Europe: how outsourcing waste public resources

(07 August 2013) A new report by the LO trade union confederation in Norway puts together research evidence that concludes that competitive tendering of public services delivers neither lower costs nor better services.

Analysing a range of international research data, the report highlights the costs associated with planning tenders, monitoring and controlling contracts and how these can add up to a significant proportion of the contract value.

The authors also point out that private providers will have take profits from the business, and that they will have higher borrowing costs than public sector. Furthermore, commercial operators often engage in measures to minimize their tax bills and so reduce tax revenues to the government. Several studies also show that the surplus extracted by companies is at the expense of wages, pensions and working conditions.

EPSU affiliate, Fagforbundet, is only too aware of the costs of privatisation with the scandals involving the Adecco agency that was found guilty of various violations of the Working Environment Act in the way that it ran care homes. There was also clear evidence of the company avoiding paying wages in line with collective agreements so exploiting low-paid workers, often migrants, and undermining the collective bargaining system in Norway.

The research also looks at the question of accountability, with the the relationship between the public authorities and the private contractors is governed by a contract which undermines democratic control.

Read more with link to report in Norwegian at Fagforbundet (Norwegian)

- Log in to post comments

- Printer-friendly version

Policies
Outsourcing
Remunicipalisation

Networks

Public Services