

UNIVERSITÀ DEGLI STUDI DI MILANO
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Dipartimento di Studi Sociali e Politici

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Outsourcing in public services.

Impacts on working conditions and employment relations
in a three-country two-sector comparison

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Relatore

Prof. Lorenzo Bordogna

Coordinatore del dottorato

Prof. Lorenzo Bordogna

Candidata
Anna Mori

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Introduction

Over the last three decades, virtually all governments across Western countries have been subject to far-reaching reform process of their public bureaucracy triggered by an increasing public debt, also following a widespread financial crisis, raising awareness of the inefficiency of the old style public administration become ‘overloaded’ (Pollitt and Bouckaert 2011), shifting citizens preferences and demands for higher quality and customized public services. Public sector reforms have been inspired by New Public Management doctrine which encouraged the adoption of private sector values, tools and managerial practices in the public administrations as a means to boost efficiency, effectiveness and value for money in the provision of public services (Hood 1995). Among a wide set of techniques and policies outsourcing of public services has known an overwhelming diffusion (OECD 2011), not only cross-country but interesting also among all the sub-sectors of public administration from central government to the healthcare sectors, to education and local government (Dell’Aringa, Della Rocca and Keller 2001).

Maximizing value for money in the provision of services has traditionally constituted the prevailing reason to outsource gathered from the literature (Domberger *et al.* 1986, Domberger and Hall 1996, Domberger and Jensen 1997, Savas 2000, Blom-Hansen 2003): on the basis of economic appraisal opening service provision to market competition should achieve a cost reduction (Greve 2008), since private providers in a competitive regime are expected to realize economies of scale and to raise effort or productivity with a given input/workforce-combination. Furthermore organisational flexibility might be enhanced by focusing limited resources available on key areas and tasks, core for the business mission, and outsourcing all peripheral skills and services

without undermining the universal provision of public services. Outsourcing might improve flexibility in the management of human resources as well, allowing to directly employ only those workers performing core activities, highly skilled and valuable to keep internal, whilst contracting out the bulk of peripheral workforce, usually low skilled and easily replaceable in the labour market. Flexibility by way of contracting out may lead also to have access to technology and expertise not available in-house to meet one-off needs or needs subjects to fluctuations in quantity over time.

Despite such potential benefits repeatedly promoted by scholars and practitioners - especially in organisational studies and in the field of economics (Prahalad and Hamel 1990, Barney 1991) - the growing diffusion of outsourcing policies has highlighted many drawback as well. Firstly, cost savings may be lower than expected and declining over the long term (Domberger and Rimmer 1994, Roberts 2001). Savings might be only illusory following the emergence of transactions costs, so new costs related to writing and monitoring the contract, above all in small administrations. Thirdly savings may be achieved at the expense of the quality of the output (OECD 2002): according to this hypothesis efficiency and productivity are enhanced by outsourcing services but through a reduction in service quality, notably difficult to measure and monitor above all in the absence of hierarchical control (Quiggin 2002, Jensen and Stonecash 2005). Moreover scholars started questioning not only the magnitude but even more importantly the actual source of this expenditure reduction (Jensen and Stonecash 2005): unquestionably, outsourcing has promoted a model of competition, but that is often largely based on the reduction of labour costs and not on the improvement of quality and innovation. Empirical evidence increasingly emerged, arguing that cost savings may simply correspond either to reduced employment (Quiggin 2002, Alonso *et al.* 2013) or to an erosion of terms and conditions of employment (Flecker and Hermann 2009, Petersen *et al.* 2011) in labour-intensive services where labour costs correspond to the largest item of expenditure.

Despite the growing relevance of the issue, as pinpointed by an extensive literature investigating vertical disintegration and restructuring towards outsourcing in private sector companies and its impacts on working conditions and industrial relations structures (Kalleberg 2003, Marchington *et al.* 2005, Doellgast and Greer 2007) only limited research attention has been devoted so the issue in public sector (Flecker and

Meil 2010). Research attention in the public sector indeed has been mainly addressed to assess the magnitude of savings and service quality aspects following contracting out (Domberger and Rimmer 1994, Domberger and Jensen 1997, Savas 2000), as well to investigate the effect for public employment size (Donahue 2002, Greene 2002, Alonso *et al.* 2007). Moreover in existing literature dealing with repercussion for labour-related issues following marketization of public services attention has been extensively focused on UK where the phenomenon spread much earlier and faster than in the rest of Europe (Haskel and Szymanski 1993, Hebson *et al.* 2003, Cunningham and Nickson 2011, Grimshaw *et al.* 2012). Comparative studies dealing with work configurations following outsourcing are to all effects lacking in the public sector (Mathieson and Pedersini 2009, Hermann and Flecker 2012).

Given these premises, the aim of the present analysis is to address this gap in the literature by investigating how outsourcing in public services impacts on terms and conditions of employment, industrial relations structure and union's role.

The issue is particularly relevant if interpreted in the light of the increasing bulk of detrimental repercussions pinpointed by growing scrutiny in private sector firms, where the phenomenon is overwhelming (Kalleberg 2003, Flecker *et al.* 2005, Marchington *et al.* 2005, Doellgast *et al.* 2009, Perraudin *et al.* 2009). It has been assumed that the external restructuring of the companies, involving the dispersion of activities across organisational boundaries, has led to a degradation of working terms and conditions (Doellgast *et al.* 2009, Flecker and Meil 2010), since it may trigger competition with a cheaper labour-supply, shifting work from highly unionized and better sheltered organisations to more vulnerable companies, subjects to market fluctuations, where trade union power is low or inexistent. Companies indeed try to benefit from differentials in wage levels and working conditions through contracting out of tasks or part of services (Flecker 2009). Moreover vertical disintegration processes present substantial challenges to employment relation structure as well (Doellgast and Greer 2007), weakening the bargaining power of union while the dependency relations between companies along the value chain can be expected to translate into increased disparities and instability in terms of employment and working conditions (Flecker 2009).

Following up this stream of research in industrial relations, the contribution aims to give an account of the implications for employment relations structure and working condition following restructuring towards outsourcing in public bureaucracies. The issue will be explored through a comparative perspective across different countries - Italy, England, Denmark - and between public administration sub-sectors - local government and healthcare sector. Such two-tier comparative analysis indeed enables to identify convergent or, conversely, divergent trajectories that might develop at national level across different countries and in parallel between diverse sectors within national boundaries.

Structure of the thesis

The thesis is structured as follows. The next chapter reviews the main literature concerning outsourcing starting from the definition of the scope of the analysis. Then the main theoretical rationales underlying the make-or-buy choice that organisations cope with are disentangled, ranging from rational choice-based perspectives to the new institutionalist approaches. Finally the chapter introduces the main analytical perspectives which dealt with restructuring processes towards outsourcing and implications for working conditions and employment relations institutions.

Chapter 3 introduces the research questions lying at the heart of the research. After having discussed the case selection it presents the research hypothesis and the methodology.

The following three chapters 4, 5 and 6 are devoted to the presentation of empirical findings: each chapter addresses the issue in one country - respectively Italy, England and Denmark - wherein the focus is internally divided between the two sectors under scrutiny. Empirical chapters first provides a national overview of public administration and public employment structure and functions, complemented by a general framework as regards industrial relations regime, institutions and actors. Then the main legislative and financial drivers of outsourcing are elucidated. Such background introductory section frames the presentation of the empirical findings: each chapters widely elucidates the implications following outsourcing on working conditions on the one hand, and employment relations on the other hand within the two sectors. The chapters are concluded by a brief comparative overview of similarities and differences in

outcome trajectories displayed in local government and healthcare sector within each national context.

Chapter 7 instead discusses the results in comparative perspective, disentangling how labour-related issues and employment relations structures developed along national and sectoral trajectories and then elucidating convergent and divergent patterns. Finally explanations to such configurations are put forward. Lastly a concluding section highlights the contribution of the present research to industrial relations and comparative public administration.

Chapter two

Drivers and impacts of outsourcing

Over the last three decades, outsourcing has entered the political agenda of most European governments driven by economic and strategic considerations, while simultaneously was asserting itself into different academic fields of research as a thorny issue to investigate from a multidisciplinary point of observation. Outsourcing has been variously defined and conceptualized within the several disciplines approaching the issue at stake: undoubtedly it represents a core topic for economists, fully committed in assessing economic drivers and financial spillovers, while scholars engaged in comparative public administration field focused on outsourcing as an increasingly widespread New Public Management-inspired tool adopted to modernize traditional bureaucracies. Industrial relations literature has largely debated the phenomenon as well, in the guise of an essential component of public sector restructuring process. Thus as evident from above outsourcing has received wide research attention from a disparate array of disciplines, each embedding the topic within its own specific analytical frame: accordingly the definition of outsourcing they provide, the set of ideas and implications surrounding the phenomenon, as well as inherent aspects worth to emphasize vary considerably across research streams.

The following section aims to define the notion of outsourcing instrumentally to the goal of the present research, recalling the more relevant theoretical approaches which frame the concept: the comparative public administration body of thought and the industrial relations field. The second part is instead devoted to the main theoretical reasons underlying outsourcing policy: the overview widely elucidates economic-driven and strategic rationale driving public administration's decision to contract services out.

A closing section is in the end focused on disentangling implications and consequences of outsourcing for labour and working conditions: various research streams indeed provide fruitful analytical frameworks to understand and interpret direct or indirect effects on job's terms and conditions and employment arrangements during restructuring processes.

2.1 Defining outsourcing as multidisciplinary concept

2.1.1 Comparative public administration and NPM approach

Since the 1980s, public administrations across Western countries have been subject to far-reaching reform processes which began to set aside what is commonly known as 'classic public administration paradigm'. This traditional model, deeply influenced in Europe by Weberian ideas of bureaucracy, steadily developed over more than a century, remaining relatively undisturbed until the late 1970s (Pollitt, van Thiel and Homburg 2007, Pollitt and Bouckaert 2011). Emphasis was placed on the one side on the preparation and enforcement of law to be uniformly followed in the division and organization of public sector tasks, while on the other side on the regulation of public powers in the relationship between public sector and citizens. Progressively an 'unending wave of reforms' (Pollitt 2002) has emerged as a consequence of increasing public debt also following a widespread financial crisis, raising awareness regarding the inefficiency of the old style public administration become 'overloaded' (Pollitt and Bouckaert 2011) and shifting citizens' preferences and demands for higher quality and customized public services. Virtually, every Western government since the 1980s has been striving to modernize its public sector, shifting the concern to the search for better performance and accountability, pulled alongside the struggle to increase the efficiency of public administration and streamlining the procedures (Ongaro 2009). Influential commentators (Hood 1991, Osborne and Gaebler 1992) and international management networks (OECD), grasping in these streams of transformation a remarkable degree of convergence across countries, labelled the common path as New Public Management (NPM) suggesting uniformity and communality. Despite the vagueness of the term, 'its

usefulness lies in its convenience as a shorthand name for the set of broadly similar administrative doctrines which dominated the bureaucratic reform agenda in many of the OECD group of countries from the late 1970s' (Hood 1991:3). Substantially, the emerging paradigm refers to a broad multidimensional two-level phenomenon (Pollitt and Dan 2011): at the higher level it involves a general theory that assumes the improvement of public sector via the importation of business concepts, values and techniques from the private sector; at the operative level it refers to a set of practices regarding the reform of organizational structures and the management of public personnel (Hood 1991, 1995). As a result, at the higher level implementing NPM-inspired reforms would have theoretically implied a subsequent double process of convergence: a convergence pattern between public and private sectors within each country and simultaneously a convergence pattern in public administration models across different countries (Bordogna 2008). At the more mundane level, specifically, prominent scholars have associated NPM-paradigm with a synthetic categorization of seven overlapped dimensions of reform which follow (Hood 1991, 1995):

1. a preference for lean, flat, small, specialized organizational forms over large, multi-functional forms (Pollitt and Dan 2011), shifting towards greater disaggregation of unit in the public sector, more manageable and specialized around a single public sector 'product'.
2. A move towards greater competition both between public sector organizations and between public and private sector organizations. The wide injection of competition and market-type-mechanisms (MTMs), including competitive tendering and public-private partnership (PPP), allows for lower costs and better standards through competition as keystone.
3. A greater stress on private-sector style of management practices – such as higher flexibility in hiring and firing, performance-related pay (PRP) – moving away public sector specific methods of running business and managing human resources.
4. A move towards greater emphasis on discipline and parsimony in resource use and on active search for available alternatives: less costly way to deliver public services, cut in direct costs, raising labour discipline, resisting union demands.

5. A shift towards 'hands-on professional management', implying a more active and visible control of public organizations by top managers wielding discretionary power, 'free to manage'.
6. A move towards more explicit standards and measures of performance for public sector organizations: accountability indeed requires clear statement of goals and the definition of indicators of success.
7. A shift towards greater emphasis on output measurement and controls, in order to allocate resources and link rewards to measured performance and results rather than to procedures.

Dunleavy, Margetts, Bastow and Tinkler have sharply synthesized these seven dimensions as 'disaggregation + competition + incentivization' (Dunleavy 2006).

Starting from the above sketched theoretical framework to reform public administration, advocates of NPM-inspired reforms endorsed the adoption of market-type mechanisms (MTMs) as a feasible response to governments' need to secure increased value for money in the provision of public services, which represents a long-standing and well-known issue. Market mechanisms, in fact, may boost efficiency of public services' delivery leveraging three different aspects of service provision: raising productive efficiency by increasing the quality and lowering the production costs; by improving budget management efficiency through enhanced awareness regarding costs for service provision; by enhancing welfare making public providers more accountable and responsive to consumers' demands and preferences, thus improving resource allocation (Blöchliger 2008).

MTM represents a rather broad concept which, referring to the OECD very comprehensive definition, encompasses 'all arrangements where at least one significant characteristic of market is present' (Blöndal 2005). Specifically in the area of service provision this production model is featured by a shift in the role of public sector actor as services purchaser and providers: if traditionally it performs both roles concurrently, the implementation of market-type mechanism leads to significant management challenges following the separation of the two roles between public and private sector organisations, giving rise to different configurations. Market-type tools indeed range from outsourcing (contracting out) to public-private partnership (PPP) and vouchers.

Despite all the three instruments inherently refer to a private/external provision of public services, they differ for the purchasing procedure on the public sector side as elucidated below.

Outsourcing has been variously defined by scholars and practitioners: the OECD broadly defines it as ‘the practice whereby government contracts with private sector providers for the provision of services’ (Blöndal 2005:131). The notion of contracting out differs from the idea of public-private partnership widely defined as ‘more or less sustainable cooperation between public and private actors in which joint products or services are developed and in which risks, costs and profits are shared’ (Klijn and Teisman 2005: 96). The distinctiveness between the two policies is rather clear-cut: if outsourcing implies public organizations bearing the risks of providing the services while financial profits pertain exclusively the external contractors, on the other side PPP embodies not only the sharing of risks and costs associated with the provision and the delivery of services, but public and private organisations also share profits and resources which are connected with these products (Van Ham and Koppenjan 2001).

Economic partnership represents a further institutional model of market-type mechanism for the provision of public services, mainly exploited for infrastructures development. Private Finance Initiative (PFI), the best-known version of this kind of partnership, ‘involves the use of private finance in the construction, operation and maintenance of public infrastructure’ (Greve and Hodge 2007:180) which is expected to be cheaper and quicker than would otherwise have been in case of public finance. In addition PFI allows public sector institutions to benefit from private sector expertise and innovation capacity, enabled by the mutual learning and sharing of competences which take place in joint projects (Pollitt 2005). Private Finance Initiative sharply differs from outsourcing process in the source of financing: if in the former case the contract establishes a private financing of the projects, conversely in the latter the public organization awards the contract to the winning external provider, providing financial endowment for the provision of services.

Vouchers system splits the provision of the public services from their financing. In this case, funding remains in government hands in the form of vouchers that are subsequently issued to individual citizens, entitling them to exchange the voucher for services. Each voucher-holder has the possibility of choosing among a range of different

suppliers and paying with the voucher. Even though the voucher-system implies a private provision of the service, the funding mechanism completely differs from contracting out, as well as the choice of external provider which lies in the hands of citizens/users in case of voucher while the decision is taken by the public bureaucrats during outsourcing processes.

A further clarification is necessary in order to frame more specifically the field under investigation: internationally indeed, particularly in the United States, the terms privatisation and contracting out are often used synonymously, despite they indicate rather distinct phenomena (Domberger and Jensen 1997). Privatisation policies entail the decision to transfer a physical asset from public to private ownership (Jensen and Stonecash 2005): distinctiveness is represented by the shift of ownership of the specific asset in privatisation processes, whilst in case of outsourcing the public sector keeps on maintaining the ownership, transferring exclusively the responsibility to manage the asset in the hand of private sector, thereby splitting asset ownership from service provision.

In a nutshell, public sector contracting out involves ‘the transfer of service provision from the public to an external organization (which is typically in the private sector but may also be an in-house team)’ (Jensen and Stonecash 2005:769) which is done by way of a competitive tendering as guarantee of transparency and accountability. The extent to which competition is promoted through these policies represents a second distinctive feature: if on the one hand outsourcing deliberately implies opening up to competition an array of economic activities which were previously immune from it under the monopoly of public sector provision, on the other hand external providers may or may not operate in a competitive environment. So in case of outsourcing government promotes an ex-ante competition among bidders to award the contract for service provision, hence a competition for (entering) the market; in the privatisation policies competition is in the market itself, largely depending on the economic structure of the industry outside public boundaries. A third remarkable difference between the two policies concerns the length of the contract. Outsourcing contract lasts for a predetermined time lapse, specifying the date at which the arrangement ceases: thereby it enables public sector contractor to retain control over contract specifications, entitled to assess service provision and to apply sanctions in case of non-fulfilment of contract

obligations by external provider. Privatisation, conversely, implies a once-and-for-all sale of a publicly-owned asset in which government cedes any entitlements over the asset, retaining only regulatory control.

Thus, narrowing the scope to purposes of the present analysis, research attention is focused on contracting out as market-type mechanism belonging to the wide family of NPM-inspired reforms of public administration, described as a form of procurement where ‘one organisation contracts with another for the provision of a particular good or service’ (Asher 1987). In the specific case, we refer to public sector organizations – local authorities, hospitals, schools, ministries – as purchasers which buy a service in the market instead of providing it in-house. In such context, the definition of external provider includes organizations ranging from private providers, to charities, mutual and coops, organizations from the voluntary sector, to charities and joint-stock companies or special firms partly or fully owned by a public organisation.

Accordingly, outsourcing is defined as the transfer of service provision from the public sector to an external organization, but retaining public financing of the activity and keeping the overall responsibility for performing the function (OECD/PUMA 1993, Jensen and Stonecash 2005). Under contracting out arrangement, indeed, public sector organizations continue to bear direct responsibility both for the provision and for the quality of the service. Moreover, they keep the duty to finance the service, although the work is actually carried out by workers not directly employed in the public sector.

Figure 2.1 Outsourcing as a market-type mechanism

		PRODUCTION	
		Public	Private
FINANCING	Public	In-house Provision	<u>Outsourcing</u> Voucher
	Private	User charges	Privatisation

Source: OECD/PUMA 1993, Cepiku 2006.

Figure 2.1 recaps the main market-type mechanisms applied by public bureaucracies for the provision of services, clustering them on the basis of two core dimensions: the

source of financing and the type of production which could be alternatively public or private. Outsourcing, as already mentioned, is featured by public financing combined with private provision of services (OECD/PUMA 1993, Cepiku 2006).

2.1.2 Industrial relations perspective

Contracting out represents a longstanding debate in industrial relations field as well, tracing its origins back to the scrutiny of restructuring processes. Restructuring in fact has become a permanent feature of economic development in Europe, concerning both private companies and the public administrations, inasmuch both sectors must adapt to altered external conditions in order to remain sustainable and effective in the provision of services. In recent years restructuring towards outsourcing has increasingly spread across European governments, intensified across public sub-sectors and varied in the kind of services involved driven by growing financial constraints, shifts in users' preferences and demands and the search for greater flexibility in service delivery. Restructuring however constitutes a multifaceted process which comprises a variety of forms responding to different pressures: some of them 'have a strategic, proactive character while others are more reactive and operational' (Eurofound 2013: 5). According to the European Restructuring Monitor, an observatory promoted by the Eurofound which records all large-scale restructuring events in EU member states, restructuring types may be classified as follows:

- (avoiding) bankruptcy/closure: when a business goes bankrupt or it is closed for economic reasons, or when trying to prevent bankruptcy or closure;
- business expansion because of, for example, insourcing: the development of new products or services or attracting new customers, including internationalisations;
- internal restructuring, not covered by any of other types, such as business transfer/succession, diversification or change of organizational structures;
- merger and acquisition: when two companies merge or one company buys another;

- offshoring/delocalization: when a business's activity is relocated or outsourced abroad;
- outsourcing: when a business's activity is subcontracted to another company within the same country
- relocation: when the activity stays within the same company, but is relocated to another location within the same country.

As easily deducible, within public sector boundaries only few restructuring types are applicable or empirically adopted, given that the clusters have been shaped over private sector companies. Narrowing the scope for sake of clarity, this study focuses on restructuring towards outsourcing, namely when an activity or a service is subcontracted to an external company within the country.

2.2 Rationales of outsourcing

As anticipated above, starting from the 1980s public sector organisations, likewise private firms, involved in the provision of increasingly complex services under strict constraints of budget reduction systematically adopted restructuring policies towards outsourcing. But despite common analytical roots on which outsourcing is grounded on in both public and private sectors, the strategic decision to buy a service in the marketplace instead of producing it in-house taken by a public administration inherently stands out from a private enterprise according to sectorial distinctiveness. The first overwhelming difference regards the ultimate goal the two sectors pursue: if private firms are clearly profit-oriented conversely public bureaucracies, despite financial constraints they are subject to, are primarily concerned in universally providing public services to the whole citizenry on behalf of the state. The nature of decision-makers marks a second relevant point of distinction. Managers involved in a private company's restructuring might expect personal increasing returns stemming from this process, being themselves the owner or having direct responsibility of running the firm.

Conversely in the case of bureaucracies public managers cannot individually benefit from outsourcing policies, excluding of course the illegal practices of corruption to get the contract awarded. In the third place, unlike private companies' freedom in managing restructuring contracts, in term of both duration and selection of external provider, public administrations have to guarantee transparency in the process and accountability in the investment of public funds by setting a public tender of the services at issue.

Postulated these premises, it emerges a complex web of driving forces and constraints underlying outsourcing within the public context, much complex than in private enterprises. So the following section seeks to provide a satisfactory response to the question of which variables do underlie the decisional process leading to outsource services in public organisations. In other words, which factors are more likely to affect such strategic choice?

2.2.1 From the orthodoxy of classic economics to public choice perspective

Traditionally, economic literature grounds investigation regarding outsourcing over the dichotomous choice whether to carry out service production in-house, keeping internal the whole stream of intermediate products and processes successively combined to form the final output, or alternatively to contract service provision out, delegating the task to external providers. The decision to perform an activity inside or outside the boundaries of the organisation (Doellgast and Gospel 2012) directly refers to the longstanding 'make or buy' strategic choice (Coase 1937, Williamson 1975) each private and public organisation has to cope with. Thus organisations involved in such empirical dilemma are pushed to evaluate under which circumstances it is more convenient to produce the service by themselves and in which cases conversely it is suggested to buy it externally. Despite several factors are likely to affect the outcome of such decision, ranging from economic considerations, to the need of higher flexibility during the production process, or the possibility to access expertise and know-how not available inside the organization - just to mention few prevailing rationale (Blöndal 2005) -, literature agrees in considering cost savings the overriding reason explaining outsourcing strategic choice (Domberger *et al.* 1986, Domberger and Rimmer 1994, Prager 1994, Greene 1996,

Domberger and Jensen 1997, Vining and Globerman 1999, Savas 2000, Quiggin 2002, Doellgast and Gospel 2012, Young and Macinati 2012).

Indeed, according to neoclassical theory of the firm (Coase 1937) the primary objective each organisation pursues buying a service from an external provider instead of providing it in-house is to reduce costs: in Coase's model, assuming a perfect knowledge of all variables at stake and firms endowed with full rationality, organisations are able to choose whether to 'make or buy' a product simply comparing the costs related to the internal production with market price offered by external providers. But individual or organization attempting to implement this model - perfectly functioning in traditional economic theory - in a real situation would be unable to comply with all requirements imposed by the rational decision-making. Not only it is highly improbable that a firm could know all the alternatives in the market, or all the consequences that follow choosing each alternative, but it might also be unable to accurately and effectively rank or order all available alternatives and to compare them rationally, namely having clear in mind that ranking is subject to transitivity assumption (Simon 1947).

As a consequence literature started questioning this neoclassical economy's theorisation concerning firms by putting forward the bounded rationality assumption on the one side (Simon 1947) while on the other side by taking into account constraints that organisations are likely to encounter when they deal with individual interest. Introducing these perspectives imposes to organisations, coping with make-or buy dilemma, the consideration of further factors beyond the mere differential in prices.

Similar assumptions, postulating a misrepresentation of individuals' interests involved in service production processes had been put forward systematically for the first time by public choice theorists (Tullock 1965, Downs 1967, Niskanen 1971, Buchanan and Tollison 1984). The lucky expression coined by James Buchanan 'politics without romance' accurately depicts the theoretical foundation underpinning this stream of analysis: 'public choice theory has been the avenue through which a romantic and illusory set of notions about the workings of governments and the behavior of persons who govern has been replaced by a set of notions that embody more skepticism about what governments can do and what governors will do, notions that are surely more consistent with the political reality that we may all observe about us' (1984:11).

Origins of this school of thought can be traced back to theoretical gap acknowledged in political economy: more specifically, following prominent scholars' argument what was missing in the discipline was the adoption of an economic approach to the analysis of collective choice-making in political realm (Buchanan 2003). Thus, the backbone of public choice theory is built on the application of methods and tools developed within the economic theory to the realm of political or government analysis and to the public economy sector. For the present analysis, economic theory might be defined as a body of research that enables to intertwine the individual behaviour of market agents - as buyers, sellers or producers - and the outcomes resulting for the whole community: importantly, these collective results do not belong to the purposes or knowledge driving each individual choice (Buchanan and Tollison 1984). Going back to public choice theory, it engaged in relating the behaviour of individual agents in political realm - so to say choices each individual makes in the government sector fulfilling various tasks, as voter, politician, candidate for office, leader of a political party or bureaucrat - to the intertwined and complex outcomes resulting for the whole society: in other words, it 'attempts to offer an understanding, an explanation, of the complex institutional interactions that go on within the political sector' (Buchanan and Tollison 1984:13).

As evident, this approach grounds on methodological individualism since it incorporates individual behaviour and motivation as linchpins of the analysis: the basic unit is the individual acting, choosing and behaving according to his own preferences. Moreover, coherently with the assumption derived from the orthodox economic theory of markets, each individual owns separate preferences and different goals both in their private and their social actions: public choice theory assumes each agent being separated from all the others.

Posit these theoretical foundations, a fundamental postulate of public choice approach is that individual behaviour is motivated primarily by self-interest rather than altruism: it follows the behavioural assumption that each agent in governmental sector acts as utility maximizer. According to theory of the market adopted in economic field of study, utility maximization implies the individual definition of utility function, a set of preferences describing possible trade-off among alternatives for potential choice. Traditionally, on the contrary, political scientists were not likely to adopt such economic approach to collective activity: neglecting any analysis of individual

behaviour in terms of economic calculus, they more often grounded on the assumption that political agents, acting in the pursuit of collective choice, seek to maximize the public interest or the common good rather than their own utility (Buchanan and Tollison 1984).

Thus agent participating in political decisions, who is a voter or a bureaucrat, embodies the *homo oeconomicus* model featured by full rationality and selfishness, the latter to be intended as the desire to maximize his own utility. Full rationality hypothesis assumes that each individual is able to rank and order all potential choices that may be placed before him in a transitive manner: accordingly a bureaucrat is said to be rational when, following his rank of preferences, ‘chooses “more” rather than “less” and when he is consistent in his choices’ (Buchanan and Tullock 1962:33).

Adopting public choice approach to bureaucratic decision-making, as a result public officials likewise all the other agents in society or in the market, are motivated in their behaviour by their own interest (Downs 1967), rationally seeking to attain their goals which include income, power, prestige, security, convenience and loyalty, ranked differently according to individual preferences. Among other functions and tasks, government officials are responsible for providing public services by spending money, without being entitled to collect taxes for financing the provision: as a result public services are over-supplied and public administrations over-staffed since bureaucrats and politicians during the political decision-making process, assumed to behave selfishly, exploit service provision as a tool to maximize their own interest or utility (Savas 1987, Alonso *et al.* 2013). Downs’ analysis ‘Inside bureaucracy’ clarifies the reason why the public provision of services is inefficient and oversupplied according to public choice approach: ‘since the officials are rewarded for providing better services, and since all services could be improved by spending more money, they are encouraged to expand their bureaus through greater spending’ (1964:24). This outcomes is even eased by the discretionary power that officials enjoy in taking such spending decision (Buchanan and Tollison 1984). Public choice approach took a critical attitude towards the traditional arrangements whereby government provide public services, arguing for the introduction of incentives or a system of constraints in order to redirect bureaucrats behaviour and motivation towards public interest (Boyne 1998). Accordingly they advocate for a competitive environment among potential service providers on the grounds that it

allows to improve efficiency and reduce costs (Niskanen 1971): competitive pressures, as those featuring outsourcing, indeed shift officials' decision-making from a bureaucratic setting, essentially shielded from market pressures in which they may act as utility maximizers and over-supplying services, to a market-setting characterised by pressure of competition and the discipline of private sector (Downs 1967, Boyne 1998, Cohen 2001, Fernandez *et al.* 2007, Alonso *et al.* 2013). William Niskanen in his study concerning the 'peculiar economics of bureaucracy' (1968) investigated, by comparison with other forms of economic organization exposed to the same conditions, what changes might enable public organisations to boost efficiency in service production, given the theoretical assumption that bureaucrats' action is driven by the desire to maximize their utility through service provision. The scholar promotes three workable solutions: 'first, and probably most interesting, bureaucratic provision of these goods and services could be maintained, but each bureau would operate in a competitive environment and face highly elastic demand function. [...] Second, the incentives of bureaucrats could be changed to encourage them to minimize the budget for a given output or a set of outputs. [...] Third, the type of goods and services now provided by bureaus could be financed through government or foundations as in now the case, but the provision of these services would be contracted to private, profit-seeking economic institutions' (1968:304-5). To summarise, public choice theory endorses outsourcing as a tool to brake bureaucrats' opportunistic behaviours, since it imposes competitive pressures and market constraints to their decisions.

So opening public services provision to market competition enables to boost efficiency, introducing the pressure of competition and the discipline of private sector.

But despite the overwhelming apologia of outsourcing by public choice advocates as a way to cope with inefficiency, deemed as inherently featuring all bureaucracies because of their incentive structures that encourage overproduction (Greene 1996), some critiques emerged grounding their counter-arguments on different conceptual bases. An harsh criticism concerns the presumption incorporated in public choice approach that consider human nature intrinsically selfish and lacking of any ethical and moral restraint: this pessimistic view is counter-balanced by the idea that individuals are differently motivated when they have to deal with collective decisions involving public interest as in political realm, rather than when they act in markets for personal purposes.

Thus if public choice theorists contend that ‘persons do not readily become economic eunuchs as they shift from market to political participation’ (Buchanan 2003:17), this model seems to have over-emphasized officials’ motivation to maximize their interest (Boyne 1998).

2.2.2 Transaction costs approach

As anticipated above, a classical argument for outsourcing services is that it saves government public funds: nevertheless such market relation may generate additional costs which are absent when goods and services are publicly provided. Scepticism of this kind has been expressed by transaction costs economists: Williamson identified an array of transaction costs which consist of those costs incurred by an organisation when opts for buying resources in the market instead of using its own goods, separated from production costs. In other words transaction costs concern the use of market pricing mechanisms, such as costs related to writing a contract, monitoring the correct implementation of the contract, or supervising the external contractors’ behaviour (1975). Advocates of such approach in their turn posit optimal governance mechanism for achieving economy efficiency in services provision as the one that enables to minimize these costs of exchange (Williamson 1979).

As multidisciplinary field of investigation, transaction costs theory focuses on the role of institutions and economic organisations in achieving efficiency maximization for firms and economic systems. It traced its origins back to the work of Ronald Coase, who is credited as the first introducing the concept of transaction cost in economic theory through his seminal contribution on the nature of the firm (1937). In addressing two fundamental questions concerning why do firms exist and for what reason the whole production of an asset is not concentrated into a single large firm, Coase identified transaction costs as explanatory variable.

This insight was subsequently further developed by Oliver Williamson starting from the ‘60s, who innovatively investigated circumstances where market transactions are likely to fail and instead internal organisation is preferred (1979), adopting transaction costs as critical dimension in the choice of different governance structures.

Accordingly transaction - rather than commodity - is taken as basic unit of analysis, defined as the transfer of a good or service across technologically separable interfaces (Williamson 1981). Thus transaction costs correspond to those misunderstandings, frictions and conflicts occurring between the partners involved in the exchange that give origin to inefficiency and drawbacks during the execution of the transaction, leading to information, bargaining and control costs. Taking into account this theoretical premise the transaction costs discipline, after a comparison of feasible alternative modes of organisation, identifies the most suitable conditions of transactions governance grounding on a criterion of efficiency maximization (Williamson 1999). The ultimate purpose still remains economizing, to be intended in this case as transaction costs minimization.

This approach to the study of institutions and organisations applies to three levels of analysis: at the macro-level it has been applied to the overall organisational structure of the firm (unitary, holding company, multidivisional forms); at the middle level it refers to the operating parts of the enterprise, investigating which tasks should be performed inside the organisation and which outside; finally at micro-level, the analysis concerns the way in which human assets are organised (Williamson 1981). For the present analysis, gaze is focused on the intermediate level, that is to say to the application of transaction costs theory to the make-or-buy strategic dimension that organisations have to take into account: in this way efficient boundaries of the firm are defined, ascertaining under which conditions 'outsourcing (procurement of a good or service in the market) experienced contractual problems that could potentially be relieved by taking the transaction out of the market and organizing it internally' (Williamson 2012:19). Once the vertical integration dilemma (in more mundane terms, the make-or-buy choice) is posed, it inherently follows that firm and market have to be interpreted as the alternative governance structures at stake whereby order is infused, as a mean to mitigate potential conflicts in the relations and that allows to realize mutual gains (Commons 1932). This early categorization of modes of governance has been subsequently complemented by hybrid organisational structures beside the pure forms of hierarchy and market.

These alternative governance forms differ along three key structural dimensions: intensity of incentives, capability to exert administrative control and capability to adapt

to disturbances. Market governance is endowed with high-powered incentives able to strictly bound agents' effort and reward, a high degree of autonomous adaptability (Hayek 1945) - namely unilateral adaptability which does not require any coordination between the two partners involved - whilst it lacks the capacity to exert hierarchical control. On the other side hierarchy combines low-powered incentives with an extensive administrative control and a coordinated, or bilateral, adaptability to disturbances (Barnard 1938).

Likewise in public choice theorization, agents' features are supposed to influence the suitability of one governance structure rather than another: according to the behavioural assumption indeed the attributes of human actors that bear crucially are bounded rationality and opportunism. Given these cognitive and self-interest characteristics embedded in exchange environment featured by complexity and uncertainty, it necessarily follows that all contracts are unavoidably incomplete since it is barely feasible to cope with all contractually relevant aspects (Williamson 1981).

The propensity for a specific governance structure is additionally affected by a set of critical dimensions featuring transactions of all sorts: frequency of exchange, uncertainty and asset specificity. The first variable, frequency of transactions, refers to buyer activity in the market and can be characterized as one-time, occasional and recurrent, whilst uncertainty involves the environmental disturbances to which transactions are subject and which may produce transaction costs by increasing the time and the processes an organisation requires to control for environmental diversity. The third feature, asset specificity, is nevertheless the most relevant dimension for describing transaction: it may arise under three shapes namely site, physical asset or human asset specificity. Site specificity relates to strategic location of firms so as to minimize transportation costs; physical asset specificity occurs when a specialized tool or machinery is required to produce a component; and finally human asset specificity refers to specific know-how and skills arising from learning by doing. The reason asset specificity is crucial as a dimension grounds on the fact that it constitutes a source of bilateral dependency: once an investment has been made in one of the assets with great specificity, buyer and seller are incentivized to design a long-term exchange relation and to fulfil the terms of the contract. Symmetrically, high asset specificity locks both agents into the transaction to a significant degree (Williamson 1981).

Outcome following the strategic choice between firm or market, hence between in-house production or outsourcing, under the lens of transaction costs approach heavily depends on the intertwined combination of all these critical dimensions. Accordingly if assets present a high degree of specificity associated with increasingly environmental uncertainty, hierarchy results to be the most suitable governance structure able to minimize transaction costs. Internal production indeed drastically reduces agents' incentives to sub-optimize or to defect in a bilateral relation, it ensures an easier and more complete access to all relevant information concerning the transaction both for monitoring its implementation and when dispute settling is necessary and, additionally, it enables to better manage uncertainty, also by means of the possibility to exert administrative control.

Conversely, whereas transactions are less frequent and asset specificity is low a more flexible organisational form better maximize efficiency in the transaction, such as the market which enjoy advantage in both production costs respect since economies of scale might be more fully exploited, and in governance costs respect inasmuch external procurement allows to avoid some hazards to which in-house production is subject (Williamson 1981).

Unlike public choice approach purposely defined also as a government failure theory (Buchanan and Tollison 1984) which claimed for an inherent superiority of the market upon the internal public provision of services, Williamson adopting the transaction costs lens endorsed that bureaucracy may be well advised to keep on providing some goods and services under specific circumstances. Hence public administration is contemplated instrumentally, as an alternative transactions governance structure well-suited for some purposes, poorly suited in other contexts.

For instance, with regard to contracting out transactions costs such as asymmetric information, costs related to writing specifications and contracts, evaluating tenders, cost related to the management and supervision of contracts might eventually outweigh the expected cost reduction following outsourcing, making in-house provision more appropriate rather than the market solution. Moreover, note that 'the common practice of condemning public bureaus because they have lower-powered incentives, more rules and regulations [...] than are associated with a counterpart private bureau completely misses the point. Those features have been deliberately crafted into public bureau

thereby giving it the desired governance result. The appropriate concern is not that public bureaus have these properties but that public bureaus will overreach - in that they will be used to govern both those transactions for which they are well-suited and those for which they are poorly suited' (Williamson 1998:46).

The incentives to shift exchange from hierarchy to market under specific circumstances endorsed by transaction costs theory proponents however might encounter long-term pervasive difficulties linked to contractual relations' inefficiency and incompleteness. Due to the dynamic nature of contractual relationship indeed the terms of exchange may change over time following indexation to inflation or variations could be required to account for unforeseen external events occurring. Moreover, given the high complexity of contractual relations not only it is impossible to anticipate every possible contingency when drafting a contract, raising the need to renegotiate the initial conditions with associated costs, but it would also be prohibitively costly to include them all within a complete contract. Under these circumstances private external contractors - with their incentives to maximize profits - may take the opportunity to increase the price they charge to public organisations for the provision of services during the course of contract renegotiation (Alonso *et al.* 2013). This phenomenon involving the appropriation of economic rent from the bureaucracy is referred to in the literature as 'hold-up' (Jensen and Stonecash 2005). Accordingly if outsourcing should be associated to a public expenditure reduction in the first instance, over the long term these potential savings may be reversed, diminishing or even disappearing following the opportunistic behaviour of private firms which raise prices (Schmalensee 1979, Williamson 1979).

Vertical integration as governance structure of a firm, associated with all goods and services being produced internally rather than outside, should be adopted as mechanism for coping with a hold-up problem (Holmström and Roberts 1998). Alternatively the public organisation has always the option to return to the market for re-tendering the service provision to a different external provider, but incurring in further transaction costs which may result to be higher than the loss incurred during contract renegotiation, endowing supplier with additional bargaining power within the contractual relationship (Jensen and Stonecash 2005).

2.2.3 Agency relationships and the principal-agent dilemma

The thorny problem of policing opportunistic behaviour by external contractors is highlighted by the agent theory, another stream of research within the organisational economics dealing with factors affecting make-or-buy strategic choice.

Scholars adhering to this research framework are mostly concerned with resolving two problems inherently affecting agency relationship, namely all those situation where one party (the principal) delegates tasks to another party (the agent): the agency problem and the risk sharing (Jensen and Meckling 1976). Agency problem has to do with principal's impossibility of constantly monitoring that the agent behave appropriately, issue emerging when the two parties present different goals and desires, while risk sharing is directly related to different risk preferences characterizing the two parties at stake (Eisenhardt 1989).

From these theoretical issues, agency theory developed along a twofold path, the positivist approach and, more importantly as analytical background for the present analysis, the principal-agent theory (for further details over the distinctiveness between the two streams see: Jensen 1983).

The point at issue in principal-agent model is the 'shirking-information problem' (Moe 1984), namely information asymmetries featuring each contractual relationship. More specifically, two fundamental problems whose potential is inherent in all contracting relations are at the heart of this theoretical framework: adverse selection and moral hazard. In the course of market processes indeed undesired or ineffective outcomes are likely to occur when buyers and sellers have asymmetric information or when information, values and belief on which decisions of the counterpart are based on are unknown: as a consequence the wrong contractor is likely to be picked, or one unable to provide the desired product, since the competitive tendering might attract a disproportionate number of low-quality or unqualified external providers. These are the implications following adverse selection. Instead moral hazard constitutes a form of opportunistic behaviour arising from the unobservability of actual actions in the ex-post contracting situation: accordingly moral hazard might occur where the behaviour of external contractor (the party with more information about its actions or intentions) may change to the detriment of the public administration (the party with less information)

after the transaction has taken place - in this analysis the issue of the outsourcing contract (Barrow 1996). In a nutshell, the agent is shirking (Eisenhardt 1989).

These two issues that all contractual relations inherently share are notably relevant for disentangling principal-agent dilemma, where one party, called an agent, acts on behalf of another party, called the principal: since the agent normally has more information about his own behaviour or intentions than the principal does - unable to completely monitor the agent - the former may have incentive to act inappropriately and misbehave as long as the interests of the two actors are not aligned (Moe 1984). Precisely, the principal-agent theory raised the problem within contractual relations of motivating the provider to act in the best interest of the outsourcer, pursuing the public bureaucracy's objectives rather than its own interests. According to this approach, such outcome is achievable as long as the incentives structure is efficiently designed in the contract, making such behaviour advantageous. Consequently, plausible solution for aligning agent's interests with those of the principal relies on the mitigation of information asymmetries through monitoring over agent's action and hierarchical control on the one side, while on the other side on the structuring of an effective reward system in order to incentivize collaborative behaviour.

Hence the principal-agent theorization of vertical integration implies that contracting goods and services outside the organisation does not necessarily result to be the optimal solution, since private providers have strong incentives to misbehave in order to maximize their profit. Additionally, 'although a competitive bidding process may reveal alternative estimates of service cost, information on the quality of service actually delivered remains asymmetrical' (Boyne 1998:700), conferring further power to external providers. Indeed once the service price has been agreed in the contract, the private provider may boost its profits by reducing service quality (Domberger and Hensher 1993), unlike public managers and politicians who do not gain any monetary rewards from opportunistic actions in case of in-house provision.

As paradigmatic solution, public administration should opt for outsourcing when contractor "types" (reputations, expertise, honesty) are well known, service outputs are easily measured, and negotiations are not plagued by small-numbers problem. Knowledge of contractor type is necessary to minimize problems of adverse selection, whereby government is in danger of attracting inefficient or unreliable candidates;

measurability and thereafter monitoring are important if the government is to minimize moral hazard - clearly a 'distinct possibility with profit-maximizing producers who can keep whatever is not paid out to the government, and who may even be reimbursed for unnecessary expenditures and actions that were never taken; and small number points to a situation in which the government is ultimately boxed into negotiation with one or a few contractors, who, especially after some initial period of performance, have knowledge and skills so specialized that they become "irreplaceable" and are in a position to reap near-monopoly gains through hard bargaining' (Moe 1984:759-60).

2.2.4 The resource-based view

Despite economic evaluation has represented the prevailing theoretical argument explaining outsourcing deeply developed by organisational economists, a second reason pushing towards contracting out of public services is based on more strategic considerations put forward by scholars within the field of strategic management. The common thread underlying this research stream is investigating sources of sustained competitive advantage for firms (Porter 1985) by means of the definition and implementation of strategies which match firm's internal resources and skills, to cope with opportunities and risks created by the external environment (Grant 1991). More formally, the traditional framework for firm performance structuring this research strand suggests that firms might achieve sustained competitive advantages 'by implementing strategies that exploit their internal strengths, through responding to environmental opportunities, while neutralizing external threats and avoiding internal weaknesses' (Barney 1991:99). The model has been widely developed during the 1980s by prominent scholars who mainly focused on the relationship between firm's strategy and external environment (Porter 1980, 1985), often neglecting the crucial role played by internal resources to strategy formulation for achieving competitive advantage.

Consequently, the resource-based view emerged as a distinct discipline at the end of the 1980s filling this gap within the strategic management field of investigation, ascribing the source of sustained competitive advantage to the internal bundle of valuable tangible or intangible resources at firm's disposal, rather than to its positioning and performance within the external environment (Wernerfelt 1984, Barney 1991, Grant 1991, Peteraf

1993). Hence the focus is placed on firms' endowment of resources as trigger of long-standing competitive advantage, on the relationship between profitability and resources, as well as on the most efficient way to manage firm's resource position over time (Wernerfelt 1984). Proponents of this approach accurately define resources as 'anything which could be thought of as strength or weakness of a given firm' (Wernerfelt 1984:172), which more formally means the whole bundle of tangible and intangible assets which in a given moment are tied to the firm, ranging from physical capital resources (capital, machinery, technology, firm's plant and equipment, raw materials), human capital resources (including workers and managers, but also knowledge, capabilities, training, experiences and relationships within the firm) and organisational capital resources (firm's formal reporting structure, controlling and coordinating system, its formal and informal planning) (Barney 1991). In order to enable firms to achieve sustained competitive advantage, namely a long-lasting position of superiority over its current or potential competitors within the same environment, resource-based view posit two fundamental assumptions: resources have to be featured by heterogeneity over time and imperfectly mobile across firms (Peteraf 1993). Indeed resources and capabilities distributed across firms are heterogeneous, each having intrinsically differentiated levels of efficiency and productivity which enable firms to compete in the market-place leveraging on different resources' endowment. We might expect from the model that firms with superior resources will earn rents unlike firms with marginal resources which can only expect to breakeven. Importantly this condition of heterogeneity might be persistent over time in order to effectively allow firms to gain a competitive advantage which is sustained. Imperfect mobility on the other side makes the resources tradable in the marketplace but more valuable within the firm that currently employ them, being somehow specialized to firm-specific need. As a result less valuable resources not readily transferable to other competitors remain bound to firm along the time as potential source of sustained competitive advantage (Peteraf 1993).

Barney (1991) complemented the resource-based view analytical framework by four further resources-related attributes which enable firm's manager to discern between high and low potential resources: in order to be source of competitive advantage resources must be first of all valuable, in the sense that they enable firm to implement

strategies for improving its efficiency by exploiting opportunities and neutralising risks and threats. Rarity in their disposal on the marketplace is an essential characteristic for implementing a value-creating strategy not concurrently replicable by the competitors lacking that specific rare resource. The same reasoning applies for the resources' condition of imperfect imitability: valuable and rare resources might lead to competitive advantage as long as firms that do not own those resources cannot obtain them in the marketplace or reproduce them. Finally the fourth requirement for a resource to be a source of competitive advantage is the low degree of substitutability: this means that it may not be possible for a competitor neither to exactly imitate the resource or to replace it with an equivalent one.

In order to maximize the potential profit that a firm can enjoy a five-stage procedure for the formulation of optimal strategy has been put forward by Grant (1991): (1) analysis of firm's resources; (2) evaluation of firm's capabilities; (3) appraisal of potential profit that firm can obtain from resources and capabilities; (4) selection of a strategy able to maximize this profit; (5) extension and upgrade of firm's resources and capabilities.

At single firm level this theoretical model provides an analytical tool to efficiently cope with the make-or buy strategic choice, adopting the bundle of resources and capabilities that firms own and exploit as primary source of profit and efficiency maximization: the framework indeed allows to disentangle the theoretical conditions under which sustained competitive advantage might be achieved through the optimal allocation of resources (Barney 1991). According to this perspective firms should identify and differentiate between resources which support competitive advantage through their intrinsic attributes from other less valuable resources, featured by low potential. It necessarily follows that firms should keep internally and develop valuable, rare resources and capabilities, difficult to identify and understand, hardly imitable by other organisations, not replaceable in the marketplace and imperfectly transferable; whilst conversely they should be encouraged to trade or transfer to other competitors those resources endowed with low potential in term of value and rarity, easily replicable and perfectly transferable in the marketplace. The ultimate goal of the firm's action in the marketplace is to design a strategy which involves the most crucially important resources and capabilities and makes the most effective use of these core resources: the

resulting strategy may lead the firm to limit the scope of its performance simply to those activities wherein resources guarantee a clear competitive advantage (Grant 1991).

According to the resource-based view public bureaucracy which aims to provide goods and services efficiently should firstly identify highly valuable strategic resources and competences it possesses internally, for then developing those related tasks in house; while less valuable and highly replaceable resources should be outsourced to external firms without affecting its own competitive advantage (Peteraf 1993, Cepiku 2006, Young and Macinati 2012). To summarise, the general point is that by analysing resources attributes and position an organisation, whether private or public, might reach a clear understanding of the optimal strategic allocation of resources and competences choosing which are worthwhile to maintain internal and which on the contrary have to be more efficiently transferred across borders as necessary condition to meet for a sustainable competitive advantage.

The core competence view introduced by Prahalad and Hamel (1990) provides similar insight to efficiently afford the vertical integration issue, shifting the key source of competitive advantage on the so-called core competence. Core competence has been defined as an harmonized combination of multiple resources and specific set of skills that distinguish a firm in the marketplace from the other competitors, since it represents a relevant source of uniqueness and distinction concerning a task or a product that a firm performs uniquely well and none of the other competitors can do in the same way. These competencies are built through a continuous process of improvement: they are enhanced as they are applied and shared by collective learning within the organisation. Prahalad and Hamel (1990) provide three tests for identifying core competence in a firm: firstly it must provide potential access to a wide variety of markets in order to sustain a significant growth; second, it should make a significant contribution to the perceived customer benefits of the end product, influencing his choice towards that specific product or service; and finally it has to be difficult to imitate by competitors, allowing for a competitive advantage in the marketplace.

Following the argument put forward by this managerial school of thought, to succeed in a competitive market firms should focus on their core competences and continually work to build and reinforce them, hence surrendering peripheral areas where they are

weak for shifting effort over further areas of strength: strongly developing core competence is more strategically efficient than vertical integration.

Despite the core competence model has been theorized as analytical tool to investigate private companies' strategies, it powerfully applies to public administration as well: likewise private sector firms, bureaucracies should concentrate their activities on core tasks, sheltering and enhancing internal core competences. Peripheral competences might be outsourced or readily transferred to other organisations without eroding the core areas.

To recap, the make-or buy dilemma might be solved by strategic management strategic model adopting outsourcing as a way to dismiss some functions where public bureaucracies do not hold any core competence in favour of focusing on activities in which they own key resources and skills (Brunetta, Giustiniano and Marchegiani 2014). Literature clusters firm's activities in a variety of way, all sharing the basic distinction between core and non-core tasks but each providing a classification grounded on different discriminatory criteria.

The OECD (Blöndal 2005), taking into account the whole array of services which public administration might potentially outsource, divides them into three distinct groups according to their centrality for the bureaucracies' core mission and relevance:

- blue collar support services are generally low-value activities, relatively labour-intensive and not considered such critical to the firm's mission: they include for instance cleaning, facilities management, waste management and catering;
- ancillary services to the core mission of the public administration which usually include high-value professional activities (such as ITC infrastructure management, human resources management, legal activities and financial services) which despite represent ancillary tasks their relevance is crucial for the complexity of services involved;
- mainline functions regarding services considered inherently governmental as prisons management, emergency rescue and fire services, job placement agencies. Beside those activities clearly core in government's mission, further crucial services belong to this cluster such as in health care (diagnostic services,

rehabilitation, specialized hospital care) and welfare (home-care services, child welfare activities).

Grounded on similar theoretical guidelines, D'Autilia and Zamaro (2005) in their systematic comprehensive overview of outsourcing processes in the Italian public administration built a synthetic classification of public services involved in outsourcing processes, distinguishing them between input and output services. Input services, also called support or indirect services, are those whose production is instrumental, despite not less strategically relevant, to the provision of final service, whilst output or final direct services include all those services that each single administration provide outside, directly oriented and devoted to satisfy citizens or users' demands. Once again, the proximity and the strategic relevance to the organisation's core business mark the watershed between final and support services, as previously categorized by Porter as well (1985). He split up activities between primary and support, defining the former as those integral to the firm's value chain and the latter as processes facilitating the firm's value chain.

Again, adopting a strategic approach to outsourcing, Insinga and Werle (2000) developed an analytical framework that each firm may adopt for conducting a systematic review of its resources and activities in order to establish an efficient strategic plan for outsourcing. The potential contribution to competitive advantage constitutes the key resource driving the classification of activities within the firm, and accordingly its make-or-buy choice related to each cluster of tasks. Hence, according to the specific attitude to generate competitive advantage activities are classified into four major categories:

- commodity activities are not source of competitive advantage since they could be easily replaced in the marketplace thanks to their wide availability;
- basic activities are necessary for the daily functioning of the firm but are not relevant in term of competitive advantage;

- emerging activities are potentially source of competitive advantage since the firm holds internal capabilities to perform the task;
- key activities ensure a sustained competitive advantage to the firm in the marketplace.

As rule of thumb, only key activities should be necessarily performed internally, while all the other types of tasks may be readily subject to outsourcing processes towards external providers without eroding firm's potential competitive advantage. This planning guide proposed by the two scholars as a tool to discern between high potential activities - so the keep in-house - and low potential ones - well suited to be contracted out - moved even further in reaffirming the crucial role of the former for company performance. Indeed in case a firm's capabilities and skills are weak in an area that proves to offer significant competitive advantage, it should invest to acquire that capability in-house given its relevance; conversely, if the firm is strong in performing commodity and emerging activities, not relevant for boosting competitive advantage then it should consider purchasing or transferring those activities outside its borders while getting value for past investments on them.

2.2.5 The flexible firm model

Another factor that authors from strategic management field of investigation propose as rationale for outsourcing relates to organizational flexibility (Roberts 2001, OECD 2005, Brunetta *et al.* 2014). Likewise private firms operating in the competitive regime of marketplace, public bureaucracies might require some forms of internal flexibility for a more efficient service delivery. Organisational flexibility pursued by firms could be grouped into three types: functional, numerical and financial. Functional flexibility involves the rapid and smooth employees' redeployment between different tasks and activities following production method changes for instance; numerical flexibility instead concerns the possibility to increase or decrease the workforce in line with the firm's demand for labour: this necessarily implies a loosening in hiring and firing policies which require to be easily implemented. As a third complementary possibility,

firms may seek for flexibility in wage and remuneration, markedly diversifying pay scale between skilled and unskilled workers or introducing performance-related wage systems. The three forms of organizational flexibility are tightly intertwined and mutually affected by policy intervention for boosting one form rather than another.

The seminal conceptualization of flexible firm model developed by Atkinson (1984) offers a further – much debated – functional framework which enables organisations to boost flexibility of all sorts.

According to this model organisations should split their workforce between a relatively small core workers group, generally encompassing highly skilled employees performing key, firm-specific activities - emphasis is placed on their potential to provide functional flexibility, loyalty and commitment to the firm's mission in return for strong employment protection - and a large peripheral workforce with non-standard precarious working conditions, used to achieve financial and numerical flexibility. Hence peripheral labour force is exposed to market fluctuation, expanding when the market grows and declining as the growth contracts, whilst the core workforce is well sheltered from this kind of medium term variation. The implication for employees are rather clear-cut in term of restructuring processes: outsourcing policies are likely to involve peripheral activities in order to enhance numerical and, importantly, financial flexibility while the core workers kept in-house allow the firm to enjoy functional flexibility in exchange for full-time permanent contracts.

2.2.6 The new institutionalist answers

So far the analysis introduced all the bulk of theories belonging to new institutional economics and those related to strategic management field which deal with outsourcing through the lenses of the economic and strategic evaluation: contracting out is endorsed as an utility-maximizer tool when firm copes with the make-or-buy dilemma, clearly under specific conditions and in case of given circumstances extensively discussed above. Beyond economizing in all its shades an alternative rationale for explaining outsourcing is provided by the new institutionalism. The first fundamental assumption underlying this approach is the renewed emphasis placed on the role of institutions as structural feature of society, with some degree of stability over time, in affecting

individual behaviours (Peters 1999). The roots of this discipline grounded on an harsh critique of the individualistic assumption endorsed by rational choice theory and behaviourism approach which attributed a central role to individuals' capacity to act and decide autonomously, free from any social or institutional constraint. The counter-argument lays on the view that individual agents are rather embedded in a complex environment made by relationships with other individuals, values, norms, formal and informal institutions which on the one side influence and on the other side constrain their action (March and Olsen 1984).

New institutional approach aims to clarify the role that institutions play in determining social and political outcomes. It does not constitute a unified theoretical body, but conversely at least three different analytical approach have distinctively emerged (Hall and Taylor 1996, Thelen 1999): the historical institutionalism, the rational choice institutionalism and the sociological institutionalism. Despite these three schools of thought traced their origin back from a common reaction to behavioural perspective, they developed quite independently from each other. Specifically, the historical approach and the sociological one might provide fruitful insight for elucidating outsourcing decision.

The basic argument being advanced by historical institutionalism was that to understand policy choices made by a government it is necessary to understand its policy and political histories (Hall 1986): indeed policy choice made in a specific institutional setting, namely when an institution is shaped, will inevitably have a widely determinate influence over the policy decisions that will follow. Institutions in this context are defined as the whole bundle of 'formal and informal procedures, routines, norms and convention embedded in the organizational structure of the polity or political economy' (Steinmo and Thelen 1992, Hall and Taylor 1996:938) which shape the relationship between actors in political and economic realms. As clearly stated, the boundaries of this definition expand to include not only formalized rules and structures, conversely accepting all the disparate set of informal rules, routines and social norms which markedly structure individual behaviour in the various segments of politics and economy (Peters 1999). A crucial role in the establishment of institutions is played by ideas: exerting an independent role, they constraint and limit the available range of acceptable decisions that agents might adopt, providing a set of ready solutions for each

policy problem arising in a specific domain. Accordingly, institution formation derives from the collective acceptance of an idea which consequently becomes embodied into the structural persistent form of an institution, influencing future policies. As anticipated, institutions as socially constructed entities - in the sense that embody shared cultural understandings, cognitions and interpretative frames - inevitably constitute a legacy of concrete historical processes (Thelen 1999) constraining all following actions and decisions. Indeed policies adopted at any time are inherently influenced by policy choices made earlier: as a result historical institutionalists argue that once the initial policy and institutional choice in a policy area is made, then the pattern emerging will persist over time structuring future policy choices through what it has been labeled path dependency (Nelson and Winter 1982, Hall and Taylor 1996, Pierson 2000). Path dependency as analytical tool has been widely exploited by scholars within this approach to explain the emergence of national distinctiveness in political economy of policy areas (Immergut 1992): indeed they rejected 'the traditional postulate that the same operative forces will generate the same result everywhere in favour of the view that the effect of such forces will be mediated by the contextual features of a given situation often inherited from the past' (Hall and Taylor 1996:941).

Translating this notion into the field currently under investigation, outsourcing policies could be read as strategic decisions embedded into a path dependent institutional context: once a specific pattern towards contracting out of services is taken by political actors involved, it is likely to become "locked in", binding future make-or-buy decisions that agents have to cope with driving towards the same outsourcing path. As a result all relevant agents are expected to adjust their strategies to accommodate the prevailing institutionalized pattern, increasingly recurring to the market as alternative solution to the in-house provision of public services.

A branch of historical institutionalism stressed the unintended outcomes and inefficient consequences generated by the legacy of consolidated institutions in contrast to a more rational choice-based decision-making according to which agents opt for the most efficient policy, able to modify their decision in order to maximize or at least satisfy their preferences. The question of institutional change indeed, namely the capacity of existing patterns to change, represent a thorny issue for historical institutionalists. Change has been theoretically treated through the concept of "punctuated equilibria"

(Krasner 1984): according to this approach institutions persist in an equilibrium state determined by enduring legacies following the initial seminal decision called point of punctuation (Peters 1999). This equilibrium is reversed as soon as a new punctuation occurs implying a 'rapid bursts of institutional change followed a long period of stasis' (Krasner 1984:242) driven by the legacy dictated by the new emerging decision.

Collier and Collier similarly elucidated the process of change in historical institutionalism through the notion of 'critical junctures' (1991): according to these authors, periods of continuity and inertia driven by past legacy are punctuated by critical institutional events, represented by breaking points when substantial institutional change occurs (Krasner 1989, Ikenberry 1994), thereby opening a window of opportunity for a new path to emerge and consolidate itself.

Going back to vertical integration dilemma, outsourcing processes might represent an enduring legacy following the initial political decision to contract out some services, constraining in that direction future policy decisions as well, up to the point where a breaking event takes places such as a change in the government in office which may opt for taking services back in-house, or a scandal occurs concerning tendering processes.

A second fruitful application of new institutional approach is represented by the sociological perspective which enumerates a longstanding tradition of research concerning institutions (Peters 1999) tracing its origin back to the seminal work by Max Weber on the development of rational institutions in modernizing societies (1976). Within the sociological institutionalism field of study a variety of different approaches to institutions emerged: the present analysis devotes a brief discussion only to those perspectives having a specific relevance as explanatory theories to outsourcing decisions at comparative level. Despite internal differences, all these stream arose within the branch of organisation theory challenging the traditional theorization of institutions, particularly public institutions, seen as the product of a mere rational calculus to build the most efficient structure able to perform all those tasks related to the modern society. Against this, sociological institutionalists put forward the assumption that some institutional forms and procedures were not adopted by organisations simply as the most effective structure to enhance their formal means-ends efficiency, but conversely to conform to a diverse set of culturally-specific practices, 'akin to myths and ceremonies devised by many societies, and assimilated into organizations [...] as a

result of the kind of process associated with the transmission of cultural practices more generally' (Hall and Taylor 1996:946). Given this premise, the core issue that scholars within this field typically address relates to search for explanations to elucidate why organisations adopt specific sets of institutional structures, procedures and symbols with a particular insight on the diffusion on similar practices across organizational boundaries and across countries.

Beyond this consideration, three further characteristics constitute the common theoretical roots on which all the various approaches within sociological institutionalism are grounded, and that furthermore distinguish it from the other new institutionalisms. Firstly, institutions are much more broadly defined: without limiting the notion only to formal rules, practices and procedures it comprises also the varied set of structures related to culture such as symbol systems, morale templates and cognitive scripts that constitute a sort of cultural interpretative framework guiding agents' decisions and actions. The role of culture in explaining institutional structures is particularly emphasized. Secondly, sociological institutionalists stress the cognitive dimension of institutional impacts: through social constructivist analytical lenses institutions not only affects actors' behavioural choices, but importantly shape individuals' identity, their self-images and basic preferences. Accordingly decision-making processes do not involve only a rational analysis for pursuing the maximization of own preferences, but it represent a way to express their deep believes and identity as well. Third, it adopts a distinctive approach for elucidating institutional practices establishment and change: unlike the efficiency assumption endorsed by other new institutional perspectives, sociological one posit that organisations implement a specific institutional form, usually widely valued within their particular cultural environment, as a way to boost the social legitimacy of organisation itself and its components. The focus of this approach is clearly on what confers legitimacy or social appropriateness to an institutional arrangements, neglecting all the debate concerning means-ends efficiency or utility maximization. Not least indeed scholars admitted that according to this body of thought inefficient institutional structures are seldom adopted and consolidated (Di Maggio and Powell 1983).

A substantial version of sociological institutionalism evolved around the notion of institutional isomorphism as answer to why relatively akin institutional forms emerge in

different social and political settings (Di Maggio and Powell 1983). The fundamental paper by Di Maggio and Powell revisited the famous metaphor of “iron cage” developed by Weber for explaining why organizations get increasingly similar while they are evolving or changing, profoundly grounding the debate over the symbolic and cultural dimensions of organisations. According to the authors, organisations’ structural change does not originate from the search for higher competitiveness or the need for efficiency but is rather the result of a process of homogenization, specifically ‘a constraining process that forces one unit in a population to resemble other units’ (Hawley 1968) that face the same set of environmental constraints in a given organisational field. Accordingly, despite variations in the business goals, in the long run organisations ended up embedded in a constraining environment that limits their capacity to change freely, bounding the range of available scenarios at their disposal for changing and modifying their institutional structure. Hence once a practice becomes well established and collectively acknowledge, an inexorable pressure towards homogenization spreads across organisations which are pushed to adopt that practice rather than a different one, perhaps even less efficiently. The notion of isomorphism well synthetizes the process according to which individual organisational efforts ‘to deal rationally with uncertainty and constraint often lead [...] to homogeneity in structure, culture, and output’ (Di Maggio and Powell 1983:147). The rationale for such outcome must be attributed to the institutional version of isomorphism (Kanter 1972) which posit that the major factors driving organizational decisions are the search for political power and social legitimacy. This assumption has been widely elucidated by Meyer and Rowan through the idea of legitimacy of rationalized formal structure as myth and ceremony (1977). According to these scholars organisations are pushed to adopt ceremonially prevailing structures institutionalized within the society and collectively acknowledge practices which work as powerful myths: in doing so they are likely to raise their legitimacy, gaining stability and enhancing survival prospect, even if this conformity process in the short run often conflicts with efficiency orientation. Accordingly the formal structure of organisations embedded in a specific environment inevitably become isomorphic with the institutionalized myths, to be intended as organizational practices which embody legitimacy on the ground of their rational effectiveness. Isomorphic adaptation with environmental institutionalized myths lead to

crucial consequences for organisations, since they may incorporate structures which are externally legitimized, rather than in terms of efficiency and utility maximization.

Transposing the analytical frame regarding isomorphism to the empirical context of outsourcing decisions, it follows that public bureaucracies seeking an optimal solution for the provision of services will necessarily be influenced by institutional environment in which they are deeply embedded. Once powerful organisations have forced the environment introducing outsourcing as a regular institutionalized practice, other organizations facing the same constraints will adjust their services provision accordingly. But isomorphic adoption of contracting out policies does not necessarily imply that it constitutes the most efficient structure in terms of utility maximization among the range of possibilities: indeed unlike forerunner adopters which 'are commonly driven by a desire to improve performance' (Selznick 1957) in utilizing outsourcing as specific institutional structure for the provision of goods and services, as soon as this practice spreads a threshold is reached beyond which drawing upon the market provides legitimacy rather than boosting efficiency and reducing public expenditure. Competitive tendering, once institutionalized, is then perceived as a more legitimate or successful process for delivering services, despite the efficiency-related doubts of the acquired practice and procedures.

Di Maggio and Powell however made a step further in identifying three mechanisms by which institutional isomorphic change may occur: coercively, mimetically and normatively. Coercive isomorphism, deriving from coercive formal and informal authority, is underway when pressures towards homogeneity are exerted by other organisations in the institutional environment, by cultural expectations within the society or by binding normative bodies. Mimetic isomorphism, conversely does not derives from authority's diktat, but is implemented as a response to environmental uncertainty or goals ambiguity: in other words copying other organisations' practices perceived as legitimated and successful serves as a quick response to new challenges or arising uncertainty to cope with. Finally normative isomorphism stems from professionalization, to be intended as 'the collective struggle of members of an occupation to define the conditions and method of their work, to control the production of producers, and to establish a cognitive base and legitimation for their occupational autonomy' (Larson 1977, Di Maggio and Powell 1983:152).

The same mechanisms apply to outsourcing practice as well. Contracting out might be preferred to in-house public provision because it could offer to public administration a quick viable response to the public debt or services' inefficiency, legitimized by the previous adoption in other public administrations to cope with the same problematic. Alternatively it may simply be coercively imposed by a new normative, as in the case of Compulsory Competitive Tendering in the English municipalities, or more rarely outsourcing could be exploited by bureaucrats working in procurement offices as a tool to improve their status within the organisation.

To summarise, the previous section has provided an overview of the complex web of drivers and rationales underlying the decision to outsource public services. Different conceptual bases have been suggested as underpinning these processes.

Maximizing value for money in the provision of services constitute the prevailing reason to outsource gathered from the literature: public bureaucracies are likely to adopt this market-type tool on the basis of economic evaluation, since outsourcing is supposed to reduce government expenditure and boosting efficiency by the means of opening service provision to the competition of market discipline. Beyond financial pressures, a second reason to outsource stands from strategic considerations. Organisational flexibility indeed may be enhanced by focusing limited resources available on key areas and tasks, core for the business mission, and outsourcing all peripheral skills and services without undermining the competitive advantage of the organisation. Outsourcing might improve flexibility in the management of human resources as well, allowing to directly employ only those workers performing core activities, highly skilled and valuable to keep internal, whilst contracting out the bulk of peripheral workforce, usually low skilled and easily replaceable in the labour market. Flexibility by way of contracting out may lead also to have access to technology and expertise not available in-house to meet one-off needs or needs subjects to fluctuations in quantity over time.

Unlike these rational calculus behind outsourcing policy, grounded on efficiency maximization, the make-or-buy choice might be instead driven by institutional pressures coming from the external environment. Outsourcing in this perspective becomes a cutting-edge policy to implement following the example of forerunner public

organisations or countries; a flag that political competitors may wave to gain legitimacy and support in occasion of electoral campaign; a symbolic policy to exploit for re-allocate risks and responsibilities. In other circumstances furthermore outsourcing might simply be a bound choice, conditioned by previous decisions having long-term consequences: contracting out a service in fact could lead to loose internal skills and technology, making future back-sourcing potentially not feasible or particularly expensive.

Finally outsourcing may be driven by ideology: traditionally indeed liberal political parties, in their endorsement of market virtues, have promoted the injection of private sector competition and discipline in the provision of public services as the panacea for public administrations' red tape and inefficiencies. This political orientation might be addressed also to public employment, as a way to purposely downsize it and reduce its cost (Quiggin 2002).

Even though outsourcing may have several potential benefits, literature reports many disadvantages as well. Firstly, cost savings may be lower than expected and declining over the long term (Domberger and Rimmer 1994, Roberts 2001); moreover scholars started questioning not only the magnitude but even more importantly the actual source of this expenditure reduction (Jensen and Stonecash 2005). Savings might be only illusory following the emergence of transactions costs, so new costs related to writing and monitoring the contract, above all in small administrations.

There are of course a number of positive factors acting in that direction as more efficient work practices, economies of scale, stronger incentives and rewards to increase productivity and new technologies but also fallouts. Cost savings indeed may be achieved at the expense of the quality of the output: according to this hypothesis efficiency and productivity are enhanced by outsourcing services but through a reduction in service quality, notably difficult to measure and monitor above all in the absence of hierarchical control (Quiggin 2002, Jensen and Stonecash 2005).

Budgetary savings could arise through a deterioration in employment conditions rather than an improvement in input utilization (Domberger and Jensen 1997, Blöndal 2005). Detrimental consequences for labour in general following restructuring processes increasingly entered the research agenda initially focusing on firms in the private sector

for then expanding to public bureaucracies as well. For its relevance, the issue deserves an accurate overview, provided in the next section.

2.3 Impacts of outsourcing on labour

Restructuring policies towards outsourcing represent a burdensome challenge for labour issues. On the one side contracting out is purposely exploited for downsizing internal workforce (Quiggin 2002), but on the other side even when the process is driven by strategic or financial purposes impacts of some sort on workers involved are almost unavoidable. Outsourcing indeed leads to the creation of intertwined links between public and private organisations, triggering a shift in organisational boundaries which become increasingly blurred and overlapped (Grimshaw *et al.* 2004). Tracing their origins back from private sector firms' vertical disintegration experiences, some literature streams give an account of how these inter-firms relationships impact directly on work organisation and employment conditions (Flecker *et al.* 2005, Flecker and Meil 2010).

2.3.1 The value chain perspective

The value-chain analysis (Hopkins and Wallerstein 1986, Gereffi and Korzeniewicz 1994) represents a useful analytical tool for disentangling how external restructuring processes impact on employment relations and on the quality of work. This field of investigation grounds on the increasing globalization and interconnectedness of production flows of good and services across national boundaries as new scenario for economic activities. Relevant sectors of production indeed are conducted within multinational firms or through governance structures that link enterprises and organisations together in a bulk of outsourcing and contracting arrangements, whose investigation requires a more comprehensive analytical framework which enables to take into account the nature of this web of links, how they are structured and managed, and their implications in terms of winners and loser in the process.

The starting point for understanding the changing configuration of inter-firm relations is contained in the notion of value chain developed by scholars in international business field. As expressed by the label, the core unit of analysis shifted from the individual firm to chain or organizational network defined as ‘the process by which technology is combined with material and labour inputs, and then processed inputs are assembled, marketed, and distributed’ (Kogut 1985:15). Put in a more succinct way, it refers to ‘a network of labour and production processes whose end result is a finished commodity’ (Hopkins and Wallerstein 1986:159). Within the value chain analysis a bulk of similar and overlapping definitions and concepts have proliferated, substantially different labels to discuss similar content as global commodity chains, value-added chain, production network. For the present analysis the value chain concept is adopted for being deemed as the most inclusive (Gereffi et al. 2001).

The analytical framework relating to the idea of value chain is built as a network-based methodology for analysing patterns of production and the way in which value is created and distributed along the different segments of the chain and then appropriated by the various actors involved. In this perspective, production chain is understood as consisting not only of the phases involving the material production of the final good, but also as ‘webs connecting that set of productive activities with the social reproduction of human labor power as a critical input into this process’ (Bair 2003:155-6).

The cornerstone of this model is that each organisation should identify which activities and technologies keep in-house and which conversely are more suited to be outsourced to external providers as a way to upgrade its position within the marketplace. Facing the make-or-buy dilemma firms should alternatively adopt the most suited governance structure within a range of five basic configurations that Gereffi formalized in his seminal work on ‘the governance of global value chains’ (2005): market, modular, relational captive and hierarchy. The choice of governance structure critically depends on three key determinants: the complexity of information required to sustain a particular transactions; the codifiability of information and requirements to transmit; the capability of suppliers in relation to those requirements. Market-type governance is expected when transactions are easily codified, requirement specifications are rather simple and the suppliers own the capabilities to efficiently perform the activity. On the opposite extreme of the typology there is hierarchy - namely in-house production - well suited

when activity specifications cannot be codified, the complexity of task is high and highly competent providers are not available in the marketplace. In between three intermediate configurations are suggested in case of high task complexity but specifically modular value chain is suited when transactions are easily codified and suppliers possess the capability to perform the task, relational value chain when suppliers own the capabilities to efficiently perform the activity but whose information are difficult to codify, and captive value chain when the codifiability of information is high but providers have low capacity. Each governance type provides a different trade-off between benefits and risks to outsource, with specific implication for labour and labour process (Bair 2005).

Drawing on and moving beyond these assumptions, a research branch emerged starting to incorporate the value chain perspective into labour-related issues and industrial relations field (Bair and Ramsay 2003, Knorringa and Pegler 2006, Riisgaard and Hammer 2011): building on the existing body of literature then Lakhani, Kuruvilla and Avgar (2013) developed a broad analytical framework for disentangling these intertwined relations. As anticipated, the core assumption laying the foundations of their theorization is that different value chain configurations lead to dramatically different employment relations strategies and implications for labour. More specifically these structures and outcomes are understood to vary according to four main criteria: the degree of influence of lead firm in determining employment relations strategies and practices in supplier firms; the level of skills and knowledge of employees at disposal of supplier firms, which is tightly related to the nature of activities to perform; stability of employment (tenure and type of employment) in the supplier firm; national institutions and legislation shaping supplier employment structures (Lakhani et al. 2013:450). Implications for labour result by matching the five configurations of value chain and these four features of the employment system, as shown in table 2.1.

Market configuration, suited when tasks are relatively simple and easy to codify, is likely to be associated with an employment relations structure featured by low workers skills levels with low job stability. Working conditions are usually settled by supplier firm which has all the convenience to keep labour costs as cheap as possible in order to remain attractive in the marketplace compared to other suppliers. Moreover the high

replaceable nature of low-skilled workers in the labour market has a detrimental effect on work terms and conditions, which are likely to be very flexible and poorly protected.

Table 2.1 A configurational framework of employment relations

Value chain configuration	Nature of task requirements	Employment system criteria			
		Lead firm influence on supplier employment relations	Skill and knowledge of employees in supplier firm	Stability of employment in supplier firm	National institutional influences on supplier employment relations
Market	Low task complexity High task codifiability High supplier capability	Low	Low	Low	Local
Modular	High task complexity High task codifiability High supplier capability	Low	Moderate	Moderate	Local
Relational	High task complexity Low task codifiability High supplier capability	Moderate	High	High	Local and Lead
Captive	High task complexity High task codifiability Low supplier capability	High	Low	Low	Local and Lead
Hierarchy	High task complexity Low task codifiability Low supplier capability	High	High	High	Lead

Source: Lakhani *et al.* 2013: 449.

Similar implications for labour are detectable in captive value chain configurations where outsourced activities are usually complex and codifiable, but external suppliers lack the capabilities to perform the task. It follows a high degree of dependence of suppliers on lead firm which may deeply influence employment relations in supplier

organisation, establishing advantageous labour cost of generally low workforce skills levels. As in the previous case, workers are likely to have low levels of employment stability, poorly protecting contracts and low salaries.

Modular and relational configurations instead are expected to offer respectively moderate and high level of employment stability to workforce involved, usually high-skilled and well trained to perform complex tasks. In these cases, given limited influence of lead firms over external providers associated with the remarkable relevance of these activities for lead firm, employment relations are characterized by low degree of turnover, an increasing number of core employees and rather protected jobs. Implications are even more positive in the relational value chain because of the high degree of mutual dependence between lead and supplier organisations.

The more stable and well sheltered from market fluctuations or race-to-the-bottom salaries are working conditions guaranteed by hierarchy, regarding workers directly employed by the lead firm. The high complexity and uncodifiable nature of tasks, associated with the lack of competent providers in the marketplace push the firm to keep these activities in-house where high-skilled are at disposal in return for stable and advantageous job terms and conditions.

In a nutshell, different forms of dependence and power relations between core organisation and external providers emerge according to the types of value chain governance adopted with its own specific inter-firm relationship, deeply influencing labour and working conditions (Flecker 2009). The concept has received extensive application in manufacturing industry, where power was located within the core units of the chain, while new peripheral tasks were extended to outsourced company providing low-level work under precarious conditions (Flecker and Meil 2010). Recently, the value chain debate has been shifted from goods production to services activities, become meanwhile increasingly disintegrated through outsourcing strategies (Huws 2006, Hasle *et al.* 2014).

Despite this framework was mainly thought to explain inter-firms relations in multinational companies or enterprises outsourcing or relocating tasks outside national boundaries, it provides a useful cognitive schema to understand implication for labour and employment relations structure in vertical disintegration processes occurring in European public administrations as well. An example of fruitful application is

represented by the WORKS (Work Organisation and Restructuring in the Knowledge Society) Project – Changes in Work (www.worksproject.be), a pan-European research project which aims at developing the understanding of the major changes in work in a context of knowledge-based society. More specifically it deals with the analysis of how workplaces, jobs, allocation, working conditions and industrial relations change following the restructuring of value chains. For this purpose, a complex case studies research design has been settled including different sectors (clothing industry, food industry, public sector, post sector and rail), within which a variety of business functions have been selected (design, production, logistic, customer service and ITC) across several European countries (Norway, Sweden, Denmark, UK, France, Belgium, Netherland, Germany, Austria, Italy, Greece, Poland, Bulgaria, Hungary). Evidence from the public sector studies depicts a fragmented overview of working conditions, featured by remarkable changes following restructuring events towards outsourcing (Flecker 2010). Employment-related issues are prominent above all in non-Scandinavian public administrations which witnessed a numerically-relevant transfer of personnel to the private company taking over as service supplier (Flecker *et al.* 2008, Flecker and Meil 2010). In several cases, the transfer has meant a shift from public sector collective agreement to private provider's terms and conditions, usually less protective, more flexible and more poorly remunerated. There were also cases of workers made redundant during the process.

Quantitative employment changes however were accompanied by qualitative implications as well: outsourcing led to the fragmentation of job terms and conditions of workers previously employed under the same contracts, with respect to status, wages, intensity of work and job security for example (Flecker 2009). The overall picture is dominated by a deterioration of working conditions, both in terms of salary (Flecker and Meil 2010) and in terms of work-related benefits such as pension scheme, maternity/paternity leaves, sick-pay scheme which become increasingly depleted by the new external employers (Flecker 2009). The transition was instead smoother in Swedish and Norwegian contexts where, thanks also to the supportive action of unions, terms and conditions of employment stayed roughly the same in return for more flexibility demanded to employees and works become heavier (Flecker *et al.* 2008). The demand for higher contractual flexibility has meant a shift from stable permanent contracts to

temporary arrangements as a way to recruit flexible staff who can deal with changing workloads.

Moreover, value chain restructuring in public sector organisations depicted a dominant trend towards standardization and intensification of work regimes. Private providers indeed boosted the codification of knowledge and tasks, accordingly making workers easily replaceable and emptying their bargaining power in the labour market. In addition understaffing for performing the activities has necessary led to a notable work intensification, which may be actually translated into increasing working hours, higher workload and prolonged work shifts (Flecker and Meil 2010). Finally public services outsourcing triggered a widespread feeling of job insecurity, regarding not only workers directly affected, but the whole public workforce fearing a potential involvement in further future restructuring processes.

In a nutshell case studies demonstrate how value chain restructuring is often purposely exploited as a way of circumventing public sector employment standards, traditionally higher compared to the private sector contracts (Flecker *et al.* 2008, Flecker and Hermann 2011). Literature indeed has repeatedly suggested how outsourcing ‘weakens labour and destabilizes industrial relations institutions’ (Flecker 2010:17) for two main reasons: firstly, as just anticipated, because the very motive of vertical disintegration could be to avoid employment regulation; secondly because external private providers are less likely to be covered by collective agreements. Industrial relation investigation indeed has repeatedly demonstrated as contracting out involves a profound change of scenario for trade union’s action, as a consequence of an evolving working environment. Atomization of companies following restructuring and the subsequent dispersion of workers represent relevant obstacles to union’s traditional role in organizing and representing at the workplace. Accordingly trade unions tend to be far weaker and work relationships far more fragmented and individualized: bargaining systems indeed are divided and coverage becomes less comprehensive (Flecker and Hermann 2011), with detrimental consequences for work terms and conditions as stated above. The tendency towards decentralization of collective bargaining, from national or sectoral level to company level, represents a further implication of restructuring (Mathieson and Pedersini 2009): in many cases this has led to a shift from single to

multi-employer bargaining with a subsequent fragmentation of job term and conditions agreed (Grimshaw *et al.* 2004).

Similar insights are provided by further studies dealing with restructuring within public sector: despite the research interest for implications on labour issues following outsourcing and privatisation processes has been growing in the last decade, evidence are still limited (Domberger and Jensen 1997, Quiggin 2002, Grimshaw *et al.* 2004, Jensen and Stonecash 2005, Böhlke 2008, Hermann *et al.* 2008, Schönauer 2008, Flecker 2009, Mathieson and Pedersini 2009, Flecker 2010, Cunningham and Nickson 2011, Flecker and Hermann 2011, Huws and Podro 2012, Smith 2012, Hasle *et al.* 2014). Moreover focus was placed on various market-type mechanisms for restructuring value chain in public sector beyond outsourcing policies: Mathieson and Pedersini (2009) investigated impacts on labour and industrial relations following liberalisation process in local public transport across two countries: Italy and UK; while Hermann, Brandt and Schulten (2008) elucidated the process of re-commodification of public work after liberalisation of postal services in Europe. Smith (2012) instead adopted as trigger of the transformation of employment the establishment of a public-private partnership in UK; Böhlke (2008) studied the impact of hospital privatisation on industrial relations and employees in Germany.

Although considering liberalisation and privatisation policies, the PIQUE Project - Privatisation of public services and the impact on quality, employment and productivity (<http://www.pique.at>) - interestingly investigated between 2006 and 2009 the main implication for job quality, employment conditions and productivity following the restructuring processes for the provision of public services. The analysis was carried out across six countries (Austria, Belgium, Germany, Poland, Sweden and UK) including four type of public services: postal service, electricity distribution, local public transportation and hospitals.

Overall picture is dominated by a deterioration of job and a fragmentation of employment, likewise evidence emerged in the WORKS Project. The object of reducing services' expenditure, a fundamental rationale driving these restructuring experiences, is achieved in a twofold manner: both by downsizing, through non-replacement of retirees, voluntary redundancy packages and early retirement (Flecker and Hermann 2012), and reducing labour cost by cutting salaries (Flecker and Hermann 2009, Schulten and

Böhlke 2012). Liberalisation and privatisation notably impacted on job flexibility as well: flexible working hours represents one of the main measures adopted by private suppliers (Flecker and Thörnqvist 2012), together with a rise in overtime and night work (Flecker and Hermann 2009) and the split of work-days (Flecker and Hermann 2012). Work intensification constitutes a further spread consequences shared by all sectors under examination: under considerable time pressure the pace of work rapidly increased as well as work-loads due to understaffing, whilst work shifts became longer, not only exceeding the eight hours but even approaching physical limits of workers (Flecker and Hermann 2012).

The introduction of competition and private sector discipline in formerly protected markets impacts significantly on employment relations structures as well, challenging the traditional labour discipline of the public sector. In order to reduce labour costs indeed, liberalised and privatised companies tried to withdraw from public sector collective agreements, usually rather expansive, setting up new forms of cheaper labour regulation (Schulten and Brandt 2012). Although the study highlights national differences and variations, case studies share some common implications. Firstly ‘regarding collective bargaining, liberalisation has usually led to a two-tier system with relatively stable bargaining structures at the level of the incumbent and a rather decentralised and fragmented bargaining structure with low bargaining coverage at the level of the new competitors’ (Schulten and Brandt 2012:140). Furthermore, these restructuring processes enforced the fragmentation of collective bargaining since new competitors emerged under very differentiated collective agreements or not covered at all by regulation: as a consequence the previous relatively homogeneous workforce is then split between “old” and “new” employees or core and peripheral workers covered by very heterogeneous contracts and regulation (Brandt and Schulten 2009). Finally liberalisation and privatisation pushed towards a decentralisation of bargaining structures, shifted from national or sectoral level to workplace (Schulten and Brandt 2012).

2.3.2 Labour market segmentation perspective

The labour market segmentation theory represents a further methodological framework for developing knowledge of how restructuring of value chain impacts on employment issues and working conditions. This body of thought elucidated indeed the role of employer's practices and strategies at the workplace level in creating persistent inequalities within the workforce. The main argument put forward is that firms purposely pursue strategies at their organizational level which 'led to the persistence or persistent recreation of labour market segments, with no tendency for the capitalist system over time to erode divisions or upgrade employment for all groups' (Rubery 2006:2). Moving beyond this common assumption, two main variants of segmentation theory developed in the 1970s: the Marxist approach promoted by Edwards, Reich and Gordon (1975) and the institutionalist version developed by Doeringer and Piore (1971).

The Marxist-oriented contribution traced its origins back to the shift from a context of progressive homogenization in both working condition and labor market reinforced until the end of the XIX century to the emergence of monopoly capitalism's pressures over firms to tighten their control over the labour process, not only by gaining stronger control over the production, but more importantly through a conscious manipulation of the labour market itself. According to Edwards *et al.* (1975) indeed the source of segmented labour markets dates back to management strategies actively pursued, under the pressure of political and economic forces, for a twofold aim: on the one side it allowed to maximize profits while on the other side enabled management to minimize workers' solidarity. Indeed by breaking up jobs in small specialized activities requiring little training and limited skills, the firms promote in higher positions workers who perform well independently from their skills and knowledge endowment, profiting from their work. Moreover this standardization of tasks inevitably reduces the scope for direct confrontation between management and workforce, purposely removing ground for protests and preventing the development of group solidarity. Thus segmentation was deliberately design to increase control over labour, splitting workforce into insurmountable submarkets, distinguished by distinct working conditions and employment arrangements as a response to 'the increasingly homogeneous and

proletarian character of the work force [which] generated tensions which were manifest in the tremendous upsurge in labor conflict that accompanied the emergence of monopoly capitalism' (Reich, Gordon and Edwards 1973:360). Recalling the terminology of dual labour market theory, outcome of segmentation process is the creation of primary and secondary segments, differentiated by employment stability features. Primary labour market 'require and develop stable working habits; skills are often acquired on the job; wages are relatively high; and job ladder exists', whilst jobs in secondary labour market 'do not require and often discourage stable working habits; wages are low; turnover is high; and job ladders are few' (ibid.: 359-60). Traditionally white-collar workers were consciously selected to enter the primary segment and internally promoted along job ladders, while blue-collar staff remained relegated to secondary segment losing the possibility of any potential mobility pattern. This dichotomization enables employers to diversify workers' actual experiences in the workplace, accordingly undermining the basis of their solidarity, which leads to common opposition to management.

For the dual labour market theorists (Doeringer and Piore 1971) instead the basic assumption lays on institutional foundations: there are institutional structures affecting labour market - such as labour market regulations and social policies - whose outcome is reflected in a sharp distinction between internal and external market arrangements. Internal market might be defined by organizational boundaries, but also by a craft or professional community, which through the outlining of rules and practices distinguish insiders from all the remaining workers, the outsiders. Dualization process thus implies the division into two parallel markets featured by distinct rights and privileges. Accordingly workers belonging to primary sector enjoy job stability, high salary, opportunities for career mobility and fair treatment in the workplace, while conversely workers who gain access only to secondary sector are poorly paid, unstable, characterized by high turnover and bad workplace conditions. The allocation of workers in the primary or secondary labour market depends upon their endowment of economic, political and social resources: as a result women, young workers and migrants are more likely to end up in the latter while highly skilled, male workers are easily employed within the former. Moreover, given the limited mobility between the two segments, once trapped in the secondary market the possibility to move to the primary are very

limited. Indeed as hypothesized by Palier and Thelen (2010) these inequalities are more likely to become institutionalized, rather than transitory.

This body of literature devoted also extensive attention to the organisation of work and employment at the inter-firm level: it has been argued that the restructuring practices adopted across the value chain utilize, and at the same time create, segmented labour markets (Edwards *et al.* 1982). Hence, outsourcing practices at the workplace and organizational level are responsible for creating and reproducing inequalities ‘motivated by interests of tapping into different market segments where wages are at a lower level, even though the work still requires commitments and skills’ (Doeringer and Piore 1971, Rubery 2006:9). According to labour market segmentation perspective, contracting out might negatively impacts on labour and employment conditions: it suggests indeed that public administrations which traditionally employ primary sector workers could take advantage of lower labour costs by externalizing tasks to secondary sector workforce characterized by short-term employment relationships, little or no prospect of internal promotion, and the determination of wages primarily by market forces.

If early segmentation theory was mainly concerned on explaining why inequalities and segmented labour market arose and persisted in a context of steady growth rate and high employment demand, subsequent discussion refocused the debate on the new forms of segmentation emerging, associated to firms’ search for organizational flexibility and restructuring processes. The flexible firm model as developed by Atkinson (1984), already discussed in the previous section, offers a further – much debated – functional point of view: organisations split their workforce between a relatively small core workers group, providing functional flexibility, loyalty and commitment in return for employment protection, and a large peripheral workforce with non-standard precarious working conditions, used to achieve financial and numerical flexibility. According to this perspective, segmentation could be expected to be triggered by internal reorganization in the search for more flexible labour in production process (Flecker and Meil 2010). Public organisations increase their internal flexibility by outsourcing activities and tasks to external suppliers, which in turn transfer the flexibility demand to their employees (Arzbacher *et al.* 2002). As a result, service contracts increasingly rely on non-standard contracts and temporary forms of employment applied to peripheral workforce to fulfil the demand of flexibility expressed by core firms (Flecker 2009).

The issue is directly related to the dualization literature (Palier and Thelen 2010, Thelen 2012), according to which ‘firms actively pursued a strategy of separation of the workforce, which divided employees into core and fringe workers’ (Hassel 2012:3) as a mean to achieve savings and flexibility through more liberal employment rules for peripheral workers. Outsourcing it has been argued to be beneficial for core workforce, since it can work as a buffer, sheltering them from company restructuring, budget constraint and market fluctuations and pouring all these risks on peripheral workers. Competing literature strands however emerged, questioning the soundness of dualization assumption: outsourcing, instead of cushioning core workers, negatively affects this workforce segment as well (Flecker 2009, MacKenzie 2009), putting growing pressure even on permanent workers in standard employment relations and raising the ‘levels of insecurity even within the zone of integration’ (Dorre 2005, Flecker 2009). Restructuring processes toward outsourcing indeed challenge the traditional idea that core and periphery are clearly distinguished according to level of skills and commitment required by the lead firm, raising the need to reconsider the core/periphery model (Purcell and Purcell 1998). Indeed it modifies the ‘power relations between employers and labour and thus put pressure on the core workforce to make concession of their employment conditions’ (Flecker 2009:253, Caprile 2000, Marchington 2005, Doellgast and Greer 2007). Moving even further Gavroglou underlines that ‘the insecurity of the periphery that may have initially sheltered the core tends to gradually creep into the core as well: the working conditions of the peripheral workers begin to act as a benchmark for the core workers who feel increasingly pressured to accept a worsening of their working conditions’ (2007:15).

The extent to which outsourcing still buffers core workforce is an open question which necessarily deserves further investigation (Flecker *et al.* 2008).

Chapter three

Case selection and methodology

3.1 Aim of the study and research questions

While during the post-war decades public services and more generally public-related tasks were mainly provided in-house by the state, the last three decades have witnessed an unending wave of restructuring towards outsourcing of traditional publicly provided services across European governments. So far, analysis of these processes widely focused on consequences for cost developments, commonly quantifying the extent to which contracting out leads to savings (Domberger *et al.* 1986, Domberger and Hall 1996, Domberger and Jensen 1997, Savas 2000, Blom-Hansen 2003, Greve 2008), and on assessing quality standard accomplishment by external contractors (Domberger and Rimmer 1994, OECD 2002, Jensen and Stonecash 2005). Research interest only recently, and rather rarely too, has taken into consideration implications of restructuring processes towards outsourcing on labour terms and conditions (Grimshaw, Rubery and Marino 2012) and employment relations structure (Hermann and Flecker 2012). Additionally, within this stream of study, scholars' attention has been only occasionally devoted to outsourcing as a phenomenon in its own right and its consequences for labour, while the concept has been often treated crosswise. Hermann and Flecker (2012) for instance, in their comparative study on privatization of public services and impacts for employment, dealt with contracting out as one of the various employment procurement tools that companies might exploit during privatization and liberalization processes, while Grimshaw, Rubery and Marino (2012) considered outsourcing as one of the factors affecting pay rate in local governments, alongside austerity measures.

Thus, existing literature and practitioners' reporting left wide room for further empirical research concerning how organizational restructuring towards outsourcing impacts on labour and industrial relations structure. The urgency for further and more systematic investigation is enhanced by negative and perverse effects of restructuring processes highlighted by previous studies carried out in private sector companies (Flecker *et al.* 2005, Marchington *et al.* 2005, Doellgast and Greer 2007, Flecker 2009, Perraudin *et al.* 2009).

Hence the first objective of the present study is to investigate the impacts of outsourcing process of public services on terms and conditions of employment and industrial relations institutions in different European countries and across diverse public administration sub-sectors. This research design based on a double level of comparison - a cross-country national level comparison and a cross-sectoral comparison between different subsectors within public administration - is plotted, first of all, to address the lack of systematic comparative analysis in the literature dealing with this specific issue, and secondly to test whether the phenomena under scrutiny develop trajectories which display similarities or, conversely, differences across countries and/or across sectors. In other words, the research aims to test a convergence/divergence hypothesis, namely to investigate whether consequences on working conditions and employment relations of outsourcing processes, embedded in different national institutional contexts and diverse segments of public administration, do follow convergent trajectories along the same pattern, or conversely, whether they do diverge according to different legislative and institutional national arrangements and/or to different peculiarities and constraints characterizing public sub-sectors. In other words: does the country matter? Does the sector matter?

The solid tradition of research into the comparative public administration field, after an initial enthusiasm in supporting the double convergence idea following NPM-related reforms - that is to say converge between public administrations across countries associated to a convergence pattern between public and private sectors within each country -, embraced the idea that, instead of an all-encompassing trend of convergence, countries clustered according to similarities in their national institutional and legislative setup (Pollitt and Bouckaert 2011 provide a useful classification). Public management reforms, accordingly, developed along trajectories shaped by national specific

arrangements (Bordogna 2008). Likewise, theoretical expectations regarding impacts on labour issues of outsourcing, as a NPM-related tool implemented across European public administrations, might follow the same pattern typified by national distinctiveness. Moreover, the long-lasting debate about differences between industrial relations models across countries (Bach, Bordogna, Della Rocca and Winchester 1999, Visser 2008) lays the foundations to argue for distinctive patterns regarding implications for industrial relations regimes across national contexts.

In addition to this macro-level comparison at national level, even more interestingly, a meso-level comparative analysis integrates the study, testing the convergence/divergence hypothesis across public sub-sectors. Research attention in industrial relations field, in fact, has recently been shifted from the lengthily scrutinized country-level to sectoral developments, deepening similarities between the same sectors across different countries (Bechter, Brandl and Meardi 2011, 2012). This stream of study pinpointed the potential for comparing sectors of activity, rather than the variability of national models, in their tendency to develop similar features across national borders following the internationalization of economic markets and the promotion of sectoral governance at the EU level, fostered as an emerging specific level of social dialogue. Accordingly, this study puts forward the hypothesis that sectoral similarities might be detected across public administration sub-sectors as well, driven by sector-specific features and constraints of which the analysis tries to give an account. Before moving on, it is fruitful to unfold more closely the concept of convergence adopted in the present research. Within the industrial relations context, earlier categorizations by Hay (2000) and Marginson and Sisson (2002) differentiate between four different senses of convergence: convergence in the pressures and constraints placed upon a particular political economy (input convergence); convergence in the policies pursued by particular states (policy convergence); convergence in the consequences, effects and outcomes of particular policies (output convergence); convergence in the processes sustaining the developmental trajectories of particular states (process convergence). Translated into this specific domain, the theoretical questions researched in the present study refer to the third meaning, namely output convergence following restructuring policies towards outsourcing.

3.2 A double-level comparative research design

3.2.1 Country selection and research hypothesis

In exploring these issues, the study grounds evidence on a comparative case-study analysis, covering three countries and two sectors, chosen through a theory-based selection.

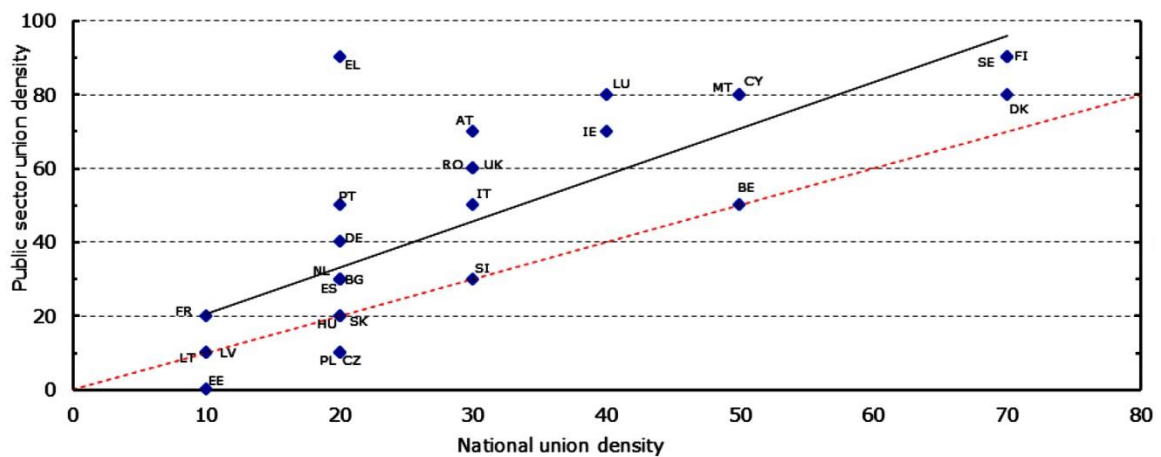
The choice of countries, as anticipated above, has been driven by the assumption that specific national institutional arrangements might affect trajectories displayed by impacts of outsourcing (Jaehrling 2014): accordingly, since the focus of the analysis addresses labour-related issues and consequences for employment relations we might expect industrial relations regimes having a leverage with these patterns, both paving the way to detrimental consequences and working as a buffer, warning negative implications. For instance an extended labour market regulation as well as strong employment relations structure may act as mediators in alleviating and controlling the negative impacts of restructuring process (Jaehrling 2014), while a regime which puts emphasis mainly on market adjustments and self-regulation, hence minimizing the role of employment regulation and organized labour institutions could enhance perverse effects on work terms and conditions (Gallie 2007).

Accordingly Italy, England and Denmark are the countries under scrutiny as they each answer to different industrial relations frameworks. Existing classifications of these models provide rather similar insights grounded on a list of typical industrial relations dimensions (union density, union fragmentation, employers' association density, collective bargaining coverage, degree of collective bargaining centralisation, interaction of social partners with the state) but labeling differently the various cluster of countries (Gallie 2007, Visser 2008, Bechter and Brandl 2012). The present study makes reference to industrial relations regimes classification adopted for private sector, but taking into account that public sector industrial relations not always match the traditional national types, as Bechter and Brandl demonstrated (2012: 61). Indeed, if the model fits well in the Danish case, where the public sector industrial relations system corresponds to the national one, on the other hand the Italian and the English public sector industrial relations regimes do not completely match the traditional national type:

in those cases differences between the two sectors are clarified. As the analysis will show, these differences between public and private sector employment relations scheme are extremely relevant since they might have an impact on variables under scrutiny, since outsourcing process led to blurred and overlapped labour relationship between the two sectors.

Italy is clustered in the State-centered group, together with the Mediterranean countries, characterized by a rather high degree of union density, above all in the public sector where the rate is around the 50% (see graph 3.1) and a very high collective bargaining coverage, around the 80% at national level, but with a percentage amounting to 100 in the public sector: these rates are close to the Danish ones, but diverging from this national type for a lower degree of centralization of collective bargaining process.

Graph 3.1 Public sector and national union density, 2009

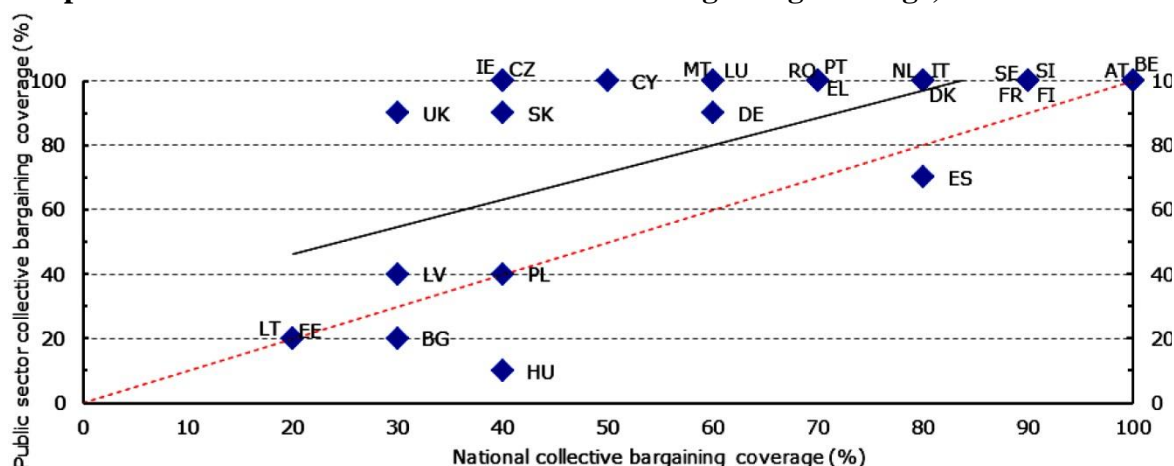


Source: National union density: J. Visser, ICTWS database 3.0. Public sector union density: Bordogna 2007, Adam 2011, Visser 2011, Brandl and Traxler 2012.

Note: The dotted line is the 45 degree line which indicates points where the two % are equal. The black line is the least squares regression line indicating the average relationship between the two.

The fragmentation of social partners' organisations is very high, especially in the public sector where is the highest among EU member states as clearly shown by graph 3.3 and there is a moderate involvement of social partners with the state, which traditionally, in the Mediterranean employment model, has played a relevant coordinating role, while retaining a relatively liberal arrangements in the sphere of labour relations (Gallie 2007).

Graph 3.2 Public sector and national collective bargaining coverage, 2009



Source: National collective bargaining coverage: J. Visser, ICTWS database 3.0. Public sector collective bargaining coverage: Adam (2011)

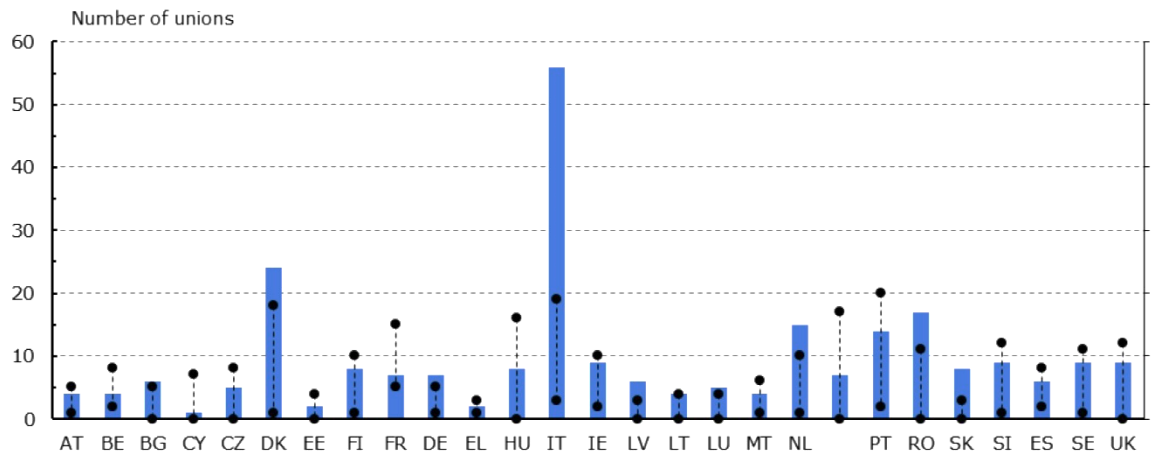
Note: The dotted line is the 45 degree line which indicates points where the two % are equal. The black line is the least squares regression line indicating the average relationship between the two.

England is classified by Visser (2008) within the group of Liberal countries which presents as features: an average organisational density, both on the union and the employer side (see graph 3.1); a high collective bargaining coverage in the public sector, much higher compared to the whole economy including private sector activities, where the coverage rate stands below the half of public sector rate (see graph 3.2); a rather low fragmentation of social partners organisations as shown in graph 3.3 and a very decentralized collective bargaining level. These institutional distinctive features match with what Gallie (2007) labeled a market employment regime, which puts emphasis mainly on market adjustments and self-regulation, hence minimizing the role of employment regulation and organized labour institutions, seen as negative rigidities. Accordingly, employment conditions and job rewards are self-regulated by the well-functioning market, while institutional role and controls by organized labour are reduced to the lowest level: terms and conditions of employment indeed are regarded as a matter of individual employers, rather than a collective issue.

Denmark belongs to the Organised Corporatism model, displaying a high degree of organizational density, one of the highest in Europe both in the public and private sector (see graph 3.1) together with other Scandinavian countries; a very high collective

bargaining coverage, slightly higher in the public compared to the private sector, but however above the 80% as shown in graph 3.2 and a relatively high fragmentation of social partner representativeness in terms of high number of both unions and employers' associations (graph 3.3).

Graph 3.3 Union fragmentation in the public sector and in private sector, 2009



Source: Number of public sector unions: Adam (2011). Number of private sector unions: Bechter, Brandl and Meardi (2011).

Note: The bars represent the number of unions in the public sector: these unions are compared to the ones in nine private sectors. The sample covers manufacturing and services, and both internationalized and less internationalized sectors: steel, sugar, tanning and leather, civil aviation, railway infrastructure, sea and coastal water transport, hospitals, hairdressing and other beauty treatment, and telecommunications. The black dotted lines with balls indicate the maximum and the minimum number of unions from the selected nine private sectors. Public sector union fragmentation is higher than in each of none private sectors if the blue bar exceeds the ball on the top of the dotted line.

Denmark employment regime has been also described by Gallie (2007) as inclusive, where regulations and policies are designed to extend employment and employment rights as largely as possible, providing welfare and security to all workers, minimizing differences within the labour market: accordingly high protection to weaker categories of workers is guaranteed. In countries within this cluster, the Scandinavian group, organized labour has a strongly institutionalized role, interacting with the state and employers' associations for a relatively universalized protection of work terms and conditions.

Hence, as anticipated above, I expect employment relations model having an impact on consequences of outsourcing in the different countries, bringing convergence hypothesis

into contention: consequences on labour do not necessarily converge towards a similar low road pattern following contracting out, but conversely industrial relations regime and its related institutions intervene as mediating factors.

Accordingly, an extended labour market regulation as well as strong employment relations structure may act as buffer in alleviating and controlling the negative impacts of restructuring process: it follows that an employment regime characterized by high collective bargaining coverage in both the public and private sector, linked to a high union density across both sectors, more likely guarantees high standard working conditions, protecting both core workforce with standard open-ended contracts and peripheral workers with non-standard temporary contracts. So I expect working conditions and industrial relations structure in Denmark remaining relatively stable and well-protected during restructuring towards outsourcing for workers employed in the public sector involved in the process. Theoretical expectations within Italian public administration resemble pretty much those just mentioned for the Danish case: a widely protective labour regime for public employees, combined with an extensive collective bargaining coverage and high union density guarantee a continuity in work terms and conditions.

Conversely, a regime which puts emphasis mainly on market adjustments and self-regulation, reducing in this way the role of employment regulation and organized labour institutions might pave the way to detrimental consequences for labour, since workforce is let free to compete in a market regime featured by weakness of employment relations structure and devoid of strong job protection. These theoretical premises suggest that the English national context may lead to such a scenario, enhancing perverse effects on work terms and conditions.

3.2.2 Sector selection and research hypothesis

Within each country, two sub-sectors of public administration have been selected according to several dimensions: local government and health care constitute the sectors under scrutiny. For sake of comparability, within the local government sub-sector a narrower and more precise selection of cases had to be done since the category across the three countries under investigation gathers together very different administrative

levels and public bodies. Municipality, as the most decentralized level of government, however shares very similar characteristics across Italy, England and Denmark, making it a sound case to analyse.

The selection has followed a two-step path, in order to verify firstly the comparability of the two sectors, and second to check whether these specific sectors could represent suitable empirical cases to disentangle my theoretical puzzle. Among the whole range of public administration branches, local government and healthcare sector have experienced the most intensive restructuring process towards outsourcing of public services, traditionally provided in-house. Over the last decades in fact the two sub-sectors, more than other public sectors, have been pushed to reduce their expenditure under the pressure of increasing public debt, stricter spending constraints, shifting citizens' preferences and the demand for better quality and more customized services. Moreover, to a different extent, all European countries experienced the aftermath of the global economic downturn, combined with the crisis of welfare state: the last thirty years have witnessed a turbulent transition from the "Golden Age" of marked expansion to a "Silver Age" of permanent austerity (Ferrera 2007). Accordingly, the traditional capability of in-house provision of services in the hand of municipalities and health care organisations has been challenged, exposing them to market competition and restructuring in an extensive manner. Therefore investigation within these two sectors is theoretically relevant. Moreover, both sub-sectors employ high rate of public personnel since they constitute labour-intensive activities, that is to say sectors in which labour represents a significant item of expenditure: in Italy in 2010 local government – which includes regions, provinces, municipalities and chambers of commerce – employed 588,168 permanent employees, corresponding to the 18% of the total public employment, while national health service employed 682,183 permanent workers, around the 21% of the total. Only public school sub-sector exceeded these shares, employing 1,052,495 employees, equal to the 32% of total public employment (Bordogna and Neri 2012, Ministero Economia e Finanze – Ragioneria Generale dello Stato). According to UK National Accounts 2012, public employment in England is split into a three-fold classification between central government (2.1 million employees including government departments, executive agencies, public bodies controlled by the stat, HM Forces and the National Health System which specifically employed 1,245,000

individuals), local government (2.1 million staff) and public corporations (386.000 employees) (Office for National Statistics 2012). In Denmark in 2012 the number of employees in the municipal sector was 443,000, equal to 59% of the total public employment, while the regional sector employed 122,000 individuals (16%) of which 179,000 working in the healthcare system (Mailand 2012, Statistic Denmark 2012). It is reasonably conceivable that in these sectors labour cost might account for a production factor that public authorities can leverage when they deem necessary a reduction in public expenditure.

Again, local government and health care sector have in common the fact of employing both blue-collar workers – as street cleaners and gardeners in the former; cleaners and laundry workers in the latter – and white-collar ones, highly skilled professionals – such as nurses and social workers involved in home care, ITC technicians and architects in municipalities; medical professional and nurses in the health care sector -: contracting out process, in countries under scrutiny, has involved both categories of workers in the two sectors.

Two further features guarantee a reliable comparison of these two sectors across countries: concerning municipalities, they constitute the more decentralized government level, entitled to provide to its own community a wide-spreading list of public services which range from technical tasks – roads maintenance, waste collection, green areas maintenance – to professional services as home care and social services. The municipality provides broadly similar services across countries, unlike other local government levels, for instance province, county or region, which largely differ among countries under scrutiny, both in terms of territorial extension and for the nature of services provided. Moreover, I exclusively selected countries which adopted national health system funded out of general taxation, thus excluding the cluster of countries which opted for a national health insurance system, like Germany, funded out on insurance basis. A last remark concerns the kind of tasks and services health care sectors are committed to provide in their respective countries. As just mentioned, the systems under scrutiny guarantee universal care on the basis of citizenship and wholly financed by general taxation: accordingly health care structures across Italy, England and Denmark provide broadly similar and comparable services, subsidizes by direct funds transfer from the state and free at the point of delivery.

Beyond these similarities which guarantee the soundness of the comparison, the selected sectors differ along some specific dimensions which might trigger divergent trajectories of outsourcing, hence explaining potential different implications for labour as well.

The main rationale of outsourcing lies on economic basis, namely the search for a better value for money in the provision of services: the dominant economic literature agrees on the ‘cost containment aspect, relating it to potential benefits of decreasing expenditure while increasing efficiency’ (Brunetta, Giustiniano and Marchegiani 2014:276). As a consequence, public organisations subject to stricter expenditure containment and public funds cut are expected to opt for contracting out of services as a strategic choice more systematically, in order to reduce labour costs which often account for the most relevant share of production costs.

Over the last decades, municipalities in the countries under scrutiny have undergone alternately either general administrative reform or legislative pressures which, to different extent, modified the institutional role of this decentralized level of government, pushing them towards outsourcing. The 2001 structural reform of the “Titolo V” (Part V) of the Italian Constitution modified the allocation of competences across decentralized levels of government – regions, provinces and municipalities – according to the principle of vertical subsidiarity: the reform aimed at boosting the financial and decisional autonomy of decentralized administrative levels and shifting functions to the level as low as possible, in order to bring public services closer to final users. As a result, municipalities, hereafter endowed with financial autonomy both in terms of income and expenditure (art.119), found themselves committed to provide a wide range of administrative services funded out on their own local taxation and shrinking money transfers from the central government. Within the 2001 reform, indeed, the growing number of competences attributed to local governments has not been concurrently accompanied by an adequate increase of their fiscal autonomy, necessary for affording to finance an increasing number of services. In addition, a series of austerity measures which trace their origins back to the implementation of the Internal Stability Pact (ISP) in 1998 (law no 488/1998) following the adoption of the EU Stability and Growth Pact (SGP), introduced a stricter regime of expenditure for the local governments to pursue the public finance targets necessary at respecting the

financial SGP criteria. In the annual Stability Pact (that is the budget law of the state), the government defines the whole financial targets for municipalities which focus on their public debt containment though the setting of legal constraints on their expenditure, including personnel costs. In case of breach of ISP targets, sanctions on municipalities include a cut in financial transfer from central government, a cap on current expenditures and investments and the freeze of any hiring of permanent or temporary staff (decree law 112/2008, art. 76, co. 3; decree law no. 78/2010, art. 14, co. 3, converted in law no. 122/2010; legislative decree no. 149/2011, art. 7, co. 2; law no. 183/2011, art. 8, co. 4) (Bordogna and Neri 2012). Since 2008, financial targets for municipalities became particularly stricter and severe, even harder to reach. These austerity measures deriving from the ISP and related to municipalities expenditures have been accompanied by further legislative interventions directly targeting public employment size. The decree law 112/2008 in fact cut down staff turnover of 10% for the 2009 (municipalities had the possibility to hire new employees to an expenditure not exceeding 10% of the labour cost of retired employees during the previous year), 20% for the years 2010 and 2011, 20% for 2012.

English municipalities, although did not undergo any similar reform, have been subject to a series of decisive legislative interventions which triggered the regulatory regime of Compulsory Competitive Tendering (CCT): starting from the Local Government Planning and Land Act in 1980, which introduced CCT for a limited range of jobs, mainly blue-collar tasks as highways maintenance and building maintenance, then extended in 1988 to most of the manual services, covering refuse collection, street cleaning, schools catering, grounds and parks maintenance. As a third step, the tasks covered by the Local Government Act had been widened in 1992, including white-collar activity such as professional, financial and technical services. Besides legislative pressures towards contracting out, the sector has been hardly hit by budgetary reductions: municipalities have been required to cut spending by 27% in real terms between 2010-11 and 2014-15 (Bach and Stroleny 2012).

In 2007 the Danish government enacted a huge structural reform which completely reshuffled the territorial partition of the decentralized levels of government: 271 municipalities were amalgamated to 98 and 14 counties were liquidated and replaced by 5 regions with a narrow range of responsibilities. The reform aimed at taking advantage

of economies of scale and improving welfare service by a reshuffle of competencies and functions between levels of government. The process of reallocation resulted in municipalities as 'net-gainer of areas of responsibility' (Mailand 2012:1) as welfare services for instance.

On the other hand, health care systems across countries under scrutiny have experienced waves of reform which intervened less vigorously on their functioning and financing. In Italy, the above mentioned 2001 structural reform conferred the responsibility to provide healthcare to regions under a regime of financial autonomy supported by state funding, which registered a progressive decrease. The 2007 administrative reform in Denmark reshuffled competence related to healthcare, putting it in the hands of regions and funded out on general taxation transferred from the central level, in this case without remarkable cuts.

The only case that has witnessed rather strong pressure to restructure towards outsourcing is the National Health System (NHS) in England: indeed, the National Health Service and Community Care Act in 1990 introduced the idea of internal market into healthcare supply, opening up the possibility to test the market also for the provision of clinical services, which remained till that time a strict prerogative of public organisations. Again, the NHS Plan in 2000 brought about the biggest change to healthcare in England since the NHS was formed in 1948. The reform had the aim to modernize the NHS, improving the way services were delivered as a means to expand the choices available for patients. This has meant also introducing greater plurality within the health services provision: the legislation indeed explicitly encourages private provision of clinical services and expands the role of Private Finance Initiatives (PFIs) for the building and management of new hospitals. Despite these legislative pressures, healthcare 'which experienced unprecedented increases in funding prior to 2010 remains a government priority and is relatively protected in real terms' (Bach and Stroleny 2012:5). Given these premises, I expect that structural reforms and internal pressures, both legislative and economic, occurring at municipal level might act as an incentive to outsource tasks with the aim of reducing public expenditure, hence leading also to detrimental implications for labour, considered the main production factor - a relevant expenditure item - for the provision of municipal services. On the contrary, health care systems seem to be more sheltered from pressures of this kind: accordingly I

might expect job terms and conditions to be more protected for workers involved in restructuring, buffered by less stringent financial constraints.

A second strategic reason underlying the choice of outsourcing is that it allows organisations to dismiss some functions, normally requiring technical skills in favour of focusing more on activities in which they still prefer holding key resources and skills, usually core competences: literature provides wide evidence of the fact that, despite the last years have witnessed an increasing number of core activities put out to tender (Flecker 2009, Lethbridge 2011, Huws and Podro 2012) organisations preferably contracted out routine management operations, technical and limited strategic value tasks performed by blue-collar or low skilled staff where economies of scale are feasible, enabling them to focus extensively on core activities. In a nutshell, ancillary services are more likely to be outsourced, as they are considered strategically less important by public administrations. Municipalities and healthcare sector organisations, although they both employ blue and white collar staff to carry out tasks under their competence ranging from technical to professional services, present different workforce composition. Municipalities have constantly increased, over the decades, the share of white collar workers in order to perform professional functions – such as home care or front-office services –, but still they require a copious technical staff fulfilling several core assignments of high relevance for the community as road maintenance, road cleaning, green areas and park maintenance, waste collection, school cleaning and maintenance. Health care systems, on the contrary, though needing technical staff as well, mainly employ highly specialized professionals to carry out core function, like specialized doctors and lab technicians. Accordingly, given the empirical evidence that technical functions, fulfilled by low skilled workers, are more likely to be outsourced than professional services, I might suppose municipalities outsourcing more extensively, compared to health care systems, in order to achieve economies of scale and reduce labour cost. Meanwhile they focus on core functions, negative implications are expected for technical job terms and conditions: since their skills are easily replaceable in the labour market, outsourcing may trigger competition with a cheaper labour-supply.

The search for greater flexibility in the management of workforce represents a third motivation underlying the strategic choice of contracting out some tasks. Thus

organisations are more likely to outsource those activities which are not performed on a daily basis, hence not requiring permanent staff - such as maintenance, technologies repair services - or tasks with unpredictable seasonal peak as road cleaning maintenance during snow folders, needing high flexibility in staff and required availability also during night time or holiday working hours. As a consequence, given the high rate of workforce flexibility that municipalities require for fulfil their assignment, they are more likely to adopt outsourcing policies, with following implications employment conditions for workers involved.

A further distinctive feature between the two sectors is the degree of visibility of services they provide, which is directly linked to their sensitivity. Healthcare is commonly considered, if not the public service for excellence, surely one of the essential functions that government has to provide, hence constantly under the severe gaze of public opinion and mass media. The relevance of the issue is immediately clear when one thinks of scandals related to health service malfunction or medical malpractice and public opinion's shocked reactions (there are many examples in Italy and England for instance). Nothing similar is conceivable regarding local government context. Thus given the sensitivity of functions performed in healthcare sector, and the related visibility, I expect more cautious outsourcing processes which could lead to raising difficulty in managing workforce and subsequent implications for the quality of services. As a consequence, labour and working conditions are expected to remain more sheltered compared to local government.

3.3 The case-study method

A case-study method has been developed to provide insight into the research questions. This methodology allows to develop an in-depth investigation of labour issues - such as labour workload, speed of work, workers complaints - whose analysis is hardly feasible by adopting other methods. In addition, the lack of comparative data covering these issue, systematically collected across countries over time, halts any attempts to investigate the issue quantitatively.

Likewise, previous academic studies in the field facing similar difficulties exploited the benefits of this method (Hermann and Flecker 2012).

A theory-driven selection led to choose six case studies: two for each country under scrutiny, one for each sub-sector. Thus one municipality and one hospital have been selected within each country as case studies to explore in depth, following a primary criterion: they had to show a far-reaching and longstanding use of outsourcing. The deployment of effects over labour conditions and industrial relations structure does not immediately follow the process of restructuring, but vice-versa it requires a certain time span to systematically display detectable implications. Not only, a long standing tradition of outsourcing within the case studies has the advantage of enumerating, instead a single tendering round as in latecomers municipalities in the adoption of outsourcing policies, several tendering rounds for a single service: this allows to set a sort of longitudinal study of outsourcing implications along different contracting rounds. Further, an extensive implementation of contracting out, involving different tasks and different kind of skills, allows to check the reliability of findings by confronting evidence deriving from different processes, relating to a wide range of diverse services. In other words, this criterion should enable to pinpoint the regular systemic impacts of restructuring towards outsourcing and thus excluding exceptional or atypical implications.

A second criterion driving the selection was the continuity in office, during the interval under scrutiny, both of the public personnel designated for dealing with public tender inside the administration they belong and trade unions officials appointed in branches of competence of selected cases. The investigation over implications of outsourcing for labour and unions role, tracing the analysis back from the origin of the process and reconstructing the impacts over time, is a complex task: no systematic studies have been conducted up to the present, comparative data are lacking and the task is further complicated by carrying out a longitudinal case studies analysis through interviews and documentary analysis. Continuity in office for key actors involved in the process allows to ride out some of these limitations: these key informants indeed hold historical memory of the facts, they own documents and reports related to processes under scrutiny and could pinpoint further key actors involved.

These criteria have been verified through interviews conducted in each country at national level with representative from employers' organizations both in healthcare sector - managers in regional health department in Italy; National Health System (NHS) Employer in England; managers in regional health department in Denmark - and municipalities - National Association of Italian Municipalities (ANCI) in Italy; Local Government Association in England; Danish Municipalities (KL) in Denmark - and officials from the main public sector trade unions - CGIL, CISL and UIL in Italy; Unison, Unite, GMB, Unite and Royal College of Nurses in England; 3F, FOA and DSR in Denmark -. These key informants during the interviews drew up a list of suitable cases to explore and provided me further relevant observations in order to select cases satisfying these preliminary selection parameters.

The selection of case studies has taken into account the geographical position and the economic development of areas in which municipalities and hospitals are located. Suitable case studies had to be located in urban areas, hence excluding rural and mountain areas: preliminary analysis showed as in the latter contexts difficulties may raise during tendering processes since this kind of strategic choice for the provision of services has to be inherently profitable both for contracting organisations and for providers: of course this is not always the case. This particularly holds in Denmark where the number of private contractors is still limited and the private provision of services in particular areas of the country (small islands, rural areas lacking connections) is not cost-effective for external providers. The degree of economic development constitutes an other discriminating factor affecting the selection. Beyond the reasoning just mentioned which holds also in this context, a further implication concerns the Italian situation. National key informants and related literature provide evidence that Southern regions, historically less wealthy than Northern and Central ones and with incredibly high unemployment rate, exploit outsourcing processes as a corrupted mechanism to contract services to companies and providers well close, or affiliated to the political party in office giving origin to a network based on political nepotism. In addition infiltration of organized crime in tendering processes is an issue constantly on the agenda to be aware of. In this context, outsourcing often has to do with political nepotism for ensuring contracts and job places, more than regarding a strategic choice for the provision of public services.

Hence the decision to investigate in depth municipalities and hospitals located in areas featured by marked urbanization and remarkable economic development.

Following such first pre-selection, further criteria have been settled specifically for municipalities and hospitals. First of all, the municipalities must be neither the country capital city nor capital city of any other level of government: this parameter allows to exclude cities committed to perform further specific tasks related to their additional administrative role and which may vary across countries. Moreover capital cities represent peculiar cases, both for their competences and their dimension, rather than representative case studies and as much as possible subject to generalization. Secondly, they had to have experienced political turnover of party in office during the time span under investigation, in order to ensure variability in the ideology driving the council in establishing outsourcing agenda.

Finally, a dimensional criterion was singled out in order to select representative municipalities, taking into account differences across countries in terms of total population, population density, country surface (km²) and municipalities size (table 3.1).

Italy has a total population of a little less than 61 million (ISTAT 2014) distributed over a surface of 301 km², with a the density corresponding to 201 inhabitants/km². England hosts around 53 million inhabitants on a surface equal to 130 km², less than half of the Italian one: accordingly the density results double compared to Italy, reaching values around 400 inhabitants/km² (Office for National Statistics 2013). Denmark is the smallest country within the selection, both in terms of population (only 5.6 million inhabitants) and of surface (43 km²), with a relating density corresponding to 129 inhabitants/ km² (Statistics Denmark 2014). National cases under scrutiny widely differ also concerning municipalities dimensions. The average population recorded in municipalities corresponds to around 7,500 inhabitants in Italy (and median equal to 2,449), 242,000 inhabitants in England (median equal to 138,830), and 57,000 in Denmark (median equal to 42,748): a rather patchy context of analysis.

As well-known, the large majority of the 8,057 Italian municipalities are very small: the 80% has a population below the average, corresponding to 7,544 inhabitants, while between the remaining 1,654 municipalities with a population above the average the 68% has less than 20,000 inhabitants (ANCI 2014): accordingly, 520 cities in Italy

record a resident population above the threshold of 20,000 inhabitants and only 147 more than 50,000, a more comparable population to average size of English and Danish municipalities.

Table 3.1 Size and population of municipalities: Italy, England and Denmark

	Italy (2014 Q3)	England (2013 Q4)	Denmark (2014 Q3)
Total population	60,780,377	53,012,456	5,556,442
Surface (km ²)	301,340	130,278	43,094
Density (inhab./km ²)	201	406	129
Total municipalities	8,057	359	98
Mean population	7,544	242,434	56,967
Median	2,449	138,830	42,748
Municipalities below the mean	6,40 (79%)	264 (74%)	72 (73%)
Municipalities above the mean	1,65 (21%)	95 (26%)	26 (27%)

Source: data related to Italy: ISTAT 2014, ANCI 2014. Data related to England: Office for National statistics 2013. Data related to Denmark: Statistics Denmark 2014.

English local government is made up of 359 very big municipalities, of which the 50% accounts for more than 139,000 inhabitants, while approximately the 26% has a resident population above the average value corresponding to 242,000 inhabitants. The 2007 structural reform reshuffled Danish local government, creating 98 large municipalities with a rather balanced population: the median almost corresponds the average value, which means that the 50% of municipalities has a population below 42,000 inhabitants while the remaining 50% is located above that threshold, with very few outliers and a high concentration of cases around the average.

Given these premises, I selected three medium-big municipalities (considered medium-big according to the reference categories within each country) which strive for being as much representative as possible within each respective national context. Regarding Italy, I firstly excluded all medium-small municipalities below 50.000 inhabitants, then a city with around 140.000 inhabitants was chooses, the average population of the remaining cluster of cities. In England the average size of city is notably higher than in

Italy: hence the selection has involved the cluster of municipalities above the median, considering suitable cases those with a population around 380.000 inhabitants, the mean value of this cluster. Finally in Denmark the municipality was selected with a population size around the median (42.000 inhabitants) since municipalities cluster around this value.

Further criteria have been settled specifically for hospitals selection as well. First of all, for sake of comparability I selected as case studies hospitals devoted to secondary care, namely health care services provided by medical specialists and other health professionals who generally do not have first contact with patients, for example, cardiologists, urologists and dermatologists. They include both chronic care (also defined long-term care) and acute care (short-time treatment for a brief but serious illness, injury or other health condition, such as emergency department).

A second distinctive feature across healthcare systems concerns the decisional level at which the outsourcing agenda is settled. In Italy the legislative decree no 502/1992 and the following legislative decree no 229/1999 set the legislative framework regarding the territorial articulations of healthcare structures: within each region, the law established as public independent bodies, endowed with decisional and economic autonomy, the Local Health Authorities (LHA) - covering the areas of competence corresponding to the provinces and including one or more hospitals - and the main Italian hospitals (AO) featured by highly specialized departments. The bodies of directors in chief of both these structures are entitled to adopt outsourcing strategies. In England the National Health System (NHS) was extensively reformed by the National Health Service & Community Care Act (1990) which defined new forms of healthcare provision and introduced the idea of 'internal market'. Health Authorities indeed ceased to run hospitals but 'purchased' care from their own or other authorities' hospitals become NHS trusts, encouraging competition between them. Since 2004 NHS trusts have been allowed to apply for foundation trust status, implying a significant amount of managerial and financial freedom: currently almost all the previous NHS trust eligible for becoming foundation got the new status. The body of directors within each NHS foundation trust set its own outsourcing agenda. The 2007 structural reform in Denmark attributed healthcare responsibilities to Regions, which represent the venue where decisions making about outsourcing occur: hence the regional council establishes the

agenda for all the hospitals under its competence. The selection of hospitals has taken into account these cross-national differences in order to choose comparable cases. Thus the analysis has involved: an LHA in Italy for untangling the decisional process and a single hospital within the LHA competence where the policies have been implemented; a region in Denmark as decision-making level and a specific hospital in the region; a NHS foundation trust in England since it is endowed of managerial autonomy.

3.4 Data collection and analysis

As anticipated, a case-study method has been developed to provide insight into the research questions, based on double-level comparative analysis over time: a cross-national comparison of outsourcing implications in three countries within two sub-sectors of public administration. Data collection was based on an in-depth qualitative analysis carried out through 75 semi-structured interviews (25 conducted in Italy, 24 in England and 26 in Denmark) and documental analysis, split up into two stages. The first stage of the fieldwork involved semi-structured interviews with the employers' associations in health care sector and local government and trade-unions' representatives at national level across Italy, England and Denmark: these interviews, matched with related documents, internal reports and academic literature enabled the selection of the six case studies satisfying the above mentioned criteria. In addition, data gathered during this first phase allowed to trace the phenomenon of outsourcing back to its origin within each country, of which the whole picture will be provided, including distinctions between the two sectors under investigation.

Further, the second stage of fieldwork involved the in-depth analysis of each case study, conducted through semi-structured interviews with key informants inside each case: representatives from the employers' side (councillors and mayors in the municipalities; local representatives from employer associations in both sectors; managers and administrative staff employed in procurement departments in both sectors; HR department managers in both sectors; managers in service area in municipalities), trade unions officials in local branches involved in the specific case studies both for health

care sector and municipalities, shop stewards elected inside workplaces for both sectors and finally some scholars and practitioners particularly committed to investigate this issue. These expert interviews with key informants, based on a rather standardized set of topics, covered a detailed description of the outsourcing process, traced back to its origin; main motivations underlying the strategic choice to outsource; main actors and stakeholders involved in the process; changes in employment conditions for employees involved in the process; changes in work organization for employees involved in the process; extent to which employees involved have been made redundant or fired; implications for employment relations structure in terms of kind of unions' involvement in the process, unions' responses and strategies adopted, main level of collective bargaining for workers involved in the process, impacts for union membership following outsourcing, strengths and weaknesses of unions' strategies during this process; future expectations. All the interviews were recorded, literally transcribed and analysed through thematic analysis using the software tool ATLAS.ti. Data collected through interviews were complemented by a documental analysis based on a wide range of secondary sources – such as academic literature, legislation, annual reports, internal PowerPoint presentations, collective agreements, practitioners' reports, related surveys, employers' associations and unions internal documents and newspaper articles.

Data were collected through fieldwork in Denmark between March-June 2014, in England between September 2013 and January 2014 and in Italy between July-November 2014.

Credibility was actually gained through triangulation of sources, interviewing actors from multiple sides of the process – employers, trade unions officers and employees – (Healy and Perry 2000).

Chapter four

The case of Italy

4.1 Public administration: structure, functions, employment relations

4.1.1 *Structure and functions*

With a population of about 60 million inhabitants Italy is a unitary state which, since the early 1970s, attributes strong autonomy on administrative and regulatory matters to the regional level of government, powers further strengthened by the 2001 constitutional reform. The administrative structure of the state, beyond the central government, is made of a three-tier level decentralized government comprising 20 regions - five of which provided with a special statute conferring an even stronger autonomy -, 109 provinces, two of which with a special autonomy statute and about 8,000 municipalities. Not only Italy is featured by a marked fragmentation of the most decentralized level of government, as clearly emerges from these figures, but the distribution of municipalities in terms of resident population displays a clear-cut preponderance of very small and small local authorities. The large majority - around 70% - of municipalities indeed counts a population of less than 5,000 inhabitants while almost the totality (more the 90%) has less than 20,000 inhabitants. It follows that large resident population is registered in a residual rate of municipalities: only 12 cities count more than 250,000 inhabitants (www.anci.it). Despite this unbalanced distribution towards limited dimension, the distribution of the population is instead rather balanced although about 1 out of 6 citizens live in municipalities with fewer than 5,000 inhabitants (Bordogna and Neri 2012).

Since the late 1990s the president of each region and province, the mayor of the municipalities and the council members are directly elected by universal suffrage every four years. Regions and municipalities, despite their wide administrative and regulatory autonomy, enjoy only limited scope to levy local taxes: they are indeed mostly funded by transfers from central government.

In terms of functions and responsibilities, they are carried out at different administrative levels. At the central state level there are ministries and agencies, including internal revenue agencies, the judiciary, police corps and all the defence forces, fire-fighters corps, compulsory social security and the public education of all grades, with the exception of vocational training provided at regional and local government level. Public university and research institutions have administrative autonomy but are mainly financed by the central government. The organisation, management and provision of health care services, under the national policy coordination of the Ministry of Health on the basis of financial resources transferred by the central government, are direct responsibility of each region following the process of decentralization occurred in Italy in the early 1990s (Bordogna and Neri 2011). Finally social services are mostly provided at local government level.

Such allocation of responsibilities traces its origins back to a series of reform which started in the 1990s, often stimulated by growing financial difficulties of the state. The Bassanini law (law 59/1997), from the name of the Minister of Public Function, structurally modified the allocation of responsibilities across administrative levels through the application of the subsidiary principle: the new regulatory framework granted to municipalities a higher degree of autonomy in the selection of services to provide as well as in the definition of their organizational structures. The logic of the reform hence pursued a double purpose: on the one side it aimed at shifting functions and responsibilities from a centralized towards a more decentralized level proximate to citizens, whilst on the other side it provided greater legal and managerial autonomy to local governments as a means to boost their accountability and make them more responsible in their economic and strategic choices.

The process of decentralization has involved the National Health Service as well during the 1990s, where some elements of internal competition and changes to strengthen managerial autonomy have been introduced (Vicarelli 1994). Before the formal

establishment of the National Health Service (*Servizio Sanitario Nazionale*) in 1978 (law 833/1978), the decree of the President of the Republic 616/1977 had already devolved administrative functions in the matter of social services and health care from the central state to the regions. The 1978 reform created the Local Health Units (*Unità sanitarie locali*), local centres of healthcare service provision covering the whole country, moving a step further along the decentralization path from the Ministry of Health to the regional authorities. A new regulatory framework during the 1990s (legislative decree 502/1992; legislative decree 517/1993) reorganised the Local Health Units and modified their status through a transformation into companies called Local Health Authorities (LHA) (*Aziende sanitarie locali*) provided with their own legal, accounting, organizational and financial autonomy: they constitute a centralized decision centre generally composed of several hospital units covering the geographical area of the province (Vicarelli 2004). A similar status was achieved also by a number of hospitals (*Aziende ospedaliere*) which satisfied specific criteria in terms of the variety and relevance of services supplied, as well as organizational complexity. Despite from a legal point of view the newly created health authorities are allowed to autonomously manage their own resources, their autonomy is restricted by regional guidelines and bound within financial thresholds set at national and regional level.

4.1.2 Status and structure of public employment

At the end of 2013 the Italian public administration, as legally defined by the legislative decree 29/1993¹, employed about 3,336,000 individuals: they constitute the 14% of the total employment within the country in the same period and around the 5.5% of the total population. About 21% of public workforce is employed in the health care sector, 32% in the education and 18% in the local government sector (including regions, provinces, municipalities, chambers of commerce), 5% in the ministries and 16% in the police corps and defence forces (Ministero Economia e Finance – Conto Annuale della Ragioneria Generale dello Stato 2013). After a long time-lapse of overall stability in

¹ According to the legislative decree 29/1993, public administrations include public schools and educational institutions of any grade; the autonomous firms of the State (fire-workers and, until 2007, State monopolies like tobacco); regions, provinces and municipalities; public universities; chambers of commerce and their associations; all public hospitals and organizations of the National health service; non-economic public bodies at national, regional and local level (mostly social security).

staffing level, if not even of increase, since 2009 the amount of public personnel started to gradually decline following a series of strict austerity measures adopted by the government in the aftermath of the financial crisis discussed below.

As in several other European countries, public employees in Italy still exhibit distinctive characteristics compared to those working in the private sector of the economy, as for instance a higher degree of juridification of employment relations and ‘their marked dependence on the administrative structure of the state’ (Bordogna, Dell’ Aringa and Della Rocca 1999: 76). However starting from the end of the 1960s such clear-cut differences started to decline through a gradual shift of public employment regulation towards private sector discipline, which traces its origin back to three waves of reform in 1992-93, 1997-98 and 2009.

The distinctive status of public employment regulation started to decline in 1969 when the government partially recognized collective bargaining rights to a limited groups of public employees, starting from public hospitals’ one for then spreading to other sectors (Bordogna, Dell’ Aringa and Della Rocca 1999). A further step towards the effective privatisation is represented by the framework law on public employment 93/1983 (*Legge quadro sul pubblico impiego*). Despite still preserving the unilateral regulation of several aspects of the employment relationship, this law extended collective bargaining to most of public administrations’ employees, identifying the scope of agreements (including wage rate, working time and work organisation) and defining actors involved in the bargaining and procedures. Nevertheless labour law scholars punctiliously pinpointed that employment relations in the public sector was not fully privatized yet after the law 93/1983, since negotiated agreements still needed to be converted into a decree of the President of the Republic in order to be effective and binding (Bordogna, Dell’ Aringa and Della Rocca 1999). In addition the replacement of unilateral regulation with collective bargaining right occurred without abolishing the special prerogatives attached to the status of public employment, but conversely in addition to them, giving origin to what has been called a regime of ‘double guarantee’ or ‘pluralism without market’ (Giugni 1992, Bordogna 1994). Inevitably such regime led to remarkable difficulties, ‘notably, uncontrolled wage claims and leapfrogging settlements, union fragmentation and frequent conflict, which soon became

unacceptable for the entire industrial relations system, as well as for the needs of public expenditure control' (Bordogna, Dell' Aringa and Della Rocca 1999: 77).

As a consequence in 1992-93, the joint pressures of such serious problems arisen from the regime of double guarantee in public employment, the increasing economic pressure linked to the 1992 financial crisis and the urgency to meet the Maastricht criteria for European Monetary Union led to the approval of a new wide set of regulations concerning the Italian public administration. The so-called 'first privatisation' wave occurred in 1993 represented the first structured attempt to 'contractualize' and privatize employment relationship of the large majority of public employees (law 421/1992, converted into legislative decree 29/1993) which, beyond determining job terms and conditions through collective bargaining - as opposed to unilateral regulation on the part of the government -, reduced the special prerogatives attached to the status of public employment, removed the public law statute and shifted controversies from the administrative courts (applying administrative law) to ordinary tribunals under the civil code. According to this major reform, public employees' employment relationship is determined through collective agreements negotiated between the representative trade unions and ARAN, the public agency for compulsory representation of public administrations in collective bargaining at national level. ARAN was purposely created in 1993 - then amended in 1997 - as a means to both replace a multiplicity of fragmented parties previously involved in negotiations and to insulate the process from political and parliamentary intervention: it followed a greater transparency in the negotiations and a higher degree of autonomy from external pressures.

Overtaken the unilateralism in force prior to 1993, collective bargaining was fully recognized as the main method of employment regulation, based on a two-tier bargaining system established by legislative decree 29/1993 along the lines of the bargaining structured adopted in the private sector: the main pillar is represented by national level bargaining where representative trade unions and ARAN negotiate collective agreements sector by sector (central government, local government, health care sector, public education sector, public universities); the second pillar consists of the decentralized level negotiations within each single public organisation, between the employer - if required supported by ARAN - and the workplace workers' representative bodies (*rappresentanze sindacali unitarie* - RSU). The national agreements, beyond

general terms and conditions (including wage rate, working-time, work organisation, overtime, workloads and mobility) binding for the whole workforce within each sector, establish specific matters and financial thresholds to apply to company level negotiations, according to the model of ‘centralized decentralization’ (Traxler 1995, Bordogna and Winchester 2001).

Further tools and values imported from the private sector were introduced in the Italian public sector via the legislative decree 29/1993: ‘managerial prerogatives and responsibilities were strengthened, also on personnel and employment relations matters, with, intendedly, increased autonomy from politicians and trade unions, subject to stricter financial controls and tighter performance assessment systems. Automatic wage increases and career promotions linked to seniority were substituted with more discretionary, selective, performance-related mechanisms. This reform was approved with the substantial endorsement of the main trade union confederations’ (Bordogna and Neri 2012: 9).

Italian public sector underwent a ‘second privatization’ wave between 1997-99: this reform (legislative decree 396/1997; legislative decree 80/1998, so-called ‘second privatization’; legislative decree 387/1998; consolidated in the legislative decree 165/2001 entitled General Rules on Public Sector Employment) (*Norme generali sull’ordinamento del lavoro alle dipendenze delle amministrazioni pubbliche*) substantially strengthened and innovated several matters relating the employment relationship previously introduced by the legislative intervention in 1993. Specifically the legislative decree 80/1998 further emphasized the role of collective bargaining, underlying its regulatory primacy over the law in case of overlapping matters of legislative interferences. Moreover the bargaining structure was further decentralized, on the one hand entitling local administrators with stronger autonomy in local level wage definition and, on the other hand widening the scope of the negotiation at company level to cover organizational and human resources management matters - previously employer’s prerogatives. The financial controls by the Court of Auditors on collectively negotiated agreements at both centralized and company level have been remarkably softened, while stricter performance appraisal procedures were introduced for both managerial and non-managerial staff. Finally the regulation of employment

relations for top state managers was ‘contractualised’ removing the unilateral determination of terms and conditions set by legislation or administrative acts.

The regulatory framework arisen from the 1992-93 and the following 1997-99 waves of reforms crucially modified employment relations structure of public employees, bringing terms and conditions closer to those applied in the private sector by reducing legal differences between the two sectors. Nevertheless some of these measures inspired to the NPM doctrine generated perverse effects and unexpected results (Bordogna 2008), ‘partly due to their incomplete or inappropriate implementation, and partly due to weaknesses in their original design’ (Bordogna 2013: 519). Among others, they gave origin to a dynamic of wage increase around 10-15 percentage points higher than in the private sector in the 2000-2007 period, as an effect of collective agreements negotiated at decentralized level, especially in local government and health care sector (ARAN 2009, 2010 and 2011). Such outcome moreover was due to a devolution of wider scope for negotiation and autonomy at workplace level which was not accompanied by the implementation of adequate institutional arrangements to strengthen financial responsibility of individual administrations.

Some of the weaknesses and difficulties arisen from the regulatory framework of the 1990s have been addressed by a third wave of public employment reform occurred in 2008-09. Moreover this severe legislative intervention ‘was embedded within an increasingly vociferous campaign against the alleged unbearable privileges of public employees and their persistent inefficiency, if not parasitism, even after privatization’ (Bordogna 2013: 523). Newly elected government constantly stressed the rhetoric of public sector inefficiency, identifying public personnel as idlers, loafers and slackers in the eyes of public opinion and citizens.

The overall structure of employment relationship was maintained, but the new center-right government issuing the so-called Brunetta reform, from the name of the Ministry of Public Function (law 15/2009; legislative decree 150/2009), reversed the reform pattern undertaken during the previous decades. This legislation indeed shrank the scope and the role of collective bargaining, constraining negotiation in highly prescriptive rules; it strengthened employers and managerial discretion to unilaterally decide on a number of matters previously subject to collective bargaining - especially concerning the organisation of work and HRM issues - while at the same time it cut

down financial resources and limited the degree of autonomy for decentralized level agreements. As a consequence employment relations and HRM practices ‘were partially rejuridified, to the detriment not only of the autonomy of collective negotiation but, in some respects, also of managerial prerogatives’ (Bordogna 2013: 521-2). Moreover, the Brunetta reform purposely challenged unions’ prerogatives in the sector and downplay the role of workplace representative bodies leaving them only the right of information on issues regarding the organisation of work and HRM matters, deleting the possibility to open negotiations.

Additionally, the uncontrolled wage dynamics that arose from the regulatory framework of the 1990s paved the way for the introduction of stricter rules binding salary increase and career promotions, made conditional on selective procedures and performance appraisal systems by the new legislation. In addition tighter centralized controls by the Court of Auditors and government were reestablished to monitor not only the respect of both national and decentralized level agreements with the financial threshold set by the state budget law, but also their conformity with the fundamental principles of the reform, as transparency, meritocracy and selectivity.

4.1.3 Social dialogue framework and institutions

As far employment relations are concerned, Italy has traditionally followed an approach grounded on voluntarism between social partners: hence legal institutions are limited while autonomy of the parties involved is rather high. As a voluntarist system, the main sources of rules are national and intersectoral agreements: the fundamental background of industrial relations is constituted by the central tripartite agreement of 23 July 1993 (*Accordo interconfederale 23 luglio 1993*) which set a new institutional framework for income policy, restructured bargaining procedures, modified forms of workplace union representation and created a systematic two-tier structure for collective bargaining restructuring the links between the two levels.

The two-level bargaining structure based on industry-wide and decentralized agreements allows for extensive bargaining coverage and comprehensive national standards through sectoral agreements. Additionally, taking into account specific features of the Italian economic and employment context (such as an average medium-

small size of companies; industrial and economic disparities between the north and the south of the country) the second bargaining level helps to accommodate such differences between large and small enterprises located in diverse areas of the country. However collective bargaining at company level is restricted to matters and practices that have not already been covered by the industry-wide agreements.

An exception to the voluntarist approach is represented by industrial relationships in the public sector which, conversely, have been shaped by a long tradition of state intervention in the definition of procedural rules for collective negotiation, of partners entitled to take part to negotiation, of wage structure and amount of financial resources available for both national and decentralized level bargaining. The structure of collective bargaining in the public sector was systematically introduced by the legislative decree 29/1993, which envisaged a model of ‘centralized decentralisation’ (Traxler 1995, Bordogna and Winchester 2001) resembling to that implemented in private sector as set by the 1993 tripartite agreement.

Collective bargaining for the large majority of public employees - the ‘contractualised’ personnel as defined by the legislative decree 29/1993 - is based on a two-level structure. At the higher level, nation-wide sectoral collective agreements are negotiated between representative trade unions and ARAN, which compulsorily and monopolistically represents public employers at national level, to determine in a uniform way the normative working conditions and inflation-linked wage increases. At the lower level, decentralized level collective agreements are negotiated between the local employer (assisted by ARAN if explicitly required by the public employer) and the workplace employees’ representative bodies (RSU) assisted by local union branches, regarding salary increases linked to productivity and performance appraisal within financial threshold established by the national agreements. Until the implementation of the Brunetta reform, work organisation as well as HRM issues were negotiated at decentralized level: since 2009 they became prerogatives of the employer. The nation-wide bargaining sectors or units (*comparti*) were initially eight: ministries; non-economic public bodies (mostly compulsory social security); public schools; autonomous state firms (mostly fire-fighters); national health system; regions and local authorities, among which municipalities, provinces and chambers of commerce; public

universities and public research bodies. Between 1998 and 2007 bargaining units were increased to 12, and finally cut down to a maximum of 4 by the 2009 Brunetta reform.

Collective agreements at sectoral level are made up two parts: the normative content is valid for four years, while the wage and economic part is agreed for two years.

The compulsory and monopolistic representation of ARAN for all Italian public administrations in national-level negotiations ensures 100% coverage of national collective agreements. Conversely, in the private sector of the economy there is no formal extension mechanism for collective agreements, as these agreements are generally binding only for companies and employees affiliated to those associations that sign the collective agreements. Official statistics on the coverage of collective bargaining in the private sector are not available, but EIRO figures based on the ICTWSS Dataset² put it as over the 80% in 2009. Despite this high rate, collective agreements at company level are much less widespread, covering only 30-40% of the workforce.

Representation of public employees at workplace level has been regulated by the legislative decree 396/1997 which set the regulatory framework for constituting workplace employees' representative bodies (RSU, *Rappresentanze sindacali unitarie*). All members are elected with universal suffrage and secret ballots every three years in each public administration site with more than 15 employees, basically on a similar model to that introduced in the private sector by the 1993 tripartite agreement. The result of elections confers relevant union prerogatives, among which amount of working time off and paid leaves for union activity and the right to collectively bargain at decentralized level.

Concerning the right to strike, there are no particular restrictions for public employees but services at minimum level must be guaranteed in essential public services as regulated by the law 146/1990 (subsequently amended and supplemented by the law 83/2000), to be meant as all those services which satisfy the constitutionally protected rights of the individual to life, safety, health, mobility, education, information, to name but a few.

² ICTWSS: Database on Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts in 34 countries between 1960 and 2012, Amsterdam Institute for Advanced Labour Studies (AIAS), Amsterdam.

Working time represent an important issue collectively negotiated, especially relevant in the last decade given the emphasis placed by employers on the need to increase time flexibility. The statutory normal working week is 40 hours and the maximum statutory working week (including overtime) is 48 hours according to the legislative decree 66/2003. However there are remarkable differences across sectors: in 2012 the collectively bargained weekly working time was 38 hours in the chemicals sector, 40 hours in the retails and 36 hours in the public administration.

4.1.4 Trade unions

Trade union association is a constitutional right in Italy embodied in Article 39 of the Italian Constitution (*Libertà sindacale*) which guarantees freedom to organize, join a union and engage in trade union activities at the workplace, without discriminating between public and private sector employees. It follows that there are no legal restrictions on union organisation and representation for a large part of public personnel, except for a few distinctions for the police corps and the armed forces³.

Trade union density has been relatively stable in recent years and however above the EU28 average after a sharp decline in the previous decades. Administrative data of the three main confederations show that in 2012 about 37% of employees was member of a union in the whole economy (excluding retired members), only one percentage point lower compared to union density recorded in 1995. The rate is much higher in the public sector, where unions constitute the stronghold of the trade union movement, feature that is not only an Italian peculiarity, nor a recent one (Visser 2006): the density rate rapidly increased in the 1960s and the 1970s and, although a decline in the last two decades, it is around the 50%, even above the 60% if only managerial staff is considered (Bordogna and Neri 2011, 2014).

The main unions are affiliated to three major union confederations: CGIL (*Confederazione Generale Italiana del Lavoro*), CISL (*Confederazione Italiana Sindacato dei Lavoratori*) and UIL (*Unione Italiana del Lavoro*). Historically the confederations represented different political orientations which have become less clear-cut over time: CGIL was mostly linked to the left parties (the former communist and

³ They are indeed allowed to join representative organisations, but which cannot be affiliated to any trade union confederation.

socialist parties which both disbanded in the early 1990s) and political affiliations are still rather relevant; CISL was closed to the former Christian Democratic party (disbanded in the early 1990s as well) but including also sympathizers with parties located in the center-left of the political spectrum. Finally UIL was mostly associated with the non-communist, reformist left, namely the Socialist party and the Republican party. In addition to unions affiliated to these three confederations, in the Italian scenario is characterized by several other confederations and further independent autonomous unions, in particular in the transport and the public services sector. The three main confederations are organized on an industry basis, with separate industry federations for the chemical sector, metalworking, the public sector, telecommunications, construction and so on.

Italian public sector unionism displays three distinctive features in comparison with the private sector. First of all, as already mentioned, a remarkable higher union density is registered over the entire post-World-War-II period compared to the rate in the private sector of the economy: on average public sector rate overcomes the private sector one of some 15 or more percentage points (Bordogna and Neri 2011). Second, a much greater organizational fragmentation of the structure of representation, well beyond the historical division along political and ideological streams across the three main confederations. Such fragmentation is due to the proliferation of several independent crafts and occupational unions which are not affiliated to any confederation but traced their roots back to the typical professional and occupational segmentation of public sector labour market: the establishment of unionism of this kind was in addition facilitated by the high disruptive power these occupations enjoy because of their strategic position, which allows ‘forms of industrial action which have a disproportionate effect on the users of services and the general public in comparison with the cost of the action itself’ (Bordogna, Dell’ Aringa and Della Rocca 1999: 91). As a result more than 300 unions have been registered in the public sector, of whom more than 200 has fewer than 100 members and 100 has fewer than 10. Third, a generally strong organizational presence at workplace level featured by an almost universal diffusion of workplace employees’ representative bodies.

The issue of fragmented unionism in the public sector is directly connected with the question of union representativeness: such huge proliferation of unions indeed open up

the question of setting clear criteria to select organisations entitled to bargain and to enjoy union right, as periods of leave for union activities. Given the strong pressure exercised by small unions for being admitted to negotiations, the government dealt structurally with the issue of representativeness in 1997 (legislative decree 396/1997, article 7, which modified the article 47 of the legislative decree 29/1993). According to this new legislative framework, unions admitted to sectoral negotiations at national level are those which have a representativeness of at least 5% within the relevant sector (or bargaining area), computed as the average between an ‘associative’ and an ‘electoral’ criterion. The associative criterion is the percentage of check-offs (*deleghe*) collected by a union out of the total number of check-offs within the bargaining area. The electoral criterion instead corresponds to the percentage of votes collected by a union out of the total number of votes cast for the election of employees’ representative bodies at workplace.

4.2 Austerity measures as drivers of outsourcing

Italy has a public debt which has always been above the 100% of GDP since the advent of Euro and one of the largest in the EU: this is why in the years following the economic crisis, severe programs have been adopted to control budget deficit, cut expenditure and increase revenues. Public sector expenditure and public employment relations have been crucial targets of government austerity measures since the first austerity package in 2008 (decree law 112/2008).

Overall three main types of programs have been implemented: provisions aimed at drastically reducing the number of employees; measures targeted to salaries of public personnel and the reform of pension system.

First of all, according to the decree law 112/2008, very tight replacement ratios were introduced in the entire public administration: staff turnover - both at managerial and non-managerial level - was cut down to 10% in 2009 (it implies that new entrants were allowed only for an expenditure equivalent to 10% of the labour cost of retired employees in the previous year), 20% in 2010 and 2011, and 50% in 2012 (Bordogna

2013). The overall effect on staffing level was already visible in 2010: ‘at the end of the year the total number of public employees was 4% lower than in 2008, with a decrease both in the number of permanent employees (3.6%) and even more in the number of employees with flexible contracts (almost 13%)’ (Bordogna and Neri 2012: 14). The freeze of turnover was further strengthened and prolonged in 2010 (decree law 78/2010) and in 2011 (decree law 98/2011 and 138/2011), then confirmed by the Monti government through the so-called legislation on the spending review in 2012 (decree law 95/2012).

A second set of austerity measures introduced in 2008 and subsequently strengthened in 2010-11 concerns the containment of wage dynamics for public employees. After the bargaining round in 2008-09 for the renewal of the economic part of collective agreements with very moderate wage increases, close to half of the increase agreed upon in 2004-05 and 2006-07 (ARAN 2011), the decree law 78/2010 (article 9) cancelled the wage round of national negotiation for the 2010-12, removing any possibility of recovery in the following rounds. Subsequent legislative interventions extended the freeze of collective bargaining to 2013 and 2014.

Collective bargaining at decentralized level, instead, was not frozen but subject to rigid financial constraints, including the ban of exceeding the amount of resources utilized in 2010: it followed that the only endowment of resources left at the disposal of local parties for negotiations was a limited portion of the so-called ‘efficiency gains’ realized within each organization, after certification at central level.

Hence salary rates of individual employees were forbidden to exceed in 2011-13 the level of 2010, measure extended by a 2011 government provision to the end of 2014. The overall effect is a significant shrinkage of the wide gap in wage rate between private and public sector over the 2000-07 time-lapse (ARAN 2011), following a progressive slowdown in salary dynamic for public employees in 2008-09 and a substantial freeze since 2010.

The third pillar of the austerity package adopted by the Italian government in the aftermath of the financial crisis, as a means to reduce the wage bill and total expenditure of public sector is the reform of the pension system (which moreover included private sector workers as well). Obeying to a 2008 sentence of the European Court of Justice and to a recommendation of the EU Commission, the government raised from 2012 the

standard retirement age for old age pension for female public employees from 61 to 66, in line with the provision regarding male colleagues. In addition, the value of pension treatments was reduced by lowering the protection from inflation, and shifting the whole employees from an earnings-related system to a contributions-related one.

From the above brief synthesis of the main austerity measures adopted, the government will to downsize public employment and cut down the overall expenditure of public administrations clearly emerge; moreover the large majority of measures have been adopted unilaterally, without previous consultation and negotiation with unions, even purposely against union protests.

General austerity provisions to apply uniformly across sectors have been complemented by further legislative interventions targeting specific public sector divisions.

4.2.1 Austerity measures in local government

Over the last decades, municipalities in the country have undergone alternately either general administrative reform or legislative pressures which, to a different extent, modified the institutional role of this decentralized level of government, pushing them towards outsourcing. Indeed local governments have been particularly hit by increasingly sector-specific tighter measures of austerity, even before the need to contain public debt in the aftermath of the Lehman Brothers crack in 2007. Specifically, they traced their origins back to the implementation of the Internal Stability Pact (ISP, *Patto di Stabilità Interno*) in 1998 (law 488/1998) following the adoption of the EU Stability and Growth Pact (SGP). The ISP indeed required to all decentralized levels of government, ranging from regions to provinces and municipalities, to contribute in pursuing the public finance targets aimed at respecting the financial SGP criteria. The national legislation, through the annual Stability Act (that is the budget law of the state) and other legislative interventions, defines the whole financial targets for local government institutions which focus on public debt containment. In order to pursue such targets, the legislation imposed a set of legal constraints on municipality expenditure, including personnel cost.

In case of breach of ISP targets, sanctions on municipalities include a cut in financial transfer from central government, a cap on current expenditures and investments and the

freeze of any hiring of permanent or temporary staff (decree law 112/2008, art. 76, co. 4; decree law no. 78/2010, art. 14, co. 3, converted in law no. 122/2010; legislative decree no. 149/2011, art. 7, co. 2; law no. 183/2011, art. 8, co. 4) (Bordogna and Neri 2012). Since 2008, and especially from summer 2011, financial targets for municipalities became particularly strict and severe, even harder to reach, while regulations have been progressively intensified as a means to reassure financial markets and keep the interest rates of the public debt at sustainable levels. Cuts in financial transfers from the central government to decentralized levels of government have been decided, amounting to 0.36, 0.49 and 0.47 of GDP respectively in 2011, 2012 and 2013 (OECD 2011).

Moreover, a ban on any new temporary and permanent hiring, including stabilization of temporary workers, was introduced where the ratio between personnel expenditure and total current expenditure of a municipality exceeds 50%. This upper limit in the ratio, originally introduced in June 2008 (decree law 112/2008, art. 76, co.7), was lowered to 40% in May 2010 (decree law 78/2010, art. 14, co. 9) and raised again to the current level of 50% in December 2011 (decree law 201/2011, art.28, co. 11-*quarter*).

The outcomes of these austerity measures deriving from the ISP in terms of reduction in municipalities expenditures have been further hardened by the above illustrated legislative interventions directly targeting public employment size.

Beside austerity measures, the central government purposely intervened for encouraging contracting out as policy tool for reducing public expenditure and increasing management economies. The debate around outsourcing in the public administration is rather recent in Italy, dating back to the mid-1990s in the context of general reordering of local government regulation: according to the law 142/1990 titled “Regulative framework of local authorities” (*Ordinamento delle Autonomie Locali*) (art. 22) indeed local governments may provide public services within their responsibilities either in-house or by outsourcing. In the latter case they are allowed to contract the service out to an external private provider or they may constitute a joint-stock company or a limited liability company in majority public shareholding, wholly or partly owned by the local authority. A further cornerstone is set down through the law 498/1992 and the Decree of the President of the Republic 533/1996 which allowed the establishment of shared capital company in minority public shareholding for the provision of public services.

Subsequently such discipline regarding outsourcing in local authorities has been incorporated into the legislative decree 267/2000 called “Consolidated law of local authorities” (*Testo Unico degli Enti Locali*).

A turning point however was represented by the political election of the centre-right party called “Forza Italia” led by Silvio Berlusconi. In the budget law for the year 2002, the law no.448/2001 - the first issued by the new-elected government -, the will to foster market competition in public services production is much emphasized. In order to get management economies, article 29 authorized public administrations to buy services previously provided in-house in the market, in a twofold manner: both by establishing private law bodies to which entrust the execution of services and by outsourcing them to external providers through a public tender.

The promotion of outsourcing as policy tool which enables to boost economies of scale and to enhance efficiency is reiterated also in article 24 and 32 dealing with municipalities’ expenditure containment: externalization was indeed conceived as a further means for achieving financial constraints set within the ISP framework.

The relevance of this new discipline has to be understood in the light of austerity measures launched in Italy since 1998, cutting central state transfer to local governments, the freeze of turnover as well as increasingly strict limits set over municipalities expenditure in accordance with the respect of the Internal Stability Pact. In this sense, municipalities have been affected twice by government austerity measures: ‘first, by the legislation directly targeting public sector employment levels, pension system and salaries; and indirectly, by the measures deriving from the internal stability pact and the connected legal constraints on local government expenditures’ (Bordogna and Neri 2012: 16).

To summarize, heavily reduced transfers from central government along with tighter constraints on overall expenditure, including personnel costs, in conjunction with the limited power to levy taxes at local level led municipalities to own much fewer resources - in terms of both staffing level and financial resources - to directly provide public services. As a consequence externalization processes and alternative way of service delivery quickly spread within Italian local governments, also encouraged by legislative pressures from central government.

The possibility set by law to establish various kinds of semi-autonomous organizations, partially or entirely controlled and funded by the municipalities, such as “joint-stock companies”, “special firms”, foundations” or “institutions” entitled to provide public services has been widely exploited by local governments in recent years to overcome personnel and financial constraints. In particular municipalities levered on the interpretative uncertainty about the application of the legislative framework illustrated above: it was not clear indeed whether constraints applied only to municipalities in strict sense or, adopting a more encompassing definition, also to the whole range of semi-autonomous organizations controlled by the local governments. If during the last decade and until 2008 these organisations have been generally excluded from the scope of ISP and relating constraints, since then ‘the courts and the legislation reacted against these elusive practices, which especially concerned the joint-stock companies’ (Bordogna and Neri 2012: 17). As a result currently not only joint-stock companies, but since 2013 also special firms and institutions are included in the scope of application of ISP framework, hence subject to strict economic constraints. A more recent legislative intervention in 2014 (legislative decree 66/2014) finally rationalized the complex panorama of these various type of semi-autonomous organisations - around 7,800 at the end of 2012 as reported by Cottarelli (2014). The government drastically imposed to downsize the number of these organisations through either the closure or the merge with other companies: indeed they turned out to be in the large majority too small (figures provided by Cottarelli counted 3,000 companies employing less than 6 employees) (Cottarelli 2014: 20) or at a loss.

4.2.2 Austerity measure in healthcare sector

The financial constraints that the government put in place for health care sector have been more limited in their scope compared to those set for municipalities and applied much more recently.

As anticipated the current organisation of health care services stem from a series of legislative interventions occurring in the 1990s and 2000s: the health authorities have been allowed to autonomously manage their own resources, but their autonomy is restricted by regional guidelines and bound within financial thresholds set at national and regional level. Until 2010 however the central government has overall guaranteed a

sound stability in the levels of financial transfer towards the National Health System, if not even complemented by further specific funds endowments, as set in the annual budget laws. Furthermore, the financial targets focusing on public debts and public expenditure containment defined by the annual budget law of the state in respect of the Internal Stability Pact initially did not apply to health organisations.

However, starting from 2010 onwards, in the aftermath of the economic crisis, the Minister of Health progressively reduced the resources for the NHS to be then reallocated across the 20 regions (law 122/2010; law 163/2010; law 228/2012, the budget law for the year 2013; decree law 95/2012, converted into the law 135/2012, the so-called Spending Review *bis*). The growing pressure of public debt on the Italian financial structure raised the necessity for health care system to actively contribute to the reduction of public expenditure. Along with budget shrinkage indeed the government froze staff turnover for those regions that breach financial targets with regard of health care expenditure (decree law 125/2010, art.2, co. 2-bis; converted into the law 163/2010; modified by the law 220/2010, the budget law for the year 2011).

Additionally, in the recent years the regional government of Emilia-Romagna - the region where the case study under scrutiny is located - has directly intervened on the subject through the annual definition of Framework Guidelines for the Planning and Financing of the Regional Health Service (*Linee di programmazione e finanziamento del Servizio Sanitario Regionale*). The region firstly provided general recommendation to all health authorities to contain their expenditure in order to contribute to the financial sustainability of the Regional Health Service, and to achieve financial targets set at national level (law 191/2009, the budget law for the year 2010). In addition, the regional government set as spending cap for personnel for the 2010-2012 period the amount spent in 2004 diminished of 1.4%, target to be achieved through cut down in turnover and new hiring, including temporary contracts (deliberation of the regional council D.G.R. 1544/2010), in compliance with the Framework Program for Healthcare (*Patto per la Salute*) for the 2010-2012 period signed every three years by the central government, regions and autonomous provinces of Trento and Bolzano (agreement included in the law 191/2009, budget law for the year 2010).

Such regional austerity measures then became progressively stricter and severe: since 2011 indeed the region introduced a further cut of 7% on temporary staff costs for the

year 2012, compared to the amount estimated in the budget plan and a general recommendation to contain permanent hiring (D.G.R. 732/2011; D.G.R. 653/2012). Moreover in 2013 the regional council cut down staff turnover of 25% for the 2013 (meaning that health authorities have the possibility to hire new employees to an expenditure not exceeding 25% of the labour cost of retired employees during 2012) (D.G.R. 199/2013); it froze staff turnover for administrative staff - both managerial and non-managerial - (D.G.R. 217/2014) while new hiring of temporary and permanent personnel have to be previously authorized by the Regional General Direction of Healthcare and Social Policies within the Annual Plan for Recruitment (*Piano annuale di assunzione*).

4.3 The case of the Italian municipality

The Italian municipality under scrutiny, selected according to the criteria elucidated into the methodological section, with a population of about 102,000 inhabitants (Istat 2014) is the capital city of a province in the region Emilia-Romagna, located in the Centre-North of Italy. The municipality has been historically ruled by both right and left-wing political parties in rotation (mainly the Christian Democrat party, the Communist party and the Socialist party) while since the last two decades coalition of centre-left parties have continuously maintained the majority in the municipal council.

In order to fully understand how outsourcing of municipal services impacted on work organisation and terms and conditions of employment it is relevant to frame the context in which such processes were embedded, elucidating firstly the main reasons underlying the decision to put some services out to tender and second to which activities and services we are referring in this case study, and consequently to what kind of workers' skills.

Outsourcing process in the Italian context started relatively early - compared to latecomer countries such as Scandinavian governments (Pollitt and Bouckaert 2011) - and this is particularly true in the region Emilia-Romagna where the municipality under scrutiny is located. Such region in fact, historically ruled by left-wing governments, despite a strong orientation towards a public provision of services as part of a

programmatic framework strictly interconnected with a specific political profile (even more evident in the case of healthcare services as explained later), has also displayed path-breaking and innovative policy solutions for an effective provision of public services, anticipating financial pressures which would have vigorously intervened pushing towards outsourcing as emergency measure only later on. This orientation is confirmed by the national secretary of union CGIL-FP (*Funzione Pubblica*, the CGIL branch representing public personnel) dealing with local governments, who until 2008 worked as regional secretary in Emilia-Romagna for the local government sector: 'Emilia started far and away before there were financial constraints or penalizations regarding public personnel: at that point in Emilia-Romagna we were ahead' (Interview 12).

Hence embedded in a wider wave of reform of the public administration inspired to New Public Management paradigm, the local government started in the 1990s a process of restructuring towards outsourcing of several municipal services following a pattern of ascending parabola-shaped. The evolution of such process clearly reflects a consolidated pattern of externalization - that could be tracked across several European governments - that traditionally starts from a limited range of blue-collar, manual or technical tasks and activities, more manageable in calls for tender given the high codifiability of tasks, for then developing to encircle several complex white-collar professional services. Such trajectory of outsourcing diffusion characterizes not only the Italian municipality but overall all the case studies under scrutiny.

Hence, in the early 1990s, the local government embarked upon the first outsourcing process, putting out to tender roads and buildings (schools, public buildings) maintenance service and green areas and parks maintenance service which overall involved around 350 workers. The main rationale underlying this first attempt to externalize municipal services was the search to reduce the costs for performing blue-collar tasks as reported by a council member who at that time was the general secretary of CGIL-FP in the city:

[the council] did put it out to tender because they couldn't afford all the costs; more personnel was required for the maintenance but this meant increasing costs since the

collective agreement for local government was better than the one applied by private companies for technical staff' (Interview 20).

Outsourcing of cleaning services in municipal building and schools has followed, along with waste collection and waterworks management. Other technical services contracted out during the 1990s involved the local transport and the management of the graveyard (including maintenance and daily opening). More recently in the early 2000s, instead the council outsourced in a joint tender with the Local Health Authority catering service providing food both for schools, meals on wheels and for hospitals patients: the contract included beyond the provision of meals, the construction of a new centralized catering centre in replacement of the various kitchens dislocated within municipal schools and hospitals.

If until 2000 outsourcing was exclusively limited to peripheral services to the business function of the municipality (even if a long discussion might be devoted to whether meals on wheels for elderly, for instance, constitutes a peripheral tasks or conversely a core social service in a municipality), since then a second phase of externalisation took place encompassing a wide range of white-collar tasks, traditionally considered core services. The local government embarked upon the externalisation of the information point for the youth and more importantly the provision of a large part of social services involving both social workers and nurses (as home care, residential home services) and nursery schools. Finally the municipality opted for selling also the previously council-run pharmacies: in this case the introduction of market-type mechanisms in the public sector took the shape of mere privatisation process, rather than of contracting out.

The Italian scenario in terms of market-type discipline and tools for the provision of public services is indeed quite patchy and complex since the general concept of privatisation/externalisation unfolded through a variety of policy arrangements in the Italian legislative body. Beyond outsourcing in strict sense - namely externalising a service through an invitation to tender - local governments have the possibility set by law to establish various kinds of semi-autonomous organizations, partially or entirely controlled and funded by the municipalities, such as "joint-stock companies", "special firms", foundations" or "institutions" entitled to provide local public services (Rossi *et al.* 2010), and more specifically those tasks and services aiming to fulfil social

responsibilities and to promote civic and economic development of local authorities (legislative decree 267/2000, art. 112). Hence such organisations endowed with legal personality, entrepreneurial autonomy and their own statutes (legislative decree 267/2000, article 114) are allowed to provide public services on behalf of the municipalities but within the regulatory framework of the private sector: for instance services are provided upon payment of the correspondent charge, while workers are directly employed by this organisations through private sector contracts.

This legislative provision contained in the “Consolidated Law of Local Governments” has been widely exploited by the municipality under investigation for a twofold reason. On the one side the establishment of semi-autonomous organisations enabled to overcome both financial constraints on municipal expenditure capacity and the cap set on hiring or replacing internal personnel given that until 2013 such companies were exempt from the application of austerity measures; on the other side the statutes of these companies regulated by the private sector discipline provided for higher flexibility in human resources management.

Provided this context, the municipality started a sort of third phase of public service marketization: the large majority of technical activities initially externalized through competitive tender have been transferred under the responsibility of municipal special firms, as in the case of local transport, waste collection, green areas and parks maintenance, waterworks management, building maintenance, roads maintenance and graveyard management.

With respect to social services instead, the production process is rather fragmented between in-house provision, private providers and cooperatives, while importantly the local government maintains the unilateral responsibility of planning and control, resources allocation and regulation. Over the last decade indeed the municipality through an incremental process outsourced parts of social services, including the management and the care services of a residential home for elderly, a quota of home care service, a day-time rehabilitation centre for disabled persons.

Subsequently in 2009 the regional council, acknowledged the current state of the art within the area of social services provided by fragmented mixture of public and external providers issued a specific regulative framework for harmonizing the service delivery and cost across the whole region. The so-called accreditation procedure (*sistema di*

accreditamento) traced its origin back to the resolutions of the regional government 772/2007 and 514/2009 (*delibere della Giunta Regionale dell'Emilia-Romagna*), in application of the regional laws 2/2003 e 20/2005, where the criteria and guidelines framework for the accreditation of social services are set. The accreditation procedure has the manifold purpose to ensure high quality of services and care structures through the fulfilment of strict requirements, to shift the regulation of the relation between public administrations as clients and the external providers from outsourcing contracts to service contracts and to harmonize service cost. Substantially, 'it removes external provision of social services from the regulation set in the Procurement Code (*Codice degli Appalti*) for integrating it in a different normative context ruling a market of external providers strongly regulated by the public actor' (Interview 17).

According to the new legislative framework, initially transitorily until 2010 and then permanently since January 2015, each municipality has to validate within its own area of responsibility all providers of social services satisfying specific requirements set by the region, entitling them in this way to provide the service. The municipality, once computed the service needs, transfers the provision of such service through a public notice wherein specificities regarding the service are defined: only compulsorily accredited providers are allowed to submit their projects among which the municipality select the organisation to whom transfer the responsibility of the service by the means of a service contract (*contratto di servizio*) (law 448/2001, art. 35; reforming the legislative decree 267/2000, art. 113 and 113-*bis*). The service contract plays a central function in defining and regulating the relationship between the municipality (as client) and the external companies (providers), transferring the production of public services within a highly regulated environment for accommodating the general interest of citizens/users. A pivotal role however is played by the public actor as regulator and supervisor of service contract, financing the provision of services and establishing the allocation of costs between users and local government.

Moreover, according to the new regulatory provision, since 1 January 2015 each municipalities is required to overcome mixed-management provision of social services within the same structure: in other words each care structure (residential home, day-time centre for disabled persons) has to be run by only one provider, either public or private one.

A third market-type mechanism implemented by the local government for the provision of public services directly involving municipal educational services for the infancy is the so-called “local integrated public/private system” (*sistema territoriale integrato pubblico/privato*), as defined by the regional laws 1/2000 and 6/2012. According to such system, the region set common functioning requirements and service standards for both public and private crèches as a tool to guarantee high quality standards harmonized between private and public providers and ‘to restore some unclear situations’ (Interview 24).

At the beginning of 2015 indeed the municipality counts on 6 public nursery schools, 1 outsourced crèche, 3 private nursery schools and 12 contracted crèches. Two public nursery schools have been closed down during the last years, one for an intervention of building renewal and the second to host children from kindergarten previously located within the first crèche and currently inaccessible. Contracted crèches (*nidi in convenzione*) are schools owned and managed by private organisations or cooperatives, authorized by the municipality to provide the service on behalf of the public actor itself which in exchange pays a monthly contribution for each child. Such kind of nursery schools are selected through a public invitation to tender which awards the service to the private company fulfilling two main requirements: the location in a specific area of the city lacking of places for infants and the number of infants enrolled with private contract.

Unlike contracted crèches, outsourced one are selected by the mean of a call for tenders, externalizing the service on the basis of an economic evaluation of the bid and quality assessment of the educational project presented by the bidders. Moreover if in the former case both public and private service is provided, in the latter the school provides services exclusively for the public administration.

The system planned by the region is defined as integrated since outsourced, contracted and public nursery schools on the supply side have to fulfil the same requirements, while parents, as users on the demand side, enjoy the same access right in any crèche, meaning the same monthly fee and the same criteria for the admission. Within the local integrated system, also non-contracted private crèches running their own private business in the territorial boundaries of the municipality have to be authorized to provide educational services by a commission - composed of the municipal manager of

educational services, engineers, physicians and pedagogues - entitled to verify the fulfilment of strict specific requirements.

A sort of fourth phase in the externalization trajectory of the Italian municipalities concerns the centralization of calls for tender at national or regional level, strictly intertwined with the creation of an electronic market of the public administration for the purchase of goods and services through the so-called e-procurement system.

As part of a wider and long-standing reform of the public administration inspired to NPM doctrine, the government set an innovative legislative framework with a twofold rationale. On the one hand such reform answered to the need to boost ITC innovation and utilization within an overloaded and often inefficient public sector as a means to increase its efficiency, whilst on the other hand the government aimed to systematize the overall system of public procurement, for enhancing transparency, accountability towards citizens and reduce costs.

The spirit of such reform wave became pragmatic and evident in 1997 when the Minister of Economy and Finance (MEF) on purpose established a limited company fully owned by the MEF itself called CONSIP s.p.a.: the company was created to support, advise and back up Italian public administrations within the sphere of goods and services public procurement, functioning also as national centralized purchasing body through the electronic market (Decree of the Minister of Treasury, and Economic Planning 24 February 2000; Decree of the President of Republic 101/2002; Law 350/2003, the budget law for the year 2004; law 296/2006, the budget law for the year 2007; Decree of the Minister of Treasury, and Economic Planning 12 February 2009). Specifically the electronic market for the public administration is regulated by the Regulation implementing the Procurement Code (*Regolamento di Attuazione del Codice degli Appalti*) (Decree of the President of Republic 207/2010, enforcing the legislative decree 163/2006, the Code of Public Procurement regarding goods and services) (*Codice dei contratti pubblici relativi a lavori, servizi e forniture*) and by the law 296/2006 which in article 1 conceives the recourse to the electronic market for all central and peripheral administrations for the purchase of good and services below the Community reference threshold (corresponding to 207,000 euro).

Tracing the example set at national level, the region Emilia-Romagna through the law 11/2004 instituted an Agency for the development of its own telematic market called

“Intercent-ER”, with the purpose to optimize, rationalize and simplify goods and services procurement for public administrations in the region. The Agency is entitled to manage a telematic system of e-procurement both for single administrations and at centralized level through a standardization of tenders as a mean to contain public expenditure by reducing the cost of outsourced services; to boost efficiency, transparency and accountability within procurement processes; promoting the use of ITC tools for public procurement; guarantee high quality standards in goods or services contracted and to enhance competitiveness within the marketplace for the provision of public services. The municipality under scrutiny has voluntarily adhered to the invitation to tender of cleaning service for instance promoted by the regional Agency.

The municipal orientation towards outsourcing clearly emerges not only because the local government represents one of the promoter bodies of Intercent-ER Agency but moving even further it decided to build its own “electronic market”. Indeed the Decree of the President of Republic 207/2010 conceived in article 328 that each administration, fulfilling the obligation to use the electronic market for the procurement of goods and services, might alternatively draw upon CONSIP s.p.a. or establishing its own internal electronic market. The municipal electronic market works as an on-line platform where the municipality advertises call for tenders and private providers, previously registered on the platform, may submit their bid, simplifying in this way the bureaucratic procedures for public procurement.

Hence the main rationale underlying the decision to outsource an increasing number and variety of public services provided by the Italian municipality has evolved over time from the search for cost reduction in the service production to the need to quickly respond to increasingly stricter austerity measures. When the local government first embarked upon the externalization of maintenance services during the 1990s - much before the introduction of budgetary constraints linked to the ISP and the following legislative provisions freezing the possibility to hire personnel - was mainly driven by the will to cut the cost of services, complemented by a new spreading ideology, inspired by NPM doctrine, questioning ‘what should public sector do?’ (Interview 5). New Public Management indeed conceived a moving back of the public actor, opening the public sphere of service provision to external organisations driven by market discipline. Such orientation cut-across political divisions since municipalities run by both left and

right-wing parties launched restructuring processes towards outsourcing during the 1990s ‘regardless the composition of their councils’ as reported by the regional secretary of CGIL-FP (Interview 1). In a nutshell initially the pure accountancy logic prevailed.

The implementation of ISP and the subsequent strict budgetary constraints for municipalities as a way to reduce public debt markedly enhanced the recourse to outsourcing starting from the late 1990s-early 2000s: as reported by both trade union officials and the director of HR department in the municipality ‘the abrupt cut of money transfers from the central government’ (Interview 1) associated to ‘rigid recommendations of budget reduction’ (Interview 16) represented the main pressures towards the externalization of public services. Trade unions however, in particular the CGIL, interpreted this kind of market-oriented response to financial cap as being only marginal and somehow specious: the municipality, under cover of budgetary constraints, actually exploited outsourcing as a tool to delegate outside public boundaries increasingly complex functions, ‘lacking of political foresight’ (Interview 1). Quoting a trenchant statement of a trade union official from CGIL-FP:

the causes of outsourcing, at the end of the day, might be a mix between a responsibility of the management of municipality, not only at political level, but also of indolence in running services ever more complex, both regarding employment relations and directly concerning their organizational complexity. So at a certain point they started thinking, even in a quite ideological way, that was better to reduce problems contracting services out, despite it was not necessarily more convenient in economic terms. (Interview 12)

More recently a further pressure drastically drove the municipality to externalize especially social and educational services: the introduction of strict measure freezing the possibility to hire new personnel or replace staff raised the need to draw upon external companies for the provision of labour-intensive services, namely those services whose main item of expenditure is represented by personnel cost. As reported by almost all key-informants interviewed, once the difficulty of hiring new employees raised the municipality was necessarily obliged to outsource those services where it was experiencing a shortage of labour such as in social and care services (Interview 17, Interview 6). The municipality indeed, because of personnel-related austerity measures,

reduced its staffing level from 1200 employees in 2006 to around 690 at the end of 2014: such figures well express the strictness of government pressure on local governments. During this most recent phase however, also unions softened their position understanding the actual manifold difficulties the municipality was facing: ‘externalization has intervened at this point like a sort of obligation, as a need. If I can’t hire, how can I provide a service that I have anyway to provide? The only way is contracting it out’ (Interview 20).

Hence the municipality tried to circumvent legislative constraints exploiting loopholes in the regulation: the austerity packages until 2013 indeed did not cover the whole bulk of semi-autonomous organizations, partially or entirely controlled and funded by the municipalities to whom local government transferred various responsibilities. This has allowed the municipality to recover the lack of personnel, hiring new staff for providing public services but directly employed by external semi-autonomous bodies. Ironically commenting such paradoxical outcome, a key-respondent interviewed said:

the mayor, cunningly but also up to your neck in it, thrust personnel expenditure out of the municipal budget item, doing a miracle! Miracle in the sense that even if they are still providing the same services as before, now the Internal Stability Pact and staff freezing are achieved! (Interview 12)

Outsourcing however, beyond economic and legislative pressures, has been exploited to leverage flexibility in personnel management as well: the director of HR department indeed did not deny how:

workers employed by private companies are more flexible, more willing to work longer hours, less unionized, less prone to make claims. So if I need to provide a service on Saturday or Sunday it is worthwhile, I mean, it is much easier by outsourcing. (Interview 16)

Hence strategic evaluations complemented economic rationale as summarized by two commentators:

it is clear that the two aggressive grips are the cut to public expenditure linked to the Internal Stability Pact and the ban of hiring: these are two pincers that push towards a

reorganization of public service management through the search, within a renewed relationship between public and private, of new organizational set-up for those activities previously performed in-house. (Interview 8)

And again:

the explanation for outsourcing is due to that jungle of laws that we have in the public employment, that represents one of the issue not only for union activity, but also for municipal administrators as well in the management of services, with the ban of hiring complemented by economic crisis...thousands of strings and snares that make unbearable, even only from a technical point of view, to keep all the services in-house. Hence the municipality undertook this road, backed by the unions I have to admit it, following explanations that were more technical rather than political. Therefore it was a response of emergency; it was a compulsory path: there was no alternative. (Interview 7)

4.3.1 Impacts on terms and conditions of employment

The above described trajectory of outsourcing has impacted on public employees involved in restructuring events, leading to consequences for their terms and conditions of employment as well as work organisation. First of all externalization processes might alter the employment status of personnel, through a shift of job from public to private sector following the transfer of the service outside the organisational boundaries of the local authority.

Unlike outcomes emerged in the other two countries selected for the present comparative research, all the public personnel employed by the municipality was relocated within different municipal offices and services. The overall picture is indeed rather peculiar: despite the law enables public administrations to transfer their staff to the external organisations (both public or private) when a business unit is transferred outside the organizational boundaries (legislative decree 165/2001, article 31), nevertheless the municipality kept in-house the whole staff. In addition redundancies have been carefully prevented (Interview 3), even if also in such case the legislation allows public administration to make personnel redundant through mobility procedure in case of staffing level surplus (legislative decree 165/2001, art.33).

More in detail, following the externalization of maintenance services all the manual workers involved have been relocated within the municipal offices dealing with environment, urban planning, local transport, infrastructures and maintenance. Despite all those employees maintained their public status and the application of collective agreement of the public sector, their competence and skills in some cases resulted to be somehow downgraded, instead of being appraised, since blue-collar workers with low-skill background ended up performing unsuitable tasks with regard to their know-how. As reported by the council member in transport and environment committee who daily collaborates with those workers

outsourcing has led these people to be here working on environment issues, assessment of air quality, integrated waste management. They are putting a lot of effort in that but this is not the job they have been recruited for and that they wanted to do because they have those specific capacities. (Interview 20)

A similar outcome occurred during the externalization of other services as well: even if the case of sale of part of council-run pharmacies is much closer to a pure privatisation than to a contracting out process, all pharmacists directly employed by the municipality were relocated within the remaining council-run pharmacies. Same fate has interested cleaning staff or public personnel working at information point for the youth who have been maintained within the local government. In the latter case the maintenance of internal staff has been possible thanks to some specifications included in the tender invitation: the municipality indeed opted for outsourcing hours of front-office service provided by workers employed by the private company who fill public personnel shortage (Interview 16).

Furthermore interviews conducted at national and regional level with trade union officials and Officers from the National Association of Italian Municipalities (*ANCI - Associazione Nazionale Comuni Italiani*) on the whole confirmed this positive trend being rather widespread not only across municipalities in Emilia-Romagna, but more widely at country level (Interview 5, Interview 8; Interview 1).

Various factors intertwined to bring about such outcome in the Italian municipality. Firstly, the cap set by central government on the possibility to hire new staff or to replace it led the council towards a severe staffing level shortage: as mentioned public

employees reduced from 1200 to about 700 in less than a decade. As a consequence when externalization events occurred, staff was redeployed as a means to fill part of these gaps. However, in several cases such redeployed employees were relocated only temporarily before most of them retired, hence enhancing the lack of employees (Interview 16). A second explanation regards union responses to such processes. Their strategy to cope with outsourcing indeed was mainly focused, successfully, on the protection of employment and terms and conditions of public employees: during each restructuring event they constantly monitored the fate of personnel, ensuring they keep public status and contract through the redeployment within the local authority in accordance with municipal council and managers (Interview 3, Interview 9). On the employer side, finally, the procurement office of the municipality entrusted with the responsibilities to draft tender notices always include social clauses concerning the transfer of personnel as a means to prevent redundancies: as reported by an official from the procurement office

we prepare call for tenders based on the most economically advantageous bid, but where the reintegration of the whole staff from the outgoing company is rewarded as a way also to guarantee continuity between different providers in the provision of a public service. (Interview 6)

Despite not strictly binding, social clauses of this kind contributed in preventing public personnel transfer or redundancies.

A partial exception to this tendency is represented by the workforce involved in technical services when those tasks have been delegated to a semi-autonomous organisation partially controlled by the municipality. In that specific case workers involved had the option to either remain within the municipal offices (the large majority opted for this former possibility) or to be voluntarily transferred to the external company (only a few workers accepted), agreed upon specific contractual clauses to follow including the time-lapse of application of public sector collective agreement and the definition of private sector collective agreement which would have succeeded.

Transfer of few units of personnel have been registered in the events of outsourcing of graveyard management and in the service of authorization release to circulate in the historical city centre: these two services were provided by two different semi-

autonomous organisations where the municipality transferred also the public personnel previously allocated on those services.

Public personnel involved in the provision of social and educational services for the infancy (nurses, teachers, social workers) all maintained the same employment within the municipality: in such cases indeed contracting out processes were implemented to supply staffing level shortages, given the ban to directly hire new public employees. More in detail, social services outsourcing used to take the shape of externalization of hours of assistance: the external providers obtaining the contract then decided how many workers were required from time to time to provide the agreed amount of hours of work. As clearly explained by the director of social service department in the municipality:

little by little social workers were retiring and we replace them through a cooperative; we have never considered to completely outsource social services starting from a given time, but we tried to integrate municipal personnel with cooperative personnel. Hence the externalization often got through “the acquisition” of labour. (Interview 17)

So the configuration of contracting out pattern in this case moved very close to the slippery slope of manpower provision through agency work.

Likewise, outsourcing and the adoption of market-type relations for nursery schools has followed a similar rationale: the municipality did not plan out a complete externalization of educational services for the infancy, but rather to integrate the public supply of crèches with the private or contracted one, as a way to overcome financial constraints set for municipal expenditure and the ban to employ further personnel. Such orientation was prompted also by the regional council which, through the legislative framework on the “local integrated public/private system” encouraged the joint management of public and private actors for the provision of educational services. As clearly explained by the director of educational service department in the municipality, this legislative intervention was necessary

also to give a boost to the integrated system because in the early 2000s the municipality started to be affected by financial problems but also by inefficiency. We weren't able to increase the service as required by the population since at that time the

demand for crèches was really high and we couldn't manage to guarantee the service for at least the 33% of infants between 0-3 years old as suggested by the European Union. (Interview 24)

It has followed that municipal nursery schools, which employ exclusively public teachers, integrated their staffing level where necessary by hiring temporary public employees, availing themselves of a three-year personnel waiting list. Instead private crèches, both contracted and outsourced, directly employ their own private staff.

Contracting out of catering constitutes a peculiar case in terms of implications for the status of employees involved: the municipality, in collaboration with the Local Health Authority, implemented a wide outsourcing project of catering service (encompassing meals on wheels, meals for crèches and for hospital patients) which included also the construction of a brand new centralized catering centre in replacement of the various kitchens dislocated within municipal schools and hospitals. Throughout this restructuring event all the permanent staff (both ancillary staff and cooks) maintained the public status and the application of public sector collective agreement but despite formally remaining municipal public employees, they have been asked to work on secondment basis for the cooperative who got the contract. Temporary personnel employed by the local government was instead transferred to the external cooperative shifting from public to private worker status. The cooperative maintained all the transferred staff: although there was no legal obligation personnel reintegration represented an incentive to obtain the contract inserted in a social clause. Private workforce directly hired by the cooperative integrated public staff and replaced them permanently in case of retirement or temporarily during holidays. The ultimate goal of such contracting project was to gradually replace the whole public personnel with private employees provided by external providers.

The shift in employment status occurred during some outsourcing processes above reported has had, subsequently, implication for terms and condition of employment, including wage rate, allowances and the application of diverse collective agreements.

The overall picture, as above described, is characterized by contractual stability for the large majority of public employees involved: despite the externalization of the service where they used to be employed, through the relocation within municipal offices to

perform other tasks they were enabled to maintain the application of public sector collective agreement, specifically the one agreed for local governments, so the same job terms and conditions. This was the case of manual workers doing maintenance services, catering staff with permanent contract, cleaning staff; but also of white collar employees such as nurses, teachers and social workers providing social and educational services.

However transfer of public personnel to the new-come external providers has followed restructuring events in some cases, leading to different consequences for terms and conditions of employment. When the municipality externalized maintenance services to a semi-autonomous organisation, workers up against the alternative option of either to remain within the municipal offices or to be voluntarily transferred to the external company, the large majority opted for the former possibility. A small group however decided to move to the external organisation after having agreed upon specific contractual clauses to follow: more in detail they kept the public sector collective agreement for a given time-lapse, then followed by the application of the private sector collective agreement of reference. Foundations and special firms indeed have a private legal status, which means that the terms and conditions of employment for their employees are regulated by private sector collective agreements rather than by the local government agreements negotiated with ARAN. Collective agreements applied by private companies for blue-collar workers have been usually less convenient in terms of salary and allowances, except for the contract for green-areas maintenance staff. FederAmbiente (*Federazione Italiana Servizi Pubblici Igiene Ambientale*) indeed, the employers' association representing companies running their business in environmental services and public sanitation, agreed upon a collective agreement that is more advantageous compared to the public sector one (Interview 7, Interview 9). Conversely contractual conditions guaranteed by all the other collective agreements applied in the private sector, as the one for waste management industry or maintenance, are less convenient for workers those in the public sector one.

Some detrimental consequences for working arrangements have been reported also by ancillary staff and cooks transferred to the cooperative providing catering service: alongside permanent public employees on functional secondment, also temporary public personnel transferred to the private provider and workers directly hired by the cooperative worked at the centralized catering centre. If the former group was subject to

a change in management, the second group of workers instead experienced a shift from public sector collective agreement to the private sector agreement of reference, namely the tourism industry agreement after a three-month probationary period: also in this case terms and conditions agreed in the private sector by the cooperative were less convenient than those applied by the municipality (Interview 14).

Moreover in many cases the cooperative opted for individual contracts, often 'weak temporary contracts' (Interview 14) like fixed-term or apprenticeship contract, particularly disadvantageous for newly hired and young workers. Remarkable differences concerned also the working hours set by the cooperative for transferred workers: once reintegrated the personnel, the private employer not only 'drastically reduced working hours for the precarious staff, usually 15 hours per week, that means three hours per day covering only lunchtime' as reported by a trade union official (Interview 4), but in addition it signed annual contracts suspending their job - and consequently their wage - from June to September when schools were closed as a tool to reduce exceeding manpower during summertime. Permanent staff instead employed by the municipality but on functional secondment to the cooperative went through a shift in job organisation: this has meant that holiday, shifts, leaves and workload were managed by the private provider at its conditions (Interview 14).

The increase of workload represents an issue that affected crosswise the large majority of catering staff following outsourcing, regardless the nature of their contract: but such repercussion on work hit in particular public personnel on functional secondment during summertime when manpower reduction heavily raises their workload (Interview 9; Interview 7).

Moreover the scenario unfolded by the externalization of catering service sheds light on a further notable implication for staff and work organisation: the creation of a multi-tier workforce. Following outsourcing indeed the service was provided by segmented group of workers (public employees on secondment basis, transferred employees, private employees directly recruited by the cooperative) performing the same task at the same workplace, endowed with very similar skills background but hired at very diverse terms and conditions of employment according to the nature of their employer.

The issue of two-tier workforce is even more remarkable within the social service area. The above described regional legislative provision concerning the accreditation system

for external providers intervened indeed, among other purposes, for restoring such contractual fragmentation and harmonizing the services. More in detail, as explained by the director of social service department:

the regional council is expected to expressly overcome all those situations of mixed-management: public personnel and private personnel who do the same job with different salaries, different protections, side by side was a rather widespread form of mixed-management. (Interview 17)

Phenomena of mixed-management have been spotted in home care services, but also in residential home for elderly, reported as emblematic example:

the municipality run 216 beds in that residential home for non-self-sufficient elderly persons, 50% managed by public personnel employed by the municipality and the remaining 50% through subcontracted hours of assistance carried out by external staff, who also replaced public personnel when necessary. That was a real mixed-management, but “mixed” sometimes means...where virtuous experiences came to light through a partnership between workers, but it also gave rise to a certain degree of exploitation. (Interview 17)

The municipality moreover included social clauses in both calls for tender and accreditation procedures, requiring to external providers the application of collective agreements of reference for their personnel employed on public services. If on the one side such social clauses guaranteed minimum standards in terms and conditions of employment for private workers, on the other side they did not smooth the inequalities between public and private sector collective agreements, the former however more advantageous for employees compared to the latter. As commented by a council member who was appointed for a three-year period president of a residential home where both public and outsourced nurses used to work:

I can ensure you that there, where we had the public system complemented by the services provided by a cooperative, you noticed that employees of the cooperative all tried to enter public employment: there must be a reason!. (Interview 20)

Similarly a two-tier workforce was established in the educational sector for the infancy through the regional framework on local integrated public/private system, where the coexistence of public and private teachers in the public area of nursing schools was institutionalized by such system. Likewise the area of social services, professional teachers with the same educational background perform the same work for the municipality but with very different contractual conditions.

With the purpose to guarantee at least the fulfilment of minimum requirement in terms and conditions of employment and preventing a race to the bottom competition among private nursery schools, social clauses in both calls for tender and accreditation procedures are included, requiring to external providers the application of collective agreements of reference for their personnel: as well expressed by the director of educational service department

we cannot oblige a cooperative to apply our contract [public sector collective agreement], we are allowed only to ask the respect of the industry contract; so if it is a socio-educational cooperative they have to apply the collective agreement of socio-educational cooperatives. (Interview 24)

Despite such social clauses, remarkable contractual differences however persisted between public employees and cooperative workers: municipal teachers have a contract of 36 working hours, of which only 30 spent with infants and 6 devoted to integrative activities such as training, meeting with parents, working group for activities planning; while teachers employed by the cooperatives weekly work 38 hours with infants. In addition the former, by contract, work 10 months per year, the latter at least 11 months. More importantly, the hourly wage rate paid in the public sector is much higher than the rate agreed in the cooperative collective agreement: a trade union official from CGIL-FP, union category which represents also cooperative workers, pinpointed that the actual gap in salary is around 250-280 euro per month, with subsequent detrimental repercussions for pension scheme as well.

The cost variance for providing the service between public, contracted and outsourced nursery schools clearly mirror such differences in personnel labour cost: the municipality indeed pays a per capita monthly fee corresponding to around 1,100 euros in public crèches, 890 euros in contracted crèches and 760 euros in outsourced one (in

this last case for a part-time service until 1.30 p.m.). As usefully synthesized by the director of educational services referring to cooperative and private crèches

clearly the cost is different because the contract applied is different, working conditions are very different but always complying with collective agreements. Surely they are less convenient for employees (Interview 24)

In addition to inequalities in contractual arrangements, disparities are reported also in union rights: workers employed by social cooperative indeed are entitled to fewer hours for assembly as well as fewer leaves for union activity compared to public employees. A trade union official from CISL-FP added that ‘we are assisting to a race to the bottom also from union rights point of view’ (Interview 7) and it is true for social cooperative industry overall, including those providing social services as home care or care in nursing home.

Financial pressure on municipal budget, associated to increasing demand for flexible and customized public services has led the municipality, beside outsourcing the services, to increase the workload for the staff directly employed as a means to reduce the external provision - and related costs - supplied by cooperatives. The case of municipal summer camp clarifies the point. During summertime, in conjunction with schools closure, the local government used to organise a summer camp for children, whose management was traditionally outsourced to a cooperative. This externalization was due to the fact that public teachers and educators enjoy in their public sector collective agreement of 32 days of holiday complemented by an amount of days of leaves so-called ‘days at disposal’ to cover the whole time-lapse of school closure, but during which workers might be required to work (Collective agreement of local governments art. 31 c.5). Until 2014 the municipality has always opted to outsource the service, not least also for preventing union industrial action, but starting for 2015 the summer camp will be held by public educators, increasing their annual workload.

Restructuring processes towards outsourcing of municipal services impacted also on the degree of flexibility regarding human resources management.

The externalization of catering service indeed enabled the municipality to adapt staffing level at disposal to the demand of catering service, reducing personnel costs when the

request of meals decreases such as in summertime when schools are closed. The tender indeed is based on meal cost: the municipality and the cooperative agreed upon the cost the former pays for each meal provided by the latter; subsequently the final expenditure for the service varies according to the number of meals produced. Such variable cost is complemented by personnel cost relating to public cooks and ancillary staff the municipality still employs, however limited in number and gradually diminishing since once retired they are replaced by subcontracted workers. Through such contractual arrangement the staffing level became an exclusive responsibility of the cooperative which in turn dumps flexibility on employees, with repercussions on the security and continuity of employment.

Likewise the externalization of social services enabled the municipality to leverage on external workforce flexibility through the accreditation system. The municipality indeed specifies in the tender the amount of hours of assistance or the kind of service each accredited external organisation has to provide, regardless the staffing level necessary to fulfil contract obligations. Hence if on the one hand this market-type system guarantee stable and well-protected working conditions to public employees thanks to the application of public sector collective agreement and permanent contracts, at the same time shifts the burden of flexibility, both in terms of working conditions and of contractual security, on private companies' workers. The director of social service department underlined as outsourcing

was a lever of flexibility that the municipality can manage for its purposes, to restore some inefficiencies also in service management, thanks to the possibility to bring labour cost down. (Interview 17)

The same rationale applies to the context of outsourced and contracted private crèches. More generally, the analysis of outsourcing of municipal services sheds light on the issue of two-tier workforce, not only concerning contractual arrangements, but also in terms of diverse degree of work flexibility and job stability.

The establishment of semi-autonomous organisations to supply technical services such as waste collection, roads maintenance and municipal cemetery management represented a further source of flexibility from a multiple point of view. As above

elucidated these institutional bodies, endowed with financial and organizational autonomy regulated by private sector discipline, enabled the municipality to overcome budgetary constraints set by central government since they were not subject to austerity measures despite providing public services on behalf of the local government as arm's length organisation. Beyond financial and economic flexibility, these bodies enjoy higher flexibility in terms of personnel management (hiring and layoff, working time organisation, overtime, wage rate) since they apply private sector collective agreement and regulation: in other words 'they are not subjects to all the bans of public administration' (Interview 8).

Business-related risks constitute the bleak side of such organizational flexibility, involving also public employees who voluntarily accepted to be transferred to external companies. In case of bankrupt, for instance, all workers may be easily dismissed and previous public staff cannot be relocated again within the municipality since the shift from public to private sector collective agreement removed those high employment protections ensured by public contract (Interview 7; Interview 12). Higher flexibility in this case is translated into decreasing job security.

A further empirical example of how restructuring towards outsourcing impacts on job flexibility and stability is provided by an on-going process regarding the service of release of authorization to circulate in the historical city centre: the tasks was contracted out to a semi-autonomous organisation to which the municipality transferred also three public employees involved in the service. At the end of 2014, as the expire of the tender was approaching, the local government assessed the possibility to take the service back in-house, but the external company required to the municipality in such case to internally relocate the staff as well as the task. Because of the cap on staffing level and expenditure, the municipality probably could not manage to reintegrate the three workers: as a consequence the only workable alternative might be a new call for tender including a social clause which compulsory require to absorb the personnel. The working fate of such workers involved in restructuring event is still pending.

4.3.2 Impacts on employment relations structure and union strategy

Outsourcing of municipal services, as empirical evidence presented in the previous section display, has led to what a trade union official defined as the ‘the drama of breaking up of production chain’ inherently intertwined with a subsequent ‘fragmentation of work on the one side, and on the other side to fragmentation of workers’ rights’ (Interview 5). Changes in terms and conditions of employment and work organisation affected to a diversified extent public and private sector employees involved in restructuring events, paving the way to repercussions for employment relations as well as unions actions and strategies.

When the municipality embarked upon the first processes of externalization during the 1990s the response from the trade unions representing public employees, in particular CGIL-FP and CISL-FP, was prompt and vigorous as witnessed by various union officials in office at that time: ‘we made a mess!’ (Interview 12). Since the early phases, union action was strictly focused on the one hand on campaigning against externalization of municipal services, while on the other hand on organizing strikes and protests with the purpose to safeguard public employment. Such strategy turned out to be rather successful in its ultimate goal to maintain public employees in the public sector: the large majority of personnel involved indeed was relocated within the municipality at the same contractual conditions set by public sector collective agreement of local authorities. The limited cases of staff transfer involved either workers who voluntary opted for moving to the private company - as in the case of manual workers transferred to semi-autonomous organisations - or public temporary employees as during catering service restructuring. If union’s attitude of firm opposition surely played a remarkable role in reaching such outcome, workers’ representatives also admitted how

we didn’t agree in principle with outsourcing, but we have never had the problem of workers moved away, in the sense that we always relocated them in the municipality. (Interview 12)

During the 1990s indeed, the local government has usually accommodated unions’ request: it has traditionally been rather prone to internally relocate the personnel as a

way to prevent breaches in the collaborative relationship with unions. A city councilman replicated that such cooperation might be explained by the search for ‘social peace’ (Interview 20) while according to the director of HR department was also driven by the purpose to ‘avoid hassles with unions’ (Interview 16). Furthermore, before the implementation of austerity measures, the municipality was still endowed with enough resources and economic autonomy to redeploy the employees, bearing these personnel costs. The relocation within the municipality was further facilitated because

in local governments job position and competence are set by collective agreements, while in healthcare sector all the job positions are defined by the law. Health sector has this problem of additional rigidity because it is difficult to relocate the personnel. (Interview 12)

Italian legislative framework however provides further employment protections during restructuring processes: the Civil Code in article 2012 (incorporated than in law 428/1990 which fulfilled obligations arising from EU legislation including the Directive 77/187/CEE, the Acquired Rights Directive, on the safeguard of employees' rights in the event of transfer of undertakings) guarantees to transferred workers that the same terms and conditions applied by the client organisation are maintained also by the subcontractor which reintegrates the staff. Such clause has been included also in the collective agreement for tourism industry (the one applied to catering staff) which explicitly protects terms and conditions during transfer between undertakings (Collective agreement for workers in tourism industry 2010-13, article 97). Hence these regulative provisions constitute addition tools that union may leverage to buffer employment conditions in the event of outsourcing.

But broadening the perspective from the local to regional and even national level, the picture that emerges from interviews with key-respondents is permeated by a severe self-critical appraisal of union response to externalization and privatization processes. Such a posteriori criticism traces its origin back from a generalized underestimation of the phenomena. While outsourcing was gradually diffusing across municipalities for the provision of a growing number of public services, hence affecting more and more workers, unions mistakenly underrating its size in numerical terms and its sweep in terms of services and kind of personnel skills involved, embarked upon an overall slow

and belated response. The officer for international policies of CGIL-FP, discussing outsourcing phenomenon at comparative level across European countries, reported how

during the initial phase of debate on outsourcing, that in the Anglo-Saxon world started to assert itself, in Italy it seemed like totally inexistent. The debate on the issue of externalization and privatization arrived very late here with respect to the evolution it has had in other contexts; and it was completely different from the great struggles of English unionism against privatization, or from the phenomena in Nordic countries - let me put it in this way, not of acceptance but in a less dramatic way - of collaboration between public and private. (Interview 15)

A series of intertwined reasons might provide an explanation of such slow and belated reaction of unionism in coping with restructuring processes more generally, instead of focusing only on the protection of public employment and to shelter from market competition core services, namely social services and education.

During the 1990s indeed the representative role and the collective strength of trade unions were undisputed, and thanks to a notably high rate of membership they represented a stable interlocutor of the government at both national and local level. Additionally, during that decade contracting out policies usually did not affect employment relations of public personnel, considered the main focus of union action: indeed they were usually relocated within public offices or more rarely transferred at very convenient conditions (Interview 7). As third factor, interplaying with the just mentioned explanations, come into play the fact that externalization had predominantly involved manual and technical services so far (as cleaning, roads maintenance and waste management), deemed as non-core tasks to the business mission of the local governments.

A national union official admitted that:

we have underestimated what has happened in the last 20 years and we have always thought that we could get by, that however our bargaining power wouldn't have been brought into question. In this we have been weak: in our reaction, in the construction of situations of conflict not only regarding the contract but more widely on the general issue of public administration, because of some wrong choices made by trade unions which were questioning themselves on their role and their preservation, in this way losing sight of the overall problem of labour. (Interview 5)

What lacked in the Italian scenario of unionism was exactly a more encompassing evaluation of the challenges that outsourcing was unfolding, ranging beyond the overriding concern for public employment to embrace a discussion on the future of public sector in general in an era of increasing financial straits under the pressure of market competition, complemented by a wider consideration of implication for labour in general terms, including repercussion for terms and conditions of employment in subcontracting companies as well. Union responses indeed have been very fragmented, mainly organized at municipal level where externalization policies were implemented, but ‘there has never been an out-and-out strategic response’ (Interview 15), a systematic opposition to market competition in the public sector as general issue.

Such awareness of the limitations in union responses are well synthesized by the opinion of the general secretary of CGIL-FP in office in the municipality during the early stages of externalization:

union, in my opinion, has the blame to have protected - I mean, reasonably that it's not a blame - current public employees, without trying to achieve more high-toned goals such as replacing those employees who retired. During the early stages of privatization, the mechanism was always the same: we don't touch public staff, we guarantee them economic compensation and their rights, but we need to increase the service to citizenship which is demanding. We cannot ask to our public employees to work more because they are already busy enough so we outsource the service. You, as a union, have the satisfaction to avoid arguing with your members but you're not able to collect new members and this is the consequence of such behaviour: trade union is losing memberships because it hasn't been able to enrol new members, it has only safeguarded its members. But this course of action, avoiding to confront with your own membership has helped the counterpart to go on with outsourcing, also because the union has had this blame: it never asked to its members to fight this battle. (Interview 20)

The quotation sheds light on a further limitation in union action: such self-referential stance assumed during restructuring processes drove them to focus their struggle exclusively on public personnel currently employed by the municipality who constituted the core workforce and their core membership as well, but missing the opportunity to leverage on their bargaining power to encompass a wider audience of workers, as those private workforce involved in subcontracting contract.

However if in the early days union response to externalization events - despite the awareness of all its intrinsic limitations - has successfully achieved the organizational purposes to safeguard terms and conditions of employment for their members, since the 2000s 'union has been climbed over by the reality' (Interview 15). While unionism was holding fast on its stance, the municipality started outsourcing core municipal services, ranging from social services to crèches, subcontracted to several private companies and cooperatives, leading as a consequence to a growing fragmentation on the employers' side, mirrored by a remarkable diversification also in contractual arrangements applied. As elucidated in the previous section the creation of a two-tier - or even multi-tier - workforce has followed, unfolding a dramatic scenario for the provision of public services where employees with the same educational background work side by side at the same workplace performing the same task but hired with very different job terms and conditions according to the public or private nature of their employer. Such fragmentation has further weakened union bargaining power and its capacity to collectively represent and organise at workplace level (Interview 7).

A further challenge to union action was the establishment of semi-autonomous organisations for the provision of some technical services as waste collection or roads maintenance: such bodies, despite partially or fully owned by the municipality, constitute in all respects private companies, endowed with financial and organisational autonomy, run through private sector discipline both with regard economic accountability and concerning staff's contractual arrangements. Subcontracting services to such organisations has implied also a transfer of workers from the municipality to the private body, accompanied by a shift from the public to private sector collective agreement, featured by different contractual conditions and diverse degree of employment protections as described in the previous section. Also in this case unions underrated these restructuring events, understood as an organizational alternative form of in-house provision, hence neglecting the repercussion on public employees involved. As admitted by a trade union official:

I'm telling you a story where unions make a poor showing, but when the public personnel moved to joint-stock companies, unions very seldom realized that they were outsourcing workers. (Interview 12)

Hence, during the 2000s the scenario unions were facing with turned out to be even more fragmented and challenging if one considers also the intervening pressure of austerity measures implemented for local governments: the cap on hiring and on replacement of retired workers led to a decrease in public staffing level from 1200 employees in 2006 to around 700 at the end of 2014. Nevertheless unions branches in the municipality perpetuated strategies similar to those carried out during the 1990s, already proved to be, if not ineffective, surely limited in their scope and lacking of a long-term systematic approach. Unions indeed kept on organising only public employees, despite gradually decreasing in numerical terms, and campaigning against the privatization of nursery schools and social services. Key-respondents from both the employer's and the unions' side agreed in interpreting such response as only partial in coping with the phenomenon and rather limited in its effects. A trade union official from CISL-FP told:

we focused, from a union point of view, and this is a sort of self-criticism, in a myopic and short-sighted way exclusively on the protection of public personnel. Surely we are, as category representing public function, those entitled to safeguard public employees, clearly that is our ultimate mission, so from that point of view we did our job, yet losing sight of the overall picture. If now, in retrospect with the experience I gained I should deal with this process again since the very beginning, surely I would involve the confederation, the CISL, which deals with the social issue in general, including service quality for citizens and for undertakings, what citizens and undertakings do really need. So I would rate much more importance to the issue rather than the specific value concerning the staff, because actually we, as local branch, managed the issue together with the mayor and the municipal administrators but neglecting an appraisal of the impacts on services and on overall expenditure. Actually we saw such opportunity and there was not any alternative solution, there was no alternative: and since it was an inevitable path we tried to protect public employees as much as we can. (Interview 7)

Interestingly the director of social service department interviewed, describing union responses to the externalization of services under his responsibility utilized exactly the same word: myopic. Specifically in his opinion:

union stood still on conservative positions, a bit myopic in the sense that when there were situations of mixed-management, unions did not worry to guarantee good working conditions or to struggle for overcoming them; the most important thing was to preserve the employment for all public personnel, but it was a myopic battle since if in a care centre the 10% of staffing level is public and 90% is private, the problem is only to protect that 10%? In my opinion there is something beyond that 10%, as labour equity. But our interlocutors, unions representing public employees have in mind that aspect and not to safeguard the in-house provision of services: while they were shouting to not reduce the in-house direct provision, it was already shrinking. (Interview 17)

He concluded stating how among unions:

there is much resistance, much defence of public employment, but very self-referential which does not look at the whole tendencies of working conditions. (Interview 17)

An enlightening example is provided by the case of workers from social cooperatives who, within the internal structure of the main union confederations, are represented by the category of public function, jointly with public employees: despite such organizational proximity should have simplified the collective representation of both groups of workers during restructuring events, actually unions focused their action narrowly on public personnel, often neglecting the implications for workers hired by the cooperative. It is important to specify that this strategy was also oriented to safeguard first of all their members involved in outsourcing processes, more numerous among public employees rather than within cooperatives. However embedded in a wider perspective of labour protection, such orientation turned out to be unsatisfactory.

A very recent event of restructuring in educational services for the infancy witnessed a sort of adamant stance of unions along such strategic pattern: when the municipality closed down two public crèches unions fiercely reacted opposing the decision. Indeed, despite all public teachers and ancillary staff working in those nursery schools were relocated in other public structures, the share of service was subcontracted to contracted crèches for the next years, meaning an increasing workload for private schools replacing public supply. Unions campaigned against this further quota of educational service outsourced fearing a freeze in the recruitment of temporary public staff enrolled in waiting lists. Once again their focus was concentrated on the issue of precariousness in

public employment, acting to prevent a possible municipal decision to definitely close those two public nursery schools down, implying a further decline in public staff.

Over the last decades when outsourcing waves took place, the municipality has been ruled by government coalition of different political orientation: however the various municipal councils which came in succession have overall always consulted unions before undertaking restructuring processes. If on the one hand the legislative decree 165/2001 included within the subject matters of collective bargaining between public employer and union issues concerning work organisation and restructuring as union's prerogatives at workplace, on the other side the municipality under scrutiny recorded a long-standing tradition of cooperation between social partners as reported during interviews by various respondents (Interview 16; Interview 9). Workers' representatives at workplace level are generally informed and consulted, being their role taken in high esteem notwithstanding a permanent conflicting orientation permeates their relationship with respect to the issue of outsourcing as reported by a union official who gained a longstanding experience in the municipality (Interview 9). For instance the director of HR department reported that

unionization is a determining factor to take into account in the public administration: negotiation with unions indeed is an hurdle difficult to overcome also in virtuous system as this municipality where unions' requests on working hours arrangements for instance are kept under control. However relationship with unions has to be translated and adjusted to the context: sometimes you force the hand, other times you need to manage the relationship because however union's role has positive aspects. A lot of information also for adjusting and realigning our work organisation came directly from their warnings that it is important to consider. (Interview 16)

In addition both unions and municipal administrators are well aware that reaching a joint agreement on sensitive issues involving public personnel 'avoid to have hassles with unions' (Interview 7). The municipality indeed acted particularly carefully during externalization processes of catering since it implied both a transfer of temporary personnel to the private company and a functional secondment of permanent public employees: unions not only have been consulted, but in the latter case signed a written agreement as well with the municipality to functionally transfer the staff (Interview 9).

Such scenario featured by a sound cooperation drastically changed when the Brunetta reform in 2009, shrinking the scope and the role of collective bargaining, purposely challenged unions' prerogatives in the sector and downplayed the role of workplace representative bodies (RSU) leaving them only the right of information on issues regarding the organisation of work and HRM matters, deleting the possibility to open negotiations on such matters. Moreover it strengthened employers and managerial discretion to unilaterally decide on a number of matters previously subject to collective bargaining - especially concerning the organisation of work and HRM issues. All union officials interviewed witnessed a remarkable weakening of their bargaining power on work organisation:

Brunetta with his law removed the core of collective bargaining: as a consequence if before Brunetta you could bargain also on the bit of service to outsource, today after Brunetta reform the decision to how, where and what outsourcing is a prerogative of the employer. (Interview 3)

The municipality in the last years took advantage of such reshuffle of competences allocated between collective bargaining and employer's unilateral decision, in favour of the latter: consultation became mere information during the last tendering rounds, change pushed also by a municipal council which in large majority supports the process of opening public services to market competition (indeed only one council member is steadily against outsourcing) (Interview 20).

Nevertheless very pragmatically a trade union official observed as, even if the 2009 reform of public administration deeply hollowed out the role of collective bargaining on HRM issues, still unions can leverage on their right to be preventively informed as legislative tool to keep on monitoring outsourcing procedures and pointing out potential problematic situations (Interview 7).

About two decades of incessant externalization of municipal services gradually undermined the initial fierce opposition of trade unions, marking a change in their political and ideological evaluation of the phenomenon. The initial antagonism to any event of restructuring, whether manual or professional services were involved, was featured by a well-established belief in the fundamental role of public sector in the provision of public services in general, meant as public goods, universally accessible

and supplied by a strongly motivated personnel thanks to favourable terms and conditions of employment as those guaranteed by local government collective agreement. Such opposition was lately replaced by a partial opening - not to be confused with acceptance however - towards market-type mechanisms when strictly technical tasks were involved, as in the case of roads maintenance or green areas maintenance: such readiness to dialogue was marked on the one side by the a strategic focus of union action on what they considered core services to the mission of the municipality (namely social services and education), while on the other side by positive outcomes for public employment following outsourcing, since all the staff was however relocated within the municipality at the same contractual conditions. A third step in union's stance traces its origin back to the externalization of social services and educational services for the infancy which lately got a foothold: the inescapable diffusion of marketization across every kind of municipal service paved the way to a final, despite reluctant, acceptance of the phenomenon. Not only the last stronghold of union struggle, the in-house provision of core public services, was demolished but that occurred under the pressure of both left and right-wing coalitions running the municipality during the last four mandates, losing the historical back-up of left-wing political parties, traditionally closed to union's position. A trade union official witnessed how 'it has been a bipartisan political phenomenon, implemented by everyone from right-wing and left-wing parties: at the end it has been locally accepted by unions because, more or less, we thought "it's ok, they do not expel workers". Then in the last years the situation grew worst' (Interview 15).

Beyond an overall picture characterized by a resigned acceptance of the irreversibility of the state of the art, from a more pragmatic point of view union recognized that the strictness of austerity measures left very limited leeway to the municipality (Interview 9). Union officials indeed admitted to ended up in a thorny and uncomfortable stance of ideological noncompliance with the marketization of public services, but complemented by a sort of awareness of the difficulty in finding an alternative policy solution to tackle the constraints set on municipal expenditure and the ban to hire new personnel:

I talk to you with heart in hand, at this stage of the development I don't know if I would embark upon a struggle to take nursery schools back in-house because I'm not

convinced that the municipality still holds the capacity and the resources. (Interview 12)

Restructuring towards outsourcing of municipal services has negatively impacted union's membership rate for various reasons. First of all externalization, and the subsequent fragmentation of employment at workplace level linked to the multiplication of employers with whom union branches have to deal with, undermined the capacity to collectively organise and represent workers.

Recalling his longstanding experience as general secretary of the CGIL-FP local branch in the municipality, a key-respondent explained how

union is trying to regain workers' trust, it is questioning on how to be more representative, but in this situation for being representative you have to look for member one by one. Collective representation is easy-peasy: I go into a municipality where there are 700 employees and I can manage with a general assembly to tell my version of the story to 700 workers. It's easy: I tell a good story, leveraging also on populism and I can convince all those people. But when you deal with workers with non-standard contracts or self-employed employee you have to contact person one by one and explained to each of them what you can do for them and this is really hard, so nobody does that. Union has become a little bit bourgeois. (Interview 20)

Not only their 'representative role was weakened, but also the capacity to influence decision-making' (Interview 7). Such gradual marginalization of representative bodies at workplace level necessary led to an exit of workers. Moreover when these processes involved also a transfer of personnel from the public employer to a private company, the scenario becomes even more 'jagged and spotty' (Interview 14) further complicating union's action.

Unions indeed came under a decrease of their membership rate (Interview 16) both because they lost members and because they did not collect new members (Interview 7). During staff transfer to semi-autonomous organisations or to private subcontractors, occurring also through a shift from public to private sector collective agreement, workers have to renew their membership to the new union category: it is exactly along that shift that members got lost because

we [unions] are not adequately structured to follow employees in these situations. We are split into categories that dialogue among them but not strictly enough, so when we cope with these cases we should make synergy between categories and swap workers that means make them signing union card. When you are transferred you are no more a public employee so you have to sign a new union card for getting membership in the new category. But during this transfer we are not so efficient. (Interview 7)

In addition a share of the shrinkage in membership rate is due to the freeze of new hiring and to the possibility to replace retired public employees within the municipality: physiologically staffing level is decreasing and subsequently also union members in the local government (Interview 5).

Well aware of the delay in tackling with repercussion of outsourcing for labour in general terms, including the creation of two-tier workforce at workplace level and growing inequalities in working conditions, unions put forward a set of strategic actions to intervene.

A first plan of action, stemming from a general reflection over the future of collective bargaining that unions are developing at confederal level, contemplates at workplace level large and encompassing bargaining institutions as a means to harmonized terms and conditions of employment for the whole staff, regardless the public or private nature of their employer. An inclusive negotiation at company level indeed might prevent perverse processes of contractual dumping through which employers take advantage of differences in wage rate and allowances subcontracting services to the most convenient providers in terms of labour costs (Interview 1). That may be the case for instance of nursery schools area where the wide gap in service cost between public, outsourced and contracted crèches, ascribable to inequalities in labour cost, might trigger a race to the bottom in salaries as a means to boost saving. Further inclusive collective bargaining should harmonize

for all workers in a specific workplace not only economic conditions already agreed in national agreements, but also the organisation of work, workers' safety and job security which vary according to the national collective agreement of reference. (Interview 5)

Inclusiveness then should be translated in this context also in encompassing bargaining institutions for employees with nonstandard and temporary contracts more and more often applied both by subcontracting companies as a means to reduce internal labour cost and making their bid more convenient and by the municipality to achieve financial cap on personnel expenditure (Interview 1, Interview 5). A more encompassing negotiation institutions finally might be implemented also at sectoral or industry level to overcome disparities generated by a two-tier workforce: ‘for the same job we can’t accept diversified salaries and diversified rights!’ (Interview 1).

Involving public opinion and citizenship to lend support to union action (Interview 7) through information and awareness campaigns might constitute a second strategy. An incisive response to outsourcing should draw together stances from all the stakeholders involved, hence beyond workers also citizens as service users who constitute not only an heavy critical mass - ranging from elderly people, parents, children, young people, teachers, nurses - but also a copious group of electors for the municipality. A wider reflection then is needed ‘middling the citizen, stopping to think exclusively to worker’s salary for starting to seriously talk of service quality’ (Interview 5). *Ex post* struggles against externalization should make way for *ex ante* awareness campaigns where

we explain to citizens what would happen in case of outsourcing of a residential home rather than domiciliary care services: we would explain that the service would make worst and cost more in terms of local taxation. Only in that way, with the support also of the confederation and the category of retired people we could fix something: this is the way we should follow. (Interview 7)

Importantly, an effective synergic response might include the voice of public employees as well: ‘it won’t be an easy task for unions asking to our members in the municipality to express solidarity with other private workers earning less money and enjoying less rights’ (Interview 1). Such strategy however is particularly tricky both for unions representing public employees and for employees themselves since it may trigger a downward competition in terms and conditions of employment: the harmonization of collective agreements between private and public sector might mean an improvement for the former but at the same time a worsening for the latter.

A third way is based on a reshuffle in service provision across municipal boundaries. The region Emilia-Romagna indeed is pushing towards the merger of small municipalities (Regional law 21/2012) establishing municipalities unions with the purpose to share the provision of services and removing expensive redundancies of administrative offices. As underlined by a trade union official ‘we should think to manage and provide services on the base of municipalities unions’ (Interview 12) rather than resorting to private supply. As explained by the regional secretary of CGIL-FP

in 2012 the region issued the law 21 that was the institutional reform for local governments: we endorsed the reform and signed an agreement as category representing the public function to manage the transformation of local governments. The regions aimed to reduce the fragmentation since we have many small municipalities below the 5,000 inhabitants, and for boosting synergies as a way to avoid operations of externalization. Moreover the region would have also financed those municipalities which decide to merge. (Interview 1)

Interestingly, almost none of the key-informants interviewed contemplated taking services back in-house as a bearable solution.

4.4 The case of the Italian Local Health Authority

The Italian Local Health Authority (LHA) under scrutiny, selected according to the criteria elucidated into the methodological section, ensues from the merger of three previous Local Health Units. Located in the Region Emilia-Romagna in the Centre-North of Italy, it includes in terms of geographical area of competence also the municipality analysed in the previous section: overall it covers with its health services a population of around 290,000 inhabitants and employs about 3,500 employees including both medical and administrative staff.

Overall the health care sector has been subject to much more limited financial constraints compared to the local governments in the last decades; moreover the region capped hiring only since 2010 and initially through rather mild measures. Comparing economic and legislative pressures affecting the two sectors under investigation, the

regional secretary of CGIL-FP in Emilia-Romagna, hence getting the pulse on the situation at regional level confirmed that

there hasn't been huge processes of externalization in healthcare because the balanced budget achieved by the regional council entailed that limitations were larger in local governments but more limited on hospitals. From that point of view the balanced budget allowed to guarantee the direct provision of the large majority of services and the absolute totality with regard of healthcare services. (Interview 1)

Reasons driving outsourcing in this case indeed have been primarily strategic: the board of directors running the LHA set a long-time strategic plan of interventions to enhance the efficiency of the whole structure through a rationalization of expenditure; to increase services flexibility and with the purpose to rationalize the allocation of services and activities, in particular technical and support one, within the buildings. Outsourcing was purposely exploited as policy tool to achieve, or to contribute in pursuing, such operational goals. Each restructuring event to externalize a services indeed was preceded by a set of preliminary studies that the technical staff of the LHA implements to assess the feasibility of the project, the overall expenditure, the cost-benefit analysis, the repercussions on internal personnel and to pinpoint potential alternative solutions (Interview 18). For instance the joint project between the municipality and the LHA for the externalization of catering service to a unique provider exactly arose from the preliminary study which identified the joint tender between the two administrations as the most efficient policy solution, establishing synergies and economies of scale as reported by an officer from LHA procurement office (Interview 11).

Outsourcing policies were exploited firstly to reduce costs for the provision of some specific services, in particular support services to the healthcare core mission of the administration: the private provision of cleaning, catering, laundry service, heating plant management meant to rationalize such services both financially and in terms of staffing level. Beyond savings as relevant driver indeed, contracting out allowed the LHA to boost flexibility in workforce management (Interview 11). In healthcare, sector featured by work peaks and emergencies, flexibility in human resource management turns out to be fundamental, given that the board cannot prearrange in a definitive schedule all the activities. As underlined by the administrative director of the structure, by outsourcing

we gained absolute flexibility with the personnel: there is greater flexibility above all in the immediacy of necessities that might raise on an issue. (Interview 18)

A flexible management however is complemented also by a difficulty in finding qualified staff suitable to perform that kind of manual tasks: the director of logistic unit of LHA, responsible to coordinate all this range of support activities explained that

outsourcing is ever more driven by the lack of qualified workers, and not by savings. I'm referring to skills required by my unit, all medium-low skills for catering, laundry service, cleaning, transport, cloakroom: if you ask to employment agency they suggest workers who barely can read and write. (Interview 21)

Greater flexibility by outsourcing translated also in increasing handiness in managing workforce when is employed by external companies:

contracting out allows to avoid pests with staff. You only deal with one interlocutor instead of your 10 cooks or 4 unions. So for us as client is much more convenient because I call the referee from the company for explaining what I want and then he reports to all his employees. (Interview 21)

Further taking into account the peculiar sensitivity required at workplace, externalization enables the LHA to easily replace personnel in case of issues, unlike public personnel.

Outsourcing in addition played a relevant operative role within the strategic plan for rationalizing the LHA as a whole. A recent intervention involved the establishment of an analytical laboratory, including relative technologies, in the rooms previously occupied by the laundry service: contracting out laundry activities thus enabled the LHA to clear some space for accommodating the laboratory (Interview 11), otherwise difficult to host within the structure. Moreover, this tender provided a further not negligible benefit as explained by the administrative director of the LHA:

we have to structurally reorganize the hospital as quickly as possible and the fastest solution is to outsource the service to an external company for getting a twofold advantage: economic because for 12 years we save a lot of money for running the analysis, and operational because along those years we will have the possibility to

constantly update the technologies. We made this choice essentially for building a modern and efficient laboratory, containing well-performing technologies, quickly and often updated, as a means also to be competitive in the marketplace. (Interview 18)

The contract indeed allowed to attract private financing, thanks to a business plan oriented at selling services also outside the organizational boundaries upon payment of a fee established by the LHA itself, in such way investing in brand new and updated technologies.

The strategic plan includes also the renewal of the internal café which will be contracted out in the next years through a tender which allocate the management - and related profits - of the cafeteria for an agreed time-lapse in return for the renewal of the structure (Interview 18).

Excluding both any ideological rationale (Interview 1) and economic pressure linked to the financial crisis (Interview 11), the main driver underlying restructuring processes in the LHA was basically strategic, as proved also by the unusual decision to keep building maintenance in-house (conversely outsourced in the large part of Italian LHAs). The administrative director, with the support of logistic unit, opted for internally retaining such responsibility fulfilled by a group of 13 technicians with a deep longstanding, hence hardly replaceable, knowledge of the LHA structure.

Additionally the region Emilia-Romagna, through legislation and council deliberations, provided clear guidelines to Hospital Authorities and Local Health Authorities in the matter of private supply of services. Since the mid-1990s indeed the regional healthcare network has undergone a gradual merging shifting from 41 LHAs to 19, then became 17 and finally 14 after the fusion among 4 authorities in Romagna (the Eastern area of the region); such independent bodies however during the last decade voluntarily decided to constitute associations of LHAs called “Vast Areas” (*Aree Vaste*) with the purpose of sharing responsibilities and realize economies of scale at optimal level, more centralized than the local level of each single authority but closer to the specific requirements of the territories compared to the regional level (Interview 22).

In 2004 the LHA under scrutiny, together with other 6 LHAs of the Western area of the region, established the Northern Emilia Vast Area, the so-called AVEN (*Area Vasta Emilia Nord*): the principal goals, in line with the programmatic guidelines set by the

region, include the development and implementation of activities aimed at fostering synergies and resources sharing; the search for innovative solutions for implementing an integrated system of goods and services procurement, in order to achieve economies of scale; the design, implementation and management of an integrated logistics centre (a central warehouse) for the storage, management and distribution of health goods.

The underlying rationale was to remove, where feasible, redundant services and activities across administrative units by sharing responsibilities, like in case of the central warehouse for health goods, as alternative policy solution to outsourcing.

The same rationale can be tracked down in the matter of structural interventions that LHAs plan to implement: as reported by the director of health facilities office in the region quoting as an example the Planning and Financing Guidelines for the Authorities of the Regional Health System for the year 2014 (*Linee di programmazione e finanziamento delle aziende del Servizio Sanitario Regionale per l'anno 2014*):

concerning the realization of new interventions, the design must involve internal personnel if available in staffing level of technical offices; to this purpose it is required as first priority to the Local Health Authority acting as client to verify the availability of professional resources also in the other Authorities of the Regional Health System. (Interview 19)

Once again the stance the region adopted in the matter of privatization and contracting out is clear-cut, as synthetized by a regional union official:

over the last 10 years the region is working on this integration process: this has led to synergies, efficiency, economies of scale, avoiding from this point of view to outsource, but keeping the direct in-house management and control over processes of service provision, allowing to save money like for instance with the central warehouse. (Interview 1)

It is rather evident that the orientation of the region towards outsourcing is similarly reflected in both sectors under scrutiny: legislative provisions like the law 21/2012 driving small municipalities to merge as alternative solution to outsourcing for jointly providing public services goes hand in hand with the gradual process of fusion between Local Health Authorities and the creation of Vast Areas as optimal level of management

to provide health services by generating economies of scale and sharing facilities and support activities.

Following these premises, the LHA under scrutiny undertook a process of outsourcing much more restrained in scope compared to the Italian municipality, largely limited to some manual services, trend that can be tracked down in the healthcare sector at regional level (Interview 1) and more generally in Italy as witnessed by a national secretary of CGIL-FP (Interview 5). On this point the director of health facilities office in the region underlined also that

politics, broadly speaking, plays its game because clearly if you work for rationalizing the structures of the healthcare organisation, you are inclined to outsource what is not core probably. Over the last years, the regional council member for health said: the Regional Health System has to be rationalized, rationalized meant as saving in everything is not close to the patient. What you save can be invested in healthcare for patients, for core business: so we save money on support stuff to put money in patient's care. (Interview 19)

The LHA started the restructuring process in the 1990s embarking upon the outsourcing of cleaning. It followed then between the late 1900s-early 2000s the subcontracting of heating plant management, the internal transport service both for goods and patients, internal pharmacy management, surveillance and concierge services. More recently instead the LHA externalized the construction and management of a parking lot, the laundry service and the catering. This latter as already widely elucidated was implemented through a joint tender together with the municipality, involving the construction of a new centralized kitchen centre. Interestingly the board of directors opted for kept internal the building maintenance service, rather peculiar and unusual choice.

Restructuring process in the LHA under investigation was mainly limited to manual activities listed above, coherently with the strategic plan the administration was pursuing: in the matter of core services indeed only rare cases have been indeed reported. The LHA subcontracted a very limited share of patient's assistance service performed by social-health workers (*operatori socio-sanitari* OSS) considered a core service since the direct care of patients is involved: these social-health workers in fact

are required, for instance, to distribute meals; to assist patients in the care of personal hygiene; to allocate medications and to collect sanitary waste in patient's rooms.

At the end of 2014 moreover the LHA was completing the construction of a new analytical laboratory through a tender and was planning the renewal of internal café by outsourcing both the renovation and the management of the structure to an external company (Interview 18).

Overall however the whole area of health services, involving care and treatments of patients has been kept in-house: such further step in the marketization path of health care indeed has never been taken into consideration as feasible in the LHA under analysis, unlike some experiences that are increasingly spreading in other Italian regions like in Lombardy.

4.4.1 Impacts on terms and conditions of employment

Likewise the case study of the Italian municipality, the whole workforce maintained the employment: the large majority within the public administration through a relocation, while a small share was transferred to private subcontractors as confirmed by an officer from procurement office (Interview 11). More in detail cleaning staff was retrained and located at disposal of the various operative units to fulfil manual requirements while workers involved in the internal transport of patients, the stretcher bearers and porters, were partly redeployed across wards and partly shifted on functional secondment to the private company but being in most of the cases very closed to the retirement age they gradually diminished in number. Similarly the staff working in security and concierge service was maintained on the service as long as they retired, from time to time replaced by external personnel. The construction and management of parking lot represented a brand new interventions therefore the subcontractor to which the tender was awarded brought its own staff since the beginning of the activity; while in the case of analytical laboratory the contract agreed with private company established that building and the provision of relative technologies were subcontracted to a private company while the human resource management of qualified personnel working in the lab was a prerogative of the LHA.

During the subcontracting of the laundry instead the LHA included in the tender notice a social clauses requiring to bidders to reintegrate the workforce, clause that was set on as non-compulsory requirement but only attributing additional points according to the tender point system. The contract however was awarded to a subcontractor which did not fulfil the social clause: subsequently it took 4 public employees on, but on functional secondment that translated into the retention of formal contractual arrangements with the LHA and the operational management under the responsibility of the external company running the service. The remaining public personnel was instead relocated within the healthcare structure as drivers or performing ancillary functions in meals delivery.

Transfer of public personnel has instead interested the externalization of catering service which has followed dynamics very similar to those occurred at municipal level: the joint tender indeed contained a social clauses requiring to bidders to compulsorily reintegrate public staff, under the strong pressure of trade unions representing public personnel, which was copiously involved in the service with both temporary and permanent contracts. Throughout this restructuring event the large majority of permanent staff (both ancillary staff and cooks) maintained the public status and the application of public sector collective agreement but despite formally remaining municipal public employees, they have been asked to work on functional secondment basis for the cooperative which won the contract; while a few employees were relocated within the LHA to fill vacancies on some technical tasks. A large number of temporary personnel was instead transferred to the external cooperative shifting from public to private worker status.

At a first glance, a comparative perspective between the two Italian case studies sheds light on some initial similarities and differences. In both public administrations indeed restructuring events towards outsourcing of public services did not drastically impacted on public employment, which remained numerically stable in early stages thanks to the relocation of personnel within the administrations or the adoption of functional secondment arrangement. Only a residual share of staffing level was contractually transferred to private companies, shift translated into a change in status as well from the public to private status with repercussion on the collective agreement to apply. However externalization, complementing constraints on personnel recruitment set by national

austerity measure, trigger a dynamic of gradual replacement of public workforce with a private one: regardless of the nature of contractual relation, when public employees involved in outsourced services retire, workers hired by private subcontractors automatically fill the gap as a replacement for the public vacant position (Interview 19). In the long-term such pattern is increasingly shrinking public employment, reversing the initial trend. A remarkable figure is provided by the case of municipality, which subject to the intertwined pressure of these dynamics reduced its staffing level from 1200 to about 700 units in the time-lapse 2006-2014.

But conversely, the extent to which public employment was affected by restructuring events differs between the two cases. The municipal workforce involved in any form of change due to outsourcing was numerically larger than the staffing level in the LHA, primarily because the former public administrations externalized a wider range of services compared to the latter, subsequently entailing repercussions for a larger share of employees. In second place austerity measures affecting staffing level, such as cut down in replacement ratio and the freeze of new hiring hit much hardly the local governments than the healthcare sector. Finally if such austerity measures represented one of the most relevant rationales driving the municipal council towards outsourcing policies, the board of directors running the LHA conversely adopted a more strategic approach to externalization, as a mean for instance to attract private funding and new technologies to support the tasks of their internal public staff (for instance in the case of the analytical laboratory).

On this point, interestingly, the director of the logistic unit who coordinates among others catering, cleaning service and laundry service underlined as

talking about my services I believe that they have a social background and we made a mistake in throwing it through the shredder. The dissolution of such social function is really my regret in externalizations, it's really a sorrow. (Interview 21)

The words of the LHA officer refer to a sort of social function played by public administration in integrating those unskilled workers or persons with mental or physical disabilities to perform some easy manual tasks, workers who private companies would

never recruit given their limitations and low productivity. Outsourcing of those services inevitably deprives public bodies of this social purpose.

Even though outsourcing of services in the LHA affected a limited share of workers, most of whom internally relocated, it has had repercussion on working conditions and labour as well, in particular for transferred employees. Following the subcontracting of catering, indeed, temporary employees transferred to the private company went through a drastic cut of weekly working hours, consequently leading to a decrease in their monthly salary, already lower on average compared to the wage rate the LHA used to pay them by applying the public sector collective agreement. Moreover as reported by a union official from CISL-FISASCAT, the branch representing catering staff in private organisations who monitored the transfer

the perception is that they would have preferred to stay in public employment because there they could enjoy of higher protections. The perception is this, even if during the transfer they haven't been subject to particularly detrimental troubles. It is clear that the culture of being a public employee is different from being an employee of a private firm. Take for instance the situation where the demand for meals decreases: if you are in a public organisation nothing changes; in the worst of the cases instead of working in the kitchen you are redeployed on a different task but however you stay there. If the demand for meals decreases in a private company an issue related to your employment may raise. We might say that employment protection is rather different. (Interview 14)

Similarly to the municipality, these dynamics triggered the creation of a two-tier workforce: catering service indeed was carried out at the centralized kitchen centre where used to work side by side employees with remarkable differences in salary and contractual arrangements due to the fact they were hired by diverse employers. Health sector collective agreement indeed guaranteed to catering staff higher wage rate, stronger employment protections against layoff, better allowances compared to the correspondent contract applied in the private sector, namely the tourism industry collective agreement. A trade union official from CGIL-FP told that

it was very important for us to monitor these tenders obviously because we had as members several permanent workers from LHA; so for us the transfer from public to private sector, for us and for them, has meant a very heavy contractual change,

burdensome for us and for them. Above all for them because they realized that shifting from public to private sector meant a series of differences in terms of wage rate and rights, and they became aware of that. (Interview 4)

A second repercussion following outsourcing concerns the growing workload for personnel. Workload indeed knew a sharp increase both for transferred personnel and for public staff on functional secondment since the subcontractor raised the speed of work and, as anticipated, used to suspend contracts for municipal transferred workers during summertime when schools are closed and to reintegrate them in September, enhancing workload for remaining workforce. After a long negotiation with unions however the company accepted to slightly increase staffing level during summertime, even if of only few units (Interview 4).

Stretcher bearers and porters reported a remarkable raise in workload as well when they were located on functional secondment to the subcontractor: the new employer indeed cutting the staffing level increased the peaks of works for public employees, required to work longer shifts and overtime dealing with a peculiar working context featured by continuing emergencies. Workload became particularly burdensome in such kind of physical tasks, performed by ever more old workers.

Union officials interviewed from the main confederations however expressed an overall satisfaction in the matter of implications for employment conditions following restructuring events in the LHA: beyond the case of catering indeed terms and conditions of employment remained almost unvaried thanks to the application of the public sector collective agreement which provided for high protections and convenient contractual arrangements. The role of unions and workers' representatives at the workplace played an important role in monitoring outsourcing processes involving personnel transfer and in the large majority of tenders in negotiating with the board of directors the relocations of public employees within the LHA as alternative to the transfer.

Such outcome was feasible through a fruitful collaborative relations between social partners, but helped by the fact that the limited number of restructuring events impacted only marginally on workforce, involving very few units of personnel compared to the

case of municipality. The analysis if the LHA indeed did not pinpoint other negative repercussions on labour so far.

4.4.2 Impacts on employment relations structure and union strategy

Union action likewise in the municipality was primarily focused on keeping core healthcare services in-house, limiting externalization to support technical activities to the core mission of the LHA, namely the provision of health care to patients as underlined by the general secretary of the local branch of CGIL-FP:

historically we as trade union, we have always struggled against outsourcing, and we obtained a positive result since we said: if you, Local Health Authority wants to externalize you must do that for services that we do not consider core, namely everything specifically concerning healthcare assistance must not be touched. This is the campaign we put forward and I have to admit that the result we got is noteworthy. (Interview 2)

Union opposition to outsourcing in healthcare sector translated into several public campaigns:

we organized a bicycle ride stopping in public workplaces to distribute flyers and explaining what the dismantlement of public health might mean; or the initiative called “Health to the Streets” where we checked for free blood pressure and in the meantime we try to explain to citizens what was happening with the privatization of healthcare. (Interview 2)

Such strategy of users involvement, neglected in the municipality but *ex post* reconsidered, was instead fruitfully exploited by unions in healthcare which promptly recognized that

public opinion does not notice if you’re outsourcing. If the service gets worse they get angry however with the public administration because there is little awareness, and maybe also little interest in public goods: citizens are not informed about how actually services are provided in their community. There is really little awareness and very little involvement of users. (Interview 7)

However as specified by union officials such campaigns were purposely oriented to inform and alert citizenship to the general issue of marketization of healthcare system and implications for labour and service quality, rather than to oppose a specific restructuring event. In the latter case unions usually opted for coping with the problem by exploiting institutional channel of direct negotiation with the LHA board of directors.

Such strategy was complemented, as anticipated by a continuous monitoring process both during restructuring in order to safeguard employment and following the tender to check the correct application of collective agreements. The role of union was strategic in the former phase to prevent redundancies of temporary public employees and to safeguard employment to all public personnel through either a relocation in the municipality or a functional secondment to the private providers as explained by a trade union official:

we worked to keep all the jobs there were previously; our work was trying to maintain the same number of jobs even if shifted for the LHA to a cooperative, so in the transfer we worked for that goal. (Interview 2)

But union action was important also for the entire duration of the tender to ensure the respect of terms and conditions agreed upon in collective agreements (Interview 4) and to prevent a race to the bottom in contractual conditions that outsourcing often triggers. Consultation and negotiation among social partners have represented a mandatory step to overcome before implementing outsourcing policies: the board of directors indeed have always consulted trade unions during the decision-making process which includes the decision to undertake externalizations, negotiation on social clauses, repercussions for labour and future scenarios for personnel (Interview 11). Moreover the formal approval of unions is required when public staff is involved in transfer towards private organisations, further incentivizing the LHA to activate prior consultation with unions. Additionally unions leveraged on the strict collaboration they built with workers' representative, both in private companies and in the LHA, who acted as "watchdog" at workplace, then reporting in case of employer's negligence and related issues. A trade union official, in a nutshell told that 'I prefer keeping open all channels of discussion

and dialogue, even if through modalities which might lead to disputes, but always keeping the dialogue open with the local health authority because I think it's the only way to get results, given that economic resources are really scanty. Therefore I prefer keeping a leading role together with our workers' representatives which play a very important role because during negotiations trade unions and workers' representatives have to decide together, make evaluations together, every year sitting at the bargaining table and assess, deepen, search jointly with the LHA shared solutions' (Interview 4).

Importantly, despite the Brunetta reform in 2009 drastically reduced union prerogatives on HRM issues and work organisation, shifting also restructuring decision from the sphere of collective bargaining between social partners to the mere right of information for unions, the LHA has maintained a collaborative relationship with the counterpart, keeping on consulting them when the personnel was involved.

As evidence from the analysis of the case study shows, in the health sector outsourcing processes did not undermine, or only to a limited extent, industrial relations institutions and their role in collectively represent employees in the public sector, putting forward the primarily importance of public administration and employment in providing universal and fundamental services like healthcare. It must be specified however that the region Emilia-Romagna, where the LHA is located, is featured by a long-standing tradition social dialogue, where unions have historically played a pivotal role supported by a political hegemony of left-wing parties which ruled the regional council over the last three decades: such collaborative dynamic between social partners is particularly strong in healthcare sector where

the model has hold despite the pressures coming from the privatization processes and the dismantle of collective bargaining by the Brunetta reform. (Interview 1)

Comparing the healthcare sector with local government the regional secretary of CGIL-FP also added that 'we tried to held in the municipalities as well, but we had a hard time, not everywhere we managed to keep the model working' (Interview 1).

Overall however, such employment relations model of negotiation and coordination between social partners is detectable also in local governments but in that case

on the employer side a financial logic prevailed on a logic of strategic developments of municipalities, while in health care prevailed a development logic to reorganize the system. (Interview 1)

These different rationales driving externalization processes in the two sectors unavoidably impacted also on industrial relations institutions.

Therefore the scenario depicted in healthcare sector deviates from the one displayed in the municipality, widening the focus on a larger scale, regional or even national, some common causes for reflection arise between the two public administrations.

Trade union officials in both sectors indeed pinpointed the risks related to a strategy fully focused on the safeguard of core services: underestimating the relevance of support peripheral services was the initial mistake they did, that subsequently led to a gradual fragmentation of the whole production chain within hospitals. The national secretary of a trade union representing public employee, *a posteriori*, expressed doubts on the strategy they adopted as union confederation:

we tried to oppose outsourcing but maybe with some weaknesses because we were engaged with safeguarding core activities of health authorities. Hence externalizations started from low-skilled labour that could be contracted out because it was excluded from core services, but that was the initial drama that we little by little dragged, so worsening the situation and letting outsourcing growing. (Interview 5)

Such weak opposition was also due to the fact that overall unions have guaranteed the safeguard of employment for all the staff involved, or reporting the words of a union officials ‘we governed the phenomena of outsourcing with regard of personnel, because those workers were relocated in other functions and not made redundant’ (Interview 5), neglecting somehow potential repercussions for the overall management of health services and their quality. Given the current state of the art indeed unions exclude any possibility to take those support services back in-house since hospitals lost not only the workforce to directly provide the services but also the know-how to organise and control them. Likewise in the municipality however they recognize the necessity to widen the scope of union strategy, focusing on the protection also of service quality by placing citizens and public employees in a pivotal role through a synergic action between citizens, patients and public personnel (Interview 7).

Moreover if union membership is still stable in healthcare sector in general, unions are considering a renewal in their strategy fearing a future decline on the one side following the gradual replacement of retired public employees with private workers from small companies or cooperative usually less unionized (Interview 5), while on the other side suspecting a potential wave of marketization involving core services as well.

4.5 Conclusions

As the two Italian case studies show, restructuring events towards outsourcing of public services raised labour-related issues in terms of inequalities in terms and conditions of employment and working conditions: such consequences, in turn, modifying the scenario in which unions used to act through the organisation and the collective representation of workers, undermined their role and their capacity to impact during externalization processes. Despite some similarities in how outsourcing impacted on public employees' contractual provisions and job organisation between the two sectors have been pinpointed, the analysis sheds light on remarkable divergences as well, noteworthy to be discussed (see tables 4.1 and 4.2 below for a comparative synthesis).

Public personnel in both the municipality and the Local Health Authority directly involved in subcontracted services was in large majority redeployed in different offices or to perform new tasks within the administration they were hired: such relocation allowed to most part of the staff to maintain the public status and the application of public sector collective agreement. In many cases however the redeployment translated into functional secondment to the subcontractors: even though they formally remained employees of the public administration they belong, the private company functionally reintegrated these workers in its staffing level, getting the prerogative to coordinate their work organisation, namely to decide in the matter of working hours, shifts organisation, leaves, holiday and workload.

Transfer of personnel occurred for a limited share of employees, mainly temporary workers who shifted from the public sector to private employers. Their contractual provisions subsequently followed the same trajectory: the application of public sector

collective agreement was replaced by the private sector collective agreement of reference.

Overall the comparative picture displays a high degree of protection of public employment during restructuring events, provided by strong legislative protections: a protective regulation concerning public employees in general (preventing redundancy and dismissal) is complemented by specific protections in the matter of restructuring events such as the article 2012 of the Civil Code ensuring to transferred workers between undertakings the same terms and conditions of employment, and the social clauses included in invitation to tender requiring to bidder to reintegrate the workforce involved. Such regulative framework is backed up by a fierce stance of union against outsourcing, which focused their action on the protection of public employment with the purpose to avoid redundancies and maintain the jobs.

Even though implications for labour following outsourcing have been somehow contained in their scope, some detrimental repercussions were reported in both case studies. Public employees internally relocated ended up doing a job that in most of the cases was not appropriate for their skills since they were recruited to perform a specific different task. Public employees instead in functional secondment to the subcontractors experienced a remarkable increase in workload while transferred staff, subject to a shift from public to private sector collective agreement, underwent a remarkable drop in wage rate and working hours.

A further issue that externalization policies triggered was the creation of a two-tier (or even multi-tier) workforce: subcontracted public services indeed were provided by diverse segments of workers working side by side, endowed with the same educational background but subject to unequal contractual arrangements according to the nature, whether public or private, of the employer. Traditionally, public sector collective agreements are more advantageous in terms of both salary and allowances, but also in the matter of union rights and employment protections compared to contracts agreed in the private sector companies.

Beyond such convergent implications, the comparative investigation of the municipality and the Local Health Authority pinpointed notable divergent trajectories. Firstly, the healthcare administration drew upon outsourcing policies within a long-term strategic plan to rationalize and improve the whole structure: hence the provision of a limited

range of support technical services involving low-skilled workforce was externalized. Conversely the municipality, driven by strict austerity measure constraining its financial endowment and staffing level, resorted to such market-type tool for the provision of a wide array of both technical and core services: in this case the reshuffle of job arrangements and contractual provisions involved a numerically relevant group of municipal employees. These differences in the scope of the phenomenon and in the extent to which personnel was affected mirrored also a diverse degree to which outsourcing events negatively impacted on labour and employment relations. Employment fragmentation, deterioration of job terms and conditions, growth of contractual inequalities between employees are all repercussions which were reported by key-respondents interviewed more seriously and harshly in the municipality rather than in the Local Health Authority.

Likewise, employment relations and labour institutions were subject to a remarkable weakening in the municipal context where outsourcing policies gradually eroded union capacity to collectively represent and organise employees, undermining their bargaining power during restructuring processes. Conversely social partners in the LHA preserved a collaborative relations which enabled union to be always consulted before contracting out services involving personnel and to constantly monitor the development of such processes in the matter of contractual provisions evolution and workforce transfer or redeployment. Finally if the Brunetta reform in 2009, shrinking union prerogatives to collectively bargain on matters regarding work organisation and HRM, contributed in further demolishing union role in the municipality, it left employment relations rather unaltered in the LHA.

Table 4.1 Labour-related variables affected by outsourcing in the Italian municipality and Local Health Authority

	<u>ITALY - MUNICIPALITY</u>	<u>ITALY – LOCAL HEALTH AUTHORITY</u>
Public employment in services outsourced	Large majority of public personnel relocated within the administration. Once retired, replaced by subcontracted workers.	Large majority of public personnel relocated within the administration. Once retired, replaced by subcontracted workers.
Transfer of public personnel to private providers	Transfer limited to temporary public personnel. Functional secondment to the subcontractor for a share of permanent employees.	Transfer limited to temporary public personnel. Functional secondment to the subcontractor for a share of permanent employees.
Redundancy	None	None
Size of public employment	Decreasing from 1,200 to 700 in the time-lapse 2006-14 (not only due to outsourcing, but also as a consequence of austerity measures freezing hiring)	Stable around 3,500 units
Collective agreement applied	Public sector agreement for permanent public employees relocated and in functional secondment. Private sector agreements for transferred personnel.	Public sector agreement for permanent public employees relocated and in functional secondment. Private sector agreements for transferred personnel.
Wage rate	Lower in private subcontractors compared to public sector (only exception FederAmbiente collective agreement)	Lower in private subcontractors compared to public sector
Workload	Increasing for transferred personnel and staff in functional secondment	Increasing for transferred personnel and staff in functional secondment
Inequalities in contractual provisions	Two-tier (or even multi-tier) workforce in several outsourced services, especially in nursery schools and social services	Two-tier workforce only in catering service
Social clauses in tender to reintegrate the staff	Always included	Always included

Table 4.2 Employment relations-related variables affected by outsourcing in the Italian municipality and Local Health Authority

	<u>ITALY - MUNICIPALITY</u>	<u>ITALY – LOCAL HEALTH AUTHORITY</u>
Union stance towards outsourcing	Fragmented opposition to single externalization events: lack of systematic institutional stance	Systematic opposition to outsourcing in healthcare sector
Union strategy and responses	Focus on keeping core services in-house (education and social services) and sheltering public employment. Industrial action.	Focus on keeping healthcare services in-house and sheltering public employment. Campaign to inform employees and users
Workplace representatives	Always elected in both the municipality and private subcontractors	Always elected in both the municipality and private subcontractors
Union consultation	Always consulted before outsourcing until the Brunetta reform in 2009 Since then union only informed	Always consulted before outsourcing Collective bargaining on HRM and work organisation-related issues
Relationship between social partners	In the relation with unions, municipality complies with legislative requirement in terms of information and consultation. Union often seen as an obstacle during restructuring events	Collaborative long-standing tradition of social dialogue: shared purpose to safeguard the quality of healthcare services
Challenge to union	Workers transferred in catering Fragmentation of employment Two-tier workforce	Production chain fragmentation
Membership	Decreasing (not only due to outsourcing: municipal staffing level physiologically diminished following strict austerity measures)	Rather stable
Users' involvement	Union awareness of this lack: need to involved citizens in campaigns	Citizens involvement in campaigns to raise awareness of the risks in externalizing healthcare services

Chapter five

The case of England

5.1 Public administration: structure, functions, employment relations

5.1.1 Structure and functions

England, with its 53 million inhabitants, is one of the four countries making up the Great Britain, together with Scotland, Wales and the Northern Ireland.

According to the UK national accounts, the public sector is divided between central government, local government and public corporations. Central government covers all organisations for whose activities a government Minister is accountable to Parliament: thus apart from the armed forces, it includes all administrative departments of government, the civil service and its executive agencies and non-departmental publicly constituted bodies financially dependent upon the central government – such as research councils, national museums – and the National Health Service.

Local government instead is constituted of 353 local authorities, displaying some variations in their structure and functions. There is a broad division between two-tier authorities – counties and districts – with the latter providing more local services on a larger county-wide basis and unitary authorities which are concentrated in London and other large Metropolitan areas providing all kind of services.

Local authorities are run by elected bodies although their autonomy is constrained by central government regulation which shapes their taxation power and set strict rules regarding budget balance on annual basis. However, three-quarter of local government revenue expenditure is financed by money transfer from the central government, complemented by addition resources raised ‘in the form of property tax paid by local

residents (council tax) and income generated from housing, leisure and other services with strict rules covering the trading activities of local authorities' (Bach and Stroleny 2014: 345). Local government has the responsibility for a wide range of local services: more than half of the expenditure is devoted to adult and children's services, while other services include housing, planning, environmental services, highway, cultural and leisure functions and a squeezing portfolio of directly managed schools. Importantly, local governments have the statutory duty to provide key services such as social care, but further services like youth services are only discretionary, therefore much vulnerable to budgetary reductions as financial transfers established at national level decrease.

Greater London has a different system for local government: the administrative area is split up in 32 London boroughs each run by an elected council, plus the City of London covering a small area at the core governed by the City of London Corporation. The London borough councils and the City of London Corporation provide the majority of services, including education and social services, whereas the Greater London Authority is responsible for the key strategic services of public transport, the police, economic development and emergency planning.

As anticipated, the central government not only controls the large majority of local government revenue spending, but has also continually intervened to limit their discretionary power to raise council taxes and levies. Such restriction stemmed from an increasing conflict between central government ministers and locally elected members or councillors related their own political party affiliation: this tension since the early 1980s has led to a gradual shift in the constitutional balance of power from local to central level. As a consequence 'local government has been viewed as the poor relation in the public sector in terms of the lack of government recognition of its contribution, unfavourable public expenditure settlements and the extent of central government intervention. This position stems from a legacy of tense central-local government relations, especially during the 1980s, and scope for government to engage in blame avoidance and blame diffusion strategies (Bach and Stroleny 2014: 345).

Finally, public corporations are companies or quasi-corporations with some degree of financial independence from central government, which however directly or indirectly appoint most of the senior managers. They are endowed with a substantial autonomy to

carry out business activities such as the Royal Mail and the London Underground Ltd. These companies indeed gain more than half of their income by selling goods and services in the market.

The National Health Service (NHS) since it was founded in 1948 has been considered as a core part of the central government: it was created to make comprehensive healthcare universally available among citizens and free at the point of delivery. It was featured by public ownership and public provision of healthcare services largely funded by general taxation. The NHS provides the majority of healthcare in England, including primary care, in-patient care, long-term healthcare, ophthalmology and dentistry. The central government is not the employer: district health authorities (DHAs) and family health service authorities (FHAs) which have been merged and health service trusts are actually the employers of public staff employed in the various hospitals across the country. The NHS in England was headed by Secretary of State for Health, who chaired a supervisory board including the minister of health, chief medical officer and non-executive member.

In 1990 the government reformed the NHS under the National Health Service and Community Care Act which pursued the separation of the purchasing of health care from its provision by introducing the idea of internal market into the supply of healthcare. As a consequence health authorities ceased to run hospitals but purchased healthcare services from their own or other authorities' hospitals. The healthcare providers became independent NHS trusts established under the National Health Service and Community Care Act in 1990, generally serving either a geographical area (the service area of an hospital) or a specialised function including acute hospital, ambulance service, community care, and mental health. In any particular location there may be several trusts involved in the different aspects of healthcare for a resident.

Each NHS trust is headed by a board consisting of executive and non-executive directors, and is chaired by a non-executive director: they are directly accountable to the Secretary of State for Health who directly or indirectly appoints board members. The 1990 Act reshuffled power relations in the NHS eroding the chain of command running from the Secretary of State to the Health Department and then to RHAs and DHAs, giving to purchaser authority more power in choosing their providers. Moreover NHS trust has a certain degree of autonomy on financial matters - not only regarding budget

planning but also in seeking external funding within agreed limits - and considerable discretion on personnel and employment-related issues. Trusts indeed became the new employers of NHS staff replacing the DHAs: it followed that they are allowed to set their own terms and conditions of employment, they can devise their own local bargaining and consultation arrangements.

Labour came to power in 1997 with the promise to remove the internal market and abolish fundholding, claiming that they would have reversed Conservative intention to privatise the NHS. However in his second term Blair renounced this direction, pursuing measures to strengthen the internal market as part of his modernization agenda of the NHS. NHS Plan in 2000 brought about the biggest change to healthcare in England since the NHS was formed in 1948. The reform had the aim of improving the way services were delivered in order to expand the choices available to patients. This meant also introducing greater plurality of health services provision: the legislation explicitly encouraged the private provision of clinical services. Moreover it expanded the role of Private Finance Initiatives (PFIs) for the building and management of new hospitals.

In 2004 the Secretary of State for Health announced the creation of NHS foundation trusts with the purpose to encourage all NHS trusts to reach the foundation status: it meant obtaining greater managerial and financial autonomy when compared to NHS trusts which are now managed by the NHS Trust Development Authority. The introduction of foundation trusts status represented a turning point in the history of the NHS and the way in which hospital services are managed and provided.

A more recent reform was issued in 2012 under the Health and Social Care Act which set an extensive reorganization of the NHS: the reform transferred responsibility of health care budget planning from the abolished Primary Care Trusts (PCTs) to several hundred Clinical Commissioning Groups (CCGs), NHS organisations set up to organise the delivery of NHS services in England partly run by the general practitioners (GPs). CCGs will commission the majority of health services, including emergency care, elective hospital care, maternity services, and community and mental health services provided by both public and private structures. The Act has become associated with the perception of increased private provision of NHS services since GCCs constitute a major point of access for private service providers. Under the new system, a new NHS

Commissioning Board called NHS England, oversees the NHS on behalf of the Department of Health removing responsibility from the Secretary of State for Health.

5.1.2 Status and structure of public employment

Public administration overall employs in England about 4,561,000 public employees, corresponding to 18.4% of total employment. About 46.1% is employed in central government (2,104,000 employees including NHS), about 45.4% in local authorities (2,071,000) and the remaining 8.5% in in public corporations (386,000). Moreover more than half of public employees in central government works in the NHS (about 1,245,000) (Office for National Statistics - ONS 2012).

Within the general framework of public employment, the status of civil servants has been historically distinctive: they indeed have been treated in common law as a separate category of public employees with special status. As “servant of the crown” they in theory might be dismissed at any time at the will of the crown, but in practice employment law has been extended to civil servants as well. Hence their formal legal status has been indeed uncertain until the High Court established in 1991 that civil servants were employed directly by the Crown under contract of employment: as a consequence freedom of association, right to strike are applied, while their terms and conditions of employment are negotiated through collective bargaining.

Since the post-war period public employment size increased continuously until the early 1980s: in 1981 indeed 29% of all employees worked in the public sector (Bach and Kolins Givan 2011). Such growth stemmed from the nationalization of the major coal industry (1946), electricity (1947), railways (1947) and gas (1948), as well as the establishment of the basis of the substantial welfare state through the reform of healthcare (1948), education and social security provisions (Winchester and Bach 1999). Subsequently, a decline in size and scope of public employment resulted from the policies of Conservative governments in office from 1979 to 1997 when all nationalized industries were privatized and increasing range of public service functions were outsourced to private subcontractors. Reached in 1999 the low point of 19%, public employment size started to increase again following the boost of public expenditure promoted by Labour government in office between 1997-2010.

The English model of employment relations in the public sector is closer to the 'model employer' (Bach and Bordogna 2011) where the central government as public employer set some good practices and example to the private sector 'by endorsing principles of fairness, involvement and equity in its treatment of its workforce. These principles have been associated with the encouragement of trade union membership, support for centralized systems of collective bargaining and related forms of workforce participation' (Bach and Kolins Givan 2011: 2350).

In contrast to most European countries, there has never been a clear-cut legal distinction between industrial relation in the public and private sector: public employees indeed enjoyed few special prerogatives attached to their status and faced only selective restrictions on the right to strike and to join a union, as in the armed forces and police corps. If until the 1970s 'this was a consequence of the policy of legal abstentions (or voluntarism) in industrial relations, since then the rapid development of individual and collective employment law has rarely differentiated between public and private sector employees in significant ways' (Winchester and Bach 1999: 18). Nevertheless, until the 1980s terms and condition of employment for public employees were characterized by a greater degree of job security, more clearly defined career patterns, and generally better pensions, sick pay scheme and other benefits than their private sector counterparts. These provisions of service were set up in national agreements and uniformly applied to the whole public sector, despite such expectations were not established by statute, nor explicitly recognized in common law (Bach and Winchester 2003).

The lack of a strong and legally-based distinction in the status of public and private sector employment has facilitated restructuring processes towards privatization and contracting out and the subsequent transfer of personnel between sectors since it was leaving greater scope for governments to implement far-reaching reforms of the public sector starting from the late 1970s. The Conservative government of Mrs Thatcher elected in 1979, and in office until 1997, 'rejected the presumption that a good employer obligation should prevail in the public services. Their policies encouraged greater diversity within the sector, by weakening national system of employment regulation and encouraging the devolution of management authority to the individual public service organization' (Winchester and Bach 1999: 21).

In the wake of an anti-union sentiment, the government pursued an anti-union neo-liberal ideological program of reform in the public sector, driven by a strong belief in the superiority of market relations, competition and private sector management expertise and practices. First, the Conservative government, along with the privatization of all nationalized industries, introduced market competition in the provision of public services: compulsory competitive tendering legislation indeed obliged in particular local authorities to test the market for specified service contracts, gradually increasing in number along the years. Also hospitals in the NHS were encouraged to invite tenders for a range of functions including also core healthcare services. Despite strong union opposition and management ambivalence, such policy was rigorously pursued by public organisations, leading to a substantial reduction in public employment.

A second key-point of the reform concerns the emphasis on strengthening managerial prerogatives: public managers received greater operational control and autonomy, but are also subject to centralized forms of audit (Bach and Kolins Givan 2011).

Thirdly the government introduced performance-based management, spreading the practice of performance-related pay (PRP): it represented an attempt to foster employees motivation by linking individual achievements and rewards, which contributed also to individualize employment relations.

These reforms in public service employment policies gradually eroded many of the previous differences from private sector labour market, encouraging a convergence between public and private sector employment conditions and practices: 'a degree of downward harmonization has resulted from government policies of labour market deregulation, with many employees in the public services facing the same degree of job insecurity, work intensification and limited promotion prospects as their private sector equivalents' (Winchester and Bach 1999: 22).

The modernization agenda pursued by the Labour government in office from 1997 to 2010 extended from certain points of view the Conservative agenda, especially the search for higher efficiency and the marketization program through the best value principle: indeed it kept on promoting the benefits in changing working practices stemming from private sector tools and policies. Unlike the previous government however, it sought to encourage unions to support its modernization agenda offering a moderately conciliatory approach to trade unions by institutionalizing partnerships

between social partners: at national level for instance created the tripartite Public Services Forum to strengthen dialogue on such issues, while at sectoral level tripartite partnership helped to bring about reform of pay and working conditions like Agenda for Change agreement in 2004 harmonizing pay scales in the NHS (Bach and Kolins Givan 2011). Moreover the Labour government reached an agreement in 2004 with trade unions, the so-called Warwick Accord, which led to protect employment from two-tier workforce-related issues.

To conclude, the ‘model employer’ tradition in employment relation seems to have been overcome in the English public sector: indeed ‘the term social dialogue is not widely used in a UK context, reflecting more adversarial employment relations traditions and a less encompassing role for trade unions and employers in the administration of welfare services’ (Bach and Stroleny 2014: 346).

5.1.3 Social dialogue framework and institutions

As far employment relations are concerned, England has traditionally been featured by voluntary relations between the social partners, with a minimal level of interference from the state in both public and private sector. However collective bargaining and the right to strike for most of public service employees have historically characterized pay determination system in the English public sector, endorsed also by governments as crucial element in the ideal of the state as a ‘good employer’ (Winchester and Bach 1999). Since there has been no legal obligation on employers to engage in collective bargaining as a consequence collective agreements are not legally binding between the parties, but they constitute recommendations to public employers.

A centralised system of collective bargaining developed in the civil service and was then extended to the whole public service by the 1950s: at national level collective agreements generally established wage and salary structures, specifying a wide range of terms and conditions of employment in a prescriptive way (Bach and Kolins Givan 2011). Moreover the widely accepted bargaining principle of ‘fair comparison’ in the wage developments between public service employees and the rest of the economy helped in harmonizing salary increase across sectors.

An economy with double-digit inflation rate and the 'winter of discontent' paved the way for a decisive shift in government policy on public employees' collective bargaining system: as a consequence the planning and control of public expenditure as well as the structure and outcomes of collective bargaining in public services have been significantly reformed (Winchester 1983). The Conservative government in office between 1979-1997 indeed soon demonstrated its priorities for the reform of pay determination: it advocated more decentralization in collective bargaining as a means to be more responsive to the need of managerial efficiency and labour market conditions, mimicking the highly decentralized system characterizing the private sector and it tried to erode the principle of 'fair comparison', replacing it with the criterion of 'affordability' defined as strict constraints on expenditure. In a more ideological way moreover, Mrs Thatcher 'encouraged employers to resist trade union pay demands, and showed unusual willingness to accept the political risks and financial costs of protracted disputes' (Winchester and Bach 1999: 36).

In practice such decentralization process developed 'in a piecemeal and uneven manner with important variations between sectors' (Bach and Kolins Givan 2011: 2358). The Civil Service Act in 1992 delegated responsibility for negotiation pay and conditions for civil servants to individual departments and executive agencies: through the 'delegated bargaining' each agency or departmental unit was demanded to develop its own scheme covering grading, appraisal, promotion, training and performance related pay.

In the NHS conversely pay negotiations remained centralized: an independent pay review body was established for nurses and other health service professional staff. Pay review body collects detailed oral and written evidence from social partners - government, employers and trade unions -, complemented by its own research and data analysis: through that it drafts recommendations to the government who is presumed to accept them, unless there are 'clear and compelling reasons for not doing so' (Winchester and Bach 1999: 36). The new system removed NHS staff from the coverage of collective bargaining on pay, but it is also far removed from unilateral settlement from the government: 'it is better view as a form of arm's length bargaining in which the argument of government ministers and senior civil servants, as well as those of employers and trade union officials, are scrutinized and often criticized in published reports' (ibidem). The attraction of pay review bodies for government is that

‘they provide an arm’s length way of dealing with sensitive public sector groups, distancing the government from unpopular public sector pay decision. At the same time, the government retains more influence over pay-bill than in traditional collective bargaining because it establishes the remit of each review body, and can choose to stage or reject the decisions of each review body’ (Bach, Kolin Givan and Forth 2009: 322).

The election of the Labour government in 2004 has been associate with a reassertion of centralized system of pay determination. Specifically in healthcare services, government, unions, employers and NHS Employer (employer association in healthcare services) negotiated a more centralized national pay framework, the so-called Agenda for Change (AfC) pay reform which harmonised pay scales and career progression arrangements across traditionally separate pay groups in the NHS.

In local authorities the scope and the pace of bargaining reform have been greater than in the NHS since the 1980s, driven by increasing demand for less prescriptive and more flexible agreements than the two national agreements covering manual workers and clerical, professional staff. Such pressures stemmed both from unions which sought to negotiate improvements in benefits and pay increases at local level where labour market conditions and local authorities’ finances allowed that, but also from public employers’ side. Local governments indeed, especially Conservative-led, in open conflict with national negotiating machinery, struggled to have looser framework in national agreement as a means to increase their autonomy in recruit and retain employees, as well as set up terms and conditions of their employment. As a consequence local authority trade unions and employers agreed a radical reform of bargaining system, developing a new ‘single status’ agreement in 1997 covering both manual and non-manual workers. In practice local authorities as independent employers might voluntarily adopt the national-level pay bargaining - the National Joint Council (NJC) for Local Government Services - which establishes pay and core national conditions: for instance the elimination of any gender-based pay gaps and the introduction of an ‘equality-proofed’ pay model, harmonizing wage rate and terms and conditions between former manual and non-manual workers. In the meantime local authorities gained remarkable local flexibility to develop their own pay and grading structure: the new job appraisal scheme may be used by local authorities but without being compulsory; local grading reviews enable authorities to opt out of national grades and it allows to modify

service condition through local negotiations (Bach and Stroleny 2014). It constitutes essentially a national scheme for local application (Winchester and Bach 1999) offering greater legitimacy to local bargaining, but within a nation-wide framework agreement, the so-called NJC agreement (or the Green Book): it includes a range of core national conditions as sick pay scheme, a standard 37-hour week, annual leaves.

Employer and union negotiating bodies include the Local Government Association (LGA - the employer association representing local authorities) and the main local authority unions - UNISON, Unite and GMB.

Employees participation and representative bodies are featured by a multi-tiered nature. The main channel of employees' representation in England is via the recognition of trade unions by employers for the purposes of collective bargaining. Another channel of employee representation at workplace is the establishment of Joint Consultative Committees (JCCs) – sometimes known as works councils or employee forums: although in some cases JCCs are an alternative to, or substitute for, union representation, they are also prevalent in workplaces where unions are recognised. Such Committees are broadly concerned with consultation rather than negotiation and comprise employers, employees and elected councillors. The primary basis for both union recognition and the establishment of JCCs has traditionally been voluntary agreement between social partners: however, since 1999 in the case of trade union recognition and 2004 in the case of information and consultation arrangements, legislation has been implemented in the UK enabling unions and employees respectively to use statutory procedures to establish representation arrangements where not agreed voluntarily. Overall both union recognition (90%) and JSS are more widespread in public sector workplaces, compared to private sector where union recognition in 12%.

5.1.4 Trade unions

As part of the voluntarist system of employment relations in both public and private sector, also trade union organizations and representation-related issues have been traditionally subject to limited regulation: the law indeed was virtually silent on the freedom of association and union recognition for negotiation. Within this framework

however, until Mrs Thatcher came into power in 1979, government policies encouraged public employees to join union in a political climate of union acceptance. The Conservative government indeed, elected after a period of unprecedented industrial conflict in public services, embarked upon a series of legislative and administrative reforms purposely design to undermine unions in general, and in particular to weaken public service trade unions (Winchester and Bach 1999): it followed that since 1979 overall union membership declined for unprecedented seventeen consecutive years. Membership gradually started increasing again with the New Labour Agenda between 1997 and 2010, which promoted more consensual employment relations through social partnership and consultation. Such approach was finally reversed by the Conservative-led coalition government: elected in 2010 it adopted a unilateral approach to reform which weakened social dialogue and set off a new adversarial phase in employment relations.

As in most of European countries union membership has generally been dominated by public service membership: public sector union density is about 56% nearly four times the rate in the private sector where is 14% (Labour Force Survey 2012). The distribution of members mirrors the complex structure of trade unionism with membership distributed amongst general, industrial and occupational unions: the organizational principle of industrial or sectoral unionism in fact has never been institutionalized in Britain where competitive recruitment, inter-union rivalry and multi-union representation at workplace are at the basis of the system.

Trade union structure has been rationalized through amalgamation and mergers, in particular during the 1970 and the 1980s: 'there were 543 unions with 11.1 million members in 1970, compared with 245 unions with 7.9 million members at the end of 1996 (Winchester and Bach 1999: 30).

The largest union in the UK is Unite, formed in 2007 through the merger of the two large unions Amicus and the T&G. It had about 1,407,000 members in 2012 in large majority from public sectors of the economy, including motor manufacturing, finance, road transport and printing, but at least 200,000 members work in public services.

UNISON, the second largest union with 1,317,000 members in 2012 organises primarily in the public services, although following privatization and subcontracting policies it has substantial membership in private companies as well. However its claim

to be 'The Public Service Trade Union' is justified as it represents the large majority of manual and non-manual employees of local authorities (Winchester and Bach 1999). It formed in 1993 through the merger of three large health service union NALGO, NUPE and COHSE. UNISON represents most of clerical and administrative staff, the majority of ancillary staff members, many unqualified nurses (auxiliaries and health care assistants) and some qualified nursing staff. The last category of workers indeed is represented also by the Royal College of Nursing (RCN), with whom UNISON is in open competition for recruitment.

The third largest union is the GMB with 610,000 members. Like Unite is a general union representing workers in both private and public organisations (especially local authorities), although they are more likely to be manual workers. The GMB was initially part of the merger discussion leading to the creation of Unite, but at the end it decided to remain independent.

Together Unite, UNISON and the GMB account for 56% of total TUC membership, the single national union confederation.

5.2 Government policies and austerity measures as drivers of outsourcing

In England marketization processes in the provision of public services - both in local authorities and in healthcare sector- stemmed from a double pressure: if on the one side since Mrs Thatcher was elected in 1979 government continually encouraged municipalities and hospitals to embarked upon contracting out by the means of legislative provisions, on the other side more recently austerity measures in the aftermath of the financial crisis directly or indirectly enhanced such pattern.

5.2.1 Outsourcing and the central government political agenda

The UK is considered one of the forerunner countries in the adoption of market-type tools, as part of a wider reform pattern of public sector inspired by NPM doctrine (Pollitt and Bouckaert 2013).

Very emotive expressions such as 'government is too big' or 'the need to cut red tape' (Asher 1987) well express the popularity of outsourcing in England as an alternative

tool to provide public services since the 1980s: in quantitative terms, indeed is the country with the highest rate of public expenditure in outsourcing over public expenditure for in-house production (OECD 2005, Cepiku, 2006).

The origins of the phenomenon dated back to a small group of Conservative-led local governments which voluntarily started testing the market. This alternative to the in-house provision of services spread rapidly from the initial small scale to the central government and the health care sector. To give an idea of the scope of the phenomenon, between 1980 and 1985, the number of local authorities relying on contracting out jumped from two to two dozen. In the health sector, the hospitals which outsourced their cleaning activities rose from 40 to more than the double (around 100).

At the same time, lobbying actions and efforts were disseminating the advantages of competitive tendering to policy makers' attention at national level. The Conservative party revealed itself being particularly sensitive on the issue. Accordingly, if the election of Mrs Thatcher government in 1979 established the turning point, the following years from 1980 to 1988 represented a kind of test bench for defining the regulatory framework on Compulsory Competitive Tendering (CCT). During that decade, pamphlets arguing in favour of outsourcing have been published – e.g. *Reservicing Britain* by Michael Forsyth –; ambitious pilot programs of competitive tendering have been implemented like the one in the Ministry of Defence in 1980 and different studies have been launched for determining the effects of these initiatives.

The legislative framework associated with CCT began with the issuing of the Local Government Planning and Land Act in 1980 which encouraged contracting out in local authorities for a limited range of jobs, mainly blue-collars tasks as highways maintenance, building maintenance. Then, in 1988 it was extended via the reform of Local Government Act to most of the manual services in municipalities, covering refuse collection, street cleaning, school and welfare catering, grounds and parks maintenance. As a third step, the subjects covered by the Local Government Act had been widened in 1992, including white-collars activity such as professional, financial and technical services.

The marketization of services provision, through the introduction of CCT, at the beginning of the 1990s could be regarded as widely implemented. The White Paper 'Competing for Quality' in 1991 marked a step further, setting out how the Government

intended to ‘extend competition in the provision of public services further and faster than ever before right across the public sector. That means providing incentives, removing obstacles, and enhancing purchasing skills (White Paper 1991).

Savings in public expenditure and increasing services efficiency are well described by reports and studies. But these benefits were often fulfilled to the detriment of the public services quality. The New Labour government, elected in 1997, tried to cope with this shortcoming issuing the Best Value program for local authorities and Better Quality Services at central level. The new government ‘provided a new rationale for forms of service delivery, a shift from ideology to efficacy in determining the appropriate provider, but in practice this resulted in the continues, indeed the extended, involvement of private, and independent, sector contractors as public service providers’ (Bach and Kessler 2012: 82). The CCT legislation, abolished in 2000, was replaced by a new version of competitive tendering, the benchmarking Best Value process in local government aiming at improving the quality of services, than simply reducing their costs and giving a more prominent role to citizens in the choice. Nevertheless the ‘precise role of competitive tendering in the Best Value regime in not yet clear’ (Boyne, 1998). Blair’s policy created a continuous tension between the attempt to replace compulsion by exhortation in the government approach to competitive tendering on the one hand and, on the other hand, the idea that ‘competition will continue to be an important management tool’ (Welsh Office 1997). So despite the ideological and economic-based approach to contracting out was softened, it kept intensifying pressure to outsource a wide range of public services in local authorities.

The economic crisis in 2008 gave a renewed impetus to the phenomenon: budget cuts and public employment reduction, top-down imposed by central government, pushed public administrations to seek for short-term savings. The Conservative-led coalition government elected in 2010 indeed exploited the economic crisis to reshape public service provision and in the meanwhile developing

a distinct narrative to legitimize these changes: it coined the phrase Big Society to ‘portray cuts in public services as distinct from 1980s-style Thatcherite expenditure cuts, providing opportunities for charities, mutual and social enterprises to replace unresponsive public services and, at the same time, rekindle civic activism’ (Bach 2012: 399). The Big Society promoted three main strands: community empowerment through

decentralization and localism; the enhancement of the role of charities by providing them finance as a means to help them tender and deliver public services; renewed emphasis placed on opening up public services to private providers. In a nutshell the Conservative coalition attempted to scale the state back, shrinking its role in service delivery and encouraging private and third sector organisations to provide public services in the market place.

Notable marketization processes occurred in the healthcare sector as well, tracing their origins back to the NHS review agenda put forward by the then Prime Minister Margaret Thatcher since early 1980s. In 1983 through the Circular HC 83(18) of the Department of health and Social Security titled 'Competitive Tendering in the Provision of Domestic, Catering and Laundry Services' the government embarked upon the first outsourcing policy in the healthcare sector, opening ancillary tasks and facilities management up to market competition in hospital with the aim to test whether it was cheaper to contract these services out.

Then in 1988 marketization was gradually extended to clinical services as well: the government published two white papers 'Working for Patients' and 'Caring for People' where the principle of "internal market" into the supply of healthcare was outlined for the first time, then formally introduced in 1990 under the National Health Service and Community Care Act. It opened up the possibility to test the market for the provision of clinical services, which were till that time a prerogative of public organizations: this meant that health authorities ceased to run hospitals, gaining the discretion to manage their own budgets and buy healthcare from their own public hospitals or from external private providers. In order to be entitled to provide healthcare services, public hospital became NHS Trusts, independent organisations with their own managements which actually competed with private healthcare provider in the market place.

These innovations were initially condemned at the time by the Labour Party, accusing the opposition to have triggered a path towards the privatization of the English NHS. Hence the Labour party came to power in 1997 with the promise to remove the internal market and abolish fundholding as Prime Minister Tony Blair declared in a speech given at the Lonsdale Medical Centre on 9 December 1997: 'The White Paper we are publishing today marks a turning point for the NHS. It replaces the internal market with "integrated care". We will put doctors and nurses in the driving seat. The result will be

that £1 billion of unnecessary red tape will be saved and the money put into frontline patient care. For the first time the need to ensure that high quality care is spread throughout the service will be taken seriously. National standards of care will be guaranteed. There will be easier and swifter access to the NHS when you need it. Our approach combines efficiency and quality with a belief in fairness and partnership. Comparing not competing will drive efficiency'. However in his second term Labour government renounced this direction pursuing measures to strengthen the internal market as part of a wider plan to modernise not only the NHS, but the whole public services.

The Blair Government by issuing the NHS Plan in 2000, whilst leaving services free at point of delivery, encouraged outsourcing of medical services and support to the private sector as a means to improve the way health services were delivered and to expand the choices available to patients through 'patient Choice' introduced in 2008. Patient may choose any provider - NHS, private, not for profit - for elective care. This meant introducing greater plurality in the provision also of specialist treatments and surgery: the legislation explicitly encouraged the private provision of such clinical services by the establishment of Independent Sector Treatment Centres (ISTCs), build by public authorities but run by private operators. They are substantially private-sector owned treatment centres contracted within the English NHS to treat NHS patients free at the point of use like any other NHS hospital. Moreover it expanded the role of Private Finance Initiatives (PFIs) for the building and management of new hospitals.

General election in 2010 saw the election of a coalition government led by the Conservative party, supported by the Liberal-Democratic Party. The clear stance of the government in favour of a stronger marketization of healthcare service provision translated into the introduction of the 'Any Qualified Provider' clause. It is a contractual system within the NHS internal market of healthcare service provision. The system was introduced under the Labour administration in 2009-10 when it was called 'Any Willing Provider', but then the policy was accelerated under the newly formed coalition Government which changed its name in 2011 in 'Any Qualified Provider'. It consisted in a way in which more NHS services could be provided by external providers whilst patients could be given more choice in the selection of the provider they prefer.

5.2.2 Austerity measures

More recently a series of austerity measure were implemented in the aftermath of the economic crisis, directly or indirectly targeting public services provision as well.

When the Conservative-led coalition government replaced the Labour government in 2010 immediately committed to fiscal consolidation with the purpose to achieve expenditure balance by 2015-16. The 2010 Comprehensive Spending review indeed included a deficit reduction from 8.4% of GDP in 2009 to 0.4% by 2015 with three quarters of deficit reduction linked to public expenditure cuts: tax increases indeed have not played an important role (Bach and Stroleny 2012). Such approach mirrored the underlying political ideology of government in office and the underlying economic assumptions which represented relevant drivers of austerity: the clear-cut stance to shrink the big government to replace it with the 'Big Society' (Bach 2012) was immediately evident.

Measures issued by the government have been dominated by quantitative cuts in both staffing and wages. More in detail since 2010 public sector workforce experienced a four year period of wage restraint - two years of pay freeze followed by two-year when pay increases were limited to an average 1%. An additional instrument of austerity implementation was represented by tight financial control exercised by the Treasury: unlike many other countries the government opted for requiring to local employers the achievement of balanced budget through a certain degree of autonomy about how to reduce public spending, without setting fixed targets for staff replacement ratio.

Employment reductions policies did not played a much relevant role: since there is no separate public sector employment statute in the UK, in a context of poorly regulated labour market local public employers have great discretion if they opt to reduce their staffing level. Following outsourcing and privatisation policies, complemented by balanced budget requirement, public workforce sharply declined: 'the Office of Budget Responsibility (OBR) initially predicted in June 2010 that public sector employment would decline by 490,000 jobs by 2014-15 but this forecast has been increased several times and the latest forecast suggests that 730,000 jobs, around 13% of general government employment, will be removed by 2016-17' (Bach and Stroleny 2012: 8).

Local authorities have been most impacted by employment reductions, whilst they have been much less pronounced in the NHS.

The two sectors under scrutiny have been impacted differently by budgetary reductions as well: local authorities has been particularly hard hit 'bearing a disproportionate proportion of expenditure reductions as compared to higher priority services as the NHS. The Treasury in the 2010 spending review indicated that central government funding to local government would fall by around 27% between 2010-11 and 2014-15 in real terms from £29.7bn to £22.1bn. Importantly these reductions were "front-loaded" with the steepest reductions during the period 2011-2013. Additional expenditure reductions of £445m for 2014-2015 were unveiled in Autumn 2012 supplemented in June 2013 with additional expenditure cuts for 2015-2016, comprising a total reduction in central government grant of in excess of 30%' (Bach and Stroteny 2014: 348).

By contrast, healthcare sector not only remained relatively sheltered in real terms, but experienced unprecedented increases in funding prior to 2010 (Bach and Stroteny 2012).

5.3 The case of the English local authority

The English local authority under scrutiny, selected according to the criteria listed in the methodological chapter has a population of about 307,000 residents and it is located in the South-East area of England close to London. The council has been historically ruled by the Labour party until 1978, when a radical shift occurred and Conservative-led majority took the power and remained in office continually until nowadays. In 1978 indeed the Conservative party was elected for the first time in the local government on a mandate to reduce the poll tax - a tax of portioned fixed amount applied to an individual in accordance with the census (property rates) - which reached very high rates in the local government compared to the average rate across English municipalities as reported by the leader of Labour party in office at that time (Interview 31).

Street cleaning has been the trailblazer service outsourced in 1980, which has been followed immediately after in 1982 by waste collection, whose externalization process stemmed from diverse intertwined pressures. The leader of the Labour group in the

council, elected the very first time in 1971 and in office as councillor until nowadays, clearly retraced the sequence of events that he experienced in first person:

Tories took control in 1978 and they fallen into contracting out slightly by accident with refuse collection service for three main reasons: the first is that it happened in the municipality that workers collecting refuse on Christmas day asked for tips to residents and the Tories found it offensive for their constituency and frightening for people having workers knocking at their doors on Christmas day. A second reason was that it was expensive and frankly we haven't operated very well and there were some auditors reports saying that the cost of refuse collection in our council was over the average in all the municipalities. And the third one was that there were no workers at all from the minorities and they accused us to not have recruited the staff through open competition. So the Tories decided to tackle on these issues by privatizing. (Interview 31)

Hence the council embarked upon contracting out policies before at national level Mrs Thatcher government introduced the CCT legislation, making market testing compulsory for a wide range of blue-collar activities in 1988. As said, the search for economic savings and enhancing value for money drove outsourcing in the very early days: as explained by a Conservative councillor

rubbish collection and street sweeping were the first areas outsourced in which the councils said: somebody else can do it better!. So the decision was taken to market test whether somebody could do us a better job at a cheaper price and with better responses for residents. (Interview 43)

Between 1982 and 1985 further manual activities have been then outsourced, including parks and public gardens maintenance; vehicles maintenance; part of council housing estate maintenance; sports and leisure centres management. As commented a Labour councillor in office at that time:

having broken the ice Tories councillors were keen to reduce more and more council tax, so started looking for more and more savings: the blue-collar area it's where they went for because it was easier to go there to test the market (Interview 31)

Despite an evident enthusiasm towards market-type tools that in general the Conservative councils displayed - in the wake also of national policies and ideology

promoted from Mrs Thatcher -, the Conservative council under investigation backed its own political stance by a more pragmatic approach towards marketization as the director of finance wanted to pinpoint:

therefore the difference between our approach and a number of other councils and the central government is that we are not dogmatic about whether something is provided in-house or whether it is provided by the private sector. It's a question of what gives you the best value, or the best price against certain specifications: that's the principle we have. Indeed we have got a number of services which are within the council that in some Labour-controlled councils are just outsourced. We kept them in-house because we can manage those services cheaper and better than the private sector. So that's the basic ethos we use in the local authority, it's not a question that everything has to go out or everything has to go in, if it can be done better in-house we keep it in-house, if it can be done better in the private sector it goes outside. Or we have some services which have gone out and came back. So our ideology is that we test the market, is not that we outsource. (Interview 34)

Such pragmatism is mirrored by the decision to keep in-house for instance an operational service team of about 200 manual workers with different skills required to perform a wide range of technical activities in the municipality, ranging from building maintenance to vehicle maintenance, roads repairing and transport of the elderly. Such internal staff indeed provide quick and flexible response above all in case of urgency.

Also in the case of council housing estate management the municipality adopted a pragmatic approach: given the complexity of the service - consisting of a weekly appraisal of residents entitled to get rent benefits, collection of rents, maintenance of the properties - the whole council property was split up into 50 small contracts and initially only a quarter was put out to tender to test the market for such kind of services. Given the limited success of the external contractors the local authority opted for keeping all the remaining contracts in-house where value-for-money was greater as commented by a Conservative councillor:

at the end of the day we are buying a service, it doesn't matter where we are buying from. We only need to know that we are buying from the best provider. (Interview 43)

A sort of second wave of marketization of public services occurred during the 1990s involving white-collar and professional activities: the great part of legal services have been outsourced at the end of the 1990s except for a small team of internal lawyers; IT department was fully outsourced except for two contract managers and few IT advisors. Payroll service for municipal personnel and council tax collection went out for the first tender round but they came back in-house once the contract expired: the council indeed was unsatisfied with the quality of the services externally provided. Despite some contracts failure, in particular in white-collar service area, the council kept an enthusiastic stance towards marketization, deemed to be in any case the best tool to pinpoint the best provider as explained by the leader of the council:

the advantages of all this both blue-collar and white-collar privatisation is that it first gives you the chance to evaluate what you need to do, to reassess the service each time: what exactly do we need to do? How much more do we need to do?. Second it gives you the insurance to get in a price that is the lowest but the best and gives you the insurance that if anything goes wrong you can start again, outside or in-house. (Interview 43)

In the area of social and welfare services instead there has been a huge internal discussion concerning marketization between the council on the one side and the senior officers in social services department. The former indeed strongly pushed to outsource social services on the basis of economic evaluation as reported by the chief executive in office at that time:

there was a lot of pressure from the council to outsource social services because they took the figures and said: look! Our homecare is costing £15 per hour and in the private sector is £10 per hour, lots of saving! But we replied that it was not so easy! For sure there was a 30% difference in hourly cost but the director of social services took a different stance and we had to justify this position' (Interview 32)

Senior officers in social service department instead were reluctant towards externalizing such sensitive area of public services, deeming social workers as a core team within the local authority and social services as a strict public responsibility to perform directly in-house: the director of department moreover was especially sensitive on the issue, stance

backed up also by a quality argument as reported by the chief executive involved at that time in the discussion:

we did a survey on patients satisfaction and in-house and private care providers were quite close but the in-house team was however on top. So that's why we have never done a plan to fully outsource social services. It's a very sensitive area here, we have a very large home care and very high quality workforce. (Interview 32)

The council ended up testing the market for a limited number of social services: home care is almost fully provided in-house (including rehabilitation services) as well as residential home services while day care has been put out to tender after a thorny incident occurred in the municipality as told by the chief executive at that time:

as chief executive I received a lot of complaints on my desks about abuses occurred in our children homes so the director of social services was very keen to put out the services under reputable charities and voluntary sector and at least we weren't taking the risk anymore, it was someone else problem. In that specific case the director of social services had a very sensitive approach: he took very specialist groups where there were good providers in the volunteering sector and there weren't big savings, only at the margins, but the quality of services was guaranteed. (Interview 32)

Day care services mainly provides adult and youth care to people with physical and mental disabilities, as well as youth care to children with learning disabilities provided by third sector organisations.

In both manual activities and professional services outsourcing processes, the council has always included the internal bid through as a sort of benchmark to assess external bids from private providers:

there is always a council own bid and you would measure the external bids against the internal bid. So that's how we could say we are getting an objective value for money in the service: we know how much it would cost so we measure the others bids against that. (Interview 43)

The local authority finally embarked upon a sort of third wave of market testing since 2012 for a new area of services, driven once again by a double rationale: a strong belief in market self-regulation back by the search for new source of savings in the aftermath

of the financial crisis and subject to increasingly stricter budget constraints from central government. In 2012 libraries management went out to tender, while at the end of 2013 market testing was on-going for environmental health services and planning activities. Moreover the council opted for sharing pension scheme management with two other local authorities as a means to rationalize human and economic resources and realize economies of scale through a shared management.

To sum up, the English local authority under investigation underwent a wide process of marketization of public services - both in blue-collar and white-collar areas - driven by a strong enthusiasm in NPM ideology that spread in the UK since the 1980s, in the wake of Thatcherism. Such ideological stance, featuring the council since 1978 when the Conservative group took and maintained the majority until nowadays, has been however backed up by the search for increasing savings as part of the political agenda to reduce council tax during the 1980s and the 1990s, while more recently by budget constraints set up at national level within a package of austerity measures targeting municipalities' expenditure. A statement from the current chief executive recapped the council stance:

so there is a continuity in council belief, that is our central belief, that only through market testing you can establish the correct value of the services, that is impossible to do otherwise, it's impossible to establish efficiency unless you compare. And it is important to note that the council does not oppose in-house provision, it's an important point about which people often get wrong about the council, they assume that the council is opposed to directly provide the services but this is not the case. In fact the council always said: whenever a service goes out in the market it always requires the existing managers in the council to put in an in-house bid as a benchmark against the private sector. And then the council simply goes wherever the best price is: now, it's often in the private sector, it can be internally. And the council still supervises some in-house services: so it's not an antipathy to in-house services, rather is a belief that competitive process it's the way in which value for money and the best services for the residents can be achieved (Interview 42)

5.3.1 Impacts on terms and conditions of employment

When the local authority under investigation embarked upon competitive tendering for street cleaning and refuse collection in the early 1980s adopted a sort of "non-redundancy pattern" (Interview 34): indeed it asked to all bidders to consider taking on

the internal workers for their own workforce, while for those not offered work by the contractor were offered generous early retirement or severance terms, or again, to be redeployed within the municipality. The local government indeed consulted all workforce involved in order to allocate those workers who accepted to be transfer to the new private employer and to negotiate alternative allocation for those who firmly opposed the transfer. As reported by the chief executive in office at that time:

we provided pretty generous redundancy packages. We had a statutory minimum from national scale but we paid double the national levels, it was quite a generous scheme. Initially I think we paid even more, two and half time the national scale and that was the way we made it a little bit easier for them and we thought: “ok it’s tough, you have to go but with good severance terms at least”. (Interview 32)

However this examples of soft touch represent unique cases: all the following tender contracts have been characterized by a relevant proportion of internal staff made redundant as reported by the director of finance:

after 1983 the “non-redundancy agreement” went and staff was made redundant. So back in the 1980s we had fairly significant redundancies before TUPE applied. (Interview 34)

Several redundancies have been indeed reported in parks and green areas maintenance services, council buildings maintenance, sport and leisure centres management which have been contracted out during the 1980s, before the introduction of the Transfer of Undertakings (Protection of Employment) legislation in 1993. In addition severance terms got increasingly less attractive, rapidly equalling the minimum national standard (Interview 32).

White collar public employees involved in externalization processes starting from the 1990s conversely enjoyed employment protection right guaranteed by TUPE regulation: in IT services, payroll service, legal activities, libraries almost all the workforce has been instead transferred to private subcontractors, with the exception of few professionals that the council deliberately decided to keep internal as few lawyers, advisors and contract managers despite the services went out.

The implementation of TUPE legislation at all effect represented a watershed for terms and conditions of employment in the English scenario of marketization and privatization: the erosion of working condition and contractual provision for transferred workers during the 1980s was facilitated by the way in which the EU 1977 Acquired Rights directive was transposed into law in Britain. The 1981 Transfer of Undertakings (Protection of Employment) regulation indeed excluded the public sector for the first 12 years of its operation, until the judgment in a major court case reversed this presumption in 1993 (Winchester and Bach 1999). What followed in the council indeed was a deterioration of terms and conditions of employment for all workers transferred to private companies before 1993: manual workers in particular have been hardly hit, as commented the chief executive in office at that time

before TUPE it was very tough for workforce. A lot of these savings came about because obviously terms and conditions were much tighter: productivity may be a reason, but a lot were from lower terms and conditions in the blue-collar services. (Interview 32)

What unions reported was a quick deterioration of terms and conditions of employment: in the case of refuse collection for instance a union official from Unite described as

paying conditions were lowered and flexible work is a huge thing in private companies; the contract shifts from five to seven days in which instead of working five days from Monday to Friday you work over the whole week with no announces; and overtime is paid a flat rate. (Interview 45)

Likewise the transfer to the private subcontractor negatively impacted on working conditions for gardeners carrying out parks and gardens maintenance: as a trade union official from GMB argued

the system of management tended to be much stronger, much less sympathetic and a lot of people just left. I mean if you are used to a particular kind of work as gardener and you used to work in a particular garden or open space and then you are made part of a mobile unit, and you find yourself covering five or six parks all days travelling and so on and the travel time turned out not to be paid. So it is much tougher if you

have to report to different gardens and different places, it becomes a much more unpleasant and uncongenial job, so you leave. (Interview 26)

A higher flexibility in working places associated to increasing workload and longer working hours since the travel time was excluded from the computation of daily working time - hence even not paid - triggered a gradual growth in turnover among gardeners in the local authority.

The overall picture remarkably changed since 1993 for both transferred workers and the council when TUPE regulation was formally applied to English public sector as well. If the former got their terms and conditions finally protected at the point of transfer, for the latter

some of those big savings we had at the beginning in blue collar services are very difficult now because of TUPE, which has greatly constraint the saving that can be achieved. It hasn't eliminated them, but it definitely reduce them because of course previously it was possible for subcontractors to decide to pay staff different rates, maybe lower rates. TUPE protects at the point of transfer, so there wasn't big savings on the wages. So that has had an impact. (Interview 42)

It followed that the whole personnel employed in libraries, IT department and legal services moved to the private contractors at the same terms and conditions; likewise professionals involved in payroll and council tax collection services transferred out at the same contractual arrangements and when the services came back in-house they moved back as well with the same contract.

More recently, the externalization of the 10 libraries employing 160 municipal employees led to the transfer of the whole staffing level to the new cooperative taking over the service, however maintain the same terms and conditions of employment.

The most common complaints that workers reported in this phase after TUPE was applied dealt mainly with insecurity of work, more than the insecurity of paying conditions as reported by a union official from GMB:

just to use one word: the jobs are more uncomfortable, there was greater inconvenience for the worker, less security in term of what he or she would be expected to do. (Interview 26)

If the legislation safeguarded working conditions, the frequent re-tendering process of services when contract expired triggered a raising feeling of uncertainty concerning employment among transferred workers as reported by the chief executive:

of course if you move to the contractor that wins a contract for five years, anything might happen over the five years so there was a huge uncertainty for the staff and even after TUPE. (Interview 32)

Despite safeguards to terms and conditions of employment guaranteed by TUPE, private providers leverage on the organisation of work as a means to raise productivity from the workforce: it followed an higher flexibility in working hours and higher mobility as reported by a union official from GMB

there has been a much greater incidence in part time work. The part time working is very often connected with flexibility of hours, flexibility of hours determined by the employer. So many of the workers had their hours changed. The most important changes were: changes in the methods of work, much greater mobility, much greater flexibility of hours, much greater incidence in weekend working, much greater incidence in evening working. So the basic pay would tend to stay the same but the condition of service would change very rapidly. Also much greater flexibility of work. (Interview 26)

Nevertheless the main issue for transferred staff after TUPE application was represented by pensions. Pension scheme entitlement indeed was excluded from TUPE protections: as explained by a shop steward from UNISON:

one of the loopholes of TUPE was that it didn't protect pensions and that was the big saving after TUPE because pension scheme is very expensive in the council, is about the 19% of salary and if TUPE didn't protect this, it was a way big savings could be made by external providers because TUPE protected only job conditions. (Interview 33)

This has meant that most of the workforce did not have their pension scheme covered, since contractors to which they were transferred drastically reduced the amount of contributions they pay, as agreed in contracts. Such detrimental implication largely

affected manual workers transferred during the 1980s and in part white-collar employees as well.

The severity of issue in English local authorities overall required the legislative intervention from central government which committed itself to ensure pensions protection. In June 1999 the HM Treasury issued the Statement of Practice on Staff Transfer from Central Government “A Fair Deal for Staff pensions”. It sets out a framework to be followed in case of staff transfer from the public sector to a contractor: ‘the new employer offers transferring staff membership of a pension scheme which though not identical is broadly comparable to the public service pension scheme which they are leaving. [...] A broadly comparable scheme will be one which satisfies the condition that there are no identifiable employees who will suffer material detriment overall in terms of their future accrual of pension benefits under the alternative scheme’ (A Fair Deal for Staff pensions 1999). This policy constrained private contractors taking over the service and the staff to offer comparable pension provisions to transferring workers but turned out to be rather ineffective in the local authority under scrutiny since most of the personnel was already gone prior to 1999. Furthermore the Fair Deal framework did not apply in case of staff transfer from a private provider to another when contracts were re-tendered, as often occurred in the municipality mostly in blue collar services like refuse collection and street cleaning. It followed that all these employees had their pension contribution already paid by the council up to the point of transfer frozen, and after they receive lower contribution in the private sector schemes. In 2013 The HM Treasury revised the Fair Deal for Staff Pensions policy, establishing that staff who are members of a public service pension scheme but compulsorily transferred out of the public sector will remain eligible to be members of their public pensions scheme. As recapped by the chief executive:

what came out was a general requirement: when you put a service out to tender not only TUPE applies but also you have to provide comparable pension provision to the one in public sector. So either the provider has to allow you to enter the council pension scheme and the council has to agree to that or you have to offer a comparable pension scheme which is very expensive, it is a financial risk but it was compulsory that the contractors have to offer something to the transferred staff, a comparable provision. (Interview 32)

As explained by the chief executive:

we have some private providers in our pension scheme. Now if a service transfers the staff have access to the pension scheme, but we can decide whether they are admitting body: in the past the council were very nervous about allowing other bodies to access the council pension scheme. (Interview 42)

The council accepted as 'admitting bodies' only companies who took over as public service providers after 2008 denying the entry to the rest of workforce transferred before: substantially only library workers kept their council pension scheme. In other cases, for instance in day care services 'charities offered a pretty good pension scheme or they belong to a good umbrella pension scheme that they can join' (Interview 32).

Beyond the detrimental consequences on terms and conditions of employment abode elucidated, the marketization of public services triggered the creation of a two-tier workforce. TUPE legislation indeed did not apply to new staff hired by private subcontractors which as a consequence started recruiting at lower terms and conditions:

companies know that there is TUPE for transferred staff, but if they hire new staff, they may hire on a new, very different basis. They can easily move from our staff model to another staff model. (Interview 42)

The creation of a two-tier workforce was particularly evident in social services - part of home care which was outsourced, some residential homes and the day care. Indeed if the municipal social workers were all transferred under TUPE protections, as reported by a trade union official from UNISON specialized on social services area, newly recruited staff experienced

a huge deterioration on terms and conditions: you have pension schemes cut off, 0-hours contract, non-compliance even with the minimum wage in home care. Pension is non-existent in private social care, turnover is very high, something like 30% a year. Those who come from the council they got regular hours, pension schemes, training but the new staff moved towards a total casualization of that work. (Interview 44)

In home care specifically there was a gap of 30% in pay rate between transferred employees and newly recruited social workers: the local authority indeed paid for the

former £15 per hours whilst only £10 for the latter. In addition private providers new personnel, by contact, had the travel time between patients not paid as witnessed by a union official:

they have 0-hours contracts, people are paid less than the minimum wage or people are paid illegally. Furthermore people are not being paid for travel time between jobs, so people have to work for 15 minutes to provide care to elderly or vulnerable person, they get 15 minutes of work paid and then they have to be somewhere else, half an hour away and they get another 15 minutes of work paid. They should be paid the travelling time between the two places. (Interview 36)

In 2004 the Labour-led central government reached an agreement with trade union, the so-called Warwick agreement, which led to safeguards relating to the two-tier workforce. According to the “Two-tier Code” contained into the agreement indeed new staff recruited by a private provider to work on a public sector service contract alongside staff transferred from the public authority should be offered employment on fair and reasonable terms and conditions that overall should be no less favourable than those of transferred employees.

The shop steward from UNISON active in the council referred as the Code represented a useful legislative tool to leverage in case of private employers’ non-fulfilment but that has never been actually exploited in the municipality under scrutiny. Moreover at the end of 2010 the Conservative-led coalition government withdrew the Code stating that ‘its rationale for abolition was that the Code prevented small and medium size firms bidding for public service contracts because they could not afford to adhere to the two-tier code’ (Bach 2011: 13).

The increasing competition triggered by outsourcing policies within the local authority led the council to put increasing pressure on internal staff as well. In the case of operational service team of internal manual workers unions and the council after a four-month negotiation reached the “Memorandum agreement” which corresponded basically to their individual employment contract annually renegotiated. The agreement, in majority voted by workers, set up no job evaluation, no incremental progression, lower sick pay and great flexibility in working hours on annual basis instead on weekly basis as explained by the leader of the council:

we negotiate annual contracts, so instead of working 40 hours a week only, we agree to work so many hundreds hours a year and then the managers would be able to allocate them: so in the summer you might work longer and people who throw salt on roads work longer hours in winter but then they would work shorter hours in summer. So instead of paying overtime in the summer and fixed money in the winter, we now equalize. And somehow unions have accepted that because the choice was that if you don't someone will lose the job. (Interview 43)

Thus internal workforce, in return for continuity in public employment experienced increasingly lower contractual conditions and higher flexibility.

Moreover the council decided to opt out sick pay scheme for municipal employees from the Green Book national agreement as a means to reduce public expenditure. For staff recruited after 2000 a different sick pay scheme is applied, overall more convenient for the council and less for the personnel as explained the director of finance:

the council pays some legal paybacks which means that if you are off sick over a certain amount of time and particularly it's for long occasional period of sickness then the council can require to member staff to either work additional hours for no pay or to pay the council the money they give you as payback. Then since 2010 there is a new set of terms and conditions which came in which says: for the first 3 days of sick, on the first day we only pay 80%, and on the second and third day we don't pay any sick pay a part from statutory sick pay. The idea is that the council incurs less costs. (Interview 34)

To conclude, what is peculiar in the English municipality is the fact that competitive tendering policies, associated with growing financial pressures from the central government in the form of austerity measures and budget cuts, led the council to exacerbate working conditions for internal personnel as well, as a means to reduce labour costs. Indeed when the council run out of the leeway to contain municipal budget through outsourcing and staff transfer, eroding terms and conditions of in-house staff represented the remaining workable path.

5.3.2 Impacts on employment relations structure and union strategy

Despite the strong opposition of the Labour group in the council, the Conservative majority, once won local election in 1978, decided to test the market for the provision of street cleaning and refuse collection services. The initiative attracted a vehement opposition of the Labour group, which fought against outsourcing both at political level within the Council and campaigning, exposing in public their claim in favour of in-house provision of public services, publishing papers to hand out also outside the council and participating to demonstrations. Such political opposition was backed up by a harsh industrial response from unions in the municipality which organized a one week strike where mainly manual workers took part, directly targeted by outsourcing policies in the early days and ‘going door by door saying why privatization is bad’ (Interview 33), organizing information and awareness campaigns among their members as reported by a shop steward from UNISON in first person involved in the initiatives. Despite a systematic opposition to marketization of public services, the council adopted a hard stance keeping on externalizing a wider range of services, driven by a clear-cut policy orientation well explained by the leader of the council:

on our side in Conservative party there is a broad acceptance that market gives us the right answer but at the same time there are number of us who say: remember! Our job is to provide service to our people, that means that you should be free to buy them wherever you like. So market might give you the price but we are very very flexible and pragmatic about who do we buy from. The Labour group’s view would be generally, or at least that’s the way I understand it to be, they think that the council should be the provider, and that the council’s job is to check that the internal staff is providing services effectively and in good value. Our view instead is that even the workforce has a market price and the contractor would pay the market price to get the right quality and the right number of workers. It’s their business to hire the right quantity and the right quality of staff, he knows best what he needs, how much he needs to pay them, not our job to tell them what you should do. The other criticism put forward by the Labour councillors is that we are running this as a business, we are not concerning about providing employment for local people, we are not concerning about shaping what they should have or could have. And I think this is completely meaningless because is not local government’s job to create jobs, it’s our job to provide the service. We don’t run the town hall for town hall staff, we run it for people living in the area. These are the basic differences between the two parties: Labour

think that we have duties about staff welfare, staff numbers, employment opportunities for local people. (Interview 43)

Such diametrically opposed stances between parties persisted over time, getting increasingly harsh. The chief executive in office at that time noted that

Labour leader hardly fought the Tories. He was such a brilliant leader of the opposition group. They were always very vigilant in finding the problems and expose them in public. You can never give away with anything with those councillors. It is wonderful to have such an active opposition, so effective. We were lucky here because you always have to do everything properly, contractors couldn't give away with poor results because it was shown. (Interview 32)

In the early days in addition the council recognized several unions who actively organized and campaigned against outsourcing, particularly against the transfer of workforce out of the local government. Nevertheless all these actions turned out to be almost ineffective as dramatically admitted by shop steward from UNISON since:

if you campaigned against privatization and then your members ended up in the private sector, it's your failure. (Interview 33)

The gradual but persistent marketization process in the local authority, with detrimental consequences for terms and conditions of employment particularly before the implementation of TUPE legislation protections, triggered an unavoidable shift in union strategies and stance as well.

Indeed the relation between trade unions and the council

it was much more confrontational in the early days but later on it became a very reasonable discussion about things. In the early days they were very hostile people, unions opposed things vigorously in the 1980s, they fought for their members, but then they become more manageable under TUPE in the 1990s, after the Labour government, but there are still bitter arguments about outsourcing and negotiations: they try to get the best deal for their members. (Interview 32)

One of the reason lies in the fact that 30 years of Conservative control and of continuous market testing weakened enormously trade unions' power,

lowering union membership, lowering our credibility, lowering our negotiating role. And the trade unions all together haven't been able to provide either an organizational or a political response. There are different models in union to survive legal, political, industrial - but I don't know which is the right one. (Interview 33)

On the other side the protections guaranteed by TUPE regulation softened the pressures towards trade unions role, buffering detrimental impact of outsourcing policies over union members' terms and conditions of employment.

Overall union's capacity to organise and collectively represent workers in the local authority has been harshly undermined by outsourcing processes which fragmented social partner on the employer side, with whom unions have to deal with, as explained by a shop steward from UNISON:

the problem for the union in public sector is that we normally have one union branch and one employer, in this specific case the UNISON branch I belong to and the local authority. Now the situation in the council is one UNISON branch and 20 employers. We have that problem since 1980 and we haven't solved it yet, and it's getting even worst (Interview 33)

Moreover, the council itself along the decades harshened its approach towards unions. Firstly in 1992 it opted out the Green book clause regarding the monthly deduction of contribution for union membership from the salary: substantially it refused to collect contribution for internal personnel's union membership as a means to perplex union capacity to maintain and recruit members. Moreover as explained by a shop steward from UNISON:

they stopped deduct from contribution our subscription fee for union membership and the political reason was that we devolved a lot of money every year to a local trade union council which was politically campaigning against privatization of services in the area. (Interview 33)

Secondly the council cut off facility time for union activities and at the end of 2013 when I went to the town hall to carry out fieldwork for the case study analysis the council was physically dismantling the office originally designated for shop stewards

and union activities. Thirdly, as reported again by the shop steward who experienced in first person all these changes

they made very difficult for trade union to organise in the council with low facility time and no collection of subscription. Moreover they put a clause in the council individual contract initially saying that workers have the right to join a union, but then they changed the words writing in individual contract the clause: you may or may not join a union. (Interview 33)

Council approach towards unions was clearly adversarial, mirroring the ideological campaigned carried out at national level to weaken union role and encouraging public authorities in doing the same. As a consequence union membership declined, not only because of market pressures but certainly they played an important role, as well as the number of shop stewards actively involved in the municipality declined from 5-6 workers in the 1980s and the 1990s to only one during the last decade. The leader of the council from Conservative group commented these dynamics in the following way:

Labour councillors say that we have killed unions off because we have now very very small manual labour force and the unions in the manual workforce were the strongest. Therefore they are not particularly powerful here. And Labour councillors have accepted that they have lost. So they accepted they have lost and we're moving on. I think that they've also accepted that there is not intellectual coherence in saying that "public services have to be provided directly by public bodies". I think that they have lost their arguments and we are moving on. So politically that is a looser argument because people know that it works. (Interview 43)

Furthermore an acrimonious incident occurred when the council was discussing the externalization of manual activities. As above reported an operational service team was kept in-house instead of being transferred, as happened to all the rest of technical workforce, and the council agreed the Memorandum agreement containing contractual provisions for this group of workers. The agreements contained less convenient arrangements for workers compared to terms and conditions applied to the rest of public personnel and workers involved have been required to vote the application of such contract. The shop steward directly involved in the process recalled that:

most of workers in manual tasks are union members and they reported us that when they had to vote for the agreement they have been blackmailed by the council which said: if you don't vote we go for the private sector. Someone voted for someone against but the majority was in favour. It created a lot of acrimony between the unions and the council, between unions and between unions and union members. But they were workers poorly paid, a good proportion from minority so they accepted the agreement. (Interview 33)

Unions recognized by the municipality are generally consulted when policies implementation has direct staff implications but as described by the chief executive in office during the last three decades when outsourcing occurred:

we have to consult them and they have to right to give their views, they have the right to see papers two weeks before they go to the commission of the council, any objection has to be heard. We have a procedure we have to go through but at the end of the day they have just been listened to: if they got a point it wasn't impossible for them to get something achieved but basically most of the thing are done when we consult them, it's more an informal discussion on small things. (Interview 32)

Hence union consultation turned out to be more a legislative fulfilment 'to avoid to became vulnerable to legal challenge' (Interview 42) rather than an effective negotiations between social partners: 'we don't really feel consulted' (Interview 33).

Trade union operating within the Council however tried to maintain a strong bargaining position, facing steadfast resistance among private contractors, which accepted to sign framework agreements only to a limited extent. There are a few cases involving blue collar staff employed in big national companies. Furthermore they had to cope with the lack of information about pay and terms and conditions offered by private contractors, since they were very much reluctant in sharing their pay systems, and as reported by a union official from UNISON:

there's no doubt about the fact that increasing fragmentation make more difficult for us to organise within the public sector. We have to build new relationships with new employees and that could change every five years if someone else wins the contracts with which we don't have a relationship and we have to start again. (Interview 36)

An additional challenge raised by the outsourcing is the fact that trade unions have to deal with a multi-level complex and intertwined relationship as described by a union official from his own experience in the local authority:

the difficulty in the public sector is that you are dealing with a 3-4 level relationship. Public sector employment is driven by central government and the relationship with central government is adversarial. We can't pretend that we like what the current coalition government is doing; and neither what the previous Labour government did or even less what Mrs Thatcher has done. On the other hand if you move down to the intermediate level you would talk about a sort of strategic overview: you can see more informal relationship and slightly better. And at local level it very much depends upon what happened in the past, what relationship has been in place in the past. The answer is not easy therefore the main driver is the central government with its policies of privatization and outsourcing and the relation with central government is bad. (Interview 35)

As admitted by a union official from GMB, it took a long time to work out a reasonable response (Interview 26) but overall, unions based their strategy towards outsourcing policies on a twin-track approach. At national level union action is focused on opposing the marketization of public services, that is always backed up by a pragmatic response at local/workplace/plant level as a means to try to organize and maintain recognition of collective bargaining both in public authorities and in private subcontractors (Interview 41). Nevertheless 'neither strategies have been entirely successful. The danger is that we oppose the transfer, we support workers during transfer and then we walk away' (Interview 41): beyond a political opposition and a more industrial strategy to maintain collective representation at workplace, union overall tried to undertake an effective dynamic of internal both organizational and strategic renewal. An official from Trade Union Confederation (TUC) explained such kind of renewing process they are encouraging among their affiliated unions:

the traditional approach - ineffective and obsolete - adopted by union branches is to try to keep that sort of union recognition agreement, the model agreement they use with the local authority and take it to the new private employer saying: "we have this". The employers were resistant to have that kind of level of recognition and the workforce was less and less engaged with the union. So what they now are trying to do is not to approach new local authorities with a kind of model of recognition agreement but all

they have now is one demand for employers that is: “Can we talk to your workforce, can we come in, can we have access to your workforce?” and what they then do is to talk to workforce saying: “we are here, we can represent you, you need representation” and trying to get the membership in that way, trying to get recognition to the bottom-up and they found that more successful, because if they go to the employer and one ask “can we access to your workforce?” is less aggressive. And what also they try to do is to talk to that group of workers in the new workplace as employees of this new workplace, you know what do I mean? It is a bit of cultural shift to say you’re now a new group, you’re not the old group of workers who have been transferred, you are a new group of workers and we are trying to approach you like that. I mean that’s one strategy employed by one union but I think is quite telling in this kind of paradigm shift (Interview 41)

Unions responses have been backed up some legislative tool they could leverage to protect terms and conditions of employment during the externalization of public services followed by personnel transfer across organizational boundaries. Alongside the Two-tier Code agreed quite lately in 2004 - after already two decades of continuous marketization - and withdrew only 6 years later and the Fair Deal for Staff Pension (introduce in 1999 and recast in 2013) the most important role has been historically played by TUPE regulation. TUPE legislation remarkably contributed in safeguarding terms and conditions of employment during transfer, especially for manual workers:

the conclusion I came about TUPE is that if you have a strong position into the labour market as an IT professional or a planner you’ve got a particular expertise where there is demand, TUPE is well. But if you are an home care worker on the minimum wage position or a gardener than TUPE becomes a lot more important with the legal protection that you can get (Interview 33)

Nevertheless the role TUPE regulation played raised a quite controversial debate among unions. One of the weaknesses of a legislative provision structured in such way is that its protections encompass a limited category on workers, gradually decreasing, since newly recruited staff is now covered, as well as the large majority of workers transferred before its actual application also in the English public sector in 1993. Moreover it triggered a more ideological and strategic question:

I think there are some people in the unions that don’t like TUPE because it represents a kind of acceptance of outsourcing just because people are protected by TUPE if they

go to the private sector. So if the manager decide to outsource they say “ok, no worries, they are protected by TUPE. It is not that it reduces the power of union but it’s like an excuse used by managers for outsourcing. They say: if you go to the private contractor you’ll be protected by TUPE, you’ll maintain your pension scheme, you’ll have the same salary. There still an ongoing discussion about TUPE: maybe it would have been better to keep on going on industrial action to stop privatization instead of accepting TUPE that applied to the private sector but not to the public sector initially. We should have brought central government to court for not implementing TUPE to public sector. And also after that there were loopholes in TUPE like the pension scheme, the TUPE non-application for economic reasons and so on. But in 1990s TUPE implementation was the cost we paid for stopping industrial action, political action. (Interview 33)

Overall an official form TUC commented in such dramatic way the scenario in England:

we have been in a defensive battle and we lost it in progressive stages. (Interview 41)

5.4 The case of the English NHS foundation trust

The NHS trust under investigation achieved the status of foundation in 2006, employing about 11,000 employees. It is located in the South-East area of England and provides healthcare services to a population of about 700,000 individuals.

The discussion around marketization of public services in the English hospital started relatively late in the early 1990s in a climate of widespread reluctance as described by an officer from NHS Employers:

there is a sort of different view on outsourcing in health sector. One of them was about: should the hospital be running something that is not equipped to do? So why should a hospital run a cleaning service? Its business is healthcare, not cleaning. Why not let these companies whose business is cleaning running? Similarly catering or whatever. The opposing view is: we are a team and we have to deliver healthcare together; everybody is important as the other, it doesn’t matter whether you are the surgeon or the cleaner, we will run all this together. (Interview 27)

That was the cultural climate surrounding marketizations of health services in the 1980s, triggered also by some scandals of hospital acquired infections causing real

problems for mostly surgical and elderly patients: public opinion and unions put the blame on private subcontractors who were providing cleaning services.

Nevertheless, driven by the search for some saving in public expenditure, the foundation trust embarked upon market testing exactly for cleaning service in 1991. This first successful tendering round was followed between 1993 and 1995 by few other ancillary activities including catering first, then waste management, laundry service, car parking management, porters and building maintenance. Such rapid escalation in outsourcing was essentially driven by an economic rationale: the search for greater value for money in the provision of support activities to core business of the NHS foundation trust. As the director of HR department argued:

we are an healthcare organisation and our core business is healthcare, it's not cleaning, it's not recruitment, it's not payroll. (Interview 48)

Moreover the 1990 National Health Service and Community Care Act introducing the “internal market” into the supply of health services played an indirect role in pushing the health organisation under scrutiny towards a rationalization process both in economic and in organisational terms.

A second wave of outsourcing took place in late 1990s-early 2000s in the wake of the same strategy to economize and improve the quality of technical services, as a means to focus resources on healthcare services: it involved few white-collar activities like bedside facilities – the provision of internet connection and telephone line in each ward – and call-centre service which was subcontracted to an external company wholly owned by another NHS foundation trust but competing in the market place as any other private provider.

If until the early 2000s marketization interested only the so-called support services, in 2004 a long waiting list for rehabilitation services raised the necessity for the NHS foundation trust to find a further source to complement the insufficient internal supply. An Independent Sector Treatment Centre (ISTC) was established, built by the public hospital but run by a private operator: rehabilitation services have been in part contracted to the ISTC to treat NHS foundation trust patients free at the point of use.

The opening of internal market in the provision of clinical services continued in 2010 when pathology services have been contracted to a joint venture made of the NHS foundation trust under investigation, a second foundation trust and the private company SERCO - each owning one third of the shares.

The joint venture was established first of all to boost the provision of pathology services under a constantly raising demand from an ageing and numerically growing population to which the hospital has to guarantee public care. Secondly, despite the NHS trust has not been affected by budget cuts, the competition between public and private health providers encouraged at national level associated to greater financial autonomy - and subsequently financial risk - since 2006 when the hospital achieved the status of foundation pushed the organisation under investigation to seek further source of economic revenues. The joint venture indeed was thought to compete in the market place in the same way as private providers. As explained by an officer from NHS Employers:

trusts already had to make a lots of cost-efficiencies for other reasons, so we have to find a way to provide services differently and maybe to create some economies of scale in doing back-office functions or some clinical services in one place rather than several. That would require these trusts to cooperate rather than being in competition. (Interview 27)

Finally, in 2012 the foundation trust outsourced payroll and recruitment services to the private subcontractors CAPITA for the main recurrent reasons as explained by the director of HR department:

one was the financial constraints in the organisation and the requirements each year to make savings. This organisation is growing and we have been asked to provide the same level of service for an expanding organisation with a decreasing team. So I wanted to find solutions that would maintain or improve the quality of the services which we are delivering and doing it more efficiently. So it wasn't just about saving money, although it was one of the imperatives, it was about developing the quality of the service. (Interview 48)

Such subcontracting process was rather peculiar since it traced its origin back to a joint decision of six different English trusts to test the market for these new services. As explained by the director of HR department directly involved in the process:

the process we went through was a soft market test to see what was available and then we went through a hard market test, the classic procurement process and we ended up with one single provider for all those services: CAPITA. They're based in the North of England, it's remote. We then want to make this contract agreement available to other organisations in the NHS so they don't have to go through all the procurement exercise that we've got to go through. So we set up an agreement that other trusts may join without doing all the procurement process we did: other organisations can now approach that provider and use our framework agreement if they want to outsource payroll and recruitment activities. (Interview 48)

Overall the picture in the English NHS foundation trust seems to be featured by a pragmatic approach towards marketization, backed by a certain degree of reluctance which somehow reflects the national trend as reported by diverse union officials interviewed:

there has been much more reluctance in the NHS just because politically is seen as being more risky outsourcing in health and if something goes wrong in the hospital is a disaster. I think there is much more political difference between the health sector and local government. (Interview 45)

I think that is politically still more sensitive to privatize health services, public opinion is more opposed to it, so that's probably the main difference. (Interview 44)

Or again:

the NHS sector has been a little more protected because in this country the NHS is a very popular public service, it's seen as a kind of sacred by people. So for long time it has been said: you shouldn't go there with the market. (Interview 36)

5.4.1 Impacts on terms and conditions of employment

On the whole restructuring process towards outsourcing in the NHS foundation trust under scrutiny has mildly impacted on terms and conditions of employment, above all in comparison to the scenario emerged in the English local authority. The contracting out of manual tasks indeed led to the transfer of the whole workforce involved to the

new private companies taking over as service providers: some redundancies have been reported in cleaning staff but overall the large majority of transferred employees maintained the employment. Such smooth process has been facilitated by two intertwined reasons as explained by union official involved:

surely the trust board was prone to prevent industrial actions that could have had negative repercussions on care services and consequently on patients welfare. So we, together with the board of the trust and the private contractors found a kind of consensual solution to transfer the larger amount of personnel as possible. It's also true that such smooth transition has been eased by the application of TUPE regulation protections which constrained the companies to take on the workforce. (Interview 47)

When clinical services have been involved instead marketization gave origins to a more patchy scenario. In the case of the ISTC providing rehabilitation services, all clinical personnel has been kept in-house to keep on carrying out the service internally while the privately-managed centre recruited new staff directly in the labour market. Such case was rather peculiar since the external provision has been exploited to widen the in-house supply rather than to replace it. When pathology services have been outsourced to the joint venture the whole professional staff was seconded to the newly established company. Indeed the Department of Health in response to UNISON campaigning during the late 1990s on Private Finance Initiative (PFI) schemes developed the Retention of Employment model (RoE), a model that allows public sector employees to opt out of the transfer of their employment to a private sector provider under TUPE. Under the RoE model staff remain public sector employees and retain all of their terms and conditions of employment, with continuity of service preserved for all purposes, but it then work for the private sector provider on a secondment basis.

Finally a third different solution has been applied for staffing level employed in payroll and recruitment services within the foundation trust as reported by the director of HR department:

we had 25 persons internally in this organisation and we redeployed 20 of them internally, so we found them job elsewhere within the trust. The five that we weren't able to redeployed were transferred under TUPE to the new provider in the North of

England: severance terms were offered them as well for redundancy but all five opted for transferring to CAPITA. (Interview 48)

Such smooth transition process is mirrored also by the repercussions that outsourcing had on terms and conditions of employment. As in the case of English local authority the turning point is represented by the application of TUPE legislation to transfer occurring in the public sector, which in this specific case happened just before externalization policies started. This has meant an extensive application of employment safeguards to the large majority of workers transferred: public sector employment conditions, rights and liabilities automatically transferred (Interview 27). This holds good for clinical professionals seconded to the joint venture as well providing rehabilitation services.

Moreover in 2004 the Agenda for Change (AfC) agreement, signed by unions, employers and government introduced in the NHS a grading and pay system for all NHS staff. The purpose was harmonizing pay and career progression all along the 13 traditionally separate pay groups. It represented a big change for transferred workers as well, since ‘now when they transfer under TUPE they go with Agenda for Change conditions’ (Interview 27). Moreover, it sharply reduces wage differences between men, usually highly paid, and women. Agenda for Change also set the maximum number of weekly working hours equal to 37.5, constraining all the providers to consider any extra hours of work as over-time work. All social partners interviewed agreed on the fact that AfC represents a very good deal, a turnaround for workers in the health sector:

it did a lot of work on getting everybody in the same box: it didn’t matter if you are the porter or the gardener, or whether you are the laboratory manager or the senior nurse: you got the same terms and conditions. (Interview 27)

Security in terms and conditions of employment has been however accompanied by increasing flexibility in working hours and longer shifts above all among manual workers: as explained by a trade union official from UNISON involved:

when we talk to our members in cleaning and porter areas who were transferred they are satisfied because the salary is broadly comparable with the one in the NHS but

they complaint about longer hours during the day and greater flexibility in working time. (Interview 57)

Overall an increase in workload has been reported:

usually private subcontractors in case of workers' sick leaves or holidays demand longer working hours and overtime to the rest of the workforce, often obliged to work much longer than the 37.5 hours agreed in the national contract or 6-7 days a week instead of the contractually agreed 5 days a week. (Interview 47)

Moreover the feeling of uncertainty linked to the potential change of employer each time the contract is re-tendered emerged as a relevant issue among blue-collar workers. Nevertheless the most relevant exception to employment protection guaranteed by TUPE regulation and AfC agreement is that all pension rights do not transfer. The loss of entitlement rights for the NHS pension scheme, quite generous compared to private sector pension schemes, constituted the main issue for manual workers subject to transfer during the 1990s: the large majority indeed experienced a huge decline in pension contributions paid by the private employers which they had to complement by further contribution they deposited.

The introduction of the first Fair Deal for Staff pensions in 1999, constraining the new employer offers transferring staff membership a broadly comparable pension scheme to the public service pension scheme contributed to fix the problem despite only to a limited extent. The vague definition 'broad comparable pension scheme' indeed constituted a loophole that private companies leveraged, above all small one, to circumvent legislation and keep on paying lower pension contributions: 'it left too wide leeway to private subcontractors in the search for earnings' (Interview 47).

The revision in 2013 of the Fair Deal for Staff Pensions represented a great change, establishing that staff who are members of a public service pension scheme and who are compulsorily transferred out of the public sector will remain eligible to be members of their public pensions scheme. As commented by a trade union official:

the New Fair Deal is quite radical, what it does, it allows non-public sector providers, charities, other organizations, to apply to be part of the NHS pension scheme, so they can offer NHS pension scheme for people who transferred out of the public sector. It's

quite a radical step. I think that unions think is a very good deal. That was the biggest fear, you know, that they got pay terms and conditions protected to the initial transfer but their pension is only got to a broadly comparable extent and the argument for the trade union was: if you want to recruit, retain and keep those workers when you transfer, you have got to think about their pension because a lot of people think about pension arrangements, and most small providers can't really offer the pension schemes, there's anything like the NHS. They haven't got resources or the economies of scale to do that. So this is a good bid of work and it's great because of course in an ideal world when services go out the trust actually should allow transferring workers to get the deal, because they won't necessarily have to get the pension when they get moved out by tendering process. (Interview 28)

The NHS foundation trust accepted as admitting bodies in its pension scheme the joint venture (relatively to the group of professionals it directly employs but seconded to the private company) and CAPITA, allowing to the five transferred workers to keep public pension entitlement. All manual workforce was conversely excluded.

A second remarkable implication following outsourcing was the creation of a two-tier workforce in particular in ancillary services as reported by a union official from UNISON:

what happened after TUPE is that you found still contractors who win contracts but who have ended up paying people who transfer to them on the original pay rate of the hospital and then they recruit new staff on a lower rate. So you had workers working side by side at different pay rates and from the contractors point of view there was an incentive to loose people at the highest pay rate and to keep people at the lowest pay rate. (Interview 35)

Indeed private subcontractors, according to the English system of employment relations were not legally forced to adopt AfC terms and conditions:

NHS staff is all under the Agenda for change: if they move when the service is outsourced they will get the Agenda for Change when they get into the new job, but if you buy a new service and you don't have the staff you just tender the staff and they won't have Agenda for Change. (Interview 27)

Likewise in the local authority case, the implementation of the Two-Tier Code in 2004 partly contributed to prevent such detrimental repercussion or at least to contain the

phenomenon, despite already widespread in the NHS foundation trust under investigation.

The case study analysis pinpointed a final interesting point concerning clinical staff employment conditions. As shown in the case study the foundation trust outsourced some healthcare services like rehabilitation or pathology but always internally keeping the staff: in the former case the whole staff remained in-house, in the latter professionals involved have been seconded to the joint venture but however remaining NHS employees. The officer from NHS Employers explained such outcome as follows:

another thing worth to mention is training. The NHS training is free for all its clinical staff. Some of them have to pay for their own degree and that's expensive; some of them, nurses, get a bursary, so they are not paying for their own degree but once they entered the NHS they have to still develop and get more training that is freely provided by the NHS. When they go out to the private sector contractors got good professionals, they got fully trained persons and that's annoying for the NHS. (Interview 27)

5.4.2 Impacts on employment relations structure and union strategy

At the outset, when the first outsourcing policies have been implemented in the NHS foundation trust, a strong national campaign against privatization was already underway. Competitive tendering in local authorities were getting more and more widespread, as well as the first evidences of deterioration in services quality. Unions strongly opposed the contracting out of ancillary services, exposing the chipping away effect on working condition and the progressively deterioration of wages as reported by a union official:

unions were very concerned because usually when you see contracting out it means pay, terms and conditions deteriorated because they know what contracting out looks like for private companies: rationalizing expensive labour costs. (Interview 28)

Unions in the foundation trust, in line however with the national tendency, opted for focusing their response on publicizing among workers - members and non-members - and across hospitals the potential repercussions of outsourcing on both working

conditions and on the quality of care services rather than taking industrial actions which might have had a disruptive effect for patients. Indeed as described by a union official:

in the health service staff is closed to patients who are very sick so there isn't the same tendency to take industrial action, to go on strike. So workers in the NHS can take industrial action but they are very very reluctant, there's always a concern for the welfare of the patients. Even more industrial unions like UNISON would be reluctant to take industrial action because of the impact, because it may hurt patients. Instead what we try to do is to demonstrate, expose poor practices in local newspaper, a lot of lobbying activity a lot of getting messages to the general public through interviews in television, embarrassing poor employers. So it's a sort of different tactic rather than going on strike. (Interview 37)

Overall in principle unions have adopted a longstanding stance against marketization in the NHS, in particular when core clinical services are involved:

we have the view that the National Health Service and its core services, namely all services directly involving patients' care, have to remain public, they shouldn't go out to be market tested. That's the baseline of our action: we disagree with outsourcing. (Interview 47)

Nevertheless as soon as the number of technical services outsourced started growing, along with the first clinical services union embraced a more pragmatic approach as a means to contemporary safeguard terms and conditions of employment and prevent a deterioration in service quality:

we have to be pragmatic and it is very important because our job is to do the best for our members wherever they work and we think that a staff with good working conditions has more motivation and they deliver good quality services to patients, if they're not treated well they have low motivation and low morale. (Interview 37)

In a nutshell, as in the English local authority, unions adopted a twin-track approach: the initial opposition to privatization, and subsequently to the transfer of workers, is complemented by a more pragmatic action to defend and represent workers if the process go ahead and the staff should change status and employer.

Nevertheless unions active in the NHS foundation trust have also tried to quickly adapt the new environment developing on purpose organizational strategies suitable for the fragmented scenario for workers.

First of all they worked for maintaining - or recovering - a strong bargaining position and the capacity to collectively represent members in new effective ways as explained a union official from UNISON active in the NHS:

we have to innovate and come up with new ways of organizing and new ways of talking to people about the things happening in their workplace and convince them that we are the right organisation to represent them and it could be done in a variety of ways. So previously the old style of organising was to say: “we are the union, we are strong, if you join us we represent you, we’ll tell you what is good for you, to some extent”. Now there has been a move towards doing a lot more listening to people above all when you go in a new company, a new workplace. People usually are really annoyed about their workplace. One example I came across once I went in the hospital recruiting staff and listening to people: we understood that a big complaint of cleaners was that they didn’t get enough mops and cleaning equipment to do their job properly because they were proud of their job, they wanted the hospital to be cleaned. We instead arrived there with the preconception that they were upset about long shifts or low sick pay. So this became part of the new campaign, it’s not top-down anymore, it is more of a dialogue with our potential members, a bottom-up representation. (Interview 36)

A sort of second step along this new approach consists of improving the organizational capacity to organise beyond the transfer:

we lose people along the process of transfer but the biggest single problem is that we do not organize people more widely. We have the problem of continuous organizing process, we have to organise beyond the transfer: the danger is that we oppose the transfer, we support workers during transfer and then we walk away. A better approach would be to go in and to start organising back to the transfer and start saying to people who is newly employed by the firm or already working in the firm: why don’t you join a union? We don’t do that very well. (Interview 35)

Terms and conditions of employment are indeed generally protected by the TUPE regulation when workers transfer from the foundation trust to private companies: nevertheless the main challenge for unions is preserving such contractual arrangements during transfer from a subcontractor to another when the contract is re-tendered. The

risk indeed is to lose track of the workers during further transfers which undermine unions capacity to protect working conditions. In most of these cases indeed neither shop stewards in the NHS foundation trust are able to monitor contract application given that

you don't get the same amount of facility time from the private contractors - when you get facility time - that you would get from the hospital, so we have a number of people from local branches that work on the trust and the trust gives some amount of time to deal with these issues but specifying: we don't give you time off for workers who work for a different employer. (Interview 47)

Facility time cuts are quite widespread encouraged by the coalition government and local branches are more and more employing people to work for the private contractors since shop stewards in the public sector did not get facility time for that.

We are trying to develop an organising model that is about the idea that we need self-sustainable organisations within contractors if you can't have a model where you rely on a small number of activists employed by the foundation trust. You have to rebuild the organisation within the companies which is more or less possible depending on patterns like: how big is the contract, how stable is the workforce. So in the care sector is really really difficult because it's actually difficult to meet the workers. So this is the thinking of unions: we need to have proper organisation within the private contractors and to maintain the membership. (Interview 44)

In addition unions in the NHS foundation trust embarked upon a wide training program devoted to officials, activists and shop stewards as a means to provide them the necessary cognitive tool to tackle outsourcing process throughout all the steps, starting from the decision-making to the staff transfer as explained by a union official involved:

UNISON is doing a lot of work in trying to train activists, going back right to the beginning of this where they would be aware if the trust would be considering outsourcing: we want to make sure that they understand procurement, that they know all the processes, they are able to scrutinize proposals and asks questions and raise concerns. So there' s a sort of political element we are using in the local democratic process to intervene at the right stages, to get all the documents. So we've done quite a lot of work trying to equip branches to know what to do because ideally you want to stop this in the first place. Sometimes these proposals rest on the very flimsy grounds

because you think: wow! we're saving a lot of money so I just ask a couple of questions on how many savings would be made. So we spend few years trying to build up a new full training program for our staff in local branches and activists. (Interview 47)

Beyond such stumbling blocks in union's traditional way of organising and representing, on the whole the relationship between social partners in the NHS foundation trust is featured by a longstanding tradition of social dialogue, specifically defined a partnership model of employment relations by both unions and employer and its representative association NHS Employers. The former indeed reported that:

we cooperate a lot with NHS Employer. Firstly within health we have what we call a partnership approach to employment relation and managing change so instead of having the trade unions on the one side of the table and the employers on the other side of the table and very adversarial discussion, we try to do things to find a consensus and to try to negotiate our way through difficult challenging topics. (Interview 37)

On the employer side the director of HR department confirmed that:

it's partnership here and it works very well. I worked also in local government HRM department and it was quite different. Our employment relations developed quite well in the foundation trust, we have very good cooperative relations here. Of course unions, they don't agree on everything we do but we try to find a workable way through that is right for the organisation and its business and either for the staff. (Interview 48)

Such partnership model well embedded in the NHS foundation trust mirrors a wider tradition developed and consolidated by social partners at national level. The Agenda for Change agreement represents an outstanding example of such cooperative relation based on negotiation, as well as the establishment of the Social Partnership Forum described by an official from TUC as follows:

in terms of healthcare services, it is the only area of public services where there is a Social Partnership Forum: there is a very collaborative atmosphere, it's a tripartite body and they have a national body and regional levels. It's the only place where we have the European style of social dialogue. In the forum we discuss about broader

things than industrial relations: like changes in NHS, productivity, and quality, and how can we work together, industrial issues and so on. That kind of culture prevail in the NHS, not everywhere. (Interview 41)

Again, the Retention of Employment model has been adopted by central government as a means to take into account union request requests to enhance employment protections for workers transferred during restructuring processes, in particular in PFI.

Union membership slightly declined in the last decades. Nevertheless unions play a relevant role in the NHS foundation, described by the director of HR department as a 'highly unionized environment' (Interview 48) where 14 unions and staff associations are recognized and always consulted when a restructuring event involve internal staff. Workers' representativeness is guaranteed by the election of several shop stewards and the establishment of a Joint Consultative Committee chaired by a member of Unite and composed of employers representatives, employees' representatives and members from the board of directors of the trust. Given the voluntary basis on which such workplace representative body is grounded on, its establishment is quite revealing about the nature of the employment relations in the foundation trust. An event recalled by the director of HR department confirmed it:

we have had in 2002 some union activities regarding the NHS pension scheme: there were several workers out on the picket line, above all nurses. But the atmosphere was very good: indeed we called them because we needed some of them in the wards and they came back to work. And I think that it is a reflection of our partnership working. (Interview 48)

Nevertheless a concluding quotation of a union official from UNISON well synthetizes the deep feeling pervading unions in healthcare sector in England:

I think that the difficulties we are facing are that we have been absolutely vehement in our opposition against privatization but privatization yet continues with the support certainly of the Tories but there are some indications that also Labour agreed with that. Moreover the 2008 economic crisis created too much pressure on public sector expenditure so we as union we've got such duality, a sort of paradox where on the one hand we oppose privatization, but on the other hand we need to organize these workers in the private sector because if these workers are continuously exploited and their conditions are driven down and down by definition they became much cheaper

than the public sector so failing to organise workers simply make private sector more attractive. And I think that we failed. (Interview 35)

5.5 Conclusions

The two case studies in England display rather divergent patterns beyond some common features following competitive tendering in the provision of public services as summarized in table 5.1 and 5.2.

Overall the local authority and the NHS foundation trust under investigation share the main rationale that drove them towards outsourcing: economizing in the costs of services provided and boosting value for money indeed represent the principal reason reported by key-respondents interviewed. The local council, in addition, showed a certain degree of ideological enthusiasm in market-type tool, despite it mainly mirrors a national stance encouraged by central government.

Similarly contracting out involved both blue-collar technical and white-collar professional services in both cases, but with a predominance of the former in the foundation trust in particular.

How outsourcing policies impacted on terms and conditions of employment markedly depended on the application of TUPE regulation. In the local authority, despite a limited exception in the first two tendering round where the council adopted a soft touch with its workforce, all staffing level involved was transferred to the private contractors taking over as service providers; furthermore before TUPE legislation several workers were also made redundant in manual services. The NHS foundation trust instead embarked upon outsourcing policies when TUPE legislation was already in force: it followed a stronger protection for employment which guaranteed the transfer to the new companies to the large majority of manual personnel - only few cases of redundancy have been reported. Clinical professionals and white-collar employees involved in restructuring processes conversely were simply seconded to the external contractor (the former) or largely redeployed within the hospital (the latter).

Secondly, a deterioration in pay rate and other contractual benefits interested workers transferred before 1993 from the municipality to private companies, whilst since TUPE

application was extended to public sector all the staff transferred under the same terms and conditions of employment contractually guaranteed by subcontractors as well.

Pension schemes instead have been subject to a widespread deterioration given that they were not covered by TUPE legislation: it followed a sharp decline in pension contributions paid by private employers in both the sectors as long as the Fair Deal for Staff Pension in 1999 and in particular the New Fair Deal in 2013 were implemented to safeguard pension entitlement for transferred staff. Nevertheless when such legislation was issued the erosion of pension schemes was already widely underway.

Further common implications include the creation of a two-tier workforce: such phenomenon became so widespread nationwide that in 2004 the Labour-led central government agreed with trade union the “Two-tier Code”: it required that the new staff recruited by a private provider to work on a public sector service contract alongside staff transferred from the public authority should be offered employment on fair and reasonable terms and conditions that overall should be no less favourable than those of transferred employees. The Code constituted an important legislative tool that union tried to leverage in the two case studies to protect working conditions but in several private companies a two-tier workforce was already sort of institutionalized.

Beside cross-sector legislative protections to employment however, the NHS foundation trust enjoyed further sector-specific safeguards introduced to respond to the harsh campaign organized by trade unions: in particular the Agenda for Change agreement harmonized pay scale in the whole health sector while the Retention of Employment model guaranteed to healthcare staff to remain public sector employees and retain all of their terms and conditions of employment, with continuity of service preserved for all purposes, but then working for the private sector provider on a secondment basis.

When employment relations between social partners are considered (see table 5.2), competitive tendering in the provision of public services triggered a vehement opposition of trade union in both the local authority and the NHS foundation trust: union campaigned against the marketization of public service provision, informing citizens and patients about the consequences of outsourcing for the quality of services, talking on local televisions, meeting workforce involved in the processes and taking industrial actions (much more in the municipality rather than in the hospital where there

has traditionally been more reluctance from workers and unions given the sensitivity of services).

In both case studies however the strong opposition of the early days was then complemented - and to a certain extent replaced - by a more pragmatic approach focused on protecting and organising workers during transfer from the public organisations to private subcontractors, given the irreversibility of the phenomenon at that point. Hence a twin-track approach featured union response to contracting out: the political opposition to marketization at national level was always complemented by a strategic action to protect workforce at workplace/local level.

Overall restructuring processes towards outsourcing undermined union capacity to collectively organise and represent workers dispersed along a fragmented production chain made of a plurality of employers: the traditional one-to-one relations (one union branch dealing with one public employer) was reversed obliging union branches to deal with an increasing number of private subcontractors.

Beside such common challenges, the nature of employment relations appeared to be rather different in the two sectors. Local authority employment relations indeed have been featured by adversarial stances between unions and the council, where social dialogue was almost inexistent, only the main unions were recognized and unions consultation represented more a legislative obligation to achieve to avoid legal actions rather than an effective negotiation. Moreover the council purposely embarked upon an anti-union approach cutting facility time for shop stewards, opting out the Green book clause regarding the monthly deduction of contribution from the salary for union membership and dismantling the office in the past devoted to union activity.

Conversely social partners in the NHS foundation trust defined their relationship a partnership model where unions and the board of director negotiate and collaborate in a positive way. Despite their stances clearly diverge, unions and employer have a longstanding tradition of social dialogue: the foundation trust recognize 14 unions, several shop stewards are elected by workers and a Joint Consultative Committee was established to constantly guarantee workers' consultation at workplace level.

Table 5.1 Labour-related variables affected by outsourcing in the English local authority and NHS foundation trust

	<u>ENGLAND – LOCAL AUTHORITY</u>	<u>ENGLAND – NHS FOUNDATION TRUST</u>
Public employment in services outsourced	Soft touch in the first tenders: workers might choose whether be transferred, be redeployed or made redundant with high severance terms. Then all staff transferred	Clinical services staff kept in-house or seconded to the private company White-collar tasks: workers redeployed in the trust
Transfer of public personnel to private providers	All public personnel transferred to private companies	Blue-collar services: all staff transferred out
Redundancy	Several redundancies in blue-collar workforce	Few manual workers made redundant
Size of public employment	Markedly decreasing	Slightly decreasing
Collective agreement applied	Before TUPE: often employer’s unilateral determination of terms and conditions After TUPE: private sector collective agreements and unilateral determination in few cases	Private sector collective agreements for manual workers transferred Clinical staff: public sector collective agreement Since 2004: Agenda for Change agreement
Wage rate	Before TUPE: deterioration of salary After TUPE: rather similar pay rate guaranteed	Same or similar wage rate for workers transferred protected by TUPE regulation
Workload	Increasing workload for manual workers transferred	Increasing workload for manual workers transferred
Pension scheme entitlements	Declining for the large majority of manual workers before the 1999 Fair Deal. Few white-collar employees transferred recently admitted in the public pension scheme	Declining in the first few tenders. Then broadly similar protected by 1999 Fair Deal. White-collar transferred employees admitted in the trust pension scheme
Social clauses in tender to reintegrate the staff	Never included	Never included

Table 5.2 Employment relations-related variables affected by outsourcing in the English local authority and NHS foundation trust

	<u>ENGLAND - LOCAL AUTHORITY</u>	<u>ENGLAND – NHS FOUNDATION TRUST</u>
Union stance towards outsourcing	First phase: strong opposition Then: pragmatic approach to protect workers	Strong political opposition backed by pragmatic approach to protect workers
Union strategy and responses	Twin-track approach Bottom-up approach to organise Harsh industrial actions	Campaign to inform employees and users Twin-track approach Bottom-up approach to organise
Workplace representatives	Only one shop steward still active	Several shop stewards elected Establishment of a Joint Consultative Committee
Union consultation	Only formal consultation: not substantial involvement Few unions recognized	Unions always consulted when staff is involved in restructuring processes 14 unions recognized
Relationship between social partners	Adversarial relation. Council purposely weakened union (cut in facility time, no deduction of contribution for union fee) Confrontational approach from union	Partnership and social dialogue between social partners Social partnership Forum
Challenge to union	Fragmentation of employment challenge the capacity to collectively organise and represent. Union weakened by the council	Facility time cannot be used for union activity in private subcontractors
Membership	Markedly declining after the transfer	Only slightly declining: employees keep the membership after the transfer
Users' involvement	Users involved through campaign of information organized by unions	Users involved through campaign of information

Chapter six

The case of Denmark

6.1 Public administration: structure, functions, employment relations

6.1.1 Structure and functions

Denmark is a small country with around 5,600,000 inhabitants (Statistics Denmark 2014 at www.dst.dk) divided into three main levels of government: the central state is divided into five regions (*regioner*), each covering several of the 98 municipalities (*kommuner*), the only decentralized level considered local authority. Such territorial and administrative partition stemmed from the so-called Structural reform implemented in 2007 which amalgamated 271 municipalities into 98 while 14 counties were liquidated and replaced by five wider regions (Mailand 2014).

The Danish public sector has generally been seen as built on two opposite tendencies of centralized decentralization. Administrative responsibilities indeed are very decentralized with a strong emphasis on local governments which, thanks to a high degree of financial and decisional autonomy, allows local politicians to reach out to citizens' demands and needs. However, at the same time 'the Danish public sector has never quite shaken its roots from a centrally organized state, formally headed by a king or a queen and run primarily by university-educated law professionals, and by economists since the World War-II' (Greve 2006: 162).

The Danish government in 2002 appointed a commission of experts (Public Sector Task Commission) to investigate whether the public sector structure met the requirements of a modern society: among six different administrative models, most of them pointing towards larger municipalities, the model that was adopted has resulted in municipalities

with at least 20,000 (preferably 30,000) citizens. Municipalities with less than 20,000 citizens were only accepted where a legally binding cooperation with a larger municipality was in place (www.kl.dk). Then all municipalities were requested by the Government to decide which neighbouring municipalities they wanted to merge: as a consequence a decentralised process took place where municipalities negotiated with their neighbours on the formation of new larger municipalities. Such voluntaristic approach which features the Danish decision-making tradition led to the establishment of new municipalities through a smooth process which gave rise to less conflicts than expected: indeed in only two cases the formation of new municipalities was decided by the state while many of the new local governments turned out to be even larger than was expected at the beginning of the reform process. Out the 98 new municipalities, seven have less than 20,000 inhabitants, but they are mostly small islands which opted for settling cooperation agreements with neighbouring municipalities.

The Danish Government and Parliament also established a merger from 14 counties to five regions.

The purpose of the Structural reform was to boost economies of scale by the creation of larger local authorities and to improve the provision of welfare services by reshuffling the allocation of responsibilities between the three main levels of government. Such process of decentralization in the allocation of competences across different levels of government traces its origins back to municipal reforms implemented during the 1970s ‘whereby several administrative functions were delegated to the municipal level. This required the formation of entities with an adequate population to justify allocation of the relevant functions and big enough to justify the costs of maintaining a professional administration’ (Andersen *et al.* 1999: 161).

Thus, following the 2007 reform the central state is responsible of several nationwide competences including defence and the juridical system; foreign relations and aid; tax collection; education and research; roads and railways; overall nature, environment and planning tasks; overall planning of health (Mailand 2014). Regions instead since 1 January 2007 got the whole responsibility of healthcare services (including hospitals, practitioners and special practitioners) that constitutes their main purpose, complemented by few further tasks concerning institutions for people with special needs, regional development, earth pollution, the set-up of public traffic companies

(Mailand 2012). They are led by a Regional Council with 41 members, directly elected every four years: since as decentralized level of government they do not have the right to levy taxes, services and activities within their responsibility are financed by subsidies transferred from the municipalities and the state.

The most decentralized administrative level, municipalities, were the 'net-gainer of the reform' (Mailand 2014: 420) with their responsibilities now encompassing - in order of budget size - schools (including childcare, initial schooling up to 10th degree and education for adults with special needs); social services including day care, elder care, specialised social services for disabled people and young people with special needs; administration; water, gas and electricity management; employment services and local roads.

The rationale driving the creation of larger municipalities was to improve their ability to handle such increasing number of tasks that local governments had taken over: employment policies represent a new responsibility delegated to local governments. Indeed the newly created employment system, based on local job centres allowing citizens and companies to have a single common access point to employment activities, replaced a less efficient shared system between the state and the municipalities. The primary revenue of municipalities comes from local income tax and real property tax, whose level varies from a municipality to another, complemented by an annual block grant transferred from the central government: financial negotiations over the next year's budgets are institutionalized in the annual economic negotiations that take place in June.

Local governments, according to a centralized process of decentralization of administrative functions (Greve 2006), beyond financial autonomy, enjoy a high degree of decisional autonomy as well under the article 82 of the Danish Constitution which set the right of the municipalities to manage their own affairs independently under the supervision of the State.

6.1.2 Status and structure of public employment

About 32% of the Danish workforce is employed in the public sector, which, by European standards, is a relatively large proportion of employment. This share has

remained relatively stable over the past two decades despite increasing externalization of public services (Ibsen *et al.* 2011). If the large share of part-time employees, higher than in the private sector, are added, figures concerning public employment become probably larger than 32%.

More than half of public employees works in the municipal sector (about 443,000 corresponding to 59%), about 25% in employed in the state sector (about 183,000) while the remaining 16% works in the regional sector (about 122,000) most of whom specifically in healthcare (Statistic Denmark 2014).

Likewise in the private sector, public sector employment relations are featured by a relatively strong tradition of collective bargaining which covers no fewer than 98% of public employees (Mailand 2014). The number of civil servants, whose terms of employment are set by unilateral legislation instead of by collective agreement and endowed with special statutory employment protection, indeed decreased over the last decades (Ibsen *et al.* 2011). Practically the Danish model of employment relations in the public sector came closer to the ‘model employer’ than the ‘sovereign employer’ (Bach and Bordogna 2011), shifting towards a context where almost all employees have their terms and conditions defined through collective bargaining at central or local level, instead of being unilaterally determined by the government. The civil servant status was maintained for a share of ‘crown servants’ (Ibsen *et al.* 2011:2297) including judges, police officers, the armed forces and prison staff, while for few civil servants at senior executive level the remuneration takes the form of individual contracts (Andersen *et al.* 1999). The special status applying to about 2% of employees, beyond legally forbidding to resort to industrial action, provides for a statutory pension scheme in addition to the universal system of old age pension.

The first collective agreements were signed in the 1920s and 1930s following the provision of the 1919 Civil Servants Act which *de facto* established the right to collectively bargaining over labour issue: ‘however, so that changes in working conditions were negotiated in advance with civil servants’ organisations, in many cases reaching informal joint agreement on amendments before they were formally issued as unilateral directives’ (Andersen *et al.* 1999: 177). Moreover the Civil Servants Act did not allowed to civil servants to take industrial action. Actual negotiation was established as common practice to set terms and conditions in public employment only in late

1960s-early 1970s following the recasting of Civil Servants Act in 1969 which formally set the right for civil servants to negotiate and sign collective agreements, but still without granting the right to resort to industrial action. Gradually then, since the 1990s the state as employer started a process of reform of public employment shifting the large majority of its employees from the status of civil servants to public employees whose contractual arrangements were agreed upon through collective bargaining.

6.1.3. Social dialogue framework and institutions

With its long democratic tradition, Denmark has one of the earliest institutionalized bargaining system among industrialised countries. The Danish model of labour market regulation indeed builds on a longstanding tradition of collective bargaining between strong social partner organisations in both the private and public sector, despite the exception for a share civil servants until the 1990s. All central issues in the matter of labour terms and conditions like wage, working hours, working conditions, workplace representative bodies are agreed upon in collective agreements, leaving to legislation only a residual competence. In such model indeed the government does not interfere in the negotiations letting social partners free to jointly define contractual arrangement, excluded some matters as working conditions and health and safety which are instead subject to government regulation.

Article 78 of the Constitution of Denmark established the freedom of association, entitling country's citizens to form association of any lawful purpose without explicitly mention the right to join a union. Indeed questions about freedom of association of trade unions are primarily regulated by collective agreements concluded at national level.

Collective bargaining system operates within a clearly defined structure characterized by a two-level negotiation and a centrally controlled decentralization - often referred as 'centralised decentralisation' (Jørgensen 2013). At national level, social partners negotiate agreements covering wages and all issues of working and employment conditions in bargaining rounds at sectoral level - that is state, regions and municipal level - which are then integrated into individual agreements for different occupations. However since the 1990s, the wage reform introduced also a decentralized tier of wage

bargaining at local level allowing for individual or group supplements within each administrative unit (Mailand 2012a).

Every second or third year all the three main bargaining areas (state, regions and municipalities) negotiate sector-wide agreements covering the overall costs for the bargaining round as well as cross-occupations working and employment terms and conditions. At sectoral level the state, the regional and the municipal employers (and their associations) respectively bargain with bargaining cartels (coalitions) composed of representatives of the different unions.

This first tier also include organisational bargaining where, simultaneously with the sector-level bargaining, individual trade unions bargain among themselves on all occupation-specific issues such as wage components, pensions and working conditions within a set financial framework (Mailand 2014).

The second bargaining tier at workplace level gained increasing relevance following the decentralization process of functions - and subsequently of public personnel - from the central government to regions and above all to municipalities. Within each administrative unit, individual trade union decides who represents them locally, but as a general rule it is the trade union related shop-steward who is entitled. Beside wage increases, decentralized agreements may cover further issues as training policies, working time and policies for senior employees, complementing what already agreed upon at national level (Mailand 2012a).

Moreover at workplace level a further form of social dialogue is implemented in the Danish context, based on the codetermination system. In 1996 a one-tier system of representation replaced the two-tier structure at workplace where coexisted the Health and Safety Councils (*sikkerhedsudvalg*) and the Co-determination Committee (*MED-udvalg*), this latter made up of an equal number of representatives of employees and management, both elected as are the shop stewards. The Health and Safety Councils were then incorporated in the Co-determination Committees with the purpose to strengthen the cooperation between management and employees' representatives, also on these issues. The president of such Committees is usually the director of the municipality or region, while the vice-president is the joint shop steward. The merged Co-determination Committee provides, according to the so-called MED agreement, the employees the rights of consultation on personnel and HRM related issues of all kind

and health and safety issues (wage related issues are excluded). The rights on information and consultation on personnel related issues include also all the events of restructuring towards outsourcing, privatisation or transfer of undertakings. Such Co-determination Committees are mandatory in each administrative unit with budget and personnel responsibility. However as representative bodies, they are not entitled to sign collective agreements at workplace level, where union's shop stewards have the prerogatives.

Collective agreements have a coverage of the 100% of statutory public employees across the three areas (excluding civil servants with special status), higher than the coverage in the private sector where it is about 74% but however remarkable compared to the rate in other European countries.

Collective agreements cover a wide range of working and employment issues ranging from recruitment procedures, pay, work organisation, working time, to parental leaves and certain elements of job security and employment protection. Legislation, although limited, plays an important role: the Salaried Employees' Act (*Funktionærloven*) establishes a minimum of three month of notice for public employees after a three months trial period and more favourable compensation terms than those applied to skilled and unskilled workers. Moreover legislative provisions define holiday regulation, parental leaves and working environment issues such as health and safety at workplace. Importantly, legislation sets employment protections in case of transfer of undertaking implementing at country level with the law 111/1979 the European Council's Acquired Rights Directive (77/187/EEC) (then modified by the law 447/2001).

Overall the Danish model of employment relations, is featured by some peculiarities: firstly, within a regime based on centralized decentralization, a strong role of coordination is played by the Ministry of Finance that controls the budgets available for state and regions/municipalities collective bargaining and acts as the employers' organisation of the separate ministries and institutions in conducting negotiation in the state sector. 'Viewed in an international context, the choice of structure may appear odd: the ministry, rather than an independent agency or organisation separated from policy areas: personnel, administration and budgets. The result is that employer function

is firmly anchored in what may be regarded as the most central component in the state's political and administrative apparatus' (Andersen *et al.* 1999: 172).

In second place, labour market regulation in Denmark is characterised by a pay adjustment scheme which links wage developments in the public sector to developments in the private sector as a means to ensure over the long term the same wage dynamics across the sectors. More in detail pay developments for public employees fluctuate according to the wage rate agreed upon in the private sector: 'if the state sector pay development is below that of the private sector, the state sector wages and salaries will be adjusted upwards in the subsequent pay settlement period. If the opposite is the case, the central government wages and salaries will be adjusted downwards' (Jørgensen 2008).

A third peculiarity of the Danish model of employment relations is what is referred as 'compromise equilibrium' to designate the outcome of organizational bargaining. At national level negotiations occurred between employers' organisations and bargaining cartels - or coalitions -, the latter being composed of different individual trade unions, each representing diverse groups of employees from the highest to the lowest skilled, with a wide range of different and often diverging interests. This means that, prior to the formal bargaining phase with the employers, coalitions internally negotiate behind closed doors the allocation of resources between groups, as preparatory platform to later put forward during negotiations with the employer. 'The collective bargaining system has thus assumed some coalition characteristics which largely determine its mode of functioning. This means that bargaining is intended not only to resolve a clash of interests between two opposing parties, but also to resolve conflicts of interest on each side of the negotiation table' (Andersen *et al.* 1999: 179-80). Similar negotiating procedures have been developed in all the three sectors of bargaining, namely the state, regions and municipal level, the latter however displaying a far more complex picture.

6.1.4 Trade unions

On the employer side, public administrations are represented by three main organisations covering the state, the regional governments and the municipalities. The Agency for the Modernisation of Public Administration (*Moderniseringsstyrelsen*)

negotiates in the central state on behalf of the Ministry of Finance, Local Government Denmark (KL) is the employer association for the 98 municipalities while Danish Regions (*Danske Regioner*) for the five regions in Denmark.

Local Government Denmark (KL) is the interest group and member authority of Danish municipalities. It is voluntary to be a member of KL, but nevertheless all 98 municipalities are members. The mission of KL is to safeguard common interests of the municipalities, assist the individual municipality with consultancy services and in addition ensure that the local authorities are provided with up-to-date and relevant information.

KL is one of the largest employers' associations in Denmark, accounting for 47% of public sector employees hired by the municipalities: even though membership is voluntary nevertheless all 98 municipalities are members. The mission is to safeguard common interests of the municipalities, assist the individual municipality with consultancy services and collectively represent them during bargaining round with unions' cartels. Since municipalities through membership delegate their negotiating rights to KL, collective agreements signed by the association are binding for all the local governments. Moreover, as a private voluntary association KL resembles the employers' associations in the private sector. There is, however, a vital difference: KL's role is not restricted to that of municipal employer, as it also represents the municipalities in their capacity as democratic organisations exercising public authority. Its main function is to help to strike a balance between the exercise of authority at local and central levels' (Andersen *et al.* 1999: 173).

Concerning public employees representation instead, in Denmark there are three main confederations of peak organisations based on occupational and educational lines following the tradition of the guild system, although boundaries between the three umbrella organisations are often blurred. By far the largest trade union confederation with about 1,122,000 members (Statistics Denmark 2012) is the Confederation of Danish Trade Unions (*Landsorganisationen i Danmark* - LO) which organises skilled and unskilled manual workers, but also many salaried non-manual employees in both the public and private sector. The second biggest confederation with 353,000 members (Statistics Denmark 2012) is the Confederation of Salaried Employees and Civil Servants (FTF) which represents medium-salary employees with middle level

educational background: it is largely made up of unions organising public sector employees like civil servants, teachers and nurses; but it also include some private sector clerical staff particularly in banking and financing. The Danish Confederation of Professional Associations (*Akademikernes Centralorganisation* - AC) with around 142,000 members (Statistics Denmark 2012) organises highly educated personnel in both public and private sector.

LO umbrella organisation, set up in 1898, has been formally tied to Denmark's Social Democrats (*Socialdemokraterne*) via interlinking directorates and financial support for a long time until 2003 when the LO congress cut any formal links with the party. The largest of the 18 unions affiliated to LO is the United Federation of Danish Workers (*Fagligt Fælles Forbund* - 3F) representing mainly unskilled manual workers such as industry and construction workers in the private sector and cleaning and gardeners in the public one. 3F was formed by a merger between the General Workers' Union (*Specialarbejderforbundet i Danmark* - SID) and the National Union of Female Workers (*Kvindeligt Arbejderforbund* - KAD) in 2005. A second large union representing shop and clerical staff in both public and private sector is the Union of Commercial and Clerical Employees (*Handels- og Kontorfunktionærernes Forbund* - HK), while the largest LO-affiliated union representing public employees is the Trade and Labour (*Fag og Arbejde* - FOA): FOA mainly organises low-skilled workers in elder care, hospital and daycare. Overall the union structure composing LO is rather complex, with a combination of craft, industry and general unions which, despite some attempts to limit competition for membership through demarcation agreements, still raise the issue.

FTF and AC are instead organized on a combination of an occupational and industry basis. FTF was founded in 1952 by white-collar unions and its most important member unions are the Danish Nurses' Organisation (DSR), the Danish Union of Teacher (*Danmarks Lærerforening* - DLF) and the Danish Federation of Early Childhood Teachers and Youth Educators (*Forbundet for Pædagoger og Klubfolk* - BUPL), all of which belong to both the regional and municipal level.

Finally the most significant affiliated unions of AC in terms of membership rate are Danish Association of Lawyers and Economists (*Dansk Jurist- og Økonomforbund* -

DJØF) and the Danish Association of Master and PhDs (Dansk Magisterforening - DM).

The Danish labour market has a longstanding tradition of a high rate of union membership, which is historically an effect to the connection to the unemployment funds (*A-kasser*). Although remaining still relatively high compared to other European countries, the proportion of employees organized in unions has progressively fallen in recent years. Union membership is equal to 83% in the public sector, higher as in several countries than in the private sector where it corresponds to 62% (ICTWSS database 2009). Also the density in employer organisations is rather high: in 2008 the 60% of total employees was employed in a company that was member of an employer association (Eurostat).

6.2 The drivers of outsourcing in public services

Diverse government's policies and reforms have directly or indirectly pushed Danish municipalities and hospitals towards the implementation of market-type mechanisms for the provision of public services. Such measures stemmed from the purpose of governments that succeeded since the 1980s to modernize public sector structure and organisation, complemented by a new form of economic governance drawing on private sector management tools and techniques' (Ibsen *et al.* 2011). More recently instead crisis-related policies intervened, including some austerity measures: although they have been adopted in response to financial breakdown, their rationale was not exclusively about improving public finances, but combined long-term interventions to raise labour supply (Mailand 2012).

In general 'the Scandinavian marketization trends have been of a more incremental and gradual nature than the sweeping privatization reforms characteristic of many Anglo-Saxon countries during the 1980s and the 1990s' (Petersen and Hjelmar 2014: 3). The Danish public administration underwent following reform waves highly inspired by NPM doctrine which, starting from the 1980s, gradually acted to modernize public sector on the whole (Ibsen *et al.* 2011). Indeed 'Denmark has modernized to a great

extent and marketized to a lesser extent. Radical marketization strategies have been held back, as there has not been a majority in Parliament for such a strategy, and there is a consensus on developing the public sector rather than dismantling or minimizing it' (Greve 2006: 168). Within such reform path three different periods can be distinguished, each corresponding to different governments in office.

The first reform wave called 'The modernization program' (*Moderniserings program*) has been launched by the Conservative-led government in 1983, setting out an ideological shift 'from Keynesianism and social democratic planning to Monetarism and NPM' (Ibsen *et al.* 2011: 2299). The program consisted of five main points: decentralization of responsibilities and decision-making competences; stronger customer orientation; focus on employee and management development; emphasis on the use of e-government and marketization policies, which included also consumer choice schemes. Overall a new form of economic governance arose building on private sector discipline and practices: 'capped budgets, structural devolution and consumers choice initiatives were introduced. There were also experiments with local wage determination in various forms from 1987 onwards, intended to accommodate local employers' requests to align structural devolution to responsibility with increased human resources discretion. Vertical disaggregation of agencies also occurred, separating purchasers from providers, and creating opportunities for subsequent privatisation and contracting out' (Ibsen *et al.* 2011: 2299).

Moreover in 1991 a government commission published a white paper that endorsed outsourcing for the provision of a number of tasks and services, despite all functions involving the use of public authority was still banned from being subcontracted (Danish Ministry of Finance 1991). A Council for Contracting Out was also established as a means to support government agencies and private companies in their effort to boost externalization (Greve 2001).

However outsourcing and privatization policies were not implemented to any large extent due to the lack of large majority among political parties and the opposition of the minority forces: the political decision-making in Denmark indeed can be characterized as a 'consensus democracy' with strong emphasis on cooperation and integration (Greve 2006) and the lack of large consensus may lead to political stalemates. In addition the

Conservative-Liberal government was forced to resign in 1993 in the wake of a scandal: the future of the program was subsequently in doubt.

As fruitfully summarized by a national official from the trade union FOA:

they made the modernization plan, somehow inspired by Thatcher and the British way of doing things: it was very moderate but it was a part of the continuing process of some kind of modernization. That was the first step where you could also find some of the initiatives about competition inside the public, so that was the first step on the ladder for privatization. (Interview 59)

The second main reform initiative stemmed from the Social Democratic-led government since 1993 which put forward its own version of the modernization plan called ‘A New Look on the Public Sector’ (Danish Ministry of Finance 1993). The new program mostly focused on management by contract and performance-based, quality systems, employees involvement and citizen engagement. Overall, given the political orientation of the government ‘market mechanisms in the form of contracting out were tone down’ (Greve 2006: 166), while stronger emphasis was placed on privatization policies. During the 1990s indeed public enterprises for 36 billion DKK were privatized, including the Copenhagen Airport, telecommunications (now TDC), postal services (*Post Danmark*) and the Danish State Railways (DSB), far more than the previous Conservative government managed to do. Moreover the Danish Ministry for Trade and Industry in 1994 issued a big report documenting various ways to actually implement public-private partnerships: among others a prominent suggestion was to ease outsourcing processes (Danish Ministry for Trade and Industry 1994). Simultaneously also private sector organisations engaged in promoting externalization in public administration as the private think-tank called “*Mandag Morgen*”.

The national official from FOA described this second phase as follow:

it wasn't outsourcing but the issue was making more competition inside public services, mainly between employees but also between institutions. Of course it could be looked upon as the second step for externalization because if you have to compare and compete you have to describe, and when you describe then is possible for the private sector to make a bid. During the 1990s the Social-Democrats at government, they would not argue that it should be externalized but they would argue that they need to compete to make better public services, but in the same moment they actually

took the next step for bringing forward outsourcing. So somehow it was in the agenda. (Interview 59)

Contracting-out of core public services, as eldercare or social services, was still a political ‘hot potato’, much resisted by voters and unions (Ibsen *et al.* 2011).

The Social Democratic party indeed has been rather sceptical toward outsourcing during the 1990s: emblematic example for instance is represented by municipalities run by social democrats which have shied away contracting out policies. However since late 1990s they started to shift their stance expressed by a more positive attitude of the social democratic Minister of Finance Mogens Lykketoft (Greve 2001).

A third reform wave arose when a new Liberal-Conservative government came to power in 2001 launching the modernization plan called ‘Citizens at the Wheel’ (Danish Ministry of Finance 2002).

Such program marked a jump behind, picking off where the previous Conservative government had left off in 1993: the key words were once again customer orientation and marketization. In particular market-type strategies were particularly stressed such as compulsory competitive tendering and the free customer choice in welfare services. The ‘free choice’ system introduced for municipalities the duty to established competition in the provision of welfare and social services: it meant that alongside in-house provision, private providers had to be at disposal of citizens who may alternatively chose whether to opt for public or private services at the same service price. Hence municipalities are required to pay an agreed fee to private providers every time a citizen avails herself of private services in order to harmonized the cost of welfare services between the public and private provision. The rationale was on the one hand to improve the quality of services provided at local level through a competition between providers and on the other hand to increase citizens’ satisfaction in municipal services by empowering them to choose the provider they prefer among a range. Indeed ‘you don’t have competition on the price because the citizens don’t pay the full price themselves, but they pay in any case the same: they can choose this instead of that buy they pay the same money, so the competition is on the substantial quality of what is provided for the citizens’ (Rikke Haahr 20/05/2014). Moreover from 2011 the government put forward the so-called ‘Public-Private Collaboration’ strategy (*offentligt-privat samarbejde*), once again

renewing the debate concerning impacts, advantages and drawbacks of contracting out: initiatives and proposals were mainly directed towards the municipal and regional levels of government (Danish Government 2011).

In a nutshell, all governments have generally followed the same track, and although each decade has its version of the modernization plan, all measures adopted and issues addressed remained within and set by an overall framework: the modernization of public administration, not necessarily involving restructuring policies towards privatization and externalization.

Beyond such gradual public administration reform process inspired to NPM doctrine, since 2008 the Liberal-Conservative government in power embarked upon a series of responses to the crisis, not directly targeting public expenditure but more generally introducing alongside austerity measures also stimulus-packages and welfare reforms. Indeed Denmark 'entered the economic crisis in seemingly good conditions with very low unemployment and years of stable growth. However, unemployment nearly tripled in the first years of the crisis and recovery has since been slower than in neighbouring countries such as Germany and Sweden. Nevertheless, the public sector and the public finances remain in relatively good conditions, with a comparatively low level of general government consolidated gross debt (47% of GDP in 2011) and a low level of general public deficit (1.7% of GDP)' (Mailand 2014: 418).

The tax reform in 2009 reduced the tax-burden on high and middle-level income groups as a means to stimulate the economy while stimulus packages in 2009 and 2010 were introduced, especially targeting construction sector, to boost the whole economy by increase public investments (Mailand 2012). Again in 2010 the reform of the early retirement scheme introduced the opportunity to take early retirement on transfer income that mostly was tax-financed for employees aged 60-64, expecting to increase employment and labour supply. The first real austerity measure was represented by the recovery plan 2010, implemented also via the Annual budgets for 2010 and 2011, which among other measures cut down municipal budget for a total of 0.6 billion euro: however the distribution of budget cuts was unequal across municipalities (KL 2012). The figures in the period from 2009-2012 show that:

- 7 municipalities have experienced service budget cuts of more the 7%;
- 18 have faced 5 -7% service budget cuts;

- 50 have faced 2-5% cuts;
- 19 have experienced 0-2% cuts;
- 4 municipalities have experienced increased service budgets (KL 2012, Mailand 2012b).

The following Social Democrat-led government elected in 2011 implemented a new crisis-related plan called “2020-plan”, which included also initiatives affecting the public sector: as the previous government it combined budgets cut with stimulus packages and measures to boost employment. The stimulus package (*Kickstart*) 2012-13 indeed aimed at stimulating the Danish economy by injecting 2.3 billion euro in public infrastructure while the tax reform in 2012 was design to reduce tax on labour. The government moreover set up a tripartite negotiating dialogue with social partners with the purpose to agree upon a common strategy for improving competitiveness, growth and employment. More in detail ‘the aim was to create 20,000 new jobs and improve public finance by 0.5 billion euro. The issues on the table were increased labour supply (working time especially), education and training, youth unemployment, social dumping (due to labor migration), the steering of active labour market policy, and finally work environment’ (Mailand 2012a). However such dialogue reached a stalemate due to union’s disapproval of increasing working time in an era of increasing unemployment. As a whole austerity measures in Denmark have been relatively modest both involving local municipalities and above all affecting regions - and subsequently the healthcare sector -.

In the former case, specifically, the annual definition of planned spending within financial constraints agreed upon the government and the municipalities represents a further regulative arrangement that acts as sort of austerity measure keeping under tight control municipal public finance. The annual Economic Agreement (*økonomiaftale*) negotiated between the Ministry of Finance on behalf of the government and KL provides a double financial constraints for municipalities: firstly it defines the budget (planned spending) that all the municipalities have to comply with (column 3 in Table 6.1.); secondly annual accounts have to respect the limits of Economic Agreement, namely the *de facto* spending reported early in the following year (column 4 in Table 6.1.).In case of non-compliance some economic sanctions might be applied, such as cut

back in resources allocated for the following year. Such sanctions have been gradually tightened since 2009; moreover if until 2013 control and sanctions were collectively applied, since then 60% of reduction applied only to municipalities breaching financial cap (Mailand 2014).

However although financial caps are specified, flexibility is left to municipal decision to some extent, coherently with their decisional and economic autonomy: indeed at individual level each municipality is allowed to spend more on some budget lines and less on others since what counts is the aggregate level of expenditure within single administration. Importantly, it is allowed for some municipalities to spend more than other given that also nationally the Economic Agreements have to be respected on the aggregate level.

The table 6.1 shows the development in Economic Agreements, the total budgets for the municipalities and their annual accounts in the aftermath of the financial crisis.

Table 6.1 Municipalities' economy in nominal prices

	Economic Agreement, total (billion Danish krone)	Budget, net public services (billion Danish krone)	Annual accounts, net public services (billion Danish krone)
2009	286 (219 net public services)	228	233
2010	310 (228 net public services)	231	233
2011	315 (233 net public services)	228	222
2012	340 (247 net public services)	241	236
2013	344 (232 net public services)	231	n.a.
2014	347 (230 net public services)	n.a.	n.a.

Source: Mailand (2014) and *Regeringen/KL: Aftale om kommunernes økonomi* - The Government and KL: Agreement on the economy of the municipalities (various years).

The table shows modest increases in the Economic Agreements following the economic downturn: however in 2013 for the first time resources for public services declined. Interestingly in 2011, not only municipalities planned to spend less on public services than they were allowed according to the Economic Agreement, but they ended up spending even less than budgeted (Mailand 2012a).

Further measures implemented during the public sector collective bargaining round in 2011 include a wage-freeze for 2011 and very limited wage-increases in 2012 for public

employees in all the three main sectors - the state, the regions and the municipalities - following the wage-development in the private sector according to the so-called ‘regulation-mechanism’ (*reguleringsordningen*). However limited to municipal sector a ‘security fund’ was introduced during the bargaining round in 2011 to finance training for employees made redundant (Hansen and Mailand 2013).

Moreover, specific measures targeting the marketization of some public services have been recently introduced as integral part of public sector reform started in the 1980s, very much in line with the general marketization agenda and complementing austerity measures targeting municipal expenditure. In 2007 indeed KL and the government signed an agreement where they determined that the 25% of municipal public services that is allowed to legally subcontract should be ‘exposed to competition’, meaning that municipalities have to test the market through tendering for at least one quarter of the services they are entitled to provide. The ‘Indicator for Exposure to Competition’ called IKU (*Indikator for Konkurrenceudsættelse*) corresponds to services exposed to competition as a percentage of all services which is legally possible to expose.

Table 6.2 Public services exposed to competition 2006-2012

	2006	2007	2008	2009	2010	2011	2012
IKU 2012 definition	19.5	22.6	24.0	24.1	24.9	25.0	25.4

Note: IKU indicator = services exposed to competition as a percentage of all services which is legally possible to expose.

Source: KL 2012

However, since it is possible for municipalities themselves to present their own bids the exposition to competition not necessarily translates into outsourcing: the internal bid may prevail during the tender and the service remains publicly provided. In 2011 a non-binding target was set in order to increase the share to 31.5%. These figures correspond to the aggregate level of exposition to competition within all the 98 municipalities, which overall in 2011 over 25% of services tested in the market, 24.9 were actually subcontracted to private providers (*Økonomi- og indenrigsministeriet* 2013). It is worth noting that ‘the level of outsourcing (measured as the percentage of spending on services exposed to competition) remained the same before and after the crisis.

Exposure to competition increased substantially, but this occurred before the crisis and was a reaction to a political demand to increase exposure in connection with the Structural Reform' (Mailand 2014: 420-21) as indicated in table 6.2.

The regional indicator for exposure to competition (RIKU) based on the same rationale of IKU was first calculated in 2009 and displays significant differences between regions (Petersen *et al.* 2011) but the regional councils have never been subject to any agreement on compulsory competitive tendering.

To sum up, the development in Denmark of outsourcing policies diffusion, drivers, and political support may be split up into diverse phases, despite 'compared with the widespread privatization initiatives associated with the Thatcher and Reagan governments and the New Public Management era, Denmark was a latecomer in terms of introducing initiatives aimed at promoting contracting out and competitive tendering in the public services' (Petersen *et al.* 2013: 4). Initially, during the 1980s and early 1990s, roughly corresponding to the Conservative-led government contracting out was mostly considered ideological whereas 'there are the social-democrats who are more sceptical and the liberal parties which are for the market and for the competition' (Interview 71).

Such clear-cut ideological distance existing between the Conservative-Liberal parties and the Social-Democratic parties was gradually overtook, replaced by a more pragmatic approach put forward not only by all parties along the political spectrum but also by association representing public administration as KL, trade unions and citizens. Indeed as commentators report 'the debate has also been heated at times but has been less ideological and more focused on evidence and documented pros and cons of public versus private delivery' (Petersen and Hjelmar 2014:3, Petersen *et al.* 2011). Residual opposing stance still persist above all at national level where both Social-Democrats actors and union display a certain degree of scepticism, if not even of open resistance to marketization developments. However at local level, excluding extreme cases, the picture is rather homogenous: a pragmatic view prevails blurring differences across parties. Surveys conducted at local government level for instance demonstrated how the political party leadership had no impact on the level of contracting out in Denmark (Pallesen 2004).

Locally, stakeholders and social partners mainly show the same pragmatic attitude towards the issue for several reasons. Firstly, as reported by an official from the economic department of KL:

they're rather pragmatic about it because for all of them is touchy if something goes wrong. They are always taking political risks by outsourcing things because people don't really clap their hands only because they have saved some money. And it's difficult if something goes wrong in institutions run by private suppliers, it is always a scandal! Of course it is also a scandal in the public one but not in the same way. So it's touchy for everyone but of course more in the case of the some social-democratic mayors. (Interview 56)

Secondly, not only locally but also at national level, political decision-making is based on 'consensual decisions and crisscrossing alliances' (Interview 56):

even if the liberal party has the majority in local governments they still have to take into consideration the opinion of other parties, they would like to base the decision on large majority so they don't go just in one direction. (Interview 71)

KL, collectively representing all the municipalities despite run by councils from diverse political orientation, plays an important role of mediator among different stances, trying to prevent ideological clashes between parties and finding satisfying compromises and agreements. An emblematic example told by an official from KL well elucidates this point:

in February 2014 we had this Productivity Commission in the government which published a report on the issue of contracting out and recommended a few things. The report that the Minister of Finance commissioned to McKinsey came the week after and triggered a very ideological debate mainly by national politicians but we can hear it also here that the socio-democrats were less pragmatic than they would usually be because the opinion pool of the government is very poor and they saw this as an opportunity to challenge their ideological profile. And this is something we always tried to avoid because we can't promote outsourcing in a practical way if it becomes and ideological issue because this is a consensual organization, all our influence depends on our board to be able to find a consensus across party lines so we can negotiate with the government. So that is something we always try to avoid. (Claus KL 02/04/2014)

A third factor explaining the widespread pragmatism towards marketization policies recall across-the-board pressures which affected similarly all municipalities. The 2007 Structural Reform strongly pushed all local government not only to find innovative solutions to modernize and improve their bureaucracies, but importantly attributed to the most decentralized level of government a wide range of welfare services to a larger population. Such reallocation of competences and functions was also complemented by, although modest, austerity measures setting strict expenditure cap for the provision of public services that all municipalities are required to achieve. Likewise IKU agreements between the government and KL involved all the municipalities which at aggregate level have to expose to competition an established amount of public services.

A national official from the collective bargaining area of KL synthesized somehow the organisation stance on such point:

I think that mainly the mainstream is what is more convenient, how do we think we can conduct our business in the most efficient way. So you we'll see some social-democratic municipalities have gone very far and other examples have been for instance more right-wing. It's the municipality itself that is contacting the business so it will be very different. Maybe there has been some local discussion about it, and if there's a strong opinion in favour in the local area then they are feeling most comfortable with outsourcing. The municipalities keeping the services in-house for instance they might have had one bad experience and then they have reacted taking back the service saying: oh we will not do more outsourcing, we will stay in the municipality! So I think is very local and perhaps it's just one experience that can be very decisive about what they are doing, about future decisions. (Interview 55)

The pragmatic approach translated also in several tools that both the government and KL promoted to ease outsourcing policies, preventing potential detrimental repercussions and making the processes as smooth as possible.

KL created an on-line platform called "Procurement portal" (www.udbudsportalen.dk) with the purpose to facilitate cooperation between companies and public administrations, offering to both

public and private providers guidance, knowledge and tools during the whole process of contracting out, including consultancy and step-by-step assistance in drafting tender and bids. On such platform municipalities may also find best practices reported by other

local governments in order not only to share positive experience but also to advise in case of negative events.

A second platform created by KL called “Supply” (www.udbud.dk) instead constitutes a central procurement platform where public administrations may advertise their tenders and private providers present their bids.

On the initiative of the government’s main lawyer, a sort of think-tank called “Forum” was created encompassing in a small board of discussion members from private sector companies and their organisations, KL and councillors: through four meetings per year stakeholders and central actors discuss several common issues concerning public-private collaboration. Once again the rationale is to find shared solution and pinpoint pragmatic efficient suggestion and guidelines for dealing with marketization processes ongoing.

In order to promote innovative and socially sustainable initiatives in terms of tendering, the government has instituted a symbolic prize awarded every year to the best tender notice drafted by municipalities. A commission assesses tender on the basis of four criteria: degree of innovation; capacity to value private provider’s skills and know-how; value-for-money; social, ethic and employment-related sustainability of the tender. In addition the government provides so-called “Innovation Funds” allocated to improve the development of markets in the provision of public services. Municipalities, upon submission of outstanding projects concerning outsourcing processes, may get these funds to be invested in consultancy in order to develop their skills in drafting tenders, preparing internal bids and involve social partners for the construction of a sound dialogue around such issue. As commented by a public manager who got the funds for developing a project on outsourcing of elderly care ‘they can give you extra quality for the whole process’ (Interview 70).

In the end, some direct legislative provisions (as the IKU agreements) and indirect pressures like the reshuffle of responsibilities across levels of governments following the 2007 Structural Reform constitute relevant drivers of outsourcing, but never equalizing the financial pressures experienced by Italian public administrations or the normative impositions set by the Compulsory Competitive Tendering in the English context.

6.3 The case of the Danish municipality

The Danish municipality under scrutiny with about 40,800 inhabitants, located in the region of Hovedstaden, was created on 1 January 2007 following the 2007 Structural Reform as a merger of two former municipalities. Since 1 January 2014 the council is run by a Conservative majority led by a mayor from the *Venstre* party (right-wing party): historically the municipality has been mainly ruled by right-wing parties, whose dominance however has been interrupted by some left-wing governments.

Restructuring towards outsourcing started in 1996 when one of the municipalities (for sake of clarity called here G. while the second will be called H.) embarked upon contracting out of elderly home care services, driven by the search for lower costs in the provision of service as well as the purpose to increase competition on quality. These social services have since then been subject to several tendering rounds: the second one in 2000, then in 2005 and the last in 2013 including also the second municipality H. which for the first time subcontracted home care services. All residential homes and some special institutions for people with disabilities have been externalised by the municipality G. in 2000 during the tendering process for elderly home care, while in 2013 two residential homes have been taken back in-house under the public provision.

In the Danish context such processes of outsourcing/back-sourcing occur in a very smooth way, usually following the decision of municipalities to participate to tender presenting their own internal bid. In the municipality under scrutiny the council decided to establish an external company fully owned and controlled by the municipality for the provision of welfare and social services. When the local government decides to test the market for such services, or in other words ‘to expose these services to competition’, the municipality prepares an internal bid fulfilling all the requirements set for private providers. The internal bid was submitted unsuccessfully during the tendering rounds both in 2000 and 2005, while in 2013 the municipality awarded its external company with a contract for running two residential centres for the elderly.

The municipality G. then outsourced cleaning service in public buildings, including municipal offices, schools and kindergartens during early 2000s, extending the contract the second municipality H. during the tendering round that followed the merge in 2007.

In 2010 job centres have been externalized to a company in majority owned by the municipality while the company Randstad participated as minority shareholder. Due to economic problems and a steep decline in the quality of services provided, job centres were wholly taken back in-house after only one and half year. As very openly told by the mayor of the municipality who during the events was a member of the municipal council with functions in the economic committee:

we tried to outsource our job-centres and that didn't work really this time, within the next years we can try again. It was in 2009-10 and we only did it for one and half year then it didn't work so we took the service in-house again and now we have the job centres internally again because the quality of the service went down, not to be quoted but yes!. I can put the blame both ways because I think we have been too quick doing the invitation to tender, we didn't do our own work properly and there were too many holes in the contract and didn't do the right follow up. So if we look internally we made some faults. And of course there were also faults on the other side: they were not professional in economic level, they didn't for instance make the budget that was a surprise for everyone, they didn't make the necessary controls on employees, they didn't make sure that the employees had the right qualifications. So there were faults on both sides. And it was good that we stopped so quickly so we could say that we didn't take the contract too long. We could do that again another time, but not just now because the confidence everywhere is not big enough. (Interview 69)

Further externalization policies have been implemented after the 2007 merger, hence involving both municipalities since the beginning: this is the case of roads and parks maintenance services and waste dump management.

Surprisingly, compared to the solution adopted in all the other cases investigated, catering services have been always kept internal, directly provided by the municipality.

During the last years moreover the municipality embarked upon a public-private partnership for building a new public school: the construction works and the maintenance of the building for the following 25 years have been subcontracted to a private company while the ownership still remained public as explained by the mayor:

we own the building, we paid for the building with loans. We pay each year for normal maintenance so the same guys building it are those who maintain it and that's important because then they had an economic incentive to do the right things. (Interview 69)

The main rationales which drove the municipality towards restructuring processes mirrored the developments occurring at national level. At the very early stages a strong ideological belief in market competition led the Conservative-led council in municipality G. to embark upon the first externalization processes of welfare services, despite all around the country similar experience were still very rare. The ideological approach soon turned into a more pragmatic stance, oriented to cope with an increased range of services to provide, strict budget constraints for the provision of public services which however left some leeway and the political will to guarantee high quality services. The mayor of the municipality witnessed that:

the right-wing had this discourse since the last 20 years and there was a lot of ideology at that point but now it has gone. Now it's a question of doing things in the right way, making the best with the public money, that kind of question. When we discuss internally I can hear that that's the question, it is not a question that everyone should do it, everywhere. This is a question of doing in the right way and in the right place. (Interview 69)

As reported by a municipal official in HR department employed in municipality G. prior to the merger:

it was political the reason why they wanted to do this. True story is that the early director of municipality [G.] was a genius in innovation and he tried all this tools: of course for the economy but also for the services and the quality for the citizens in the municipality and that's why started in 1996. We tried a lot of projects about outsourcing but it was a pragmatic decision. (Interview 75)

Such pragmatism pervading the council was mentioned by the mayor who explained the two-step procedure the municipality follows to outsource services as a means to illustrate the point:

my distinction is that outsourcing has two steps. First step of outsourcing is to sit down in your organization and say: ok let's look at a specific area, is there market for it in Denmark? It should be in Denmark but we can also look abroad for some of the areas. And if there's a market and the prices on the market are free, they're not monopolized and you can go everywhere, then you can go to step two and say: ok this is actually an area where we can tell to the market that we are interested in and then

they will bid for it. And if we get a good offer then we go into the market but not before we are sure that the market is professional and the prices are not set from the actors in the market but from the market itself. So before opening the formal invitation to tender we test the market. That's very important otherwise you create another monopoly and you won't get all different set of prices. That's very important. (Interview 69)

Or again the director of welfare and social service department in the municipality argued that:

I don't know if I would call ideological the reason, but it was political pragmatism: the political system, the political leadership wanted to try new ways of running eldercare and I actually think it's a really important point that you have to have political support, political opinion on if you should outsource or not because if during the outsourcing something goes wrong it's important that you also have the political system which will take the responsibility. We always have had the political system which has been really involved in making the contracts. (Interview 70)

As elucidated up ahead this pragmatic approach is clearly reflected also in the implications that followed for both employees involved and for the relationship with unions.

6.3.1 Impacts on terms and conditions of employment

Restructuring events towards outsourcing in the Danish context are always followed by the transfer of the whole staff involved in public services exposed to competition. This translated in 600 employees transferred from the municipality to two main private company providing social and welfare services: Attendo and Aleris. Outsourcing of job centres instead has led to the transfer of about 100 employees, then taken back in the municipality after one and half year when the services was insourced. In all 150 workers involved in cleaning instead have been transferred, 70 previously employed in municipality G. and about 80 in municipality H..

The picture shows a massive transfer of municipal personnel towards the external subcontractors in case of externalization of public services: in no case workers were redeployed within the municipality, but they all followed the tasks where they were previously employed. The analysis however sheds light also on some cases of

backsourcing of activities, like the job centres and two residential homes: such events triggered an inverse process for workforce as well, who was transferred back to the municipality again.

Despite national legislation enables public administrations to dismiss employees in case of reduced activity or to make staff redundant, that has never been the case in the municipality under scrutiny. Social and employment clauses specified in the contracts, complemented by a priori dialogue with both unions and private providers have traditionally ensured employment to the whole staffing level involved in restructuring processes, as reported by a municipal official in HR department:

we never fire people. It's a statement we have: we work a lot with outsourcing but we also care about our employees so we have never been in a situation where we needed to fire people. Sometimes private companies have fired workers but we didn't. We said that when we do outsourcing we concern about the employees and also in the contract we describe a lot about which terms the new company should respect for the employees and of course we have social dumping clauses and working clauses. (Interview 75)

The director of social service department confirmed such *modus operandi* adopted by the municipality during outsourcing:

eldercare was private so all the workers were transferred to the external providers: that has always been the way things were outsourced and workers were transferred to the other companies. We have good dialogue with the companies and the trade unions actually to have good process with them. If you have situations where the level of activities is reduced then of course whether is public or private you have to reduce the number of employees. We also have good experiences with that and we have had a good understanding between the companies and also most of the workers, not in 1996 when there was a huge rough strike against this political decision but all in all we went through and they outsourced it. (Interview 70)

Such rather smooth paths of personnel transfer from the public administration to private companies was guaranteed, as above mentioned, by a proactive approach the municipality displayed with the purpose to safeguard all public employees, supported by the application of Transfer of Undertaking (Protection of Employment) Legislation (TUPE) which ensured to all staff to carry on their job for a different employer.

Although such protective framework applies especially in the short term, workers transferred might experience detrimental repercussions in the long run as explained by a national official from KL:

there is a law regulating transfers called TUPE: those who are employed in the public sector, when you outsource, they are transferred to the private company but I don't think that they are required to take all of them if it's not necessary for doing the task but they are transferred. And as long as that collective agreement is running, two or three years usually is the duration period, if they are in the middle of that period they have the same working conditions after the transfer, but when it's ended then they are transferred to the private companies collective agreements. So it's always regulated in the short term. (Interview 56)

Employment became more unsecure following the transfer to private subcontractors which, when the public sector collective agreement expires, are allowed to reduce the workforce through dismissals and making workers redundant. That occurred when cleaning services were outsourced in the municipality H. involving the transfer of 80 workers:

in cleaning area over 80 people were involved in outsourcing and half of them were fired afterwards. It was a bad contract because of some of the terms: it was the first time we made that kind of outsourcing and the company which bid on the job had another idea of the work (where you should clean and so on), so they said: we can do that with half of the staff and therefore they fired half of those who were transferred. The company is ISS. It's not the same quality now, the quality is not good and often we have to call and say: there has been no cleaning today and yesterday; the garbage bins are full, toilet paper is missing. (Interview 75)

Redundancy occurred also during the second tender round for roads maintenance tasks: if during the first tender all workers in the service were transferred to a private company, when roads maintenance was subcontracted the second time the new provided winning the contract took the decision to fire six workers. The dismissal triggered a vociferous campaign against outsourcing since those employees were all resident in the municipality. Finally a small part of nurses involved in welfare services were made redundant by the private companies.

To sum up, all public employees in the municipality have been transferred to subcontractors following the tasks where they were involved: as a consequence they all shifted from the status of public employee to that of private sector employee. Despite rare, in some cases group of workers experienced also the inverse process of transfer from the private sector to the municipality - as in the case of job centres -, subsequently modifying their status again. The application of TUPE regulation, which safeguard terms and conditions of employment during restructuring events, backed by collective agreements signed by social partners in both public and private sector every two-three years, guarantees high and encompassing employment protections for transferred workers. Indeed according to TUPE they are all transferred at the same condition, hence maintaining the contractual arrangements agreed upon the public sector collective agreement as long as it is valid. When expired, it is substituted by the private sector collective agreement of reference signed by the private companies and unions. In addition the pay adjustment scheme which links wage developments in the public sector to developments in the private sector, as a means to guarantee over the long term the same wage dynamics across the sectors, ensured broadly similar terms and conditions in both public and private collective agreements. A national official from the union FOA argued that:

actually we have collective agreements with almost all the big companies, so even though yet you have this competition between providers, we as trade union still have the members and all in all the collective agreements in the private sector. More or less conditions are the same, at least the cost, maybe there's some difference in how big part of the salary is used for pension fund and so on that could be different, but still the total cost of an employee is the same in the public and in the private sector. We had a good result. (Interview 59)

Moreover the municipality, as stable working practice, includes in tenders both social and employment clauses that subcontractors have to achieve to win the contract. Employment clauses concern mainly the reintegration of the whole staffing level, the application of collective agreements, stability in workplace and anti-social dumping clauses. Social clauses instead deal with a sort of social function that the winning subcontractors have to fulfil for the local community as explained by the municipal official in HR department:

when we do outsource, we concern about the employees and also in the contract we describe a lot about which terms the new company should respect for the employees and of course we have social dumping clauses, working clauses and social clauses that we describe in the contract. For instance in the green areas contract since we have people with disabilities we said that if they want to bid for the contract they have to take these people and care about them, give them a job for having a better life. Then there is a clause also for students: if they want to bid they have to take also students. In this way the municipality and the private companies together work for maintaining students. These are social, then there are clauses about salaries and about jobs in private companies: if you want to bid you have to respect these job terms. And specifications also about period of notice for workers when the contracts finish, to inform workers. We include a lot of clauses that we want the companies accept if they want to bid on the contract. (Interview 75)

Such scenario applied to most of municipal employees involved in outsourcing processes, despite with some differences. As a general rule it holds true what the national negotiator in collective bargaining from KL pinpointed:

we have in the public sector, I think, better conditions for the blue-collar workers than in the private sector. In simple way, we have better wage conditions and better working conditions for low-levels employees while the for the high-level employees it's better to be in the private sector. That's a challenge. I think is very common but I think we have a lot of areas, we have better wages for the lower level of the employees, for blue-collar workers in the public sector and we have better, for instance, maternity leaves, sick leaves and a lot of better conditions in this sense. (Interview 55)

The externalization of green areas maintenance led to the transfer of 20 gardeners from the municipality to a private company called KL Group: the private sector collective agreement, applied when the public one expired, guaranteed more or less the same wage rate, slightly higher in the public sector, but rather different in terms of other allowances and benefits. Public sector collective agreement indeed provides for higher pension schemes, better paid holidays and higher sick-leaves payments. Moreover contracts in the private company are remarkably more flexible: if the municipality guarantees the job during the whole year, the subcontractor reduced staffing level during the month when the labour demand decreases as in winter for gardeners as reported by two trade

union officials from the local branch of 3F representing gardeners in both public sector and private companies (Interview 65, Interview 64).

Also cleaning staff transferred to the private companies experienced detrimental repercussion on their terms and conditions of employment as argued by a union official from FOA:

now it is still on lower conditions, not so much on the salary, but very much on the working conditions – how fast are you able to do the cleaning of a classroom in a public school for instance. And this is because the labour market is well organized so you have almost the same salary both in public and private, almost. There are issues also in cleaning, whether they are lower paid in the private sector, but somehow it has more been as I said on how fast can you go and also there has been competition on salary but that is when you have private companies which recruit in Poland or in Rumania nowadays. (Interview 59)

If wage rates are broadly similar, benefits and allowances are instead more convenient in the public sector as described by a trade union official from the local branch of FOA:

in cleaning if you get pregnant in the private company you can stay at home 3 months with your full salary, but if you work in the public sector you get payment for 6 months.

In the private company older people (workers with high seniority) have no specific care for them; in the public sector you can work less hours and still have the same pension. And when you turn 58, you have 1 week more of holiday every year in the public. It's a big difference I think for the old people and for the people who want to have babies. Another difference regards further education: for example when there is a new treatment, if you are in the public sector, it provides to you training for free, while in the private you have to pay by yourself the training. (Interview 62)

The collective agreements applied to nurses in social and welfare services are instead more convenient for workers in the private companies in terms of wage rate as pinpointed a municipal official in HR department:

they would change collective agreements from public to private but we can see here from the 1 June 2014, when we took back in-house some residential homes and we got 40 employees from Aleris to the municipality, we could see that Aleris had higher salaries in the social eldercare and also see that Attendo almost the same but in Aleris they were higher than the public. We made agreement with their union that they have

to maintain the same terms and conditions when they came back, so I think workers are happy. (Interview 75)

Moreover private companies agreed upon in the contract to pay extra-money as rewarding bonus to nurses who continuously work for at least three months without interruptions for leaves or sickness (Interview 62). Higher salaries however are often back by lower benefits for nurses as explained in detail by the municipal official from HR department:

in the private sector you get the money for any extra hour while in the public you have better terms, maybe not better salaries but actually you have 2 paid days for parental leaves if your children are sick. So for every child until they are 7 years old you have 2 days free to take off every year and if you are older than 58 you have one extra week of holiday per year that we call "senior days", and the salary the public pays for vacation is higher than the private. So if you take these conditions, they are better in the public even if the salaries are maybe lower or the same. Employees are not used to have these conditions, therefore in their world the most important thing is the salary and not if you have free days to take off to take care of children. I think they are not used to have all those benefits in the private companies. (Interview 75)

Further differences between public and private sector collective agreements concern the lunch break and pension schemes. Traditionally all public employees have half an hour paid each working pay for lunch break, while most of private companies providing manual services did not agreed upon paid lunch break within the contracts (Interview 71). Pension schemes display different rate as well: if in the local government an average corresponds to 14.55% of the wage, in private sector is lower, corresponding to 12% of the wage, of which in some contracts a share has to be directly paid by workers themselves (Interview 51).

In a nutshell, the exposition to competition of public services in the Danish municipality triggered massive processes of staff shift from public to private collective agreements, leading to negative implications if not so relevant in terms of salary, remarkable when further benefits or allowances are involved as pension scheme, maternity leaves, holidays and sick-pay scheme.

Importantly, as pinpointed by several key-respondents interviewed, a widespread repercussion experienced by personnel transferred to private subcontractors is the

increase of workload. The most emblematic case is represented by cleaning services where different standards in the speed of work have been set up by contractual arrangements: collective agreements in private companies indeed agreed upon a specific amount of square meters to be cleaned in a given amount of time. To figure out to what extent workload increased, union officials repeatedly used the following figure:

there has been a change of workload as they have to do the same things faster, so there has been a change in how many square meters you are able to clean in how many hours, it has been increased the amount. More precisely you have work-speed that was 110, let's say, in the public and now is 130 in the private. I don't know the precise way how to figure out it but it has been increased. (Interview 59)

A raise in workload for cleaners, in addition, was driven by a reduction in working hours to perform a task, as in the case of cleaning of municipal offices reported by a councillor:

in the cleaning area it was usual that cleaners got 35 hours a week to clean the town hall, but when they were transferred to the private they maybe get 10-12 or 15 hours for the same area. Or you get the double area for the same time. So when you move from the public to the private you have to work very hard and of course it gets very bad. (Interview 64)

Nurses transferred to private companies experienced a growth in workload as well as underlined by a union official from the local branch of FOA:

if they had to take care of 5 people in 1 hour in the municipality, when they come to the private sector they maybe have 8 people, so it's a very high speed of work. So there is no place for people if they have a little bit of injuries: for instance if an old patient need extra-care or more time, you don't have the time for that. (Interview 62)

Overall however employees involved in outsourcing policies are broadly satisfied with both their job and working conditions, thanks to employment protections guaranteed by TUPE regulation and the application of collective agreements in both public and private sector. A trade union official from FOA argued that:

I guess that if you ask our members: what would you prefer? they would prefer to be public employees but if you ask to our members transferred in the private sector they

would mainly say they are satisfied. I guess they are mainly satisfied with their employers and very often they have big groups of private companies which sign good contracts with us' (Bang 10/04/2014). Beyond such rationale based on the economic appraisal of working conditions, often personnel transferred, above all in manual services, is even more satisfied in private companies because it feels part of the core business: 'in the private company they are the company, in the public they are so little, they are just a number, there are people from the administration, teachers, many works, so care or cleaning are only a little part of the public services. (Interview 62)

A bleak side however is also reported by public employees to shop stewards and local union branch: an increasing feeling of insecurity indeed stemmed from the exposition to competition of public services: despite legislative and contractual protections of employment, workers involved in transfer experienced changes in collective agreements every two-three years, often changes in their employer and a sort of constant threat to be made redundant in case of reduced activity (Interview 65).

6.3.2 Impacts on employment relations structure and union strategy

When the municipality G. embarked upon the first tender of elderly care services, union response, backed by the support of public opinion in the local community and citizens, was extremely harsh in opposing outsourcing policy. As reported by a municipal official in office at that time, a widespread resistance to externalization and privatization processes featured union stance in early stages. Such fierce disagreement towards the marketization of public services mirrored a wider nationwide ideological opposition featuring not only unions' national boards but also the Social-Democratic parties. Unions organized several campaigns against the privatization of public services, informing citizens about the risks that might follow, writing newspaper articles, speaking out on television (Interview 59, Interview 62, Interview 63). Their action was often backed by the organisations representing retired workers which in turn campaigned fearing a reduction in the quality of social and welfare services following the marketization.

Union approach at local level however evolved, as long as outsourcing debate and practices were catching on during the late 1990s and above all in the 2000s, shifting towards a sort of cautious acceptance of the phenomenon. Never openly endorsing

restructuring processes, union local branches - practically dealing with outsourcing of public services and personnel transfers in the municipality - adopted a more pragmatic approach. Such shift traced back to an increasing awareness that both public employees involved and quality of public services were well sheltered from negative repercussions, awareness achieved through a sound longstanding tradition of dialogue between social partners during restructuring processes. The national negotiator in collective bargaining from KL argued that:

trade unions - I think - they basically don't like outsourcing but they respect that the decision can be made by the municipalities and when the decision is made we have a sort of a process about what the municipality has to do. It's a process that includes also the trade unions, the shop stewards and the employees and I think that basically the process is a sort of accepted and it is in the daily life now. When the decision is made it is a sort of consensus between partners about what to do and you will discover that in the municipalities they are trying to conduct it in a good dialogue with the employees and the representatives of the employees. (Interview 55)

Unions indeed have had since the beginning a wide range of legislative tools and employment relations institutions to leverage in order to protect terms and conditions of employment during outsourcing events. Firstly all unions' confederations and KL in 1996 signed the so-called "MED agreement" which established Co-determination Committee (MED-udvalg), mandatory in each administrative unit with budget and personnel responsibility. These Committees are workers' representative bodies at workplace level, through which employees are compulsory informed and consulted on all kind and health and safety, personnel and HRM related issues, including all range of decisions concerning events of restructuring towards outsourcing, privatisation or transfer of undertakings which involve internal personnel. The municipal council under investigation, since the very first tendering round, used to inform and consult workers' representative during the early stages of each outsourcing process as reported by a union official from FOA:

usually we get information about the plans and we might get an opportunity to an opinion, to have a say on how to do it, maybe well not do it or how to do it. So usually the council follows that condition: it is actually a part of the collective agreement on public service that if you have a task that is in risk of being outsourced, before the

decision is made, you have a right to have your say and this is what used to happen. (Interview 59)

Such preventive dialogue with employees and their representatives in the local government has been traditionally set up not only as legal obligation, but pushed by the relevancy attributed to its function as explained by an official from KL:

you are obliged to always have a dialogue with the employees when you make a decision on outsourcing, there is a rule for that: at the very early stage you have to discuss with them, with the small board of employees' representatives. But there's also this law that whenever you outsource a task then the employees should follow, and if you transfer employees which are very unhappy and very demotivated it's very difficult for a private company to take in these employees and actually make good quality so the process of informing and having a dialogue with employees is considered to be very important because if they are unsatisfied it's very difficult to have a good start in that way. So the process is very important. (Interview 71)

A second set of tools at unions' disposal already discussed above is represented by TUPE regulation which protects employment arrangements during transfer and the Danish model of industrial relations based on the application of collective agreements negotiated by social partners every second-third year which provides for high contractual standards for both public and private sector employees. A union official from 3F cleverly explained as:

the TUPE and the Danish system do help to keep better agreements, better standards as long as unions are still around 68-66% organized then we will be able to do that. (Interview 51)

In the municipality under scrutiny unions signed collective agreements with almost all private subcontractors which took over as services providers; moreover as witnessed by a union official representing private sector workers from a local branch of 3F:

in case of outsourcing we want collective agreement with private providers and if they do not accept I go talking to the councillor and I insist because they must have the agreement. Indeed councils are very sensitive about agreements because outsourcing to private companies without collective agreement is a political suicide. No

municipality would contract a service out to a company without agreements: it's really a political suicide. (Interview 65)

This intertwined double level of protection that union can leverage during outsourcing processes has been well summarized by the national negotiator in collective bargaining from KL:

during contracting out you have to regard some rules on two levels: for the employees as individuals but also for representatives of the employees and this sort of double level has been emphasized in connection with the EU because the EU gives rights for the individuals and you can say that the Danish model gives rights for the representatives. We are working in the Danish model, in a system of representatives and the EU is fundamentally a system for the individual, providing rights for the individuals. Indeed the law of transfer of business is mainly directed to individual workers they are taking care of, and in this system - our system - the collective agreements with trade unions and shop stewards provide collective rights for the employees. So we have this sort of double regulation of all these issues related to outsourcing. (Interview 55)

Such framework is complemented by a third tool, namely the application of social and employment clauses within tenders, requiring to all bidders to take on all the workforce involved in the service subcontracted and to guarantee the application of collective agreements and related job protections.

Unions are working with clauses they want when the municipality outsources, the trade unions want to make those clauses part of the contract, where they can specify that transferred workers have to work in similar conditions as the collective agreement in the area, but also that private subcontractors have to provide a certain level of training. That's part of the discussion in connection with outsourcing and the trade unions are very pushy about this matter: and if there are not such clauses, in that case they go straight to the politicians. (Interview 55)

As a whole, the relationship between social partners may be described as highly collaborative above all at local level where almost all key-respondents used the word 'dialogue' to represent a context where unions, workers' representative at workplace, shop stewards, municipal council and KL meet with the purpose to reach, when feasible, consensual decisions or at least supported by a large majority, but always

preceded by mutual information, consultation and negotiation. Such longstanding partnership has been confirmed, through triangulation, by all the main stakeholders involved in outsourcing decision-making within the Danish municipality. For instance a municipal official from HR department argued that:

we work together with the union because when we say something they have to say the same otherwise employees are confused. We do a lot about working with the unions to take care of employees; when we do outsourcing it should be a good experience for the employees, therefore we need to have good relations with unions. We have FOA, DSR, 3F, in total we deal with 18 unions in our areas. Relationship with unions is good but unions have their own interest in employees: when they have been outsourced we had a lot of negotiations with unions and sometimes is good, sometimes is not so good but when we talk about outsourcing is usually rather good even if they tried to convince us to not outsource anymore. We have a good relationship with unions when we talk about outsourcing also because they know that we have tried this for a lot of years and they know that we concern about the employees and we concern about making the best terms for them. And they know that we are not trying to cheat and therefore we have a good relation. (Interview 75)

The national negotiator in KL, from her experience in collective bargaining with union witnessed that:

you can say that this dialogue is often due to the fact that the employees are electors as well, they are part of the citizenship in the municipality; but they [the politicians] are very concern about the conditions and the feelings, what employees are experiencing the process. I think that in the municipality they think that all these rules they have to discuss with the shop stewards and the trade unions are useful, I think that they appreciate that there is this dialogue with the shop stewards and the trade unions because it makes the process less adversarial.

For instance we had in 2007 a huge restructuring of the public, the municipalities were reformed and we had this dialogue with the trade unions and I think it was a very important part because we could make this huge reform with very few conflicts, it was a very smooth process with the employees. 700,000 public employees had a new employer and it was a very smooth process, I think that if we have had this result was due to this dialogue, because we collaborate with the trade unions in the process. So both the employers and the trade unions just said to employees: calm! we are dealing with this process in a good way for you and we have made agreement about how you are treated and how you are going to have dialogue in each working place.

So in these outsourcing process I think we have a huge advantage that we had this tradition for dialogue on the working place and often it is a dialogue with a tendency for less conflict than in many other countries. (Interview 55)

On the opposite side union official argued that:

we are always consulted and our position is usually taken into consideration, of course with differences from case to case. We have had other cases of municipalities which have overnight decided to outsource but still we have been involved in the process. Usually we get information about the plans and the opportunity to express an opinion, to have a say on how to do it, maybe well not do it or how to do it. So usually they municipality actually follows that condition: if you have a task that is in risk of being outsourced, before the decision is made, we have the right to have a say. (Interview 59)

Or again referring to dialogue at workplace between unions and private subcontractors:

we have our representatives both in the public and in the private. In the private we have 5-6 shop stewards and we have very good relations with these companies, we talk to them in a very good relationship. And private companies, they are very happy to have shop stewards because they take care of the whole things in the working places. (Interview 63)

To sum up restructuring processes towards outsourcing in the Danish municipality occurred in a context of dialogue and collaboration on the whole between the local government supported by KL, unions and their representatives at the workplace and private companies taking over as subcontractors. Such dynamics did not translate as union claimed in the backsourcing of public services, but guaranteed a smooth process of transition of employees from public to private sector, where personnel enjoy remarkable levels of protection of their terms and conditions of employment.

Exposing public services to market competition however triggered critical situations and challenges for union's capacity to collectively organise and represent workers. Not rarely in fact private companies subcontracted tasks or part of the services to further subcontractors along a complex production chain. That was the case for instance of Aleris and Attendo, the two companies taking over as social services providers which subcontracted catering service for the patients they took care of to a third company

(Interview 75). Or again in green areas maintenance services, the company KL-Group who won the contract with the municipality then subcontracted some activities to the company TMN Crew which in its turn recruited staff from the a temporary work agency called MEA Contractor (Interview 65). A third example is represented by public-private partnership the municipality embarked upon to build a new school: in such case the private company subcontracted tasks to another company which used to recruit illegally Polish workers without employment contracts (Interview 75). This fragmentation of production chain necessarily weakened union's capacity to monitor employment conditions for all workforce involved, leading to detrimental repercussions for salaries and working conditions. Specific training and information on these issues for both shop stewards and workers helped in coping with such challenge: in most of the cases indeed unions discovered critical situations of social dumping or non-application of collective agreements through warnings reported directly by workers' representatives at the workplace.

A further challenge is represented by small private providers newly constituted in the marketplace which, in order to be more competitive reduced labour costs by applying individual contracts instead of collective agreements: that was the case for instance of a small company called Cura Pleje which won a contract for providing welfare services in the municipality. Once expired the public sector collective agreement for workers transferred they initially refused to sign a new contract with unions (Interview 62). The joint pressure of the local branch of FOA and the municipality, leveraging on contractual obligation to respect social and employment clauses fixed the problem.

Moreover as argued by a union official:

what is actually one of our main challenge is that it is difficult, it is more difficult to organize, to make a trade union working in small private companies than those big companies where we used to work inside. Things like having shop stewards is more difficult in these small companies. (Interview 59)

Union membership has overall remained rather stable despite the intensive processes of workers' transfer and in general very high in both public and private sector: the rate is historically equal to about 60-65% in the local branches representing both the municipality and private companies operating in the local area (Interview 62). However

although at aggregate level membership rate is stationary, the transfer across organizational boundaries triggered a sort of internal competition among unions to recruit members. The main unions organizing in the municipality, indeed, are FOA and 3F: the former mainly represents public employees while the latter has internal categories for both public and private sector workers. It follows that 3F through a cross-sectoral structure may easily follow its members during the transfer, guaranteeing them the shift from public to private sector collective agreement as reported by one union official:

the main part of 3F has agreement both in the public and in the private and that's different for example from FOA which are mainly public and they don't have agreements with the private, so they are a union in another situation. But we have one agreement for public cleaners and another agreement for private cleaners. So workers simply move from one agreement to the other but they just stay in the union. And we are working together because the outsourcing is ongoing, we are working together, me and my colleague who has the private companies to help workers who change sector. (Interview 64)

A second union official from 3F added that:

we talk in this house together, me and my colleagues in the private sector trying to improve the conditions for the people working on public sector jobs but on private negotiating settlements, so we are working on that. (Interview 55)

Conversely FOA runs the risk to lose members when they leave the municipality as explained by a union official from FOA:

we organize in public cleaning, so if the cleaning is privatized they will become members of 3F, but in the eldercare and the childcare the membership continues in FOA. That's part of tradition. (Interview 59)

As external observer daily dealing with both unions in collective bargaining, a national negotiator from KL pinpointed an underlying competition between unions triggered by outsourcing policies, even if they formally denied it:

because you have the 3F and FOA which represent most of these blue-collar workers and they are sort of competing trade unions, they won't tell that but they are competing, because FOA is mainly representing the public area, they are a very big trade union in the municipalities, I think they are representing about a third of our employees but in the private area the 3F is the biggest trade union and often when employees go from public to the private market, they go from a collective agreement with FOA to a collective agreement with 3F. So it's also a change of trade union and in that way it's also a threat against the trade union FOA: if there's a lot of outsourcing they will be minimized, but today they are still very big. And that creates of course a double challenge for FOA because it's a challenge for members but also for them as trade union. (Interview 55)

FOA union, well aware of the development occurring in the labour market following outsourcing events, adapted its approach also modifying its name in 2005 from FOA - *Forbundet Af Offentligt Ansatte* (National trade union of public employees) to FOA - *Fag Og Arbejde* (Trade and labour): the new name was purposely selected to encompass also workers from private sector, removing the exclusive reference to public employees. The shift was not only symbolic but, more importantly, structurally the union tried to adapt to the new developments that its members were experiencing as explained by a union official:

it is not a symbolic change, it was also a change because we knew we have to organize inside the private sector, so we actually had a wrong name. My point was also that the tradition of being public services or being public employees is very strong. Every shop steward, everyone working in local trade union, the local branches and in this house has his/her own career being public employees, so it is really in our mind-set and we also have the challenge that we also think that it should be public. So sometimes we meet both private members and potential private members with an approach that is not as open as it should be because they are paying the same membership fee and they have the same rights. (Interview 59)

So for FOA outsourcing processes triggered a further internal challenge, since often members in private companies they represent:

refer to me as negotiator that they feel they are looked upon as second class members so it is very important that we change our way of working. We have to do our own work also to change our culture: we have to face that challenge in a way that private

members also feel very welcome and private companies have to think we are an interesting partner in collective bargaining. It is difficult. (Interview 59)

6.4 The case of the Danish hospital

As anticipated in the introductory section, the 2007 Structural reform transferred the responsibility to provide healthcare to the five regions, established merging 14 previous counties, with the exception of homecare which remained a function of the municipalities. Following the reform, decision-making processes occurred at regional level, where the elected council is entitled to schedule financial and organizational planning for all the hospitals encompassed within the geographical area. Hence a region has been selected for the analysis as starting point where decisions concerning also outsourcing/back sourcing policies are made; then within such region the research focused on one hospital reflecting the criteria listed in the methodological chapter.

The region under scrutiny encompasses about 800,000 inhabitants spread across 22 municipalities: healthcare services are provided by 10 hospitals operating in the area, employing overall about 17,000 employees.

Prior the 2007 reform only a few activities were outsourced in the hospitals belonging to the region, limited to cleaning services within the buildings and windows cleaning. Indeed healthcare sector on the whole has been almost exempt from any kind of financial or legislative pressures to expose services to competition. The administrative reform instead played a role in reshuffling responsibilities attributed to regions, entitled to manage almost exclusively the healthcare services through budgetary transfers directly from the central government: regional authorities indeed are not allowed to levy taxes, hence fully depending from the state from a financial point of view. However, as the finance manager of the region reported, such rationale has overall not affected the political decisions concerning outsourcing policies: money transfer from central government indeed has generally been consistent with the overall costs that region has to bear, thanks to the role played by the association representing regions called Danish Regions (*Danske Regioner*) which negotiates the annual financial frames of the regions with the Ministry of Finance.

The main reason underlying policy choices made by the regional council is ascribable, likewise in the Danish municipality, to a pragmatic approach towards services provision, free from ideological stance: restructuring processes towards externalization have been driven by the search for more efficiency in service provision, higher quality and whether feasible also lower costs. Such pragmatism is mirrored by the decision either to take services back in-house following negative experiences with private subcontractors - like in the case of cleaning and catering - or to keep internal provision of ancillary tasks as laundry and transport services - generally exposed to competition. More in detail, transport services both internally for patients and externally for goods across hospitals have always been performed in-house, as well as laundry service until 2007: after the reform indeed the region exposed to competition the tasks in few hospitals, for taking it back in-house once the contract expired. Laundry service indeed has been fully centralized in two big public laundry centres which supply all the 10 hospitals within the region. Specifically, in the hospital under scrutiny, the task has always been internally performed.

Conversely windows cleaning and polishing service have been outsourced during the late 1990s and the exposition to competition lasted until nowadays according to a specific business plan as explained by the development manager of the region who supervised all externalization processes:

we have outsourced small tasks like windows polishing mainly for safety reasons because when you have to clean those windows at the fifth or sixth floor is dangerous; and then is rather expensive and you have to have two or three specialized people to do it, so it's cheaper to have a private company which comes with the crew and the equipment and they can do it safely and cheaper. We don't have the machinery for cleaning the windows so it's easier to let the job to private companies which take also some other companies in the area. (Interview 53)

Green areas maintenance has been subject to the first tender round in 2007: following the administrative reshuffle the regional council opted for splitting the geographical area in three parts - the north, the middle and the south - and to expose to competition the three areas separately. During the first tender round the service for the whole region was subcontracted to a company called LK Group; instead during the second round in 2013 the control bid presented by the region won the contract in the southern area where the

service was insourced while LK Group got a new contract in the remaining areas. In this service indeed the council opted for opening the competition also to an internal public bid called “control bid” which, as explained by the manager of outdoor areas maintenance in the region consists of:

the price at which we work at because we describe the standards of the green areas as it is in the bid, we don't describe the way we think it should be or the way we like it to be, we describe exactly the way it works at the moment. We describe it and we give our own bid: that's the control bid. (Interview 68)

If the control bid turns out to be better off than external bids the service - or part of it as in this case - returns to the region. Such policy-making process mirrors once again the pragmatic approach the region displayed towards outsourcing: the market-type tool indeed was adopted only whereas it was clearly an efficient alternative to public provision. This stance is confirmed by the manager of outdoor areas maintenance who pinpointed that:

the principle is to save money but since everybody says that they can do it better and cheaper, we sent it out a pre-qualification, that means that not everybody can bid for the green areas. They have to be ascertained and have to have certain qualifications, certain background and economic stability: then we invite the best qualifiers to present their bid. So the main reasons for outsourcing is saving money. But today it's not only about saving, but also how you treat the environment, whether you use electric car instead of petrol car, and if your people get the right qualifications which is a good thing. (Interview 68)

In the hospital under investigation, green areas maintenance services have been externalized since 2007.

Catering service was exposed to competition starting from 2007 and the picture that emerged is multifaceted. In six hospitals out of ten the service remained in-house, while in two other hospitals the regional council embarked upon a new organizational project together with two municipalities located close to the hospitals. The three administrations established a joint-stock company, where the region entered as minority shareholder, with the purpose to jointly renew and run a kitchen centre called “Common kitchen” (*Fælleskøkken*) producing and delivering meals for both two hospitals and the

two municipalities: the underlying rationale was the search for economies of scale in catering services. The new kitchen, located on the upper floor on one hospital, was supposed to be operative since 1 January 2014, but at the time of the last interview in the region on 11 June 2014 with the manager of catering, the service was still closed, temporary supplanted by the internal service. As reported by the manager of catering service in the region:

it is a small hospital and we have a kitchen placed at the fifth floor, very wise, with two small elevators: rather expensive to run because it was in the same building of the hospital, just on the top of the hospital, why not in the basement? It was very stupid so we had to do something about this kitchen to manage this business right. We had these two municipalities available and the politicians thought it could be a good idea to create a joint-stock company together to renew our kitchen where we can prepare hospital food, food for meals on wheels for elderly citizens and for nursing home. They thought it was a very good business. We, in this office, analysed the plan and said: you can't put these three things into the same kitchen because they are three different things, different food, different techniques, different qualifications to maintain the contract in nursing home, in a hospital and some local citizens where you have one-to-one business. From this office we told to politicians that it was not a good idea to put 65 million dkk in that kitchen, sitting there and doing nothing. But it was a political decision made against the advice from us, and we were right: now they are running this kitchen only for meals on wheels for citizens and the manager was fired. (Interview 74)

Finally in two remaining hospitals, including that under investigation, catering was outsourced to an external provider called KRAM.

Cleaning service has remained in-house in eight out of ten hospitals, while in the remaining two - including the hospital under investigation - was externalized in the early 1990s. Following the structural reform, the regional council initially opted for outsourcing cleaning again in these two hospitals to a subcontractor called ISS: once the contract expired however the service was taken back in-house as in the rest of the region. The region, together with the manager of cleaning in the two hospitals in September 2013 launched a new organisational plan called "service assistant plan" (*Serviceassistent projektet*): the project aimed at training a new internal professional figure defined "service assistant" designated to perform both cleaning tasks and transport of patients and goods within the hospitals. A two year training program was

scheduled for both cleaners and porters, including theoretical courses such as Danish lessons (the large majority of the workforce was indeed non-native speaker) and practical activities: all workers involved were then expected to work as both cleaners and porters appointed to transport patients and goods inside the hospital. The rationale driving such back-sourcing process has been clearly elucidated by the development manager in the region:

we have taken the task back home but also with the focus on reorganizing it. When you consider activities like this one, you can look at the circle of taking care of people or you can look at circle of taking care of services and we wanted to focus a bit more on the circle of taking care of people and therefore we tried to take some of the services a bit closer to the health circle and that's in fact what we are doing now. We are going to educate a lot of people from being just cleaners to be more multifunctional that can go in the wards and make other tasks, helping in the health circle. That's in fact the project that has been running now for over a year and will run more than two years before we are really feeling the difference out in the health sector. (Interview 53)

Moreover as reported by cleaning manager in the hospital 'staff is expected to be more qualified, quality of their life should increase and the service will be more flexible within the hospital' (Interview 60), expectation confirmed also by the union official from the local branch of 3F representing the large majority of workers involved: 'it was good because many of them got an education through the project, so they could do a little more than cleaning' (Interview 67).

The overall picture following restructuring processes in the hospital is then featured by a limited number of activities outsourced: if core healthcare services have never been exposed to competition, ancillary tasks have been subject to marketization processes only to a limited extent and not rarely taken back in-house for organizational and strategic reasons.

6.4.1 Impacts on terms and conditions of employment

What followed in terms of implications for working conditions and terms and conditions of employment broadly mirror the paths pinpointed in the Danish municipality. In case of restructuring of public services towards outsourcing workers

involved have always been transferred to the private providers taking the task as confirmed by the special consultant in the legal office for negotiation in the HR department of the region who followed all these processes (Interview 52). More in detail in the hospital under investigation three workers in windows cleaning services were transferred at the very early stage; about 100 workers in cleaning were instead taken back in-house shifting from the private to public employee status, while few more workers were hired (Interview 60); out of 50 workers involved in catering two were redeployed within the hospital to perform other ancillary tasks while all the rest was transferred to KRAM (Interview 74); finally in green areas maintenance 22 workers were employed overall: after the transfer 4 were made redundant by the private subcontractor LK Group (Interview 68). In a nutshell almost all the workforce involved kept the employment shifting the status from public to private one, except for cleaners who have been recently subject to the opposite shift as well.

Likewise the municipality, in the Danish hospital the intertwined protections set by TUPE regulation and the tradition of collective bargaining in both public and private sector every second-third year guaranteed to all the workers transferred the same terms and conditions of employment as long as the public sector collective agreement was valid, as confirmed by the special consultant in the legal office for negotiation in the HR department of the region:

we have the law about transferring tasks, and since we have usually the working conditions in the agreement which are not the same then companies have to negotiate with the unions to get the workers from that conditions to their conditions. By law you have to maintain the same agreement until is valid and then there are negotiations about working conditions every second year in Denmark. As Region we have an interest that all our employees are following the working conditions that they had with the Danish Region. (Interview 52)

Once expired, it was replaced by private sector collective agreements which ensure rather similar wages thanks to the pay adjustment scheme which links wage developments in the public sector to developments in the private sector as a means to ensure over the long term the same wage dynamics across the sectors.

Beyond such general framework however, some differences emerged on contractual arrangements and working conditions following outsourcing processes.

In green areas maintenance the shift from public to private sector has meant a reduction in working time: in rotation during winter-time when the activities to perform decreased 7 workers were temporarily suspended as told by the manager of outdoor areas maintenance in the region:

seven gardeners have been sent home in winter, it's quite a normal process here in the winter, because there's not so much to do. LK Group company send them home from the end of November to the beginning of April, when they are re-employed again: this is what you are allowed to do, the unions agreed with this, it's a special rule about winter rotation. But we have never sent people home in the winter: we didn't really need those people in winter but we kept them for the winter-work even if for most of the time they really didn't do anything during the day. But at least we could call them during the night in case of need. Whereas in the private sector they don't do that: you're either in or you're out!. (Interview 68)

Beyond such reduction in working time during the year, gardeners transferred were also asked to work across different working places, often travelling during the daily shift. The private company KL Group established by contract to exclude travel time from the computation of the actual working time, in exchange for a fixed-rate paid to workers for each kilometre covered as explained by the manager of outdoor areas maintenance:

if you are employed at the hospital, that's where you start at 7 o'clock in the morning and at 3 p.m. you go home. So if you are at the hospital X and you have to work at hospital Y, they still start at the hospital X at 7 o'clock, pick up a van and drive down there and it's 1 hour and half drive each way. So it's more than 3 hours gone just in driving but now the new way the firm does, which is a pretty good way, they pay people driving money, you get a fixed rate that is 3.81 dkk per kilometre but it means that if you have to work at hospital Y you have to be there at 7 in the morning and you have the whole day for working. It's best in the long run because it costs in driving money but you get people ready at workplace at 7a.m.. Now there's much more control and better management. (Interview 68)

To sum up gardeners transferred to private company have been subject to longer working hours and increasing flexibility in workplace, complemented by rather similar wage rate and allowances, still slightly more convenient in public sector collective agreement as reported by a union official from the local branch of 3F representing these workers also in the private sector (Interview 67).

Also in the case of catering, staff transferred to KRAM private company, although overall terms and conditions of employment were rather similar still:

if you are in the public there are some agreements with unions, if you are in the private there are other agreements, they are not the same. In the private company workers are less paid, have less holidays and more working hours. Whereas here in the region I'm not allowed to pay them that less, I'm not allowed to make them work that much. (Interview 74)

Again wage rate is more convenient in the public sector compared to the private which in addition asked workers to bear increasing workloads.

Staff involved in cleaning services instead experienced an improvement in terms and conditions of employment shifting from the company ISS back to the region as commented by the special consultant in the legal office for negotiation in the HR department of the region who negotiated with unions: 'the experience we had when we took the tasks in the area of cleaning home again to the region is that the wages raised when we took back because - this is my idea - the private company has to earn some money when they get the task, therefore they have to pay low wages' (Interview 52). The union official from the local branch of 3F interviewed - representing cleaners in both public and private sector - was involved in both processes of outsourcing and back-sourcing of cleaning staff: when the region embarked upon the "service assistant project" taking back in-house also the personnel, she very punctiliously pinpointed all the differences in terms and conditions of employment between public and private sector collective agreements applied to cleaner, summarized in table 6.3 that she circulated among 3F members involved in restructuring process. When the project started indeed workforce involved fearing detrimental consequence for their job, *en masse* questioned union's representatives for clarifications: as a means to provide satisfactory and clear responses the 3F local branch instructed such table to present in a general meeting to all workers involved.

Some differences indeed emerged between collective agreements: wage rate is slightly lower initially in the public sector compared to the private one, but it increases more in

the long term; moreover maternity leaves, holidays and sick pays scheme are more convenient in the public sector contract. The public collective agreement in addition provides for further day-offs linked to the worker's seniority at the same monthly wage rate, not agreed upon in the private company, complemented by more convenient severance pay and notice period for the public workers compared to the private one (see table 6.3). Overtime regulation is also different since in the private sector each extra-hour of work is regularly paid whereas in the public administration workers, instead of being paid, at the end of the month computed the total amount of extra-hours worked are then allowed to take off those hours from work: after three months remaining extra-hours are finally paid.

Overall contractual provisions are better off in the region compared to private companies, despite differences are marginal. Outsourcing policies however led also to increasing workload for workers involved in various tasks: gardeners were demanded to work longer hours covering several working places, that meant also travelling a lot during the shift while cleaners despite they reduced the speed of work shifting from the private company to the region they were now trained to perform more tasks including transport of goods and patients within the hospital.

However key-respondents interviewed reported how workers were on the whole satisfied to work in the private companies since they felt part of the core company and had the possibility to earn extra-money working overtime. The emblematic example is constituted by cleaners taken back in the region when the service was insourced: they were really worried about terms and conditions of employment because the large majority of the workforce preferred working longer hours for getting paid higher than having the possibility to convert extra-hours in leaves as explained by the manager of cleaning of the hospital:

all these workers were outsourced until last year when we took over all the same people. Salaries and working conditions remained almost the same when we took them in-house: almost because they went a bit up but there are some differences in the way we pay the people. In the ISS they all get a little bit extra when they work in the evening and ISS paid that amount of extra-hours; in our organization they go into a bank where you save the time so you can get off those hours another time. And if they haven't took the time off for that extra-hours within three months, it goes out in

Table 6.3 Terms and conditions of employment for cleaners: differences between public and private sector collective agreements

	Collective agreement applied by the region	Collective agreement applied by the private subcontractor ISS
Wage payment period	1-31 of the month paid the last working day of the month	15 in a month to 14 next month paid the last working day of the month
Pay supplement	paid following month	paid the same month
Pay component	Fixed salary + supplements	129.31 hourly rate for all hours Service supplements 3.65 for all hours seniority allowance 4.65 for all hours (after 1 year) free to select (paid or pension) of 1% of salary (paid monthly) (equivalent to 138.99 Danish crowns per hour) service assistants + 4 Danish crowns + 1% per year hour
Public holidays	Fixed monthly salary	Sunday/holiday charge 3.5% of the salary paid by the
Additional holydays	5 extra days of holiday. Fixed monthly salary	5 extra days of holiday.
Holidays	5 week vacation. Fixed monthly salary 2.35% holiday bonus	5 week vacation. 12.5% of wages paid through holiday cards
Extra work (to replace sick colleagues)	Normally, you have to cover sick colleagues area for up to 3 days at no extra charge. Doing only the most necessary	If you are going to cover an area for sick colleagues, fill out a chart of the tasks that <u>cannot</u> be solved (form attached). Make a sick colleague's work, you should be paid for their hours
Dismissal	According to the Salaried Employees Act: - for the first 6 months: 1 month notice for the employer/ 1 month notice for the employee - from 6 months to 3 years: 3 months / 1 month - 3-6 years: 4 month / 1 month - 6-9 years: 5 months/1 month - more than 9 years: 6 months/1 month Notice apply from the end of a month	Notice: - first week: same day - first 6 months: two weeks/2 weeks - 6-12 months: 2 months/1 month - 12 months to 3 years: 3 months/1 month - more than 3 years: 4 months/1 month Notice apply from the same day

	Collective agreement applied in the region	Collective agreement applied by the private subcontractor ISS
Severance pay	After 12 years: 1 month salary After 15 years: 2 month salary After 18 years: 3 month salary	After 10 years: 1 month salary
Sickness pay	full pay during illness	full pay for 56 calendar days within 12 months
Child sickness leave	full pay the first 2 days	full pay first day
Days off for seniority	58 years: 2 days 59 years: 3 days 60 years: 4 days	No days off
Pension scheme	12,75% waiting period of 10 months final wage in the pay check is the net one deducted from the own contribution to the pension	12,15% after 10 years of 12.75% waiting period of 2 months
Health scheme	no health system in addition to any local agreements	paid health care system through pension Denmark
Maternity leave	fully paid 8 weeks before and 14 weeks after. If employers are reimbursed	fully paid 4 weeks before and 14 weeks after the employer get refund

money. People have had hard time understanding that it's a different way of doing that because they prefer having money immediately. (Interview 60)

The general feeling that officials from both the region and unions experienced however was a widespread insecurity and fear concerning changes: the staff, beyond a personal preference in working either with a public or private employer, does not like frequent changes in working conditions and contractual arrangements as argued by a union official from the local branch of 3F:

workers are not happy to go back to the region because they like what they know: when they moved to ISS they said "oh the wage is so low, it's too fast!" but then when they went back to the public they said again "I don't understand, the wage is so low!". So I think that people like the things they know and it will take one or two years for understanding and say "ok this is better". (Interview 73)

Or again an official from the region confirmed that:

they are not that happy, not everybody was happy, actually someone were rather unhappy. I think it's not because of politics, it's not because of union, it's because of the human being: they don't like changes, they want safety, they wanted no changes and stability in their lives; you want to know what you are pay for, this is Maslow, basic!! I think is that. I know what I have, I don't know what I'll get. (Interview 74)

Such feeling of insecurity was reported also by gardeners transferred to the private subcontractor LK Group as explained by the manager of outdoor areas maintenance in the region:

I'm still in contact with people who moved to the private and those who want to work they think it's ok, if you are flexible they got a good job. Of course it's different but the biggest fear was before it happened, they anguished about what was going to happen: they had the same job for 25 years, then was the terrible fear of the unknown that prevailed. Workers grumbled saying "this is not what we are used to do". But after that they are happy because they realized that it's union who decides and controls the transfer: they got to have a warm room to sit in and things are not much different. (Interview 68)

6.4.2 Impacts on employment relations structure and union strategy

Given the limited number of services exposed to competition in the hospital, unions have never organized structural strategies of resistance or opposition to restructuring policies: the processes have traditionally been strongly governed by unions who take an active part during personnel transfer. Moreover workers' representatives elected in Co-determination Committee enjoy the rights of information and consultation on personnel and HRM related issues, also related to restructuring towards outsourcing, privatisation or transfer of undertakings events. Employees and their representatives are thus always informed and consulted during externalization process: although they can barely oppose the process, their involvement ensures to workers the respect of TUPE regulation about transfer of undertaking and the application of collective agreement of reference as explained by a trade union official from the local branch of 3F (Interview 67). The manager of outdoor areas maintenance in the region added that:

unions have been involved from the start, not right from the start but actually as soon as we started building up the contract concerning the groups of employees. We met with everybody and the union's representatives from the different parts came as well for being part of the process. They didn't want to outsource but they are aware it's a political decision, they can't say that they didn't want to change anything. They just made a point saying: we don't think it is a good idea. Their job was mainly to make sure that all the EU laws were obeyed, so that's why they were invited to be part of that process. (Interview 68)

Shop stewards are elected in both the hospital and private companies taking over the service, enabling unions to closely monitor working conditions and the application of collective agreement at workplace as reported by a trade union official from 3F:

we have shop stewards elected every two years and the companies accept them, in Denmark is normal to respect workers who are elected at workplace as representative. If people have problems the shop steward speaks to them and then speaks to the employer. If people have to work too much and they should have a speak with the leader, the shop steward goes with them and if something is not right he tries to fix it. He has a good relationship with the leader of the company, that's the normal way usually. And then we have a representative from union for security at work, that's another kind of representative that is elected: it is called "safety representative" (AMR - *arbejdsmiljørepræsentant*). He's job is to check that people don't work with stuff

which are not allowed or that they work in positions which are always good or safe. These representatives are elected one from the workers and one from the employer and they have to work together on such safety-related issues. (Interview 73)

Unions, thanks also to a longstanding tradition of collective bargaining in both public and private sector, were able to sign agreements in all the private companies providing services for the regional hospitals.

The overall scenario in the hospital regarding employment relations between unions, the region as employer and private companies subcontracting public services is featured by a sound collaboration between social partners, as already pinpointed also in the Danish municipality. Each single restructuring processes is carried out through dialogue and negotiation between parties involved which usually tries to overcome divergences in their stances in order to reach shared decision. For instance the special consultant in the legal office for negotiation in the HR department of the region reported an interesting example of such collaborative relations:

when we took back the task of cleaning in the hospital, one of the official from union who normally represents the private area came and she was very sceptical about the shift of her members from the private company to our working agreement because she was worried they were very different in the built up, and actually it's quite different. She was very sceptical but we used lot of energy to convince her that we provide in fact better working condition in our agreement. We came to an agreement when she really understood how it was. (Interview 52)

On her side, the union official involved in the processes replied that:

I think that our relation is not so bad. Together with the manager of cleaning in the hospital we made a lot of education, so it wasn't so bad. We got about 100 people that took that education and a lot of them were from different countries, they didn't speak Danish and we put extra teachers on it: that was possible because we worked together with the hospital. (Interview 67)

As above reported unions used to have a collaborative partnership with private companies as well. Another example regarding the nature of relation between unions and the region as employer is reported by the manager of outdoor areas maintenance:

I have a good relations with unions but personally I know people in my job that have hard time with unions in other regions. Unions representing the gardeners they're on

my side and I'm on their side because we just want things to work. We hadn't got such strict rules, we wanted just to get home with the job. Me and the representative of gardeners, we were sit in different sides of the table but we always ended up with agreements because he's calm and sensible, he does the best for his people and I tried to listen to his sides of the argument. Out of the recorder, we keep each other informed, we just checked how it is going and that's a very good thing. (Interview 68)

In general union membership remained stable despite restructuring events: not only outsourcing involved a limited number of workers, but the large majority were represented by 3F union which - as extensively explained in the case of municipality - represent manual workers in both public and private sector. So during transfer workers renewed the membership in the new category of reference.

To conclude, exposition to competition in the hospital triggered some challenges for unions. Firstly private companies imposed to transferred workers increasing workload, higher flexibility in working time and working place and longer shifts: unions faced difficulties in coping with such issues that were all agreed in collective agreement. A second challenge was represented by foreign workers, who gradually grew in number in the technical tasks outsourced: as reported by the union official from 3F:

these workers are from many different countries, European, Asian and African countries, China and Japan, many from Turkey and it was rather difficult to organize these people since they don't speak Danish and do not understand our tradition of being member of a union. (Interview 73)

Overall however outsourcing events did not particularly undermined the Danish tradition on employment relations in the healthcare sector.

6.5 Conclusions

Exposition to competition in the provision of public services in Denmark has traditionally been characterized by a pragmatic approach: put aside the ideological stances of the early days during the 1980s (Palleesen 2004), outsourcing constituted a manageable market-type tool to exploit whereas suitable to improve quality of services

through competition, able to boost value for money. Despite some differences still present between Conservative-Liberal parties on the one side and Social-Democratic parties on the other side, the prevailing attitude mirrored a pragmatic political will to find an efficient solution in services provision, reached through an encompassing dialogue among parties which should led to a large majority decisions, if not even consensual. Such pragmatism is reflected also by the several cases of back-sourcing implemented by political council of both orientation in the municipality as well as in the hospital, when the internal provision turned out to be the most convenient.

Local government and healthcare sector have been subject to marketization pressures of different extent: if pressures on the latter were almost inexistent - neither legislative or financial -, conversely in the former case the increasing range of functions attributed to municipalities following the 2007 structural reform, complemented by, despite limited, budget cuts played a remarkable role towards outsourcing, together with agreements negotiated between KL and the government pushing municipalities to test the market for an established rate of public services.

As a consequence indeed the municipality under scrutiny outsourced a larger number of activities compared to the hospital, including also core services such as home care, residential care and social services for people with disabilities. Conversely the hospital limited market testing to few manual services. Interestingly cases of back-sourcing have been reported in both sectors.

Implication for terms and conditions of employment followed in the two cases a common pattern as summarized in table 6.4.: all workforce involved was transferred to private subcontractors taking over the service at the same terms and conditions of employment. According to TUPE regulation public sector collective agreement was applied as long as it was valid, then replaced by respective private sector collective agreements negotiated between unions and private employers. A longstanding tradition of negotiation every second-third year in both public and private organisations, a high coverage of collective agreements as well as the role played by the pay adjustment scheme - which links wage developments in the public sector to developments in the private sector as a means to ensure over the long term the same wage dynamics across the sectors - ensured rather similar conditions to all personnel transferred.

Such positive outcome was feasible, beyond employment regulation and institutions above mentioned, thanks to a longstanding tradition of dialogue and negotiation between social partners - unions and their representative, regional and municipal councils and their representing associations (KL and DR), private companies and their association reported by table 6.5. Despite the negotiations did not prevent from outsourcing public services, certainly ensured the application of the most convenient conditions for staffing level out of those processes.

In addition, institutional bodies for workers' representative at workplace such as the Co-determination Committee (*MED-udvalg*) played a relevant role in informing and consult workforce regarding all personnel and HR-related issues are discussed, including the transfer to private subcontractors following services outsourcing.

The analysis however sheds light on some differences across sectors as well. As anticipated, exposition to competition interested a higher number of services in the municipality compared to the hospital, and as a consequence a larger workforce, including both low-skilled and high-skilled workers as nurses. Not only a remarkable amount of public employees was transferred to private sector companies at different working conditions, but some cases of dismissal and workers made redundant were reported in the municipality.

Finally, although the relation between social partners is rather collaborative in both sectors, several frictions occurred in the municipality along the years between the council and unions: the marketization of social and welfare services in Denmark still constitutes an "hot potato", a sensitive issue for both trade unions and citizens as users of the services.

Table 6.4 Labour-related variables affected by outsourcing in the Danish municipality and hospital

	<u>DENMARK - MUNICIPALITY</u>	<u>DENMARK – HOSPITAL</u>
Public employment in services outsourced	The whole public personnel was transferred to private subcontractors	The whole public personnel was transferred to private subcontractors. 2 workers in catering relocated within the hospital. Cleaning staff taken back in-house in 2013
Transfer of public personnel to private providers	All public personnel transferred	All public personnel transferred.
Redundancy	Some cases in private companies where public employees were transferred	Very few cases in private companies where public employees were transferred
Size of public employment	Decreasing following outsourcing: several public employees transferred to private companies	Rather stable: outsourcing limited to few services
Collective agreement applied	Public sector collective agreement after the transfer as long as it is valid, then replaced by private sector collective agreement of reference	Public sector collective agreement after the transfer as long as it is valid, then replaced by private sector collective agreement of reference
Wage rate	As long public sector agreement is valid: same wage. Then rather similar but lower in private sector	As long public sector agreement is valid: same wage. Then rather similar but lower in private sector
Workload	Highly increasing in private companies	Increasing in private companies
Inequalities in contractual provisions	Differences between public and private sector collective agreements concerning maternity leaves, pensions scheme, sick pay scheme and holidays	Differences between public and private sector collective agreements concerning maternity leaves, pensions scheme, sick pay scheme and holidays
Social clauses in tender to reintegrate the staff	Always included	Always included
Workers' issues	Increasing feeling of insecurity due to continuing re-tendering. Multi-tier workforce in social services. A case of subcontracting in contracted company	Initial concern for cleaners when they were taken back in-house

Table 6.5 Employment relations-related variables affected by outsourcing in the Danish municipality and hospital

	<u>DENMARK - MUNICIPALITY</u>	<u>DENMARK – HOSPITAL</u>
Union stance towards outsourcing	Initial opposition to outsourcing, above all concerning social and welfare services. Then pragmatic approach oriented to protect working conditions for workers transferred	Traditionally a pragmatic approach oriented to protect terms and conditions of employment for workers transferred
Union strategy and responses	In the early days: harsh campaigns to oppose outsourcing. Then monitoring the application of TUPE and collective agreements	Monitoring the application of TUPE and collective agreements
Workplace representatives	Shop stewards always elected in both public administration and private subcontractors. Co-determination Committee provide employees' representative the rights of consultation on personnel and HRM related issues.	Shop stewards always elected in both public administration and private subcontractors. Co-determination Committee provide employees' representative the rights of consultation on personnel and HRM related issues.
Union consultation	Unions are always consulted when workforce is involved in transfer.	Unions are always consulted when workforce is involved in transfer.
Relationship between social partners	Social dialogue; collaborative partnership despite strongly different stances between union and council	Social dialogue; collaborative partnership
Challenge to union	Negotiation in small companies and problem of subcontracting in private companies	Difficulties in organising non-Danish workers: raising number in private subcontractors
Membership	Generally stable and rather high in both public and private sector. Some difficulties in recruiting members in private sector for union FOA.	Generally stable and rather high in both public and private sector
Users' involvement	Union representing retired workers campaigned with union for the quality of elderly care	n.a.

Chapter seven

Outsourcing in public services: a comparative perspective

Empirical evidence presented in the three previous chapters shows that restructuring processes towards outsourcing in the provision of public services impacted on working conditions and industrial relations structures in a wide array of ways. Indeed the first objective of the present study is to investigate the impacts of outsourcing process of public services on terms and conditions of employment and industrial relations structures in different European countries and across diverse public administration sub-sectors. Through a case study analysis in six organisations, the present research identified several diverse repercussions affecting terms and conditions of employment - ranging from employment status, wage rate, sick pay scheme, pension scheme, working hours - as well as industrial relations structure such as collective bargaining, employees' representations and union consultation procedures. However, unlike the main stream of literature investigating the vertical disintegration processes in private companies has suggested a great deterioration in the variables at stake (Kelleberg 2003, Doellgast *et al.* 2009, Flecker and Meil 2010, Jaehrling and Méhaut 2013), restructuring in public administrations not necessarily led to detrimental implications for employees. Conversely the scenario is patchy: in the public sector the interplay of higher regulative employment protections and a more encompassing scope of collective bargaining acted as a buffer - if not preventing - in sheltering public employment from erosion in given institutional and legislative circumstances.

As elucidated in the methodological chapter, the present research is built upon a double-level comparative research design which enabled to investigate whether such consequences on working conditions and employment relations of outsourcing

processes, embedded in different national institutional contexts and diverse segments of public administration do follow convergent trajectories along the same pattern, or conversely, whether they do diverge according to different legislative and institutional national arrangements and/or to different peculiarities and constraints characterizing public sub-sectors. The research question lying at the heart of the dissertation can be reformulated as follows: does the country matter? Does the sector matter?

Literature on value chain analysis indeed has formulated different hypothesis as regards the impacts of vertical disintegration of service provision on employment relations strategies and implications for labour, lying on a set of various explanatory factors. More specifically these structures and outcomes are understood to vary according to four main criteria: the degree of influence of lead firm in determining employment relations strategies and practices in supplier firms; the level of skills and knowledge of employees at disposal of supplier firms, which is tightly related to the nature of activities to perform; stability of employment (tenure and type of employment) in the supplier firm; national institutions and legislation shaping supplier employment structures (Lakhani *et al.* 2013).

Furthermore the drivers of such marketization processes in public service provision might have played a role in shaping outcomes for labour. Consequences for employment structure in fact may vary depending on whether public administrations embarked upon outsourcing as a means to downsize public employment (Alonso *et al.* 2013), to reduce labour cost (Quiggin 2002) or conversely if market competition is driven by the search for greater flexibility in service provision (Atkinson 1984).

Implications indeed, despite some common trajectories across the three countries and the two public sub-sectors under scrutiny, display rather clear-cut divergent models which trace back to different national institutional contexts, as well as sector-specific characteristics.

The overall picture in Italy is featured by a preponderant stability in employment status for public employees involved in subcontracted services: in both sectors the large majority of personnel has been redeployed within the public organisation at the same terms and conditions while wider transformations in employment status and working conditions affected a marginal proportion of temporary public employees. Likewise industrial relations structures displayed a certain degree of continuity in their traditional

role to collectively represent workers despite the increasing fragmentation of employment triggered by outsourcing policies.

Conversely public employment in England has been subject to remarkable changes in terms and conditions of employment and job organisation following a massive transfer of the whole staffing level from public administrations to private subcontractors taking over as service suppliers: the shift across organizational boundaries - which became increasingly blurred and overlapping - not only deteriorated working condition but importantly weakened union structures and capacity to organise and protect workers.

The Danish cases instead represent a sort of intermediate pattern where features of both the Italian and the English scenarios are recalled. On the whole indeed public staff experienced several transfers between organisations - from the public administration to private companies, between external providers, as well as from the private sector back to the public one - which led to transformations in their terms and conditions of employment. Nevertheless such changes have not been necessarily detrimental thanks to a longstanding strong tradition of social dialogue between social partners which outsourcing did not undermine.

The double-level comparative perspective of the research however highlights a second track. Repercussions following externalization processes indeed to a certain extent diverged between the two sectors under scrutiny within each national context, displaying sectoral-specific convergent trajectories across countries. More in detail in local government outsourcing policies more harshly and more extensively impacted on working conditions and employment relations structure compared to healthcare organisations where less adversarial and stronger social partners collaborated to prevent severe repercussions for working conditions, on the whole more protected.

Similarly market-type policies triggered a tough increase in workload and the institutionalization of a two-tier - or even multi-tier - workforce, regardless either national legislative arrangements or sector-specific structures. Even if to a diverse extent and through different processes, thus, the consequence of vertical disintegration in the six public administrations has been that formerly unitary structure internally providing all the services now host a multiplicity of employment arrangements within their organizational borders. As a consequence the traditional representative structure of trade unions built exclusively around public employment started to teeter.

In the previous chapters the case studies analysis has untangled how outsourcing impacted on working conditions and employment relations within three countries – Italy, England and Denmark– across two different sectors of the public administration – local government and health care sector. The present chapter provides instead a comparative account of implications following outsourcing firstly across national contexts and then between sectors. A complex and differentiated picture emerged from the six public administrations in-depth investigated: evidence from organisations at micro-level indeed enabled to trace national macro-level and sectoral meso-level trajectories.

7.1 National distinctiveness

The overall picture is dominated by a growing fragmentation of employment conditions and a deterioration of work (Marchington *et al.* 2005, Flecker 2009). Employment has generally become more insecure and flexible, in terms of both working hours and workplace flexibility. Greater demands are placed on work tasks, including increasing workload, longer shifts and higher speed in work. Additionally, terms and conditions of employment established by private providers underwent a sharp worsening, if not so relevant in term of salary, rather harsh as regards pension scheme, maternity leaves, sick pay scheme and holidays. As far employment relations structure is concerned, outsourcing undermined union capacity to collectively represent and organise employees in fragmented production chains where boundaries between organisations and between public and private sector are increasingly blurred and overlapping. Restructuring towards outsourcing moreover triggered the creation of a two-tier - or even multi-tier - workforce where workers with similar educational background at the workplace perform the same task but under different contractual arrangements according to the nature of their employer - whether public or private.

Nevertheless the argument put forwards is that trajectories following restructuring processes are shaped by specific national legislative frameworks and institutional configurations (Flecker 2010, Vraengbæk *et al.* 2013). Findings indeed highlight the

complexity and the resilience of state tradition in reforming public service employment relations, tackling market-like pressures of the same kind (Bach and Bordogna 2011). We can observe indeed how different countries likewise reforming their public service provision through outsourcing policies display divergent configurations in employment structures: a significant contrast in policy-making process and intensity in policy output emerged between countries in respect to both sectors. Given that countries dealt with the same process by implementing externalization policy in similar services and involving comparable skills, the degree of difference stands as a remarkable tribute to divergent influence of the respective legislative and political framework (Pollitt and Bouckaert 2011)

The most clear-cut difference between countries concerns the structure and the status of terms and conditions of employment resulted from restructuring processes across organizational boundaries, as summarized in table 7.1. In both the municipality and the LHA in Italy the large majority of public personnel involved in outsourced services has been redeployed within the public administration where they belonged, thus preserving their status of public employees. As a consequence public sector collective agreements applied before contracting out of the service remained in force, as well as the employment protections attached to the public status, much greater than those applied in the private sector. Transfer of personnel across organizational boundaries has involved only a residual portion of temporary public employees, who shifted their terms and conditions of employment in private sector arrangements, traditionally less convenient and less protective for the worker. Finally an even smaller number of public employees has been moved on functional secondment basis to the external providers, but remaining formally employed by the public administration. Overall the picture in the Italian scenario is featured by a highly protective employment scheme for public personnel set by legislation and strengthened by a tradition of strong unionism in public sector (Bordogna and Neri 2011) which applied during restructuring processes as well.

Conversely in the English context both the cases of the local authority and the NHS foundation trust witnessed a massive transfer of public staff towards private subcontractors taking over as service providers. Despite few initial tendering rounds backed by a 'soft touch' as regards workers (Interview 32) on the whole public personnel was subject to a remarkable erosion of terms and conditions of employment

when transferred to private sector contracts: detrimental consequences include a decline in wage rate, sick pay scheme and maternity leaves. This is particularly true before TUPE regulation safeguards were compulsorily applied to public sector as well in 1993. A further harsh consequence was represented by a cut in pension entitlements under the private employer's regime. Moreover outsourcing policies led several workers to be made redundant. As far industrial relations are concerned indeed voluntary relations between the social partners prevailed in England, where the level of interference from the state in both public and private sector is minimal. Such tradition is reflected also on employment arrangements for transferred workers during outsourcing, where social partners free from legislative constraints may establish working conditions. Furthermore the balance of power between unions and employers has shifted decisively in favour of the latter during the last decades (Bach and Kolins Givan 2011), driven by a national politics under Conservative-led governments determined to encourage a more abrasive style management about labour-related issues and to marginalize union's influence.

In Denmark instead exposing to competition the provision of public services has triggered a dynamic flow of workforce transfer across organizational borders in both directions. Staffing indeed has been transferred out during outsourcing events and taken back in-house when - not rarely - in both municipality and the hospital services have been insourced. Terms and conditions of employment remained almost unaltered during transfers even though the personnel shifted from public to private employers and vice versa. Changes in working conditions have been reported in private sector, in particular as regards salary, paid overtime, holidays and sick pay scheme which became less convenient for transferred workers. Nevertheless such difference between public and private contractual arrangements has been traditionally rather limited thanks to intertwined protections set by TUPE regulation and the longstanding tradition of collective bargaining every second-third year between social partners in both public and private sector, where agreements have a remarkably high level of coverage. In addition the pay adjustment scheme, linking wage developments in the public sector to developments in the private sector as a means to ensure over the long term the same wage dynamics across the sectors guarantees broadly similar conditions in the two

Table 7.1. A comparative perspective: impacts of outsourcing on terms and conditions of employment

	ITALY		ENGLAND		DENMARK	
	<u>MUNICIPALITY</u>	<u>LOCAL HEALTH AUTHORITY</u>	<u>MUNICIPALITY</u>	<u>FOUNDATION TRUST</u>	<u>MUNICIPALITY</u>	<u>HOSPITAL</u>
Public employment in services outsourced	Large majority relocated within the administration	Large majority relocated within the administration	Large majority transferred to private companies	Manual: transferred Clinical: in-house or seconded Clerical: redeployed	All transferred to private companies	All transferred to private companies
Redundancy	None	None	Several in blue-collar workforce	Few manual workers	Some cases in private companies	Few cases in private companies
Main collective agreement applied	Public sector	Public sector	Employer's unilateral regulation and private sector	Private sector	Public sector until is valid, then private sector	Public sector until is valid, then private sector
Wage rate	Same for public staff Lower for staff in private companies	Same for public staff Lower for staff in private companies	Before TUPE: lower After TUPE: rather similar	Similar for workers transferred	Very similar	Very similar
Workload	Increasing	Increasing	Increasing	Increasing	Increasing	Increasing
Inequalities in contractual provisions	Two-tiers especially in social and educational services	n.a.	Decline in pension schemes, sick pay, maternity leaves and holidays	Decline in pension schemes for manual workers	Small differences in maternity leaves, pensions scheme, sick pay, holidays	Small differences in maternity leaves, pensions scheme, sick pay, holidays
Social clauses	Always included	Always included	Never included	Never included	Always included	Always included

sectors of the economy. Such employment relations structure prevented also from redundancies which indeed have been very limited in number.

The second wide difference across countries is grounded on the impacts that outsourcing processes had on employment relations structure and union role to tackle with challenges for employees triggered by restructuring events as summarized in table 7.2.

In Italy indeed collective bargaining kept a central role in setting terms and conditions of employment in both public and private sector while union remained the stronghold in the public organisations where they have been traditionally informed and consulted during restructuring processes involving staff (at least until the 2009 Brunetta reform but the large majority of outsourcing events under scrutiny occurred before 2009). Union overall succeeded in their strategy to safeguard public employment where terms and condition of employment remained rather protected and union density high. The institutionalisation of a two-tier workforce in public services conversely showed how their action turned out to be more ineffective when private sector workers recruited by external subcontractors were at stake, due to the lack of a structural dialogue between union categories representing respectively public and private sector employees and to a strict focus on defending public employment.

In Denmark overall collective bargaining and social dialogue between union and employer remained the main coordination mechanism to set terms and conditions of employment during restructuring processes towards outsourcing in both public and private sector. A systematic information and consultation mechanism with employees' representatives at workplace enabled union to settle convenient arrangement for workers across organisational boundaries. Moreover despite outsourcing policies, a steadily high union membership rate conferred a remarkable representative power upon union.

Conversely in England competitive tendering policies further weakened the role of union in collectively organise and represent employees. Collective bargaining has been replaced by employers' unilateral regulation in some private subcontracting companies while unions' role as interlocutor in restructuring events involving staff and HR-related issues was notably squeezed. Compared to the scenario observed in the other two countries union response has been certainly prompt and more systematic, grounded on a twin-track approach to overcome the dilemma that outsourcing triggers to union role:

Table 7.2. A comparative perspective: impacts of outsourcing on employment relations structure

	ITALY		ENGLAND		DENMARK	
	<u>MUNICIPALITY</u>	<u>LOCAL HEALTH AUTHORITY</u>	<u>MUNICIPALITY</u>	<u>FOUNDATION TRUST</u>	<u>MUNICIPALITY</u>	<u>HOSPITAL</u>
Union stance towards outsourcing	Fragmented opposition	Systematic opposition	Initially strong opposition Then: pragmatic approach to protect workers	Strong political opposition backed by pragmatic approach to protect workers	Strong political opposition backed by pragmatic approach to protect workers	Traditionally a pragmatic approach oriented to protect workers
Union strategy and responses	Focus on keeping core services and public employment	Focus on care services and public employment	Twin-track approach Harsh industrial actions	Twin-track approach Campaign to inform employees and users	Harsh campaigns to oppose and to monitor contract application	Monitoring the application of TUPE and agreements
Workplace representatives	Always elected in municipality and private companies	Always elected in municipality and private companies	Only one shop steward	Several shop stewards and Joint Consultative Committee	Shop stewards and Co-determination Committee	Shop stewards and Co-determination Committee
Union consultation	Always consulted before Brunetta reform. Then only informed	Always consulted	Symbolic consultation: no substantial involvement	Unions and JCC always consulted	Always consulted	Always consulted
Relationship between social partners	Fulfilment of minimum legislative requirement. Union seen as an obstacle	Collaborative long-standing tradition of social dialogue	Adversarial relations Council purposely weakened union	Partnership and social dialogue between social partners	Social dialogue; collaborative partnership despite different stances	Social dialogue; collaborative partnership
Challenge to union action	Two-tier workforce in crèches and social services	n.a.	Fragmentation of employment	Facility time cannot be used for activity in private companies	Negotiation in small companies	Difficulties in organising non-Danish workers
Membership	Decreasing	Rather stable	Decreasing	Rather stable	Rather stable	Rather stable

namely whether they should primarily focus on either opposing privatisation or protecting employees. Nevertheless neither strategy has been successful.

Beyond inner differences, the cross-country comparison seems to pinpoint two main divergent trajectories for labour following outsourcing of public services. A first cluster encompassing Italy and Denmark - for both sectors - is featured by relatively well-safeguarded terms and conditions of employment for public personnel involved in restructuring processes. As far industrial relations are concerned a central role is still played by collective bargaining institutions while unions kept a relevant degree of representativeness.

The second - thus divergent - cluster including England is characterized instead by an erosion in contractual provisions applied to transferred public employees by private subcontractors and a weakening of industrial relations structure, on the one hand undermining union capacity to influence the processes whilst on the other hand increasing employer's discretion in setting working conditions.

Several observations have to be introduced here to elucidate these patterns. Diverse institutional explanations indeed can be put forward to disentangle the development of such divergent configurations: however the various explanations are not competitive but instead they complement themselves in an intertwine web of mutual influence.

7.1.1 The role of employment relations regime

First, as already anticipated political, institutional and legislative constraints affected the way in which outsourcing policies have been implemented in the different countries, and subsequently the outcomes. Impacts indeed vary according to the regime of industrial relations to which each country answers (Flecker 2009, 2010). As literature has showed an extended labour market regulation as well as strong employment relations structure may act as mediators in alleviating and controlling the negative impacts of restructuring process (Vrangbæk *et al.* 2013, Jaehrling 2014). This is the case of Denmark which is featured by an inclusive regime where regulations and policies are designed to extend employment and employment rights as largely as possible, providing welfare and security to all workers, minimizing differences within the labour market (Gallie 2007). Accordingly high protection to weaker categories of

workers is guaranteed (Hansen and Mailand 2013). Moreover organized labour has a strongly institutionalized role, interacting with the state and employers' associations for an almost universalized protection of work terms and conditions. Importantly, membership rate is very high in both employees' organisations and employers' associations while collective bargaining coverage, slightly higher in the public compared to the private sector, is above the 80% (Bechter and Brandl 2012).

The assumption holds true for the case of Italy as well, characterized by a rather high degree of union density, above all in the public sector where the rate is around the 50% and a very high collective bargaining coverage, around the 80% at national level, but with a percentage amounting to 100 in the public sector (Bechter and Brandl 2012). Furthermore as far industrial relations are concerned Italian approach grounded on voluntarism between social partners where legal institutions are limited while autonomy of the parties involved is rather high: traditionally social partners have exploited such leeway to establish a strong tradition of collective bargaining in the private sector of the economy. The public sector instead represents an exception to the voluntarist approach: it has been shaped indeed by a long tradition of state intervention in the definition of procedural rules for collective bargaining and in the issue to negotiate (Bordogna and Neri 2011). The legislation historically provided public employment with high job protections and very convenient conditions.

Conversely a market employment regime (Gallie 2007) like in England might have paved the way to detrimental consequences for terms and conditions of employment given that it is a model which puts emphasis mainly on market adjustments and self-regulation, hence minimizing the role of employment regulation and organized labour institutions seen as negative rigidities (Bach 2012). Accordingly, employment conditions and job rewards are self-regulated by the well-functioning market, while institutional role and controls by organized labour are reduced to the lowest level: terms and conditions of employment indeed are regarded as a matter of individual employers rather than a collective issue. Such framework could have enhanced perverse effects of marketization process of public service delivery.

Hence implications over working conditions and collective labour institutions following vertical disintegration towards outsourcing are crucially embedded in the employment

relation regime to which the country answer. The effects moreover might be shaped also by further institutional and regulative mechanisms purposely enacted.

Findings clearly show how encompassing labour market national institutions like the one in Denmark and Italy, despite do not preventing from outsourcing, mediate the effects of outsourcing and act as a buffer bringing up terms and conditions of employment. Conversely a decentralized prerogative of employers in setting working conditions where the role of union and collective bargaining institutions is minimize pave the way to a progressive erosion of terms and conditions of employment as in the case of England.

Indeed industrial relations regime and legal context set boundaries which may constraint managerial practices and leeway in dealing with restructuring of service provision. Within such boundaries however public employers and private subcontractors have a range of options to design their strategies, while they may also explore how boundaries can be stretched. In Italy legislative and cultural constraints to public employers' leeway are rather tight: a strict regulation protecting public employment, including long-life employment security backed by an established tradition of collective bargaining between social partners on HRM and labour-related matters have historically bound employers' strategies as regards outsourcing policies. So the state legislation has gained importance as a coordination mechanism and an institutional anchor for job quality (Jaehrling and Méhaut 2013, Jaehrling 2014). Public personnel, as rule of thumb, was relocated within the administration while savings through a reduction in labour costs were dumped over workers recruited by private companies taking over as service suppliers.

Such pattern developing in the Italian scenario retraces a clear dynamic of labour market dualization whereas outcome of institutional structures affecting labour market - such as labour market regulations and social policies - is reflected in a sharp distinction between internal and external market arrangements (Doeringer and Piore 1971). Accordingly workers belonging to the internal segment enjoy job stability, high salary, opportunities for career mobility and fair treatment in the workplace, while conversely workers who gain access only to secondary sector are poorly paid, unstable, characterized by high turnover and bad workplace conditions. Moreover, given the limited mobility between the two segments, once trapped in the secondary market the

possibility to move to the primary are very limited. Indeed as hypothesized by Palier and Thelen (2010) these inequalities are more likely to become institutionalized, rather than transitory.

In the Danish corporatist context instead constraints have been voluntarily set up by social partners through negotiated agreement. Boundaries include a collective bargaining structure where the parties renew collective agreement every second-third year in both public and private sector, complemented by the pay adjustment scheme that link wage developments in the public sector to developments in the private sector as a means to ensure over the long term the same wage dynamics across sectors. In addition both employees' organisations and employers' association in the public and private sectors of the economy share a very high density rate: it followed a relative high coverage of negotiated agreements between parties in almost all the companies: rarely private firms refuse to sign collective agreements with unions. Hence such framework has limited not only the range of practices at local public employers' disposal to implement outsourcing policies but also the leeway for private subcontractors to boost earning through an erosion of terms and conditions of employment. Outsourcing translated in fact in rather stable terms and conditions of employment for employees transferred through a smooth and employment-friendly transition across sectors. What is left for public administrations is the leverage of flexibility through subcontracting mirrored in the dynamic possibility to handily transfer personnel out and back in-house. Conversely, in England the market-type employment relations regime and the liberal background denoted the possibility to open up new strategies for employers to implement outsourcing policies. The search for savings which pushed outsourcing translated into a race to the bottom in labour costs through a deterioration of terms and conditions of employment for employees in large majority transferred out, partly made redundant. Indeed the great degree of managerial discretion in setting contractual conditions in the private sector seemed to have triggered what Jaehrling and Méhaut (2013) defined a 'change through avoidance': institutional changes in contractual provisions resulted from employers' strategies undercutting or circumventing employment standards set in public sector collective agreement through a shift towards the more competitive and less strictly regulated private sector labour market. Outsourcing is exploited to evade collectively agreed terms and condition in the public

sector, encouraged by the wage differentials between public and private sector and backed by an employment relation regimes that leaves great leeway in that sense. Furthermore the slack boundaries that the national institutional arrangements set to managerial discretion led the employer to devised a strategy of internal distribution of uncertainty (Crouch and Keune 2012). Empirical findings in the English municipality pinpointed that the council not only decided to circumvent public sector collective agreement by outsourcing as a means to reduce labour costs by dumping inequalities and uncertainty in working conditions on transferred employees, but it dumped part of such burden on internal public personnel as well. On the one hand indeed it undermined collective labour institutions for public employees - it cut down facility time, reduced the number of recognized union, stopped collecting contributions for union membership fee - whilst on the other hand it opted out the Green book unilaterally reducing sick pay scheme for internal staff and eroding terms and conditions of employment applied to an in-house team of manual workers as described in chapter five.

Although visibly different in their configurations and outcomes, the English and the Danish model share a trajectory in public service outsourcing that put into question the basic assumptions of dual labour market perspective (Doeringer and Piore 1971) according to which 'firms actively pursued a strategy of separation of the workforce, which divided employees into core and fringe workers' (Hassel 2012:3) as a mean to achieve savings and flexibility through more liberal employment rules for peripheral workers. Thus outsourcing it has been argued to be beneficial for core workforce, since it can work as a buffer, sheltering them from company restructuring, budget constraint and market fluctuations and pouring all these risks on peripheral workers.

The English and Danish institutional structures affecting labour market instead paved the way to a more liberal framework for setting conditions of employment where both core public employees and private sector workers at the periphery indeed are potentially subject managerial strategies to reorganise the production change. Outsourcing, instead of cushioning core workers, negatively affects this workforce segment as well (Flecker 2009, MacKenzie 2009), putting growing pressure even on permanent workers in standard employment relations and raising the 'levels of insecurity even within the zone of integration' (Dorre 2005, Flecker 2009). Restructuring processes in these institutional settlements indeed challenge the traditional idea that core and periphery are clearly

distinguished according to level of skills and commitment required by the lead firm, raising the need to reconsider the core/periphery model (Purcell and Purcell 1998). Indeed outsourcing of public services seems to modify the 'power relations between employers and labour and thus put pressure on the core workforce to make concession of their employment conditions' (Flecker 2009:253, Caprile 2000, Marchington 2005, Doellgast and Greer 2007) as findings from the English local authority demonstrate.

Of course so far the extent to which detrimental consequences have impacted on core segment are more limited in their extent in the Danish corporatist regime compared to the market-type model applied in England. Nevertheless in the Danish case 'the insecurity of the periphery that may have initially sheltered the core tends to gradually creep into the core as well: the working conditions of the peripheral workers begin to act as a benchmark for the core workers who feel increasingly pressured to accept a worsening of their working conditions' (Gavroglou 2007:15).

To sum up national institutional arrangements as well as employment relations regimes set a specific boundaries where public administrations may devise their strategies towards outsourcing which vary across countries. As a consequence employers' practices of contracting out triggered divergent trajectories in their outcomes as regards terms and condition of employment and union responses according to the different institutional opportunity structure they face at national level (Jaehrling and Méhaut 2013).

Interestingly the comparative perspective highlighted a specific labour-related issue that have been equally affected across all the six case studies under investigation: workload. Restructuring events towards outsourcing indeed triggered an increase in workload, meant as a raise in speed of work or in the number of tasks to perform in the same amount of time. Such common detrimental consequence seems to endorse what said so far about the role of national institutional arrangement in shaping consequences of marketization in public service. All the other dependent variables scrutinized to disentangle how outsourcing as independent variable impacts on working conditions and employment relations represent labour institutions (see tables 7.1 and 7.2). Such institutional factors may embody the double role of dependent variable as well as intervening factors affecting consequences of outsourcing. This holds true for instance when collective bargaining institutions, union membership rate or industrial action are

at stake since they contextually both shape and constraint outsourcing outcomes and are at their turn affected by the process itself according to the feature they present. All the institutional variables for intrinsic and context-related reasons displayed divergent trajectories across countries.

Workload instead is a labour-process variable whose repercussions following outsourcing similarly deteriorate across all national boundaries. The lack of adequate safeguards to labour process dynamics such as workload or speed of work may have represent a legislative loopholes that employers exploited cross-country to increase workforce productivity and contain labour costs wherein alternative institutional solutions (cut of wage rate for instance) were not workable or prevented by legislative protections.

7.1.2 The tradition of public administration

A second explanation of national distinctiveness traces its roots back to the tradition of comparative public administration studies. Scholars in the field put forward that a given tool or practice - in such case outsourcing as market-type tool inspired to NPM-doctrine - may give origin to quite different implications and outcomes for labour in different institutional circumstances (Pollitt and Bouckaert 2011). It is indeed the interplay of the intervention and the country-specific legal and cultural context which triggers nationwide distinctive outcomes in the way a policy tool is implemented and results (Bach and Bordogna 2011, Bordogna and Neri 2011, Pollitt and Dan 2011). The focus on organisational and managerial practices needs to be complemented by an understanding of the institutional context in which policies are implemented and the distinct role of the state as employer (Bordogna 2008).

Italy is clustered as ‘modernizer’ (Pollitt, van Thiel and Homburg 2007) where NPM-inspired reforms have traditionally coexisted with a greater resilience on legal provision to regulate employment relations: this enabled union to challenge the market-type reform that breach long-established constitutional principle and administrative provisions. A strong state tradition is seen as ‘the irreplaceable integrative force of the society, with a legal personality and operative value system that cannot be reduced to merely the private sector discourse of efficiency, competitiveness and consumer

satisfaction' (Pollitt, van Thiel and Homburg 2007:20). Italy has been clustered by Pollitt and Bouckaert (2011) as new-Weberian state where a modernization of the Weberian tradition (employees selected through public competition based on universal criteria, lifelong employment security, rewards based predominantly on seniority and predictable career based on objective promotion criteria), and not its outright rejection in favour of the market model, occurred: NPM elements were added - rather than to replace -the state tradition. Moreover a high union density rate in the public sector complemented by a central role played by union in administrative reform affecting public employment led to a 'union-oriented or union-conditioned NPM model' (Bordogna and Neri 2011:2329).

The Anglophone countries, not by chance, has been defined as marketizer (Pollitt and Bouckaert 2011) since they have generally moved faster and further to reform their public bureaucracies by importing private sector tools and practices, as well as eroding the distinctive status and connected peculiarities of public employment to simulate competitive relationships in the private sector (Dell'Aringa, Della Rocca and Keller 2001). On a fertile ground of liberal ideology and a rhetoric of anti-state minimization, a larger role has been conferred to market-type governance mechanisms within a nationwide political agenda oriented to constraint the role of public administration and weaken union influence seen as a negative rigidity since Mrs Thatcher came into power in 1979.

The Danish NPM reforms are better captured by the term modernization rather than marketization (Greve 2006), featured by a cautious attempt to enact a new governance model drawing on private sector management practices through a pragmatic approach, preferring piecemeal changes to public sector (Ibsen *et al.* 2011) as described in chapter six. Moreover the reform of public service provision has been processed in a 'specific Scandinavian/Nordic manner where collective bargaining actors are incorporated rather than overturned in the process of reforming public sector employment' (Ibsen *et al.* 2011:2307) without undermining collective bargaining institutions. Outsourcing has been filtered, modified and translated in Denmark in a pragmatic and corporatist manner in which unions, key actor in setting terms and conditions of employment, are partners rather than adversaries and collective bargaining is not seen as a source of rigidity in

labour market. Such outcomes, of course, are grounded also in high union density rates and resilient union organisation.

Hence outsourcing as NPM-inspired practice to reform public administration impacted on public employment and industrial relations displaying a clear path-dependent trajectory in the various countries in accordance with national institutional constraints (Hall and Taylor 1996, Pierson 2000). Findings enabled to pinpoint such legacy, highlighting how the same operative force does not generate the same outcomes everywhere but conversely are 'mediated by the contextual features of a given situation often inherited from the past' (Hall and Taylor 1996:941).

Outsourcing implications in Italy indeed mirrored the strong legalistic tradition which ensured high degree of protection to public employees also during externalization processes, strengthened by union involvements in decision-making and an historical union's retrenchment when public employment is at stake. In England repercussions for terms and conditions of employment and collective bargaining institutions followed a progressive decline: CCT policies were enacted indeed as part of wider political agenda purposely designed to minimize the role of collective organisations of labour, decentralizing negotiation over labour issue providing greater leeway to local public employers. A clear path towards the 'hollowing-out' of the state was underway. The Danish corporatist model featured by pragmatic collaboration between social partners during decision-making processes is reflected in the consensual manner in which outsourcing issues and relating repercussions have been handled in Denmark.

Such findings allow to put forward a preliminary attempt to address the scholarly much-debated NPM theoretical expectation of double-convergence between public and private sectors and between bureaucracies across countries (Bach and Bordogna 2011).

Pollitt (2001:938-40, 2007:14-17) distinguished between four levels (or stages) of convergence: discursive, decisional, operational and results. The first type concerns convergence in reform talk, rhetoric and vocabulary utilized by policy makers; the second type refers to convergence in reform decisions which can be traced in public document and legislative provisions. The third type points to convergence in implementation and how policies are translated into operational practices. The last type concerns convergence in outcomes and results which can be assessed through comparative evaluation (Bach and Bordogna 2011).

Undoubtedly restructuring practices towards outsourcing contributed in approaching public service provision to private management style of providing services through market competition in all the countries under scrutiny and especially in England where the institutional background was more receptive and policy makers more incline towards marketization. Surely the diffusion of outsourcing in discourse and rhetoric has interested the public administrations across national boundaries, followed by a certain degree of convergence in decision making then translated into actual practices. Nevertheless such convergent trajectory has known rather diverse degrees of diffusion and implementation. As described in chapter five in England CCT vigorously entered the political agenda since the early 1980s and then became a sort of common thread for both Conservative-led and Labour-led governments until nowadays. The multiplication of reform policies across sectors and regulations boosting outsourcing and market competition in service provision quickly translated into a nationwide adoption of contracting out practices. The same enthusiasm cannot be tracked down neither in Italy or in Denmark despite an increasing rhetoric encouraging the use of market-type tools. Several legislative provisions enacted by central governments since the 1980s and in particular during the 1990s converged with English pattern of marketization as described in chapter four and six respectively for Italy and Denmark, despite to a much more limited extent. Likewise the implementation has been significant but much less significant than the English scenario. Trajectories of outcomes and results instead have remarkably gone in countertrend, displaying clear divergences across countries: the three-country comparison indeed clarified how particular kinds of administrative system and legislative set-up produce particular pattern of change (Pollitt and Bouckaert 2011).

7.1.3 The drivers of outsourcing

The drivers of outsourcing in the different countries can be seen as having a significant role within national institutional arrangements in shaping outcomes.

Economizing and reducing expenditure in the provision of services has traditionally constituted the prevailing reason to outsource gathered from the literature (Domberger *et al.* 1986, Domberger and Hall 1996, Domberger and Jensen 1997, Savas 2000, Blom-Hansen 2003). On the basis of economic appraisal indeed opening service provision to

market competition is expected to achieve a cost reduction (Greve 2008), since private providers in a competitive regime are expected to realize economies of scale and to raise effort or productivity with a given input/workforce-combination. A more sceptical stream of literature conversely started questioning not only the magnitude but even more importantly the actual source of this expenditure reduction (Jensen and Stonecash 2005): unquestionably, outsourcing has promoted a model of competition, but that is often largely based on the reduction of labour costs and not on the improvement of quality and innovation. Empirical evidence increasingly emerged, arguing that cost savings may simply correspond either to reduced employment (Quiggin 2002, Alonso *et al.* 2013) or to an erosion of terms and conditions of employment (Flecker and Hermann 2009, Petersen *et al.* 2011) given that in labour-intensive services like those provided by public bureaucracies labour cost constitute the greater item of expenditure.

Maximizing value for money has overwhelmingly constituted the main rationale that public employers pursued in the six case studies under scrutiny by outsourcing in a wide array of public services. Nevertheless such broad purpose has been differently codified across the three national contexts: this variance seems to have contributed in explaining the divergent patterns of working conditions and employment relations structure that countries display. Findings indeed broadly confirmed the theoretical expectation that savings tracked back to a decline in labour cost, but across the three countries very different segments of the workforce bear such labour erosion and to a rather different extent. Hence three main pattern emerge in rationale underlying outsourcing, each triggering a diverse configuration in working conditions and employment relations structure.

In Italy drivers of outsourcing mirrored the search for increasing flexibility in service provision (Atkinson 1984). Contracting out indeed enabled to gain financial and numerical flexibility as a means to overcome strict legislative constraints.

Reduced transfers from central government in conjunction with stricter austerity measures and importantly a cap on personnel expenditure linked to the freeze of any hiring of permanent or temporary staff represent the main drivers of outsourcing in the Italian context, despite much more severe in the local government than in the healthcare sector. Outsourcing enabled Italian public administrations to tackle harsh staffing shortage due to limitations set on new staff recruitment and the constraints on personnel

cost. Private subcontractors took over as service providers with their own staff whilst public employees previously involved in the service were relocated inside the administration to fill vacancies. Hence outsourcing represented an effective market-type mechanism to cope with financial constraints and circumvent legislative personnel restrictions dumping labour flexibility and insecurity - associated with less convenient terms and conditions of employment - on private sector workforce, while internal employees are relocated as a means to fill vacancies at the same contractual arrangements.

In England conversely an institutional isomorphic trajectory has taken shape. In an perspective based on historical institutionalism in order to disentangle policy choices made by a government it is necessary to understand its policy and political histories (Hall 1986): indeed policy choice made in a specific institutional setting, namely when an institution is shaped, will inevitably have a widely determinate influence over the policy decisions that will follow. A crucial role in the establishment of institutions is played by ideas: exerting an independent role, they constraint and limit the available range of acceptable decisions that agents might adopt, providing a set of ready solutions for each policy problem arising in a specific domain. Accordingly, institution formation derives from the collective acceptance of an idea which consequently becomes embodied into the structural persistent form of an institution, influencing future policies. Importantly institutions as socially constructed entities - in the sense that embody shared cultural understandings, cognitions and interpretative frames - inevitably constitute a legacy of concrete historical processes (Thelen 1999) constraining all following actions and decisions.

In such perspective public employers' strategies in the English cases are clearly unraveled. Economizing indeed was backed by a strong ideological diffusion of market discipline and practices carried out at national level not only in public service provision through outsourcing and privatization but also in employer's strategies to manage staffing level and employment relations. About due decades of overwhelming Conservative control in central government led to a wide diffusion of competitive tendering in public service provision complemented by a strong emphasis on public employer's discretion in setting terms and conditions of employment as a means to

shape jobs their specific demand and removing the rigidities link to collective bargaining with unions.

In Denmark instead more strategic considerations flanked the search for savings.

The municipality and the hospital indeed took advantage of outsourcing practices to gain sustained competitive advantage through the optimal allocation of resources (Barney 1991). According to this resource-based perspective the organisations identify and differentiate between resources which support competitive advantage through their intrinsic attributes from other less valuable resources, featured by low potential. It necessarily follows that firms should keep internally and develop valuable, rare resources and capabilities, difficult to identify and understand, hardly imitable by other organisations, not replaceable in the marketplace and imperfectly transferable; whilst conversely they should be encouraged to trade or transfer to other competitors those resources endowed with low potential in term of value and rarity, easily replicable and perfectly transferable in the marketplace (Barney 1991, Grant 1991, Peteraf 1993). The Danish public employers clearly grounded their approach towards outsourcing on strategic appraisal, mirrored by the frequent dynamic flows of transfer out and back in-house of services and personnel as a means to achieve the most efficient organisational configuration. Thus rationale contributes in explaining outcomes for terms and conditions of employment and industrial relations. To sum up national distinctiveness emerged as regards drivers of outsourcing as well, leading to different configurations as regards labour-related issues and employment relations structure.

The comparative perspective has provided an instructive window on the relationship between actors' strategies and drivers towards outsourcing and the institutions as played out at workplace level, embedded within specific boundaries set by national institutional arrangements which feature employment relations regime and the administrative tradition. Empirical evidence supports the idea of national distinctiveness in implications on terms and conditions of employment and industrial relations structures following restructuring towards outsourcing which reflected divergent trajectories.

7.2 Sectoral variation

Beyond national distinctiveness, empirical findings outlined a second track in configurations of working conditions and employment relations structure which has taken shape at sectoral level.

The cross-cases comparative perspective of analysis indeed highlights divergent trajectories within each country between local government and healthcare; furthermore such internal divergent configuration between sectors displayed a convergent pattern across the countries. Substantially consequences of outsourcing showed similar characteristics in the three municipalities investigated while in parallel the hospitals developed their own peculiar trajectory across countries. Such considerations of course have to be interpreted in the light of the scenario elucidated within each national context which constitutes the starting point for the present sectoral comparison to take into account.

Firstly marketization in public services has encompassed both blue-collar ancillary activities and white-collar services in the three municipalities: outsourcing indeed spread across a wide range of diverse areas of responsibility of local government involving a large number of public employees compared to healthcare sector. In the latter indeed overall externalization processes involved peripheral technical services (except for few clinical services in the English NHS foundation trust) affecting a more limited share of public employees, to be intended always in relative terms within each country.

Secondly outsourcing triggered harsher consequences for terms and conditions of employment and working conditions compared to softer impacts emerged in hospitals. Few empirical examples are reported on this point. In the Italian municipality, other conditions being equal with the LHA scenario, public and private sector employees have been subject to an higher increase in workload following outsourcing while mixed-management configurations in social services and nursing schools led to a sort of institutionalization of a two-tier workforce with severe repercussions on workers' morale. In England the belated application of TUPE regulation protections only in 1993 paved the way to detrimental consequences for municipal employees, in large majority

transferred out before these employment safeguards were in force, whilst the ‘latecomer’ externalization wave occurred in the NHS foundation trust guaranteed higher legislative protections to transferred personnel. As a consequence the municipal workforce experienced a decline in wage rate, cuts in sick pay and pension contributions, higher flexibility in both working hours and working place, as well as several cases of redundancy. Furthermore council strategy went to the detriment of in-house staff as well by the means of a cut in sick pay contributions and less convenient contractual provisions for the remaining in-house manual workforce. In Denmark beside overall similar picture, in the municipality employees experienced an increasing feeling insecurity due to the frequent re-tendering rounds. Moreover likewise in Italy social services marketization led to the creation of a multi-tier workforce made up of public, public transferred out and private employees working side by side with - despite limited - different contractual arrangements.

A third remarkable difference between sectors concerns employment relations structure and union strategies following outsourcing. Findings display much more adversarial relations between social partners in local government where unions are not always consulted or even not recognized as in the English case study. Industrial action indeed played a central role in union strategies to oppose marketization processes in public services in a context of increasing difficulty for employees’ representatives to collectively organise and represent their members and declining membership. On the employer’s side moreover actors took a more confrontational stance whilst in the healthcare sector a collaborative stance prevailed. Collective bargaining and union consultation lied the core mechanism to deal with restructuring processes involving staff and HR-related issues. Unions overall opted for a softer strategy grounded on campaigning and information rather than undertaking industrial actions.

Several observations have to be introduced here to elucidate these patterns. Diverse factors indeed can be put forward to disentangle the development of such divergent trajectories whose mutual influence is strictly intertwined.

A first explanation is grounded on the different financial and regulatory constraints set for the two sectors. In all the three countries indeed central government has undertaken extensive austerity plans to constraint local government expenditure capacity, as regards personnel costs as well. Tight financial targets have been set for Italian local

government to achieve Internal Stability Pact requirements, complemented by more recent austerity measures purposely targeting municipal expenditure. English local authorities instead have been hardly hit in their decisional leeway by Compulsory Competitive Tendering set of legislation, replaced then by the Best Value program and more recently by the Big Society policy agenda. Recently further austerity measures and cut in transfer from central government intensified the top-down pressure on municipalities. The Danish government enacted a set of Modernisation programs targeting in particular local government organisation and service provision, complemented by the 2007 Structural reform which attributed an increasing range of responsibilities to the most decentralized level of government. Conversely pressure on healthcare sector have been much milder and limited in their scope. Austerity packages have been set in Italy only very recently and in a softer manner compared to local government ones, while in the Danish context healthcare has traditionally been very protected and profusely financed by the central government. A partial exception is represented by the English NHS which was subject to growing pressure towards outsourcing by CCT legislation and various NHS plan, but still tighter than the regulatory framework issued for local authorities.

A second reason concerns the inherent nature of the two public sub-sector at stake. Healthcare indeed seems to embody the public service par excellence in the three countries under investigation: the national health service, universal provider of care free at the point of use represents for citizens as users the last stronghold of the public service that should remain publicly-provided. Given such premises, marketization in healthcare structures clearly bump into a stronger resistance - or scepticism at least - from public opinion and users which translated into cautious outsourcing policies from public employers. Few quotations are reported from key-respondents interviews to exemplify such reluctance in opening healthcare services to market competition that conversely has not been tracked in local government:

there has been much more reluctance in the NHS just because politically is seen as being more risky outsourcing in health and if something goes wrong in the hospital is a disaster. I think there is much more political difference between the health sector and local government. (Interview 45)

I think that is politically still more sensitive to privatize health services, public opinion is more opposed to it, so that's probably the main difference. (Interview 44)

Or again:

the NHS sector has been a little more protected because in this country the NHS is a very popular public service, it's seen as a kind of sacred by people. So for long time it has been said: you shouldn't go there with the market. (Interview 36)

The smooth approach towards outsourcing adopted in healthcare might have translated into softer repercussions for employees and social dialogue.

A third argument brings into contention the role played by social dialogue and the stance of social partners. Findings displayed a predominant collaborative approach that employers and unions put in place in healthcare: social partners indeed voluntarily opted for social dialogue and partnership as core mechanisms to deal with restructuring events and HR-related issues within hospitals. Consultation and negotiation are on the agenda as soon as outsourcing policies involved staff and are formally implemented at workplace level through Employees' Representative Body (RSU) within the Italian LHA, the Joint Consultative Committee (JCC) in the English NHS foundation trust and the the Co-determination Committee (*MED-udvalg*) in the Danish hospital.

Conversely adversarial stances have featured the relationship between social partners in local government where, within the boundaries set by national institutional arrangements, local employers tried to erode union influence on processes involving HR-issues and in the determination of terms and conditions of employment. A weakened union, on its side, adopted a confrontational approach often resulted in harsh industrial actions. Hence despite not preventing from outsourcing the partnership between social partners as well as central role played by collective bargaining in set terms and conditions of employment might have led to smoother development in healthcare sector compared to local government where the wider erosion in working conditions and the weakening of industrial relations institutions might have been triggered by a confrontational approach. A quote from the English case well illustrate such point:

in terms of healthcare services, it is the only area of public services where there is a Social Partnership Forum: there is a very collaborative atmosphere, it's a tripartite body and they have a national body and regional levels. It's the only place where we have the European style of social dialogue. In the forum we discuss about broader things than industrial relations: like changes in NHS, productivity, and quality, and how can we work together, industrial issues and so on. That kind of culture prevail in the NHS, not everywhere. (Interview 41)

A last explanation concerns the role of professionalism and occupational groups involved in the restructuring and their position within the labour market (Freidson 2001, Neri 2008). In local government the central role in decision-making as regards outsourcing policies is played by elected political representatives supported by few municipal officers in executive positions: the large majority of internal staff, with medium-low qualifications highly replaceable in the labour-market and low bargaining power has no voice in the on-going processes of marketizations. Conversely in healthcare sector clinical staff (doctors and nurses) constitute the most relevant professional group, not only in numerical terms but importantly able to influence decision-making process at hospital-level. Except for Denmark indeed clinical staff is directly involved in executive boards which set restructuring plan towards outsourcing, enjoying a remarkable discretion establishing which range of services put out in the market and how to manage the process (Vicarelli 2012). Moreover they embody a professional group with great bargaining power in the labour market: the high qualification make them lowly replaceable. Such difference in occupational group involved in decision-making might explain the difference in services outsourced and outcomes. In local government indeed marketization processes involved both manual and professional personnel impacting on their organisation of work. Conversely in healthcare the boards of directors opted for limiting outsourcing mainly to support ancillary activities while keeping direct provision of clinical services. The English NHS foundation trust represents an exception where few clinical core tasks were put out to tender as well. Nevertheless employment relations and terms and conditions of employment of professional staff involved enjoyed remarkable protections, much convenient than those applied to manual staff.

7.3 Does the country matter? Does the sector matter? Concluding remarks

The three-country two-sector has provided an instructive window on the interplay between actor strategies, institutions - national and sectoral - and outcomes for labour as they develop at workplace level following outsourcing in public services. The main findings pinpointed that impacts on working conditions and employment relations structure have taken different configurations, unleashing a twofold dynamic. Implications indeed developed along country-specific divergent trajectories shaped and constrained by national legislative, administrative and cultural arrangements, the employment relations regime to which country answer, as well as by the main rationales underlying marketization process in public services (Flecker 2010).

Contextually market-type practices in public service provision unleashed a second dynamic within national boundaries and constraints: different sectors of public administration developed divergent configurations in outcomes of outsourcing (Bechter Brandl and Meardi 2012) shaped by sectoral legislative and financial constraints, as well as sector-specific features like the nature of services provided and the kind of professionalism at stake. Interestingly such divergence between local government and healthcare sector displaced similar developments across the three countries, suggesting international sectoral trajectories.

Hence, my argument is that outsourcing is unleashing a twofold dynamic in its impact on terms and conditions of employment and industrial relations structure. The result of this twin dynamic is a remarkable divergence across countries, where specific institutional configurations shape national patterns, but at the same time also a considerable convergence between sectors across national boundaries, driven by sector-specific features. Outsourcing appears to be simultaneously prompting both convergent and divergent developments, (Marginson and Sisson 2002), paralleling the idea of 'converging divergences' (Katz and Darbishire 2000).

Nevertheless the leading force is exercised at national level. A central role in particular has been played by the state as 'socially responsible customer' (Jaehrling 2014) which sets the framework in which public procurement takes place, defining rules for actors, constraints and employment regulation. Hence encompassing labour market regulation,

as well as the strength of industrial relations institutions and collective agreements - despite not preventing from outsourcing -, can mediate the effects and outcomes for job quality. In such legislative set-up terms and condition of employment or public personnel are safeguarded, as well as differential between public and private sectors are reduced, and thereby diminishing one important incentive for public employer to outsource services (Grimshaw *et al.* 2012).

On the other hand, procurement-related specific provisions set at national or supranational level - respectively the Two-Tier Code and TUPE regulation in the English context - play a compensatory role in areas in which the traditional institutions extending employment protections to the weaker segments of the labour market are absent or insufficient.

Conclusions

The thesis has been moved by the interest in exploring how outsourcing in public services impacted on working conditions and employment relations structure. Over the last three decades indeed both public and private organisations have been subject to vertical disintegration of the production chain shifting the traditional in-house provision towards market place competition. Literature in industrial relations has repeatedly suggested how on the whole such restructuring processes in private companies led to a fragmentation of employment (Marchington *et al.* 2005) and to an erosion of working conditions across organisational boundaries increasingly blurred and overlapped (Doellgast *et al.* 2009, Flecker 2010). Nevertheless the limited research attention devoted to outcomes of outsourcing in public sector has never allowed to univocally untangle the interplay between actor strategies, institutions, and outcomes for labour as they develop at workplace level from a broader comparative perspective.

Thus the present research through a three-country (Italy, England and Denmark) two-sector (local government and healthcare sector) comparative investigation has tried to provide a cautious preliminary contribution to the debate. Firstly the analysis has shown that outsourcing has not necessarily gone to the detriment of staff involved in services put out to the market. A pivotal role in sheltering working conditions and employment relations institutions is played by the state as ‘socially responsible customer’ (Jaehrling 2014) which sets the framework in which public procurement takes place, defining rules for actors, constraints and employment regulation.

Hence encompassing labour market regulation, as well as the strength of industrial relations institutions and collective agreements - despite not preventing from outsourcing -, can mediate the effects and outcomes for job quality acting as ‘market

embedding' mechanism as opposed to 'market-making' (Jaehrling 2014). In such legislative set-up terms and condition of employment or public personnel are safeguarded, as well as differential between public and private sectors are reduced, and thereby diminishing one important incentive for public employer to outsource services (Grimshaw *et al.* 2012). On the other hand, procurement-related specific provisions set at national or supranational level - for instance the Two-Tier Code, the Retention of Employment model and TUPE regulation in the English context - play a compensatory role in areas in which the traditional institutions extending employment protections to the weaker segments of the labour market are absent or insufficient.

Nevertheless industrial relations regime and legal context constraint managerial practices and leeway in dealing with restructuring of service provision setting constraints and limitations, within such boundaries however public employers and private subcontractors have a range of options to design their strategies, while they may also explore how boundaries can be stretched.

The overall picture is dominated by a growing fragmentation of employment conditions and a deterioration of work in private companies. Employment has generally become more insecure and flexible, in terms of both working hours and workplace flexibility. Greater demands are placed on work tasks, including increasing workload, longer shifts and higher speed in work. Additionally, terms and conditions of employment established by private providers underwent a sharp worsening, if not so relevant in term of salary, rather harsh as regards pension scheme, maternity leaves, sick pay scheme and holidays compared to those established in public sector collective agreement. As far employment relations structure is concerned, outsourcing undermined union capacity to collectively represent and organise employees in fragmented production chains where boundaries between organisations and between public and private sector are increasingly blurred and overlapping. Restructuring towards outsourcing moreover triggered the creation of a two-tier - or even multi-tier - workforce where workers with similar educational background at the workplace perform the same task but under different contractual arrangements according to the nature of their employer - whether public or private.

Beyond such general consequences the research project pinpointed that outsourcing in public services has unleashed a twofold dynamic. Implications over working conditions

and employment relations institutions developed along country-specific divergent trajectories shaped and constrained by national legislative, administrative and cultural arrangements, the employment relations regime to which country answer, as well as by the main rationales underlying marketization process (Flecker 2010).

Contextually market-type practices in public service provision triggered a second dynamic within national boundaries and constraints: different sectors of public administration developed divergent configurations in outcomes of outsourcing (Bechter Brandl and Meardi 2012) shaped by sectoral legislative and financial constraints, as well as sector-specific features like the nature of services provided and the kind of professionalism at stake. Interestingly such divergence between local government and healthcare sector displaced similar developments across the three countries, suggesting international sectoral trajectories. What the findings highlighted are ‘converging divergences’ (Katz and Darbishire 2000): outsourcing prompted simultaneously prompting a remarkable divergence across countries complemented by a considerable convergence between sectors across national boundaries.

The introduction of market discipline in public services provision represents also a tile within a broader mosaic of public bureaucracy reform, an ‘unending wave of reforms’ (Pollitt 2002) that has expanded progressively since the 1980s across all European governments under the label of New Public Management (NPM) (Hood 1991). This doctrine aimed to remove any difference between public and private sector as a way of increasing efficiency and effectiveness: thus governments imported in their public bureaucracies business-like tools and values, alongside with market-type mechanisms from the private sector (Pollitt and Bouckaert 2011). Literature in comparative public administration has for long vigorously supported the idea of double convergence following NPM-related reforms - that is to say converge between public administrations across countries associated to a convergence pattern between public and private sectors within each country, put into contentious by a more recent stream which instead embraced the idea that, instead of an all-encompassing trend of convergence, countries clustered according to similarities in their national institutional and legislative setup (Bordogna 2008, Bach and Bordogna 2011, Pollitt and Bouckaert 2011). The present research has tried to sketch a cautious response to such theoretical puzzle as well.

Empirical evidence indeed endorses the latter position showing a clear path-dependent trajectory in the various countries in accordance with national institutional constraints (Hall and Taylor 1996, Pierson 2000). The comparative perspective adopted in the analysis enabled to pinpoint such legacy, highlighting how the same operative force does not generate the same outcomes everywhere but conversely the interplay of the intervention and the country-specific legal and cultural context triggers nationwide distinctive outcomes in the way a policy tool is implemented and results (Bordogna and Neri 2011, Pollitt and Dan 2011).

Further research, in particular at comparative level, should encompass a wider range of national contexts and sectors, to be intended as institutional arrangements where to test the soundness of the argument put forward and their explanatory power in a different legal, administrative and cultural set-up.

Interviews list

The case of Italy

Sector	Interview number	Position	Date
Local government Healthcare	Interview 1	General secretary CGIL-FP (region Emilia-Romagna)	21/07/2014
Local government Healthcare	Interview 2	General secretary CGIL-FP (local branch)	28/07/2014
Local government	Interview 3	Responsible for local government CGIL-FP (local branch)	28/07/2014
Healthcare	Interview 4	Responsible for healthcare CGIL-FP (local branch)	28/07/2014
Local government Healthcare	Interview 5	General secretary CGIL-FP (national level)	31/07/2014
Local government	Interview 6	Officer in procurement office	01/08/2014
Local government Healthcare	Interview 7	General secretary CISL-FP (region Emilia-Romagna)	27/08/2014
Local government	Interview 8	President ANCI (region Emilia-Romagna)	08/09/2014
Local government	Interview 9	Responsible for local government CISL-FP (local branch)	16/09/2014
Healthcare	Interview 10	Director of procurement office of LHA	18/09/2014
Healthcare	Interview 11	Officer in procurement office of LHA	18/09/2014
Local government	Interview 12	Responsible for local government CGIL-FP (national level)	19/09/2014
Healthcare	Interview 13	Responsible for healthcare sector CISL-FP (local branch)	23/09/2014
Local government Healthcare	Interview 14	General secretary CISL-FISASCAT (local branch)	23/09/2014
Local government Healthcare	Interview 15	Responsible for international relations in CGIL (national level)	29/09/2014
Local government	Interview 16	Director of HR department of the municipality	10/10/2014
Local government	Interview 17	Director of social service department of the municipality	15/10/2014
Healthcare	Interview 18	Administrative director of LHA	16/10/2014
Healthcare	Interview 19	Responsible of healthcare structures in the regional department	20/10/2014
Local government	Interview 20	Council member in transport and environment committee and ex-general secretary CGIL-FP (local branch)	21/10/2014
Healthcare	Interview 21	Director of logistic department in LHA	21/10/2014
Healthcare	Interview 22	Ex-director of procurement office LHA Manager in AVEN	27/10/2014
Local government Healthcare	Interview 23	General secretary UIL-FPL (local branch)	31/10/2014
Local government	Interview 24	Director of educational service department	24/02/2015
Healthcare	Interview 25	Responsible for healthcare CGIL-FP (national level)	02/03/2015

The case of England

Sector	Interview number	Position	Date
Local government	Interview 26	General secretary of GMB	22/10/2013
Healthcare	Interview 27	National bargaining official in NHS Employers	31/10/2013
Healthcare	Interview 28	National official in RCN	08/11/2013
Healthcare	Interview 29	Director of PSIRU	11/11/2013
Local government Healthcare	Interview 30	Researcher from EPSU	14/11/2013
Local government	Interview 31	Labour councilor	15/11/2013
Local government	Interview 32	Ex-chief executive in the local authority	19/11/2013
Local government	Interview 33	Shop steward from UNISON in the local authority	19/11/2013
Local government	Interview 34	Director of finance	20/11/2013
Local government Healthcare	Interview 35	National official from UNISON	22/11/2013
Local government Healthcare	Interview 36	National official from UNISON	26/11/2013
Healthcare	Interview 37	National bargaining official in RCN	27/11/2013
Local government	Interview 38	Labour councilor	29/11/2013
Healthcare	Interview 39	King's Fund	02/12/2013
Healthcare	Interview 40	Administrative director of NHS foundation trust	05/12/2013
Local government Healthcare	Interview 41	National official from TUC	06/12/2013
Local government	Interview 42	Chief executive	10/12/2013
Local government	Interview 43	Conservative leader of the council	10/12/2013
Local government Healthcare	Interview 44	National official from UNISON	16/12/2013
Local government	Interview 45	National official from Unite	08/01/2014
Local government	Interview 46	Official from BWTUC	14/01/2014
Healthcare	Interview 47	Official from UNISON (local branch)	17/01/2014
Healthcare	Interview 48	Administrative director of NHS foundation trust	21/01/2014
Healthcare	Interview 49	Chair of JCC from Unite	21/01/2014

The case of Denmark

Sector	Interview number	Position	Date
Local government Healthcare	Interview 50	National official in OAO	12/03/2014
Local government Healthcare	Interview 51	National official in 3F	25/03/2014
Healthcare	Interview 52	Special Consultant in the Office for Legal and Negotiation in the HR Department in the region	26/03/2014
Healthcare	Interview 53	Development manager in Region	26/03/2014
Healthcare	Interview 54	Director of finance in the region	26/03/2014
Local government	Interview 55	National bargaining official in KL	27/03/2014
Local government	Interview 56	National official in KL (economic department)	02/04/2014
Local government Healthcare	Interview 57	National official in DNO	03/04/2014
Local government Healthcare	Interview 58	National official in DNO	03/04/2014
Local government Healthcare	Interview 59	National official in FOA	10/04/2014
Healthcare	Interview 60	Cleaning manager in the hospital	11/04/2014
Local government Healthcare	Interview 61	Researched from KORA	11/04/2014
Local government	Interview 62	Official from FOA (local branch)	15/04/2014
Local government	Interview 63	Official from FOA (local branch)	15/04/2014
Local government	Interview 64	Official from 3F (public sector -local branch)	15/04/2014
Local government	Interview 65	Official from 3F (private sector -local branch)	15/04/2014
Local government	Interview 66	Director of procurement office in the municipality	22/04/2014
Healthcare Local government	Interview 67	Official in DNO (local branch)	24/04/2014
Healthcare	Interview 68	Manager of green area department in the Region	25/04/2014
Local government	Interview 69	Director of social service department in the municipality	12/05/2014
Local government	Interview 70	Mayor of the council	12/05/2014
Local government	Interview 71	National official in KL	20/05/2014
Local government Healthcare	Interview 72	Expert from CBS	26/05/2014
Healthcare	Interview 73	Official from 3F (local branch)	27/05/2014
Healthcare	Interview 74	Director of catering department in the region	11/06/2014
Local government	Interview 75	Director of HR department in the municipality	20/06/2014

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