Public Policy and Politics

Series Editors: Colin Fudge and Robin Hambleton

Important shifts are taking place in the nature of public policy-making and government at both the central and local level. Increasing financial pressures, the struggle to maintain public services, the emergence of new areas of concern, such as employment and economic development, and increasing partisanship in local politics, are all creating new strains but at the same time opening up new possibilities.

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The Politics of Privatisation

Contracting Out Public Services

Kate Ascher

M
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List of Abbreviations

ABLC	Association of British Launderers and Cleaners
ABLCRS	Association of British Laundry Cleaning and Rental Services
ASI	Adam Smith Institute
AHST	Association of Health Service Treasurers
CAC	Central Arbitration Committee
CCMA	Contract Cleaning and Maintenance Association
CIPFA	Chartered Institute of Public Finance and Accountancy
COHSE	Confederation of Health Service Employees
DHA	District Health Authority
DHSS	Department of Health and Social Security
DLO	Direct Labour Organisation
DOE	Department of the Environment
EEC or EC	European Economic Community or European Community
EETPU	Electrical Electronic Telecommunication and Plumbing Union
GLC	Greater London Council
GDP	Gross Domestic Product
GMBATU	General Municipal Boilermakers and Allied Trades Union
GMWU	General and Municipal Workers Union (now GMBATU)
HGVTS	Heavy Goods Vehicle Testing Stations
LAMSAC	Local Authorities Management Services and Computer Committee
MMC	Monopolies and Mergers Commission
MOD	Ministry of Defence
NALGO	National and Local Government Officers Association
NFBTE	National Federation of Building Trades Employers

NHS	National Health Service
NUPE	National Union of Public Employees
OECD	Organisation for Economic Cooperation and Development
PI	Performance Index
RCM	Royal College of Midwives
RHA	Regional Health Authority
RIPA	Royal Institute of Public Administration
SHA	Special Health Authority
T&GWU	Transport and General Workers Union
THF	Trusthouse Forte
TUC	Trades Union Congress
UCATT	Union of Construction Allied Trades and Technicians
VAT	Value Added Tax

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One final note about the nature of the material which follows.

Contracting out is a diffuse and divisive issue, and any attempt to characterise it on the written page is bound to be fraught with a number of deficiencies and omissions. It is also a very topical issue, and the political and commercial environment within which it has developed is changing rapidly. While this book will no doubt fall short on a number of counts, it is hoped that the overall analysis will provide a useful and stable foundation for further research in this area.

London

KATE ASCHER

Guide to Reading the Book

Contracting out – the private provision of public services – has recently become a salient and controversial issue in British politics. Although many local agencies relied on private firms for a variety of services prior to the election of a Conservative government in 1979, the new government's espousal of a mandatory tendering programme for NHS hospitals brought the issue to the national political agenda. This transformation has provoked sharply divergent expectations. While supporters of the Government's policy have forecast dramatic cuts in the cost of delivering public services, opponents have predicted a serious deterioration in the standard of service provided to local citizens. Although it is too early to evaluate either of these claims comprehensively, it is possible to narrow down the range of probable outcomes by examining the implications of recent initiatives for different groups – private contractors, trade unions, local councils, health authorities and the Government itself. This book examines the impact of competitive tendering and contracting out in each of these sectors, and draws some general conclusions about the effect that government action has had upon local policy-making processes.

The first section of the book explains the rise of contracting out and competitive tendering in Britain. Chapter 1 sets the debate in the UK in its appropriate geographical and political context. It examines the growth of private provision on a worldwide basis, and considers the political environment in Britain which allowed contracting out to become a salient political issue. Chapter 2 offers a detailed chronology of the development of Conservative policy in three areas – the NHS, local authorities and central departments. It also explores the factors which contributed to the unusually rapid rise of mandatory tendering to the national political agenda.

The next section examines two of the most visible and most vocal interest groups in the present debate. Chapter 3 considers the position of contract service firms presently seeking work in the

public sector. It offers an overview of the structure and activities of the relevant contract industries, placing particular emphasis upon their reactions to the new public sector markets, and analyses the recent commercial performance of five of the major contractors. Chapter 4 looks at the public sector trade unions. It considers the effects of tendering and contracting out upon unions and their members, and analyses both the strengths and weaknesses of the unions' campaign of opposition to government policy.

The third section of the book illustrates the interaction of these and other groups in local tendering exercises. Chapter 5 outlines the mechanics of the tendering process, and explores some of the more controversial issues surrounding the process itself. Chapter 6 examines the implementation of compulsory tendering for ancillary services in the NHS, and Chapter 7 analyses the scope and effectiveness of both competitive tendering and contracting out exercises in local authorities. Both Chapters 6 and 7 rely on case studies to highlight the dynamics of the local tendering process.

The fourth and final section, Chapter 8, examines in greater depth some of the key issues raised in earlier chapters and attempts to put recent events into an appropriate historical perspective. It contrasts developments in local authorities with those in the NHS, in an attempt to highlight both the true significance of contracting out and the dangers associated with current government approaches to local service provision.