs.

The Institute for Water Policy is a significant research and policy organisation globally. The publication of the book, and the international seminars conducted during and as part of its preparation, were intended to contribute to contemporary understanding of the actual experiences of privatisation of water services in different locations, and the implications for options for water governance.

A Note on Methodologies

As indicated in the summaries of the publications above, I have used a range and variety of methodologies in conducting primary research. In general, I have adopted a research approach of triangulation, seeking and generating as many sources of relevant data and information as possible in order to give a robustness and credibility to the conclusions in policy debates (Rothbauer, 2008). The research was both qualitative and quantitative though it did not involve the generation and analysis of large data sets. In practice, the methods and approaches used have also been determined by pragmatic considerations, particularly where the research had a focus outside the primary sites in which I was working (in the UK and Australia). In this section I outline the specific methodologies I have employed for primary research.
National data bases: much of the research in the UK used data collected in two national data developed to monitor CCT in local government. One was operated and maintained by the Local Government Management Board on behalf of the three major organisations of local government in England and Wales. It drew its data from returns by councils themselves and was built up cumulatively to monitor the awards of contracts and the organisational changes which took place in local government in order to manage the requirements of CCT. Its contents were not validated independently but, given the nature of the organisations which managed LGMB, was the closest approximation to an “official” monitoring by local government. The other was established and funded by UK public sector unions as the Local Government Privatisation Research Unit. It also maintained a cumulative record of contracts awarded using a range of sources. It collected material, in particular, on employment issues and conditions of employment and on the contractors which were successful in tendering, notably TNCs. It was later developed into a specialist data base for monitoring privatisation more generally including the activities and strategies of TNCs. Both national data bases were also repositories for documentation about various aspects of CCT, including MBOs.

Surveys: surveys with questionnaires designed specifically for the research were used as the basic instrument for data collection to provide quantifiable, descriptive information in the studies of local government contracting and tendering in NSW, and home based work in local government. The surveys were used to generate only basic and descriptive information because of the deficiencies of surveys as a source of more complex information (Busfield and Paddon, 1977, pp 97-110). The survey of NSW local government was of all councils, though only 56 responded despite the fact that the questionnaire was distributed by the state government department with a responsibility for local government. The survey of home based work was a snowball sample built up to ensure coverage of local government in all states and territories. In neither case was the data from the surveys used as a major analytical tool, but in each piece of research it was supplemented (triangulated) with qualitative data from case studies and documentation.

Surveys also provided some of the data included in the report on privatisation of utilities in the Asia Pacific region prepared for the ILO. In this case, structured questionnaires, in English, were distributed to all the public sector unions affiliated to the international peak body of public sector unions, PSI. The response rates were relatively low, but survey responses were validated in face to face meetings with country representatives of the respective unions, and
were used to provide basic descriptive information on sectors, activities and agencies which had experienced the various forms of privatisation and to identify instances for more detailed case studies.

Case Studies: case studies were the primary research instrument in most of the publications contained in the portfolio of research presented here. The case study approached enabled a detailed and systematic analysis of particular instances, with a textured understanding of the contexts (Yin, 2009). In most cases multiple case studies were conducted and/or the case studies were “layered”. As an illustration, while the study of local government childcare is one of only two case studies in the research prepared for the Human Rights and Equal Opportunities Commission, the research included four case study councils. Within each case study, multiple research methods were employed: the council case studies of childcare were based on documentary analysis, semi structured interviews with key informants and focus group discussions.

Document Analysis (Bowen, 2009): The primary research for all the publications involved document analysis, usually of documents relevant to specific case studies, such as the policies and procedures relating to home based working arrangements in local councils. The most systematic document analysis was of formally endorsed and binding workplace agreements: Local Area Work Agreements (LAWAs) were used in the analysis of local government childcare and Enterprise Agreements were reviewed for the study of home based work in local government. These are documents on the public record, providing detailed information, but with a legal status as a statement of working conditions and processes.
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