

## **Note on the proceedings**

Joint Meeting on the Impact of Decentralization  
and Privatization on Municipal Services

Geneva, 15-19 October 2001

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## Introduction

The Joint Meeting on the Impact of Decentralization and Privatization on Municipal Services was held at the ILO in Geneva from 15 to 19 October 2001.

The Office had prepared a report<sup>1</sup> issued in English, French and Spanish to serve as a basis for the Meeting's deliberations. It examined key issues of definitions and concepts and trends of decentralization and privatization and the complexity of their impact on municipal services with a particular view to four sectors: education, health services, transport, and utilities. The report focused on the linkages between decentralization and privatization, efficiency, quality of municipal services and decent work and the role of employers' and workers' organizations as well as the role of social dialogue and regulation in such processes. Trends in employment, in working conditions and terms of employment were examined for the selected four sectors of municipal services.

The Governing Body had designated Mr. Nitte Manjappa Adyanthaya, Worker member of the Governing Body to represent it and to chair the Meeting. The two Vice-Chairpersons elected by the Meeting were: Mr. Barrera (Chile) from the Government/Employers' group and Ms. Wakefield from the Workers' group.

The Meeting was attended by Government representatives from Benin, Chile, Egypt, Finland, Italy, Japan, Kenya, Namibia, Philippines, Russian Federation and United Kingdom, as well as six Employer representatives and 23 Worker representatives. Representatives of the Governments of Nigeria and the United States were also present at the sittings.

An observer from the World Health Organization attended the Meeting and representatives from the following international non-governmental organizations also attended as observers: the International Confederation of Free Trade Unions, the International Federation of Public Service Officers, Education International, the International Council of Nurses, the International Federation of Employees in Public Services, the International Federation of University Women, the International Organization of Employers, the International Transport Workers' Federation, the Latin American Union of Municipal Workers, Public Services International, the World Confederation of Labour and the World Federation of Trade Unions.

The two groups elected their Officers as follows:

*Government/Employers' group:*

*Chairperson:* Mr. Vei (Namibia)  
*Vice-Chairperson:* Ms. Mata (Employer member)  
*Secretary:* Mr. Dejardin (International Organization of Employers (OIE))

*Workers' group:*

*Chairperson:* Mr. Lucy

<sup>1</sup> ILO, Joint Meeting on the Impact of Decentralization and Privatization on Municipal Services, Geneva, 2001: *The impact of decentralization and privatization on municipal services*, 118 pp.

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*Vice-Chairpersons:* Ms. Anderlund

Mr. Kabbaj

Mr. Wahl

*Secretary:* Mr. Leather

The Secretary-General of the Meeting was Mr. O. de Vries Reilingh, Director of the Sectoral Activities Department. The Deputy Secretary-General was Ms. C. Doumbia-Henry of the same department. The Executive Secretary was Ms. G. Ullrich. The Clerk of the Meeting was Ms. S. Maybud of the Management Services Unit of the Social Dialogue Sector. The experts were: Mr. B. Essenberg, Ms. C. Foucault-Mohammed, Mr. B. Ratteree, Mr. J. Sendanyoye, Ms. S. Tomoda and Ms. Lopez Caamazana. The Meeting held six plenary sittings.

The Chairperson of the Meeting, nominated by the Governing Body of the ILO, Mr. Adyanthaya, welcomed participants. It was an honour to chair the ILO's very first cross-sectoral Meeting convened to discuss several services sectors, including the public service, education, health services, transport and utilities. These sectors had specific strengths and problems but also one important common feature: they provide services in the public interest whether delivered through public or private providers or a combination of both. The Meeting would examine these sectors from the perspective of the impact of decentralization and privatization on services at the local government and municipal level. In view of the impact on our well-being and security, the importance of local and municipal government, their services and their relation to civil society were more than ever before appreciated. Individual citizens and businesses had the most direct contact with public policy at this level. Furthermore, decentralization and privatization not only changed the conditions of local governance for the community, they also changed the employment and working conditions of municipal service workers. These aspects would be the focus of this Meeting.

Since 1998, separate sectoral meetings in all five sectors mentioned above had touched upon questions of decentralization and privatization. The results of these meetings would therefore contribute to the discussions of this Meeting. Though building on the results of the previous meetings, the Office report went beyond them by examining common and distinct features of decentralization and privatization in the various sectors, how they impact on municipal services and the role played by decent work and social dialogue. Commonalities and differences among the sectors might reinforce or reduce intended impacts at local level. Consensus on joint action would be required to reinforce the potential of local governance. To maximize the short time allocated to the discussion in the plenary, and given the context in which the Meeting was organized, participants were encouraged to follow the suggested discussion points at the end of the Office report, with particular attention to labour and social issues in relation to the themes of decentralization and privatization. The Chair hoped that the Meeting would come to a consensus on very practical conclusions benefiting the efficiency and quality of the municipal services as well as the requirement of decent work for those who deliver municipal services.

On behalf of the Director-General, the Executive Director of the Social Dialogue Sector, Ms. Sally Paxton, also welcomed participants to the Joint Meeting. The Meeting's subject concerned the daily lives of everyone, and was central to the ILO's quest for decent work for all. It also involved the historical tradition of state responsibility for public well-being, and it lay at the heart of democratic participation of people in their governance in a globalized world.

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## **Historical roots and new trends**

Historically, municipal services have represented the expression of social cohesion and sharing within a community, ensuring the public health and well-being of the population, as well as providing a foundation for the relationship of government to citizens at the local level. After a long period of expansion in state responsibilities and a corresponding growth in public expenditure – which in certain countries has attained 35 per cent of GDP – the often unsatisfactory results led to calls for change in the direction of more devolution and decentralization of government, for the inclusion of market and private sector managerial expertise, and for more democratic control and less regulation. One result has been the opening of public service delivery to privatization. The ILO estimates that from 1998 to 2000 public sector employment dropped by 15 million, to 435 million jobs, most of the job losses occurring in the transitional countries. But 20 years of experience with privatization has also raised questions about the role that the private sector can play alongside the role of the State. The evidence from the Office report for this Meeting points to three main issues which condition the debate on decentralization and privatization of municipal services: participation of civil society; globalization in partnership with the private sector; and promotion of decent work and the quality of life.

## **Participation of civil society**

An outspoken wish of communities and civil society to participate in the processes and services which directly affect the private lives of people now pervades all parts of the world. At the same time, preservation of local identity and voice is sought in a world of regional and global integration. The increase in pressure for decentralization has been accompanied by corresponding demands for the introduction and strengthening of local representative institutions; in sum, improved local governance.

## **Globalization in partnership with the private sector**

Globalization, and the liberalization of markets and investments, force countries to find innovative ways to improve the efficiency and quality of public services. At the same time, national governments – due to structural adjustment or public pressure to reduce levels of taxation and public expenditure – are obliged to enter into new forms of partnership with civil society and the private sector. Hence, in many cases governments have opted for decentralization and public-private partnerships with private enterprises and NGOs.

## **Promotion of decent work and the quality of life**

The challenge for the ILO in today's world is to ensure decent work both for those workers who deliver municipal services and for those whose work is dependent on the efficiency and quality of municipal services. At the same time, the challenge is also to improve the quality of life of all workers and their families, in particular through services in the sectors of education, health, transport and utilities. In line with the conclusions of a number of sectoral meetings on the public service, sustainable solutions to such challenges can only be found through dialogue among all social partners, a primary strategic objective of the ILO's Social Dialogue Sector. Accordingly, the ILO placed a high priority on the outcome of this Joint Meeting, as it unified the purpose of several service sectors with the interests of all social partners.

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## The Meeting and its outcomes

The nature of this Joint Meeting – government delegates joining private employers’ delegates to form the whole of the Employers’ group, and entering into a dialogue with an equal number of workers’ delegates – required a high degree of sensitivity to the fact that governments, while being a or **the** major employer, also had a responsibility to ensure that the general public had universal and equal access to public services. As a cross-sectoral Meeting which jointly examines five sectors – public service, education, health services, transport and utilities – the report and the discussion to follow had to explore new ways to examine the issues within and across the sectors. As the Chairperson had already mentioned, the commonalities and distinct features by which decentralization and privatization impacted on the public service workforce and hence on the delivery of the services would be discussed during this week. Two general observations seem possible at this stage:

- services in the public interest, whether delivered through public or private providers, require special regulation in order to ensure not only quality, but also universal and equal access to such services; and
- processes of change with sustainable results are best achieved when they are planned and implemented through social dialogue.

Ms. Paxton concluded by hoping that the Meeting, as a vehicle for social dialogue at the international level, would yield useful conclusions for action by the social partners and the ILO.

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Part 1

## **Consideration of the agenda item**

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# Report of the discussion <sup>1</sup>

## Introduction

1. The Meeting met to examine the item on its agenda. In accordance with the provisions of article 7 of the Standing Orders for Sectoral Meetings, the Officers presided in turn over the discussion.
2. The spokesperson for the Government/Employers' group was Mr. L.D. Dekker and the spokesperson for the Workers' group was Mr. W. Lucy.
3. The Meeting held five sittings devoted to the discussion of its agenda item.

## Composition of the Working Party

4. At its fifth plenary sitting, in accordance with the provisions of article 13, paragraph 2, of the Standing Orders, the Meeting set up a Working Party to draw up draft conclusions reflecting the views expressed in the course of the Meeting's discussion of the report. The Working Party, presided over by the Government/Employer Vice-Chairperson, Ms. Mata, was composed of the following members:

*Government/Employer members:*

Mr. Babalola (Employer member)

Mr. Dekker (Employer member)

Ms. El Gazzar (Egypt)

Mr. Memon (Employer member)

Mr. Perera (United Kingdom)

*Worker members:*

Ms. Barrett

Mr. Lucy

Mr. Munyao

Mr. Soungue

Ms. Tuomi

## Presentation of the report and general discussion

5. Introducing the report prepared by the Office, the Executive Secretary summarized the salient points of the chapters and the suggested points for discussion. The report was based

<sup>1</sup> Adopted unanimously.

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on recent preparatory research and the results of previous meetings since 1998 in each of the sectors covered by this first cross-sectoral Meeting, namely education, health services, transport, utilities and the public service itself. Without going into details, the first chapters were meant to clarify definitions, concepts and trends and to explain the complexity of the theme. The report then focused on the linkages between decentralization and privatization, efficiency, quality and decent work, and the role of employers' and workers' organizations in such processes. In examining the possibilities of social dialogue and regulation to facilitate processes of decentralization and privatization, the report raised the questions as to which capacities for social dialogue needed to be strengthened and who participated in regulatory processes. Chapter 7 outlined the general trends in public sector employment and the specific trends for the various sectors – education, health services, transport and utilities. Looking at the impact of decentralization and privatization on working conditions and terms of employment, Chapter 8 first identified the general trends and then the particularities of each sector. The points for discussion were suggested in the form of questions and were grouped according to six areas which constituted the main themes of the report: decentralization and privatization; efficiency, quality and decent work; social dialogue; regulation; employment; and terms of employment and working conditions.

6. The spokesperson for the Government/Employers' group began by pointing out that in collective bargaining, it was a good idea to strive for a "win-win" outcome whereby everyone involved gained in the process. In the ILO's tripartite framework this meant that all three groups should derive positive benefits from the outcome. Governments should come out winners by being able to provide better municipal services to communities. Employers should win through provision of quality service within the framework of basic economic criteria. Employees should also be winners, their fears of change allayed and their conditions of work improved. These concerns would guide the group's contributions to the Meeting.
7. The spokesperson for the Workers' group endorsed the idea of achieving a "win-win" outcome to the discussions and thanked the ILO for the report prepared for the Meeting. The Workers' group was pleased to see the attention paid to the central theme of the Meeting, a subject which was long overdue for consideration by decision-makers with a view to developing a consensus approach to decentralization and privatization. The Meeting came at a significant time in the course of human events. The senseless destruction of life and property on 11 September in the United States underscored humanity's vulnerability and the need for a strong and stable public infrastructure. Over 500 municipal workers in New York City, some from his union, lost their lives in efforts to save others, and scores more died in their offices. Their personal heroism and sacrifice would never be forgotten, but lessons for the public service must also be drawn from the tragic events.
8. The first lesson was that a core of public services were inherently governmental, in other words, delivered publicly and not subject to privatization. Such services were characterized by the following:
  - they were universally provided to the public and available equally to all;
  - they affected life, safety and the public welfare or were vital to commercial and economic development;
  - they involved regulatory or policy-making functions;
  - their breakdown in times of crisis could have dire consequences for public safety, economic development, commerce, democracy or a just society; or

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- the service was incompatible with the profit motive or could not be efficiently or effectively delivered through market mechanisms.
9. Recognizing that identification of inherently governmental services could be controversial, the Workers' group adopted an expansive but realistic view. They believed that many of the services within the four sectors discussed by the Meeting were considered inherently governmental, and were provided at the municipal level in developed and developing countries.
  10. Second, as the 11 September events tragically revealed, decentralization of some services carried substantial risks. Whereas municipal and sub-municipal governments' ability to fund high-quality service delivery was essential to minimize risk, decentralization was often accompanied by reduced funding, and in some cases privatization as lower-level jurisdictions lacked the expertise or financial means to perform the service. This created two sets of problems: municipal authorities' lack of ability to effectively manage procurement and monitoring; and the private sector's ability to effectively perform. Decentralization and privatization of passenger screening at American airports provided a belated example of ineffective decentralization and privatization in which government sought to avoid responsibility and cost of the service. The lesson from this abdication of responsibility was that governments at all levels had to share sovereignty and cooperate. The complex subject matter and the high stakes involved in the debates over privatization and decentralization required the stakeholders to move to a more meaningful discussion.
  11. Society needed a strong public infrastructure which included well-delivered municipal services in the sectors covered by the Meeting. These constituted the foundation of human and economic development, and when eroded through disaster or neglect, a society's ability to survive and thrive was threatened. The Workers' group believed that the best way to establish and sustain such an infrastructure required that almost all of it must be publicly provided. Experience suggested that privatization undermined effectiveness, frequently led to increased costs, and eroded decent work. Though privatization was prompted by budgetary pressures, the ILO report provided examples that an increase in private sector participation was associated with increases in total government expenditure, and that there was little evidence of privatization improving efficiency or productivity, particularly in developing countries. In sum, privatization had limited governments' ability to meet public service needs.
  12. Moreover, privatization undermined the achievement of the ILO's goal of decent work, defined as the opportunity of workers to take part in productive work where rights are protected, an adequate income is generated, and social protection is provided. Job loss, wage and benefit reduction and loss of public service professionalism were often lost in privatization. In addition, employee commitment to effective service delivery rarely emerged once the privatization had passed, a little-understood facet which the World Bank had underlined by admitting that it had no understanding of how to motivate public sector workers.
  13. Where privatization and decentralization were considered, certain requirements should guide the discussion from the outset. First, extensive social dialogue must occur. Failure to have dialogue resulted in a loss of alternatives viewpoints, development of a consensus approach and failure to resolve conflict, thus leading to social strife, labour unrest and sometimes violence. By contrast, dialogue and consensus approaches to restructuring enhanced the likelihood that new structures would achieve desired results. The current unravelling of privatized rail transport in the United Kingdom and New Zealand underscored these points. Second, economic security for workers, in the form of guaranteed employment security, continuation of wage and benefit levels and continuity in labour representation, encouraged risk taking and commitment to quality public service. Workers might perform different jobs in a reconfigured enterprise; in this connection

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retraining and redeployment were necessary for redesigned service delivery, with responsibility for retraining jointly shared between worker and employer. Finally, the government must exercise a careful and effective oversight and regulatory scheme in the event of reorganization, thoroughly describing expectations of the new work system, and monitoring performance and outcomes. The historical failure of governments to realize effective oversight had led to cost inefficiencies and ineffective service.

14. In summary, the Workers' group urged more thoughtfulness in privatization, decentralizing or otherwise restructuring. Decisions should not be driven by cost considerations alone, meaningful discussion with workers was essential, workforce security issues must be addressed in the context of the decent work ideal, and monitoring of the outcomes was necessary to achieve goals.
15. An observer, the General Secretary of Public Services International, saw the Meeting as a great opportunity for the ILO to contribute towards improved design, financing and operation of municipal services, while also giving international leadership on the subject. Such improvements could assist global economic and social development along a safer, fairer and more democratic path. Change was essential, but it also had to be realistic, based on honest evaluation and a redesign of policies in accordance with the available evidence if decentralization and privatization of public services were to contribute positively. Unions were often pushed into defensive positions by imposed privatization and other reforms which, in addition to frequently attacking members' livelihoods by cutting jobs, pay and conditions of work, undermined the workers' ability to serve the public by cutting resources or by trying to force them into unworkable management systems. Workers and their unions wanted to contribute so that reforms could improve the efficiency and quality of services while safeguarding the legitimate interests of employees. Experience with privatized electricity service, railways, and hospitals in different places – examples were cited from Australia, New Zealand, the United Kingdom and the United States – dispelled the idea that the market allocated public services resources more efficiently and fairer than the State. The harm had been even more pronounced in poorer countries (water services in Argentina were cited as an example), particularly those in which the International Monetary Fund (IMF) and World Bank had imposed cuts and privatization through structural adjustment programmes. There were just as many examples of decentralization failing to produce the intended improvements. Workers were in favour of bringing public services closer to the people, making them more responsive and responsible, as well as more efficient and effective. But decentralization without accompanying resources, and well-documented cases linking privatization or outsourcing and corruption had given a good idea a bad reputation.
16. Experience supported workers' conviction that genuine social dialogue was not only right in principle but effective in practice. Many examples from different countries proved the benefits of cooperation. But while social dialogue was necessary, it was insufficient without the resources needed to do the job. Improving structures and systems through which public services were delivered could bring savings, especially when workers and their unions were fully involved in designing and implementing the necessary changes, and the people who must make it work received the training they required for their new roles and new ways of fulfilling them. The conclusions of the 1995 Joint Meeting on the Impact of Structural Adjustment in the Public Services listed guiding principles for public sector reforms:
  - respect for continuity in the values of communities and cultures within countries, particularly for accountability to democratic political processes and institutions; transparency and openness of government policies;
  - partnerships in decision-making;

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- impartiality and equity in access to public services;
  - provision of better services to citizens; and
  - good working conditions and the application of international labour standards for morale and performance of the public service.
- 17.** For these principles to be more than empty promises, national and local states must provide sufficient resources; governments must move from the 1990s mind-set that the market and private business held all the answers; and international institutions such as the IMF and the World Bank must abandon their obsession with privatization and tax cuts. Genuine social dialogue was required, involving labour at all levels of the process. Moreover, public service workers needed training so that they could contribute to ensuring beneficial outcomes rather than being forced into defensive opposition. The notion that the interests of public service workers and of public service users were mutually opposed was false.
- 18.** An observer representing Education International (EI) shared the same analysis as the previous speaker. Education must be accountable to the community and thus the importance of maintaining it as a public service. Broad support for education could only be mustered if people were convinced there was “ownership” and involvement in education by the citizens, the parents and other stakeholders. Although this argued for decentralization, governments needed to set in place, through social dialogue, institutions to eliminate the risks of corruption, political favouritism and nepotism, harassment or exploitation. Public education was also fundamentally important to democracy enabling girls as much as boys, regardless of social standing or wealth, of political or religious belief, of race or ethnic origin, to grow up accepting and respecting diversity of their origins and identities, and preparing them for citizenship. Transparent institutions and procedures provided one of the best protections against the evils mentioned above, while impartiality was part of the ethos of the best civil services. Equity gave rise to the acknowledgement that the right to education was a basic human right accessible to all and assured by public service. It was also shown to coincide with economic results. World Bank empirical research in the 1980s showed education of girls represented the best investment any society could make in its own future. This underlined the scandal of denying access to basic schooling for 120 million children between the ages of six and 12, two-thirds of whom were girls. The global knowledge society of the twenty-first century would be constructed around lifelong learning, yet even the industrialized countries had failed to ensure the basic right to education for all, let alone closing the digital divide. It was important to be sceptical of facile theories: the notion that decentralization was just about shifts in resources – or resource cutting – should be rejected, for that diminished both equity and quality. Constructive change could be achieved through the involvement of stakeholders; genuine partnerships would enable people to be actors in their futures, not just victims of circumstances, and therefore dynamic unions in the fields of education and other public services could play an important role. The consequences of privatizing and outsourcing of airline security systems as mentioned by the Workers’ spokesperson were germane: decisions taken 15 years before had led to unforeseen consequences. In addressing education, municipalization, decentralization and privatization must not leaving each local community to fend for itself, otherwise a similar penalty would be paid. Education should be brought closer to the people, while finding ways to share the resources of the global economy so that all had access to the most basic human rights, including those of education and health.
- 19.** Another observer from the International Transport Workers Federation (ITF), informed the Meeting that his organization brought together 500 unions in more than 125 countries, representing over five million members in every branch of transport. ITF had campaigned for years for an integrated and environmentally responsible approach to transport policy, both nationally and internationally. ITF supported and recognized the importance of

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transport systems to sustainable economic development, promoted the development of efficient public transport offering a quality service to users, and worked towards safe and attractive working conditions for transport employees. With regard to decentralization and privatization in public transport, it seemed that governments were trying to get rid of their responsibilities to provide public services. Sometimes state monopolies were replaced by private monopolies, with no options for consumers. The consequences of privatization of public transport in many countries were higher fares, lower quality and reliability and worse working conditions. Safety was very important in public transport and private operators were concerned only about profit. The ITF believed that the private sector could never be a successful basis for the delivery of safe, social and environmentally friendly services. A new approach was needed towards the transport industry, based on the principles of fair, not free, competition and dealing with three key areas: transport policy, transport ownership and transport regulation. It was essential to the future of sustainable mobility that effective measures were taken to promote the use of transport modes that are the most energy-efficient for public transport. In consultation with representative organizations of transport employers, transport workers and transport users, every government should establish a national policy laying down the principles which would govern ownership, regulation and long-term investment plans. Great attention should be paid to the need to ensure that the conditions for competition between modes of transport as well as social and environmental conditions in each country were properly harmonized. Examples of bad outcomes resulting from decentralization and privatization of public transport could be cited around the world. The ITF strongly believed there were alternative ways to improve public services.

20. An observer from the International Confederation of Public Service Officers congratulated the authors of the ILO report for the excellent work. His organization was opposed to the privatization of any public services, whether at the national or at the municipal level, regardless of whether this was carried out in the framework of social dialogue. Arguments for privatization of public services were frequently fallacious. Services needed to be brought as close as possible to citizens, therefore a clearly defined role for the municipality in their provision was vital. It was also essential that, in delivering services, local governments had freedom of action and therefore the means, including motivated employees, to meet their responsibilities. While criticisms regarding the efficiency of local government workers were often politically motivated, public services needed to evaluate their actual performance without adopting defensive attitudes. Detractors would best be disproved if public services were to respond to the demands and aspirations of users by instituting administrative reform, improving hiring procedures, and enhancing continual employee training to fulfil their role in a satisfactory manner, while ensuring decent work for their employees.
21. An observer representing the Latin American Union of Municipal Workers agreed with the observations of the Worker spokesperson.<sup>2</sup> The services of municipal and state workers were essential. In his region, small and medium-sized enterprises, which were often referred to as alternative delivery channels and sources of employment, were not able by themselves to deal with the problems facing public services. State and local governments had certain advantages, for instance as elements for social and cultural integration of local communities, thereby contributing to eliminating existing unemployment. At the municipal

<sup>2</sup> A distinction should be drawn between privatization, of which the speaker openly disapproved, given the catastrophic repercussions it had had on the quality of services and employment, and decentralization, which he considered acceptable provided it resulted in an actual transfer of the resources that were necessary if the services being decentralized were to be provided in an adequate manner. Since the main problem in Chile was unemployment, which affected both the public and the private sector, the speaker expressed his hope that decentralization would make a tangible contribution to improving the situation.

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level, it was possible to create networks of cooperation among different public administration levels, making further steps towards true participation and generation of jobs. Decentralization should include not only efficiency considerations, but also concerns for employment generation and economic development at the local level.

## **Decentralization and privatization**

22. The spokesperson for the Government/Employers' group considered decentralization, localization or privatization not as an end, but as a means to enable municipalities to address the serious problem of service delivery to their customers who were the voters and the inhabitants of a town or a city. The mechanisms were not applicable in exactly the same way in all circumstances; there was need for flexibility. It was necessary to distinguish clearly between developed countries, which had vast experience with these phenomena, and developing countries, which had almost no experience and were seeking best practices in this field. There were also developed cities providing all manner of services to their communities, including such luxury services as art galleries, while other localities could not provide such basics as clean water. Such a diversity of circumstances could not have the same solutions applied to them. Clarity would be helped by defining both "decentralization" and "privatization", which had a variety of meanings. The morning's discussion had covered what could be termed "service contracts", "management contracts", and "leases", rather than what would be understood as full-scale privatization, which, in many instances, had a negative connotation. Employers recognized that employees' legitimate fears should be addressed. It would be irresponsible for governments to embark on privatization in any form without a proper regulatory framework, by means of legislation or commercial contracts agreed between the authority and the provider, with workers represented in the drafting of the contracts in order to safeguard their interests. Giving the private sector the opportunity to participate in the provision of services must go hand in hand with local economic development. Moreover, efforts must extend beyond looking at the rights of those who already had employment to the creation of more employment, as well as the enhancement of local economic development, including through capacity-building training. Governments, be they central, provincial or local, could never abdicate their responsibility to ensure provision of services either directly or through other means. Customers' access to additional capacity from the private sector would hopefully create a win-win situation with current employees safeguarding their interest while additional jobs were created for people without previous work.
23. An Employer member shared some experiences from privatization and decentralization in Sweden, where a four-step process had been established. The first step was the transfer of power from the central to regional government as well as to the local municipalities. The second step, currently ongoing, involved increased outsourcing. Public and private service providers competed for public procurement contracts. The public to private delivery mix was 90 to 10 per cent in health, 95 to 5 per cent in education, and 15 to 85 per cent in transport. The control and the financing remained in government hands, but competition had been a good motivator for innovation leading to better services. When competition had been based just on price, there had been problems with working conditions, but with some years of experience, all sides had realized they could learn from each other. Step three of the process, comprising public/private partnerships for services such as schools and hospitals, was under discussion. The fourth step was intended to be full-blown privatization.
24. Worker members reiterated the long-standing role of municipal and local authorities in delivering services to the local communities while also providing jobs. The privatization process in countries like Kenya and Panama for example, had been disastrous for both workers and consumers. The statement in the ILO report that decentralization and

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privatization were a means of increasing efficiency was not supported by any study. In Panama, for instance, the public sector had been accused of being ineffective and telephone and electricity services were privatized in order, it was claimed, to make them cheaper. The end result was that they were now more expensive and many more people were unemployed. In addition, privatization had taken place without reference to the ten commitments of the Copenhagen Social Summit. Dialogue was required so that workers could be consulted on how they might be treated in the course of privatization processes.

- 25.** A Worker member pointed out the way the housing sector in the Russian Federation provided water, gas, and electric power after four years of reform, including privatization and decentralization. The vast majority of the population considered the reforms simply to have increased their costs without any increment in quality of services. However, there were no alternatives to reform; without them whole industry branches and productive sectors, such as the suppliers of water, electricity and gas would have gone bankrupt. After ten years of a market economy, the central authorities had lost the capacity to provide water, power and gas supplies to housing and municipal authorities and simply abandoned these services to the private sector. None of the government authorities at any level concerned themselves with housing, as a result of which there had been an increase in the incidence of accidents, and whole regions and cities had become paralysed in terms of supplies. Trade unions insisted on transparency regarding costs of services to combat corruption, and were concerned about accumulated municipal charges which had forced various enterprises to declare bankruptcy. Another aspect of privatization in most regions related to an absence of a formal contract between the privatized entity and the authorities, and where it existed, terms were not carried out as envisaged. Privatized enterprises also had serious problems paying timely or adequate wages; delays in receipt of pay could be as long as eight months and only be effected after litigation. These conditions had led to the sector's loss of qualified workers and managers. Trade unions, while recognizing the necessity of reform, were seriously concerned with the hasty, unbalanced manner in which decentralization and privatization were undertaken.
- 26.** The representative of the Government of Namibia highlighted a few experiences with decentralization and privatization or commercialization of utilities, airport operations, and telecommunications as a result of Acts of Parliament. The results of privatization in utilities were end user prices at unaffordable levels. Local authorities had called upon the Government to set up proper price controls to ensure that local authorities had sufficient money to provide all the decentralized services.
- 27.** The representative of the Government of Benin noted that grass-roots development had been behind decentralization and privatization decisions, based on the assumption that a greater degree of autonomy would promote competition, and transparency. The law of the market would be introduced to services, thereby ensuring lower costs and freeing resources to be invested elsewhere. The results were unfortunately not what had been hoped for. Benin was in the preparatory stage of decentralization, but private enterprises already dealt with lighting and waste disposal under contract with local authorities. Education, health and safety remained the responsibility of the central authorities, although in Cotonou the local authorities were sometimes obliged to supplement the efforts of the central authorities in areas such as health, schools and policing through provision of auxiliary staff. It was therefore necessary to take into consideration the realities of each country in the discussions.
- 28.** A Worker member highlighted the difference between decentralization and privatization. Political decentralization was often promoted to give local people more control over local development. Widespread privatization had the opposite effect. In countries where a public service was fully privatized or open to competitive tendering, it only took a few years before the sector was completely dominated by a limited number of companies, many of them acquired by multinational enterprises. While the intent of public authorities was to

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decentralize, ownership of operations went in the opposite direction towards centralization and concentration. Small municipalities with one or two privatization cases a year did not have the big organizations or departments of huge multinational companies to deal equitably with key issues under privatization. Very unbalanced relationships ensued, with the companies taking control of the situation. This was dangerous from the workers' perspective because it decreased, rather than increased, local control. There were also many examples of multinational companies putting in bids which did not even cover the cost of operations in order to eliminate competition and enable price increases later. There were alternative approaches to restructuring the public sector. Norway had, for instance, a model bottom-up municipality project initiated by the Municipal Workers' Union under which agreement had been reached with three municipalities to restructure within three years, without privatization or competitive tendering. The mayor of one of the concerned municipalities summarized the experience of this type of restructuring: it had given the municipality a better economy; it had provided users satisfaction with the services; and it had generated high worker satisfaction.

- 29.** An Employer member observed that in essence the Workers were willing to accept changes as long as those changes would benefit all stakeholders. Fear of privatization was grounded on assumptions regarding lack of transparency, declining public commitment, and possible failure to attain the outcomes desired. Because public sector management had proved inadequate in the context of a globalizing economy, privatization had become necessary in order to provide services efficiently. The challenge was to bring the tripartite partners closer so that the benefits of privatization would include not only efficiency and quality service delivery, but also job creation.
- 30.** Several Government and Employer members noted the importance of the social aspects of public services. Care must be taken to ensure that goods and social services remained within reach of the poor. Consumer welfare was an important factor to consider in the pricing of privatized goods and services.
- 31.** In concluding on this point, the spokesperson for the Government/Employers' group returned to the problem of terminology. The word "privatization" was being used to cover many types of mechanisms for private sector participation in public service delivery, including contracting of services, concessions, and in the South African context, the concept of "Build-Operate-Turnover" (BOT),<sup>3</sup> all of which fell short of the full transfer of ownership from the public to the private sector. Private sector participation frequently meant the provision of capacity, know-how or funds to assist the public sector in delivering better community services or in delivering services where none had been provided before. Employees' fears might be allayed if there were more precision in the use of terms. The wide range of options for private sector participation should not be confused with the wholesale transfer of ownership to the private sector.
- 32.** In his final remarks on the point, the spokesperson for the Workers' group made clear that the Workers were not pro-privatization. To the extent that privatization and decentralization led to improved quality and efficiency of services, Workers would not oppose these trends, but they would clearly want to be part of the dialogue preceding implementation of any plan. They also fully agreed on the point made by the spokesperson of the Government/Employers' group with regard to distinctions between types of public service delivery. However, privatization was not seen as an alternative to public service. Good social dialogue which ensured that workers' organizations and other stakeholders

<sup>3</sup> Private enterprise builds infrastructure, operates it for an agreed period of time, then turns it over to the Government.

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were involved in the process of change should lead to more efficient, high quality public service delivery.

### **Decentralization and privatization: Linkages with efficiency, quality and decent work**

- 33.** The Vice-Chairperson of the Workers' group described in some detail the experiences in the United Kingdom of more than two decades of privatization of utilities, health services, and local government services. The process of privatization was ongoing and had included full privatization, public-private partnerships, compulsory competitive tendering, voluntary tendering and so-called strategic partnerships, which involved the outsourcing of support services and information technology for local governments.
- 34.** The Private Finance Initiative (PFI) currently under way involved private companies in designing, building, financing and operating hospitals, schools, libraries, leisure centres and other public services, all at public expense. In the Workers' view, PFI did not deliver good value for money, nor did it improve public service quality. There were three main reasons for its failure to do so. First, financing of private consortia was more expensive than public financing. As a result, funds which might have been spent on high-quality construction were diverted to meet high financing costs. Poorly designed hospitals being built to inferior specifications were one negative outcome of this phenomenon. Second, long-term contracts with private providers raised the question of how responsive these consortia would be to the changing needs of the population, to shifting priorities of democratically elected local authorities and health authorities, and to innovation in public service delivery. The decline in both domiciliary and residential care for the elderly and the ill was cited as an example of private sector indifference to public needs. Third, there was often no public sector comparator against which to evaluate performance in relation to costs. For example, tolls for some PFI bridges were prohibitively expensive for local users.
- 35.** Because private companies were indemnified against risks and retained ownership of the assets after completion of the project, the net result was the expenditure of public money for poor service and loss of assets. Profits from resale remained in private hands. Even services without a major capital component, such as social services, cleaning and catering, were negatively affected. Pay and conditions of work tended to deteriorate rapidly after privatization. Personnel management was poor in many private contractors. Casualization was extensive. Social dialogue and trade unionism were weakened. A recent survey had shown that 90 per cent of those employed on new contracts after privatization were paid up to 50 per cent less than workers transferred from the public sector. There was little pension provision and when available, it was not comparable to the public sector pension. The impact on women workers pay was marked.
- 36.** The social, economic and environmental well-being of communities was being severely challenged by privatization. Privatized workforces suffered greater poverty. The impact on local economies was significant, in terms of both job loss and the knock-on effect of reduced purchasing power of local residents. Finally, there was a real threat that the privatization of public services would contribute to greater social exclusion. Some users would be excluded due to higher costs for services. There were questions about the capacity of private companies to deliver services responsive to the diverse needs of local communities according to the priorities established by democratically elected governments in the absence of social dialogue between the private companies, communities and service users.
- 37.** An Employer member reminded the Meeting that privatization had been pursued due to the erosion of services, inefficiency and corruption which had plagued public provision. Good results had been obtained in his country. If proper rules were laid down to avoid lay-offs

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and to maintain salaries, benefits and employment rights, he saw little reason for municipal workers to fear privatization.

- 38.** Another Employer member noted that workers' job satisfaction was an important factor to consider. He cited the results of a joint survey of workers employed in home care, elder care, kindergartens and day care, which had revealed a higher level of job satisfaction in the private sector. Employees felt that they worked harder, but were also better paid and had more opportunities to express their views due to flatter organization. The speaker also observed that the contracting out of services in health care and schools had led many women to become entrepreneurs. They had found innovative ways of both taking care of people and developing their own companies.
- 39.** A Worker member responded that such survey results were the exception, rather than the rule. She cited the recent outsourcing of ancillary services at a prestigious university, where 600 workers were retrenched. Half were re-employed by the new contractor who halved their basic pay and doubled their workloads. All benefits were cut, job security was reduced, and a harsh supervisory regime discouraged the lodging of complaints and grievances. Collective bargaining rights were eliminated. This was a far more common example than the success story previously mentioned.
- 40.** Another Worker member stated that in Central Africa the experience of privatization had been largely negative. Laws and regulations were ignored, the municipal workforce was disregarded, social dialogue had fallen into disuse, no information was communicated, service quality had declined and many public assets had fallen into the hands of family members. As a result, the general public suffered. Municipal services should have greater autonomy regarding the use of resources, since they were close to civil society. Unfortunately, a number of African countries had chosen to transfer responsibility for service provision to the private sector. Under these conditions, municipal workers had no legal recourse to ensure proper respect for fundamental rights at work.
- 41.** The representative of the Government of Egypt remarked that privatization should be undertaken with great care to guard against negative repercussions on municipal workers. The private sector tended to achieve higher profits at the expense of workers. Private services were sometimes better, but the cost in terms of workers' rights, their pay levels, hours of work, social protection and social dialogue was high. Privatization should be accompanied by an analysis of its impact on decent work and on the quality of services. An Employer member added that countries in which a large public sector was facing privatization would have to consider changes to the Labour Code and Social Insurance Code in order to ensure decent work.
- 42.** A Worker member raised the problem of defining and measuring efficiency. Consultants tended to use standard measures of economic efficiency. In the bus industry, for example, these included revenue per kilometre, operating profit or loss per kilometre, driver costs per annum and asset utilization. While these measures might be valid in themselves, they too often led to decisions to outsource non-core functions, to split profitable from unprofitable services and to sell off profit-making services. Too often the results were an improvement in the measurement indices, but a decline in service quality, lower consumer satisfaction and a disgruntled workforce. To improve services, it was essential to enter into a dialogue with workers who provided those services and customers who used them. Employees were an important resource for ideas and feedback. Planning and quality management were also essential. Human resources needed to be properly allocated. Training and consultation of employees, particularly regarding the introduction of new technology, were critical. She concluded by noting the wider aspects of efficiency measures, especially the impact that changes in one service had on others. A narrow view of efficiency gains could simply result in the shifting of costs from one service to another.

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43. A Worker member stated that decentralization and economic crisis had increased disparities in the ability of municipalities to deliver services. This situation had forced municipalities to respond to privatization in a competitive manner and to seek ways to improve services. The speaker cited two examples of joint efforts by public employers and employees in Finland to develop better municipal services. The first involved the creation at national level of a quality recommendation for public services and later of quality standards for the local level. The recommendation included educational standards for personnel. Second, a system for evaluating productivity in the provision of municipal welfare services was created involving the participation of both management and personnel. Productivity was defined as effectiveness, service quality, process fluidity and personal performance. Joint development of municipal services was a viable alternative to privatization or outsourcing. The speaker concluded by noting that decentralization carried the risk of fragmentation of collective bargaining, weakened control of labour market relations, lower productivity and greater rigidities in administrative and occupational hierarchies. In her country, national level framework agreements guided local agreements and thus helped to counter these risks.
44. An Employer member observed that in most developing countries, public services and utilities were concentrated in the capital and other urban areas, whereas outlying regions were poorly served. There was a regional gap in the delivery of services, which was exacerbated by privatization. "Pro-poor" regulation of privatized infrastructure was being considered as a means to close the gap between rich and poor in terms of access to services. Its three pillars included the promotion of competition in services in order to lower prices, the introduction of innovative tariff structures with lower rates for the poor, and direct subsidization.
45. The representative of the Government of Namibia stressed the great disparities that existed in different parts of his country and observed that decentralization would give greater responsibility to local authorities to provide for the best interests of citizens. It would lead to a more even distribution of schools, clinics, old-age homes and other facilities that ensured well-being. Local authorities should first put basic infrastructure in place. Once that was done, dialogue could be initiated in order to deliver services at an affordable price to members of the community. It was at that stage that an office should be established to manage the relationship between the service providers and the local council, to establish control processes and to spell out terms and conditions. It was vital that services reached the poorest of the poor. That was the aim of decentralization.
46. A Worker member stressed that respect for democracy and human rights was essential if social dialogue was to succeed. Trade unions supported improving the quality and efficiency of services to citizens. Workers' organizations should not be considered as obstacles to reform, but instead should be invited to enter into dialogue. Governments and employers were too oriented towards privatization and were thus unable to generate improvements in public administration and management. Unfortunately, trade unions were insufficiently involved in the process. Nonetheless, there were positive experiences in Chile of trade unions finding the ways and means to generate more funds for municipalities and suggesting ways to link benefits to the most disadvantaged with improved service provision.
47. The Workers' spokesperson accepted the view that if government had consistently provided high quality services across the spectrum, there would be no discussion of privatization today. The report had contained no clear evidence of cost-savings through privatization, so perhaps it was in fact the profit motive which drove the process. This would explain the lack of service provision in rural areas and the tendency to seek profits at the expense of workers. The failure of governments to provide efficient high-quality services was a failure of management. Rather than privatize services, management and workers could engage in dialogue aimed to improve service delivery. He reiterated the

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view that the public sector was called upon to provide services that the private sector would not or could not or should not provide. The public sector was a partner for economic and social development, providing such key elements as education, health services, transport, and utilities. History would argue that relegating government to no more than an oversight role would lead society to develop on a less equal basis.

- 48.** The Government/Employers' spokesperson had heard many good examples of bad implementation, but argued that effective municipal partnership arrangements could lead to significant improvements in service delivery. Proper implementation did not happen to itself. In order to derive benefits from privatization, a package of integrated initiatives had to be in place. These included a clear policy framework, appropriate legislation, proper contractual arrangements and other measures to ensure proper service delivery. Government must not abdicate its responsibility to govern. Whether or not it was a direct service provider, government must remain accountable to the people and must ensure that services are provided for their benefit. Decentralization should be viewed in the context of public administration reform which aimed to bring better services closer to the end user.
- 49.** The representative of the Government of Chile stressed the distinction between privatization and decentralization. In countries with a tradition of strong centralized power concentrated in the cities, the process of decentralization could be a democratic process which brought the State closer to the people. Privatization was a question of ownership which facilitated the interactions between the public and the private sector necessary for carrying out essential social and economic functions for the population. In countries with limited public resources, recourse to the private sector could mean the difference between having services and having none. The speaker concurred that the State could not abdicate its responsibilities and could not entrust all essential services to the private sector. Nonetheless, it should take advantage of the coexistence of public and private resources in order to deliver the services which the population required.

## **Social dialogue**

- 50.** The spokesperson for the Government/Employers' group stated that there was no disagreement on the need for social dialogue as an essential prerequisite for successful decentralization and privatization outcomes. Dialogue on these questions was a process, not a single event. Social dialogue could be defined in terms of "external" and "internal" dialogue. The first referred to the process of consultation between democratically-elected governments and voters, communities or citizens, defined for example by municipal legislation. Even with a democratic mandate to carry out a particular set of policies such as privatization, governments had the obligation to continue dialogue and share information with communities and other stakeholders on the delivery of a service, as provided for instance in a South African law on municipal systems. Internal dialogue between an employer and employees could take place in the form of consultation, which could be defined as seeking inputs from staff but with the ultimate managerial prerogative to take the final decision. Dialogue could also come in the form of negotiation leading to agreement, and where necessary, dispute resolution mechanisms. Again, South Africa was illustrative: parliament was considering transforming consultation into negotiation in cases of potential workforce retrenchment, including the right to protective strikes. Workplace forums represented another means of dialogue, and where these were established, laws required consultation on restructuring.
- 51.** The social dialogue process should ideally lead to better outcomes, legitimized by avoiding unilateral decision-making. Where adequate dialogue conditions did not exist, a regulatory framework would need to be created to prescribe how internal and external dialogue as defined above should proceed. Such a framework could also define the point at which consultations ceased and implementation began.

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- 52.** A Worker member insisted that the South African experience showed that even with an ethos of dialogue and negotiation, the process could be uneven and open to different interpretations. One had to distinguish between superficial dialogue whereby those in power – governments and private capital – made decisions regardless of the input, and serious dialogue leading to agreements. The former led for instance to the recent general strike of South African workers over non-negotiated privatization. A bad example of external dialogue processes came from Johannesburg where the municipal government, led by the national governing party, the ANC, had expelled the only opponent to privatization despite his democratic mandate. The preconditions for serious dialogue based on negotiated agreements started with the basic questions of whether change was necessary at all and what the reforms were expected to achieve. Second, the process must be widely inclusive, down to the rank and file of trade unions. Third, equal access to independent advice was crucial, as in South Africa where a national framework allowed unions access to state resources in cases of national enterprise restructuring, but which did not exist at municipal level. Fourth, the dialogue must lead to an agreement, not just chat. Fifth, there must be a dispute procedure in the event of non-agreement, including the right to strike. Finally, the process must provide space and authority to question all the costs and benefits of proposed change. To buttress these arguments, she cited one negative example from the negotiations over competitive tendering among South African bus operators which led to chaos and bad working conditions in the industry, and one positive example of negotiated restructuring in South African railways based on challenging flawed privatization concepts pushed by government consultants.
- 53.** The Government representative of Namibia felt that transparency was the key to dialogue, whether it be between society and employers, or between employers and workers. Whenever change or dialogue took place, the integrity and expertise of external consultants should be carefully scrutinized, and trade unions should have their own financial and legal expertise to appraise expected outcomes. Training of those parts of society or trade unions affected by privatization decisions was important, allowing them to take part in the process and ultimately manage service delivery.
- 54.** The representative of the Government of Benin agreed that social dialogue was important in both privatization and decentralization. Implementation of decentralization in certain African countries had not been terribly beneficial because of the lack of social dialogue. In Benin, dialogue had been widened to include the broad majority of the population so as to ensure greater acceptance. The example of improper implementation of privatization in the beverage enterprise due to the lack of social dialogue contrasted with the positive experience in the petroleum sector which relied on social dialogue to avoid redundancies and motivate workers.
- 55.** On the question of ultimate authority to take decisions, and the processes to guide them, the spokesperson for the Government/Employers' group recalled that democratically-elected municipal councils had a responsibility to their communities in deciding on the best means of service delivery. Though, as far as possible, the interests of communities and municipal workers should be reconciled, in the final analysis decisions on the best and most efficient services prevailed over the interests of the workers. One Employer member added that consultation must be transparent for all, including the consumers or citizens. Second, democratically-elected politicians were the final decision-makers, even if they sought advice and inputs from employers, trade unions, consumers and citizens. Another Employer member contended that when governments finally took decisions on privatization, it followed from strong public support for the idea, generally in response to the need to improve service delivery. Nevertheless, governments needed to carefully consider which services to privatize and explain the form such decisions should take.
- 56.** A Worker member considered that decentralization in the education and health sectors of Sweden had worked because the process relied on negotiation. This was time-consuming,

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involving more people and new models of collective bargaining. A second important consideration was ongoing social dialogue which did not stop once a new reform was implemented. Publicly-funded services were the basis for successful decentralization since governments – national or local – maintained responsibility and therefore accountability. Contrary to the ILO report's statement that an international consensus had emerged on the need for more than public financing of education, the real issue was the level of public financing which had to be increased to guarantee quality public education for all. The ILO could play a positive role through research to evaluate past and current experiences.

- 57.** Another Worker member argued that total privatization or deregulation were not desirable reforms of municipal services in the public interest. Neither was the maintenance of a government monopoly in certain services, which could lead to poor quality, as China's experiences under a market economy suggested. Private enterprises now operated in education, health and transport, but utilities were mainly provided by public services. Advantages of private operators included increased investments and quality improvements in municipal services, whereas disadvantages included poorer wages and working conditions. Social dialogue provided an answer to these problems. In China, social dialogue was held at the national, industry and enterprise levels. Social dialogue was already well established in the public sector and efforts were being made to promote it in the private sector, where other countries' experiences could prove useful.
- 58.** The economic imbalances arising out of decentralization in Latin America were highlighted by another Worker member. The decentralization of collective bargaining over salaries and conditions in federal states had not led to improvements in workers' standards of living. This was particularly true of the poorer communities, and required that inequalities between municipals' financial capacity should be compensated through national mechanisms, for example by establishing national level wage floors on which local bargaining could be constructed.
- 59.** A Worker member reiterated the importance of negotiated agreements as outcomes of social dialogue. Yet private enterprise was driven by the overriding concern for profit maximization, not more or better services. For this reason, and bearing in mind the power of multinationals, social dialogue in Hungary's electricity sector for example, had been successful when negotiations took place prior to the start of privatization. The outcomes included guaranteed social clauses featuring social dialogue at sectoral and enterprise levels, backed up by national enforcement mechanisms, which were incorporated in government/private investor agreements.
- 60.** An Employer member insisted that the State had a role to play in establishing the regulatory body which could guarantee employees' status and agreements arrived at through social dialogue, as had occurred in the privatization of electricity and telecommunications in Egypt. Social dialogue by itself could not successfully address these issues, particularly in developing countries: it had to be backed up by the enforcement and regulatory powers of elected governments.
- 61.** With respect to many of these points, the spokesperson for the Workers' group pointed out the dichotomy between the political, even constitutional, responsibility of elected leadership to ensure the provision of services and their inability to do so when service delivery was contracted to private providers. Who was the employer in this sense? Private employers had no legal or moral commitment to voters, only a contractual relationship with elected decision-makers. Workers felt that despite the ambiguities, elected officials who represented the public interest were in fact the employers, and could not shirk their ultimate responsibility to voters. Where they assumed the responsibility to create a legal framework for collective bargaining, such debates terminated when the established negotiating processes came to an end. Where no such framework existed, workers and their organizations felt that they had a duty via democratic consultation to more broadly

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represent society in decisions over services and their quality. If such principles were not respected, conflict ensued, such as the general strike mentioned earlier, at the same time that service efficiency and quality suffered.

- 62.** The Chairperson of the Working Party on Resolutions reported that in accordance with article 14 of the Standing Orders, the Working Party had met to consider the receivability of two draft resolutions. The proposed draft resolution concerning promoting the benefits of social dialogue at all levels in the context of public service reform related to agenda item 3, and was referred back to the Meeting for consideration with a view to the possible incorporation of its substance in the record or conclusions on that section of the agenda.
- 63.** The spokesperson for the Workers' group urged the Meeting to consider the substance of the resolution in drafting its conclusions. He recalled important conclusions adopted by previous ILO sectoral meetings, notably the Joint Meeting on Terms of Employment and Working Conditions in Health Sector Reforms, 1998, and the Tripartite Meeting on Managing the Privatization and Restructuring of Public Utilities (Water, Electricity and Gas), 1999. Relevant conclusions of those two meetings, as well as key parts of the *Dakar Framework for Action, Education for All: Meeting our Collective Commitments*, merits consideration with regard to issues of: part-time work; provision of basic services for all in the public interest; public accountability in restructuring or privatization; the essential elements of an effective regulatory framework; the importance of education for all, especially for out-of-school schools; social dialogue, its meaning and relationship to regulatory frameworks; and respect for workers' rights embodied in the ILO standards on freedom of association and collective bargaining. Reference to these previous conclusions would help the Meeting in defining the elements necessary for the maintenance of efficient, universally accessible, adequately resourced and democratically accountable municipal services. In addition, the ILO could make a valuable contribution to promoting the benefits of social dialogue in decentralization and privatization reforms by undertaking the following actions:
- designing action programmes on this task;
  - encouraging other international organizations to understand and act upon social dialogue and its relationship to public service reform;
  - developing educational and advisory materials on the subject for use by the social partners;
  - increasing its resources and assistance to employ social dialogue as a tool of public service reform, and operationalizing research on his subject;
  - developing a research and information programme that would encourage governments, social partners and international organizations to effectively:
    - consider all possible approaches, evaluate the factors in reforms and assess the human resource needs of municipal services that contribute positively to efficiency and quality of services, security and quality of workers' employment, compliance with ILO standards, eradication of corruption, gender equality and sustainable development; and
    - coordinate municipal service policies and programmes which maximize coherence between all levels of government and encourage employment.

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## Regulation

- 64.** A Worker member, speaking on behalf of his group, noted that there were many forms and reasons for regulation. A major justification was to weaken market forces based on profit maximization which worked against user satisfaction, the primary driving force behind public service. One form of regulation would be complete public provision of services, thereby unifying democratic control and accountability. However, regulation could be good or bad. Examples of bad regulation included the contradictory arguments of political leaders for decentralization to local levels; at the same time, they worked for greater centralization at international levels, for instance, by way of the proposed obligation for competitive tendering in the transport sector of all European Union (EU) Member States. This kind of regulation reduced both local and national control, and would paradoxically lead to market dominance. Similarly, the moves towards liberalization of services under the North American Free Trade Area (NAFTA) and more especially the General Agreement on Trade in Services (GATS) of the WTO threatened public services by redefining them narrowly. The effects of such undermining of local democracy and control would be even worse for developing countries. Such international regulatory frameworks in fact weakened national frameworks or rendered them irrelevant, thereby favouring multinational companies to the detriment of workers, users and governments.
- 65.** In the same vein, another Worker member argued against using regulation to favour privatization, even tacitly. One had to look at the before and after of such a process. In Latin America, social dialogue had often encouraged the establishment of regulatory frameworks to govern the initial stages of privatization, as the case of Brazil illustrated. Social dialogue had proved an insufficient force, however, to halt the inevitable weakening of obligations imposed on private providers, especially subcontractors, at later stages. At these stages, regulation tended to break down with changes in governments, the management of companies, etc. Examples were cited of increased prices, declining or even inaccessible services for national or local users, and violations of previously guaranteed workers' rights resulting from this breakdown in sectors such as telecommunications, electricity, water and road haulage, as enterprises simply ignored regulations in deference to commercial considerations.
- 66.** Several Worker members nevertheless emphasized the important linkages between viable social dialogue and regulation. The non-respect for peoples' rights arising out of the history of military dictatorship in Chile and other Latin American countries, for example, had conditioned the development of social dialogue and regulation in these countries in a negative way. There were too many unilateral decisions rather than negotiated solutions. The education sector in Chile was a prime example: the Chilean law on subsidies did not regulate state-funded subsidies, leading to cases of non-respect for workers' rights, one of which had come before the ILO. Similarly in Morocco, social dialogue was important to underpin the regulatory framework which was not properly respected by companies. Workers had been pushing for new legislation to defend workers' rights as well as public services. As it was, education and health remained centrally controlled with little municipal involvement. Water, electricity and transport had been privatized in several provinces. Transport was receiving generous support, having been exempted from a number of taxes and insurance contributions. In the case of refuse removal, it was in the State's interest to take measures to ensure that this was carried out effectively. If refuse was no longer collected as a result of bankruptcies, there was a significant risk of epidemics, and this had to be taken into consideration by the regulations. In the process, the Worker members agreed with the Government and Employer members that social dialogue should incorporate the viewpoints of all stakeholders.
- 67.** The spokesperson for the Government/Employers' group stated that a consensus existed around the notion that decentralization and privatization could not take place in a legal vacuum; a regulatory framework was needed. The elements of a framework included:

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- clear regulations at national level setting the broad legal framework, incorporating as appropriate relevant municipal and labour law;
  - integration of specific and relevant agreements negotiated with workers and all stakeholders, or resulting from consultation with them;
  - legislation at the appropriate level which clearly spelled out the responsibilities and means of accountability of governments as guarantors or providers of services;
  - external sectoral or municipal regulators to assess service provision according to agreed standards, and oversee remedial action where necessary.

**68.** Decentralization should not take place without providing the capacity for service delivery to those newly responsible levels or units; finance and human resources should “follow the function”. Furthermore, to avoid the creation of unfunded mandates, an orderly and stable transition should be ensured through consultation with local governments, and coordinating mechanisms established between different levels of service provision to secure sustainability. Municipalities might assume different functions according to needs and delivery decisions, either as providers or as regulators of matters such as equitable, transparent, competitive and cost-effective procurement arrangements, performance indicators, subsidies and service coordination. At the same time, a balance was needed between regulation and innovation. Finally, regulators should be able to fix maximum prices for a service. South African legislation adopted in 2000 provided a clearly defined set of local government responsibilities and accompanying regulatory authority.

**69.** An Employer member stressed that GATS had imposed new or unwanted obligations in national settings. Each government was free to decide on the services subject to liberalization within GATS, for example. The argument that private enterprises were not interested in quality tended to ignore the basic premise that private service providers, while clearly out for profit, were motivated by the need to deliver a quality service; without satisfied customers their results, including profits, would be poor.

**70.** Another Employer member reiterated that regulatory frameworks were not a substitute for proper social dialogue, which was the essential first step in addressing issues of decentralization and privatization. Rather, regulation was needed later, particularly after privatization, though admittedly the most common form of regulation focused on consumer, rather than worker protection. Its primary objectives were to regulate prices and ensure competitive practices. Employers were wary of the kind of heavy-handed regulation that traditionally operated in many developing countries, but they supported a regulatory framework which sought to maintain an competitive environment free of monopolies.

**71.** The representative of the Government of the United Kingdom added that real benefits could be derived from decentralization and privatization provided that a strong regulatory framework existed to ensure fairness and transparency. Without it, the process would fail because it would not take into account the needs of all parties, especially consumers. Despite some redundancies in the workforce, gas and electricity prices had declined in the UK with increased competition, whereas telecommunications services had improved along with lower prices after an initial increase, as new cable operators increased competition. The railways had been cited as a bad example of privatization, and some operators were truly incompetent, but the existence of a regulatory body which oversaw and fined deficient private operators in that sector had provoked effective change on behalf of consumers.

**72.** The representative of the Government of Benin held the additional view that social dialogue should be brought into play at the outset of the regulatory process governing

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decentralization and privatization, since this encouraged transparency and fairness. The case of civil service reform in Benin was cited to buttress this argument.

## Impact on employment

73. The spokesperson for the Government/Employers' group stated that decentralization largely meant that workers retained their status as public employees, though their function and the level of employment changed. Privatization meant that employees could be transferred to the private sector (it was not a given), often with certain consequences in terms of their status and conditions. Laws and international standards regulated this. For instance, the ILO's Termination of Employment Convention, 1982 (No. 158), provided protection for employees in case of redundancy when national legislation had been adopted in line with the Convention. In the South African context, the relevant legislation, including labour relations and municipal laws, was in some respects stronger than the ILO Convention since transfers from the public to the private sector under a concessionary contract could only be done with the consent of employees, who retained their previous conditions of service. The legislation also stipulated that existing employment conditions had to be maintained by the concessionaire, and examples were provided of how this had in fact led to increases in employment.
74. Regulations had to be implemented in such a way that the interests of the employees were safeguarded, a goal which could be achieved within a regulatory framework of social dialogue. If successful, the result was threefold: the Government won better services for its customers; they in turn had access to a new service; and employees won through their employment in a company which had the financial and technical capacity to do the work. Privatization had proceeded in South Africa because the Government in South Africa recognized that it did not have the financial nor technical capacity needed to provide the required services and had brought in private capacity to fill the gap. At the same time stakeholders had been protected in the process. The ILO report supported this approach by citing an example from the Netherlands which recognized that the issue was less about government shedding its tasks and more about involving the private sector in task delivery, with the Government concentrating its efforts on establishing the proper regulatory framework and supervision of the implementation. For its part, the private sector should emphasize training and internal capacity building for local entrepreneurs, for instance subcontracting to locals whenever a national company was in place. Capacity building must also address gender equality and workers' rights.
75. In response to a question from the spokesperson of the Workers' group, he underlined the distinction to be made between authority and provider. Certain functions exercised by government as part of a legal framework could not be abrogated by contracts with private providers. This did not prevent even essential services such as water from being privatized, but some government functions could not. In the same context, certain basic labour rights were inalienable, be they in private or public sector employment.
76. A Worker member took issue with the Government/Employers' spokesperson on the issue of successful resolution of private to public transfers. With regard to one of the South African examples, privatization of water services had just led to strikes triggered by lower wages in the privatized company compared to fellow workers in the public sector. The statistics provided in the ILO report reflected an uneven picture of employment growth and decline, requiring a more thorough analysis of these statistics to accurately gauge overall trends resulting from decentralization. The main point, however, was to focus on labour as a resource rather than a cost; if this mind set could be adjusted, including changing government perspectives of the public as bloated and unproductive, then satisfactory results might be achieved in the decentralization and privatization process. Since the very process of change was destabilizing, it was essential that governments engaged in

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consultations as widely as possible. Often in the process, solutions to problems could be found among the employees themselves, rather than relying on reduced labour costs as the sole answer.

- 77.** Another Worker member considered it important to emphasize that, in terms of employment, society as a whole benefited in the end when the needs of all parties were met as a result of adequate consultations and negotiations. In the decentralization and privatization process, agreements could be arrived at to ensure that good working conditions prevailed in the new work environments. Commitment of the parties to the process was the key to rising above narrow personal and political interests. Furthermore, while regulations were important, they should not be obstacles to the overall interests of the community.
- 78.** The representative of the Government of Chile indicated that a determining factor in the ultimate outcome of the privatization process was the extent to which technological development was taken into account. Successful privatization largely depended on investments to upgrade the production system and administration which the State had been unable to do. Employment might decrease in the short term but increase overall in the medium or long term. At the same time technological development altered wage levels, so prudence must be exercised with regard to emerging wage differentials, for example between significant increases at executive levels and stagnation or decreases among unskilled workers. The work environment varied between the public and the private sector, with private companies emphasizing productivity, whereas the public sector attached more importance to regulation. Technological development led to increased productivity, a more skilled labour force and a greater demand for skills. In the public sector the emphasis was on security of employment, whereas career paths and pensions were different in private companies. When combined with the lower leverage of private sector trade unions, the differences amounted to a quite different labour-management relations environment.
- 79.** The representative of the Government of Namibia considered that job losses did occur in the process of privatization for reasons of efficiency, but the process had to be launched in the best interests of customers and society. Workers had to understand that redundancy was also an inevitable result of technological development, itself an expression of changing world dynamics. The approach to these problems therefore should be continuing skills development and training, so that workers become employable. Outlooks on entrepreneurship should be altered as well, with trade unions encouraging establishment of small and medium-sized enterprises by workers based on employer or trade union training. Such an approach demanded effort on the part of the workers, but they were the ones who should take the initiative to become the employers of the future. Creativity and innovation could emerge from this dynamic. In sum, the results of privatization needed to be fairly evaluated over a longer period of time before drawing conclusions.
- 80.** The representative of the Government of Benin endorsed the views of his Namibian colleague on privatization's effects. In terms of decentralization, it did not necessarily lead to a reduction of jobs, but did require more training of municipal workers to enable them to meet new challenges. The example of the capital city, Cotonou, was cited as illustration; for two years now systematic training of all levels of municipal workers had been organized in recognition of the need to acquire higher skill levels.
- 81.** An Employer member stated that a decrease in public sector employment levels at the outset of privatization was highly probable but overall figures showed continuing increases in the services sector of Sweden. Other factors needed to be taken into account, for example the willingness of a younger generation to change employers frequently; they were particularly sensitive to whether an employer was good or not. In addition, the experiences of the old monopolies were revealing: competition had brought innovation and

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efficiency to these enterprises with the result that total service sector employment increased.

82. A Worker member reiterated that international experience showed employment decreasing with privatization, since private companies were interested in cutting costs and human resources were always the first to be targeted. However, social dialogue could provide agreed solutions to this dilemma in the form of provisions on early retirement, limited redundancy, aid to unemployed workers and retraining. Prior to privatization of the electricity sector in Hungary, the trade unions had negotiated an agreement with the Government. It would transfer 5 per cent of privatization revenue to a trade union managed fund in support of workers who left public companies in order to pay the differences between pensions and salaries in case of early retirement, and for a time to supplement unemployment funds beyond state provisions. Steps had also been taken to develop tailor-made training schemes, and the results had been so positive that Hungary had become a model for other countries of Central Europe.

### **Terms of employment and working conditions**

83. Speaking on behalf of the Workers' group, a Worker member declared that the harsh and cut-throat competition involved in competitive tendering led to enormous downward pressure on wages and working conditions. Privatization was also a driving force in "contract jumping", meaning public sector employers sought to shift tasks to private contractors with lower wage agreements in order to cut costs. In the main, the absence or reduced level of pension schemes led to lower private sector wages. Consequently, Nordic countries such as Norway and Sweden had saved 10 per cent on labour costs by resorting to private contractors. The rosy picture painted of privatization in a country like Sweden belied the experience of workers in the transport sector who now had shorter annual leave, longer shifts and working hours, and reduced pensions and wages. Predictably, transport workers had resorted to two strikes since the beginning of the tendering process. Nationwide industrial agreements had been totally abandoned in the United Kingdom, a situation which prevailed now in many countries and which represented an important setback for the trade unions. Private employers wanted to negotiate only at the local level while some were even reluctant to negotiate at company level. The spokesperson of the Government/Employers' group had referred to the national legislation of South Africa which guaranteed security for employees at the point of transfer from public to private employment. Such provisions existed in some countries but certainly not all. Moreover, workers faced attempts to lower wages and conditions even before the tendering process began as public sector employers sought to position themselves to compete. To this, was added the pressure exerted on working conditions once a tendering process was over and practices such as lower wage tracks for new workers. The overall result was a steady worsening of wage levels and conditions.
84. Another Worker member declared that municipal service workers must be considered as part of the public sector. Decentralization and privatization, especially in the context of globalization and liberalization of services, entailed a lot of distress for these workers. The disappearance or reduction of pension schemes for which new employers had little regard represented one of the most dramatic consequences. Even where pension schemes were maintained, new upper limits had been set to qualify for benefits in countries such as Kenya, resulting in workers with fewer years of service leaving employment with no benefits. Employers also sought to maximize profit by employing lower paid casual workers in place of better trained but higher paid workers with long years of service. In this situation, what was the ILO doing to ensure the application of the Social Security (Minimum Standards) Convention, 1952 (No. 102)? The many years of work to promote its principles risked being destroyed.

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- 85.** A Worker member added that, contrary to the views expressed earlier by the Government representative of Chile, technological development had not been significant in Chile during the 1970s and 1980s. The same municipal workers with the same skills continued to provide the same services. Most importantly, in the context of technological change, a framework for collective bargaining and a wage-fixing mechanism were vitally needed. Though it was clear that municipal resource levels would influence the level of agreed salaries, such negotiating mechanisms should be established at all levels. The ILO must show more concern for the implementation of international conventions on this matter.
- 86.** The spokesperson for the Government/Employers' group suggested that the primary purpose of public institutions was to provide services to communities in such a way that the quality of people's lives will be improved, it was not employment. In the process of decentralizing and privatizing municipal services, it was to be hoped that decent work could be achieved, but the main emphasis had to be on the provision of services as efficiently and as cost-effectively as possible. Human resources were important, but the choice of effective service delivery could well mean fewer employees, in which case solutions had to be found through redeployment and retraining. Retrenchment was a last resort, either voluntarily or through the proper labour relations process.
- 87.** An Employer member recognized that problems persisted in the Swedish transport sector. But those problems had been present for 20 years, first in the exclusively public service operations and now in privately contracted services. It was important to note that transport in Sweden had not been privatized, but contracted out under local or regional responsibility, with both good and bad experiences. Most private companies had agreements with the trade unions so working conditions were more or less equivalent to the public services. It was wrong to say that only multinational companies operated transport in Sweden; there were over 500 companies working in the sector. Moreover, local governments through tendering and contracting out, as well as companies, were striving to achieve better conditions in the sector and quality services, not just cost-cutting. The result was that employees were now more satisfied in private companies, inciting further improvements among public employers.
- 88.** Another Employer member declared that the Meeting was being held 20 years too late since in Pakistan 80 per cent of services were already privatized, with the remainder in the process of doing so. This had taken place with full participation of the trade unions and had led to excellent results.
- 89.** The Workers' spokesperson expressed regret for his erroneous statement on statistical data to the effect that most governments reported no cost savings as a result of privatization. Despite many points of agreement in this Meeting, the workers diverged considerably with the Government/Employers' group on the subject of employment. They appeared to view the public service as a bloated corps of workers, three of whom could be replaced by one. This notion contradicted the governments' professed mission to decide on the nature and delivery of services they provided. Yet, employees did not hire themselves. They were hired by governments to construct public services, and if the government was separating itself from its agents, that would give rise to a difficult situation for these workers. The data showed that quality service grew out of workers' involvement in decisions on how those services would be provided. The Employers and the governments could not have it both ways, unilaterally deciding on service delivery yet blaming workers when things went wrong. The data also suggested that the existence of trade unions added to transparency, which in turn had enhanced the democratic process. A viable democracy could not exist if trade unions were suppressed, as evidence from around the globe demonstrated.

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## **Consideration and adoption of the draft report and the draft conclusions by the Meeting**

- 90.** The Working Party on Conclusions submitted its draft conclusions to the Meeting at the latter's sixth sitting.
- 91.** At the same sitting, the Meeting adopted the present report and the draft conclusions.

Geneva, 19 October 2001.

*(Signed)* Mr. N.M. Adyanthaya,  
Chairperson.

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## Conclusions on the impact of decentralization and privatization on municipal services<sup>1</sup>

The Joint Meeting on the Impact of Decentralization and Privatization on Municipal Services,

Having met in Geneva from 15 to 19 October 2001,

Adopts this nineteenth day of October 2001 the following conclusions:

### General considerations

1. Public service reforms at all levels, including decentralization and privatization, have to:

- provide access to safe, reliable and affordable public services;
- facilitate sustainable local economic and social development, which enhances the goal of full employment and the alleviation of poverty;
- provide universal and equitable access to all necessary public services to fulfil basic human needs;
- provide a safe and healthy environment;
- improve and enhance democracy and security of human rights.

Public service reforms must be guided by the following basic principles:

- accountability, transparency and openness of government policies and actions, specifically including structures and procedures to ensure the integrity of government's programmes and procurement;
- provision of new or better public services;
- the importance of maintaining and creating good working conditions and the application of core labour standards should be adhered to during the reform process for morale and performance of the public service and municipal workers;
- social dialogue with all relevant stakeholders as a prerequisite for designing, implementing and evaluating decentralization and privatization;
- adequate resources and training to enhance informed decision-making;
- valuing the diversity of different communities and cultures;
- to ensure the equality of opportunity for all.

<sup>1</sup> Adopted unanimously.

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## **Decentralization and privatization**

2. Decentralization and privatization are two approaches being used to introduce change into public services in a variety of forms and ways. The two approaches are distinct, but they may complement or be pursued independently from each other. Decentralization and privatization are not ends in themselves, but are viewed by some to be the means to help fulfil the responsibility of governments to deliver quality public services to their citizens. All forms of reforming and improving public services should be examined in the context of the basic guiding principles. A comprehensive approach is needed to explore the impact of various options and ensure that broad social objectives are met and that one service is not improved to the undue detriment of another.
3. When considering or introducing decentralization and privatization, various means should be explored and distinctions should be made between the various ways to implement them. Decentralization may include political, administrative and financial decentralization. Privatization may take various forms: contracting out, internal market arrangements, user fees, sales of assets and public-private partnerships or a transfer to the private sector of ownership, management, finance or control. Moreover, account has to be taken of the stage of economic development of countries and the situation of human needs in countries. Neither of the two approaches of introducing change free governments from their responsibility to ensure universal access to public services on a fair and equitable basis.

## **Efficiency and quality of municipal services**

4. Available evidence suggests that there is no necessary correlation between efficiency and quality of public services and decentralization and privatization. In certain cases, improvements in quality and efficiency of public services have been achieved. The cases where these reforms have been successful have involved extensive social dialogue, transparency, adequate supervisory frameworks, open contracts and arrangements where employees have been protected. In other cases these reforms have led to reductions in the quality of public services and even increased costs. This observation is not limited to privatization but applies also to decentralization where the municipalities are not sufficiently provided with financial and human resources for the delivery of services. Financial gains also often do not translate in better conditions for the users of these municipal services which can be particularly critical in developing countries and for the poorer sections of the population.

## **Decent work in relation to decentralization and privatization**

5. The different ways in which decentralization and privatization are pursued may also impact on decent work. This could occur where the workforce is made redundant, workload and work intensity are increased, income levels, pension rights and health and other benefits are reduced or payments of salaries are received on an irregular basis. In this respect, there are particular problems for newly engaged workers. Gender equality may additionally be affected by such reforms, including reduced employment and pay for women and more casual working arrangements. Gender aspects of decent work should be given special attention when evaluating the consequences of decentralization and privatization. On the other hand, there are cases of well-designed and carefully implemented processes of decentralization or privatization with effective social dialogue and where the goal of decent work has been better achieved than before.

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## The role of social dialogue in the framework of decentralization and privatization

6. Social dialogue is an essential prerequisite for designing, implementing and evaluating decentralization and privatization. Social dialogue is not a single event but a continuous process of consultation and/or negotiation among employers both public and private and workers' representatives<sup>2</sup> which does not end when the reform is implemented. This process may be time-consuming and long, but it is rewarded by sustainable results and by ownership of all stakeholders in the decisions taken. The process may take place in several stages and should be supported by an external dialogue between the municipality, as the responsible government structure, and the citizens and users.
7. When designing and implementing social dialogue, it should be made clear to all stakeholders whether a process of consultation or of negotiation is intended. Where the negotiation process results in an agreement, it should be enforced under relevant legal provisions. When external expertise and advice is required, all parties should, consistent with applicable procurement rules, be involved in the selection of the adviser and have equal access to such advice and adviser. Education and training is required for all stakeholders participating in the process.

### Regulation

8. Public services, whether provided by a public or a private provider, should be governed by a regulatory framework consistent with the basic guiding principles. Such a framework is required at the national, regional and local levels. It should provide for consultation and where applicable agreements between the social partners as well as agreements between the municipality and the service providers and deal with quality, access and safety standards for the services. In order for the enforcement of regulations to be effective, it requires strong regulatory institutions. However, a balance should be maintained between the extent of regulation and flexibility for innovation.

### Impact on employment

9. The impact of decentralization and privatization needs to be examined in terms of its consequences for employment. It has been noted that during decentralization, there is normally a shift of employment within the public sector and less frequently a reduction of overall employment levels. In many cases of privatization, as a result of the introduction of new technologies and managerial approaches, overall employment levels have declined and public employees have moved out of the public sector. Statistical data need to reflect the employment situation in the long term, since privatization may or may not result in an overall increase of jobs for new services. In both processes of decentralization and privatization, workers should not be considered as a simple cost factor, since they make an

<sup>2</sup> Throughout this text when the term “workers’ representatives” is used, it refers to Article 3 of the Workers’ Representatives Convention, 1971 (No. 135), which reads as follows:

For the purpose of this Convention the term “workers’ representatives” means persons who are recognized as such under national law or practice, whether they are: (a) trade union representatives, namely, representatives designated or elected by trade unions or by the members of such unions; or (b) elected representatives, namely, representatives who are freely elected by the workers of the undertaking in accordance with provisions of national laws or regulations or of collective agreements and whose functions do not include activities which are recognized as the exclusive prerogative of trade unions in the country concerned.

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essential contribution to providing necessary public services and they are an asset to the introduction and management of change in the public service.

## **Working conditions and terms of employment**

- 10.** While it is the responsibility of municipalities to provide high-quality and efficient services to their citizens, the creation of decent work for those who provide these services should be achieved at the same time. However, there is evidence that working conditions and terms of employment have not always met these standards. Many municipalities do not receive adequate financial resources to fulfil their mandate and hence try to save on public expenditure by contracting out their services. Since most public services are highly labour-intensive, public and private employers often seek to reduce costs, and in particular labour costs. In some cases of privatization, this has affected working conditions negatively through, for instance, reduced pay, increased working hours, shorter annual leave, reduced pension schemes, increase in part-time working and less security in employment contracts. Newly employed workers often face worse conditions than transferred staff. Transfer of rights agreements and policies are recommended. Workers in public services should be guaranteed fundamental principles and rights at work, in particular freedom of association and collective bargaining. Consideration should be given to the following relevant labour standards: Conventions, Nos. 94, 151 and 154 and their accompanying Recommendations,<sup>3</sup> whether workers are employed by public or private employers. Retrenchments should be avoided as far as possible and should be a measure of last resort. Unavoidable job losses should be mitigated by retraining and redeployment schemes.

## **ILO action**<sup>4</sup>

### **11.** The ILO should:

- (1) promote social dialogue at all levels in the context of public service reform, including where decentralization and privatization take place or are envisaged. To that end, it should:
  - (a) in consultation with the tripartite constituents, design and implement an action programme, including subregional, regional and national activities, dedicated to this task,
  - (b) take all necessary steps to encourage other international organizations, and especially the Bretton Woods institutions, to understand the relationship between social dialogue and their declared objectives in public service reform and to redesign their activities associated with public service reform accordingly,

<sup>3</sup> Labour Clauses (Public Contracts) Convention, 1949 (No. 94),  
Labour Relations (Public Service) Convention, 1978 (No. 151),  
Collective Bargaining Convention, 1981 (No. 154),  
Co-operation at the Level of the Undertaking Recommendation, 1952 (No. 94),  
Migrant Workers Recommendation, 1975 (No. 151),  
Continuity of Employment (Seafarers) Recommendation, 1976 (No. 154).

<sup>4</sup> The representative of the Government of Egypt voiced her Government's reservations with regard to the repeated references to "other international organizations" in paragraphs 1(b), (c) and (d), and 2, as one of these organizations was the World Trade Organization (WTO) which continued to try and establish a connection between international trade and international labour standards.

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- (c) develop educational and advisory materials on this subject and make these available to social partners, member governments and international organizations, and
  - (d) increase resources dedicated to advisory services and expand its assistance to other international institutions and governments in employing social dialogue as a tool of public service reform and to operationalize lessons of ILO research on public service reform; and
- (2) develop a programme of research, preferably in partnership with other international organizations, to provide information that would encourage governments, social partners and other international organizations more effectively to:
- (a) identify and consider all possible approaches to the reform of municipal services to enable them to achieve the goals set out in point (b) below,
  - (b) evaluate the factors in the reforms that contribute positively to the efficiency and quality of services, the security, quality and terms of employment of workers, compliance with ILO standards, eradication of corruption, the promotion of high standards of professional ethics and gender equality, and contribute to sustainable development,
  - (c) evaluate human and other resource needs of municipal services consistent with developing sufficient service delivery, regulatory and training capacity to enable them to achieve United Nations and ILO goals for them, and
  - (d) coordinate policies and programmes for the development of municipal services in a manner which maximizes coherence between all levels of government and encourages better service provision and decent work.

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Part 2

**Resolutions**

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## Consideration by the Meeting of the draft resolutions

At its third plenary sitting, the Meeting set up a Working Party on Resolutions, in accordance with article 13, paragraph 1, of the Standing Orders.

The Working Party, presided over by the Chairperson of the Meeting, consisted of the Officers of the Meeting and three representatives from each of the groups. The members of the Working Party were:

*Officers of the Meeting:*

Mr. N.M. Adyanthaya (Chairperson)

Mr. M. Barrera (Government/Employer Vice-Chairperson)

Ms. H. Wakefield (Worker Vice-Chairperson)

*Government/Employer members:*

Mr. J. Hedström (Employer)

Mr. M. Pekurinen (Finland)

Mr. J. Veii (Namibia)

*Worker members:*

Ms. A. Anderlund

Mr. R. Ilagan

Mr. O. Yanez Pol

The Working Party met on Tuesday, 16 October, to consider the receivability of two draft resolutions. The draft resolution concerning future activities of the ILO (WPR/D.1), submitted by the Government/Employers' group, and the draft resolution concerning promoting the benefits of social dialogue at all levels in the context of public service reform (WPR/D.2), submitted by the Workers' group, were discussed.

In accordance with paragraph 4 of article 14, the Working Party considered the text of draft resolution WPR/D.1 concerning future activities of the ILO to consider its receivability. In the absence of general agreement, a vote by show of hands was taken, which did not result in a majority in favour of receivability. Draft resolution WPR/D.1 was thus declared irreceivable.

In accordance with paragraph 2 of article 14, the Working Party decided that the draft resolution WPR/D.2 concerning promoting the benefits of social dialogue at all levels in the context of public service reform related to the agenda item and was to be referred to the Meeting for consideration, with a view to the possible incorporation of its substance in the record or conclusions on that section of the agenda item.

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Part 3

**Other proceedings**

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## Panel and round table discussions

### Corporate social responsibility and local government

*Moderator:* Ms. Marinella Mata, Vice-Chairperson of the Government/Employers' group

*Panellists:* Prof. David Hall, Director, Public Services International Research Unit (PSIRU), University of Greenwich, London

Mr. Richard Da Costa, Director of Human Resources International, ONDEO, Paris

Mr. Nikolai Rogovsky, Management and Corporate Citizenship Branch (MCC), ILO, Geneva

Prof. Hall discussed the ethics and economics of privatized public services from the perspective of public interest and corporate responsibility. Companies by nature were accountable to shareholders' interests, and not to public interest, and were therefore interested in higher rates of return, rather than serving the poor. They balanced gains and risks through cost-benefit analysis, including that of bribery, denied responsibility of having to provide services when it became too costly and ensured pricing strategies or developed a non-fixed contract framework favourable to them. By giving many concrete examples, he elaborated on corporate practices against public interests, such as corruption in winning contracts, financial opportunism in the forms of tariff increase, reduction in performance or investment at the expense of public safety and non-democratic negotiations, even by silencing critics. Negotiations were balanced only when two parties were equal in their capacities and risks they faced, but in his opinion multinational companies (MNCs) and local public authorities were not equal. For example, companies could always leave the job when not profitable, while public authorities could not abandon their responsibilities to the public. MNCs also had more legal, technical and financial resources, which weakened the bargaining power of municipalities, even in industrialized countries. The only way to suppress unethical practices of private companies was the coordinated effort of trade unions, civil society and state bodies, through direct and legal actions, political activity to counterbalance the activity of MNCs, monitoring and awareness campaign. State bodies also needed to strengthen their capacity as investigators and auditors. International institutions such as the World Bank and OECD could contribute to this effort by imposing sanctions against those that had violated rules and regulations on fair business practice. He then gave a detailed account on the case of the privatized water service in Grenoble, France. As a result, the water service operation had been retransferred back to the municipality. In conclusion, he stressed the necessity of having strong trade unions, active civil society and effective public bodies for enforcing rules and regulations to combat unethical practices in public service delivery.

Mr. Da Costa described the public-private partnership experiences of ONDEO, which had been delivering energy and water and handling waste in communities worldwide. He defined socially responsible companies as those acting on and interacting within the communities around them in a responsible manner while operating. A company in the business of public services had to be socially responsible by virtue of having been delegated the operation by the public, and this was manifested in the pride of employees for what they did, irrespective of the type of management they were under. Being socially responsible in terms of human resource management, a company had to create the culture and environment where employees would be proud of their work, but also be recognized

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for their contribution, which added to their skills and competencies to obtain professional and personal satisfaction. ONDEO tried to achieve this by encouraging its employees to actively participate in local community projects such as enterprise development schemes, particularly in poor districts, that had safeguarded hundreds of jobs. Another example had been the provision of education and training to many employees in Latin America to help them become more literate and numerate, after which they became more productive and dedicated. Community development programmes with technologically appropriate social intervention models had also been developed through innovative and cost-recovery financing mechanisms by ONDEO in collaboration with SIDA, World Bank and UNDP. Referring to “public service reform” used repeatedly in the report, he suggested that “reform” be replaced by “evolution” because of the changing needs of public officials to develop the skills on how best to administer public services in an all-inclusive manner, and stressed that it was governments and municipalities that made decisions on the delegation of municipal service delivery. Regulators and/or contractual clients determined the standards and quality of service, including the questions on environmental protection, investment programmes and pricing, while ONDEO was responsible for efficient delivery of services in cooperation with its employees, customers, trade unions and elected officials. Workers were fearful of redundancies at the time of privatization, but ONDEO consulted and negotiated with trade unions. The recent trend with regard to collective agreements was to reach a local-level agreement, rather than at a national level, since the former reflected better the real life and priorities of employees at the grass-root level. Decentralization brought human resource management closer to the workers’ level, while management in the past had not normally involved workers in bargaining processes on the ground that they were not qualified or educated enough, but this had changed. He concluded by stressing that private companies involved in public service delivery today were much more transparent and conscious of corporate social responsibility than other private sector companies, and even in comparison with many public sector institutions, due to new regulations and social pressure.

Mr. Rogovsky’s presentation centred around the ILO Management and Corporate Citizenship Programme of his section, the mission of which was to help enterprises build supportive systems and management competencies to achieve complementary objectives of productivity, competitiveness and good corporate citizenship. He defined “good corporate citizens” as those enterprises that were productive and viable, law-abiding, ethical, community oriented, environmentalists and proactive. The operating principles of such enterprises were: (1) orientation towards stakeholders’ benefit, rather than that of shareholders only; (2) consultation, involvement and partnership; (3) tripartism, (4) networking and alliances; and (5) capacity building for sustainability and multiplier effect. The Programme focused on the areas of: (a) productivity and competitiveness promotion; (b) management systems conducive to decent work; (c) international labour standards (ILS) from the viewpoint of management practices and competitiveness; (d) restructuring and development of socially sensitive enterprises; and (e) support to the Global Compact. In promoting productivity and competitiveness, the Programme took “high road” approaches, as opposed to “low road” approaches as characterized by exploiting workers as in the past, developed national productivity organizations and built tripartite national productivity movements. The Programme had also conducted research on management systems and productivity as well as new forms of production and work organizations, results of which showed positive correlation between management systems and performance. Furthermore, it collected and disseminated successful cases of corporate citizenship, and provided training on good management practices and productivity relating to ILSs. Finally, as part of the UN-wide promotion of the Global Compact, the programme had developed a training package targeting the civil society as well, for better understanding of good corporate citizenship and was also developing a business and social initiative database (BASI) covering best initiatives and practices at enterprise and community levels.

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## Discussion

In the course of the ensuing discussion, a Worker member commented that in the Russian Federation only profitable sectors had been privatized and that only certain state officials and entrepreneurs had benefited in the process, and asked if there had been any cases of good corporate citizenship there or if the ILO had had any activities there. Prof. Hall said that studies had shown that accelerated privatization had made corruption worse. Mr. Rogovsky remarked that some 30 cases of good corporate citizenship he had collected included cases from the Russian Federation, Ukraine and Kazakhstan, and that the training package on social restructuring was aimed at enhancing managerial capacity in such and other countries. Mr. Oscar de Vries Reilingh, Secretary-General of the Meeting, added that the ILO had also been providing technical assistance in the Russian Federation in the areas of social dialogue, employment policy and reforms in social security. Referring to corporate responsibility, a Worker member questioned to whom a private company was responsible. An observer asked how much corporate social responsibility had been adopted among enterprises and whether there had been any analysis of corporate interactions with communities. Mr. Da Costa's reply was that while he as a human resource manager felt responsible to the employees, the company was primarily responsible to the contractual client and performed according to the standards set by regulators, but was not responsible to the elected officials. He knew no such study, but said that while the ISO standard on quality had provided the ground on competition in the past, the concept of social corporate responsibility now set the ground rule. A Worker member remarked that many shipowners operated under flags of other countries and that the number of export processing zones (EPZs) increasingly indicated the trend contrary to corporate responsibility, and felt that trade unions had to challenge this trend by becoming strong and united. Another observer commented that monopoly (public or private), lack of choice and long waiting lists often led to corruption, and asked the panel the distinction between "corruption" and "commission". Prof. Hall agreed and shared the concern over the difference between those two words, particularly when the quality of reports submitted by consultants was sometimes unacceptable. Workers asked him what had been done with information on corporate misconduct and if trade unions had access to it, the response to which was that findings should lead to effective sanctions worldwide by the institutions regulating corruption, while anyone had an access to the web site of the research group. While some Workers were amazed at successful projects of ONDEO in Latin America, some complained about tariff hikes in their countries immediately after services had been privatized or contracts had been renegotiated. Admitting both successes and failures of his company so far, Mr. Da Costa replied that behind any successful projects had always been a clear political will to succeed, in addition to good management skills and improved technology initiatives from employees. He added that the tariffs were fixed by municipal authorities, and reminded that significant investment was financed through the revenues from customers and thus tariffs usually went up at the peak of investment, although such a model of financing did not work in some countries. Prof. Hall said that contracts in the past had often been unreliable due to secrecy involved, and even today there existed unreliability of contracts because of negotiations between unequal partners. All participants agreed, however, that improved transparency by dealing with existing and future problems by all stakeholders together would be the best approach.

### **Round table: Decentralization and governance: Acting local**

*Moderator:* Mr. Werner Sengenberger, Director, Decent Work Pilot Programme, ILO, Geneva

*Speakers:* Mr. Justus Veii, Government/Employers' delegate, City of Windhoek, Namibia

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Mr. Asbjørn Wahl, Workers' delegate, Norwegian Union of Municipal Employees, Oslo

Mr. Robin Simpson, National Consumer Council, London

In introducing the speakers, Mr. Sengenberger expressed interest in the local level experiences of decentralization and public service reform in the context of structural adjustment. Mr. Veii presented the experience of Windhoek where decentralization had been prescribed by the Constitution adopted by Namibia at the time of its independence in 1990. The functions to be decentralized included community and early childhood development, primary health care, pre-primary education, physical and economic planning, housing provisions, youth, sports and recreational activities, traffic control and transport, rural water development and management, electricity distribution and tax collection. The Local Authority Act of 1992 had also allowed the city council to buy shares in companies or go into joint venture with private companies to generate funds for the council, although to date no joint venture partnership had been set up. The water reclamation plant dating back to 1969 had recently been completely upgraded with foreign loans, making it the most sophisticated in the world, providing 21 megalitres per day. It was being privately managed under a 20-year operation and maintenance contract, although the city could buy up to 25 per cent shareholding in the plant after three years of operation. The city had indeed faced difficulties in the contract negotiation due to unknown risks over the 20-year period and a long duration of procurement process. Housing was provided under the "Build-together Loans", where loans ranging from N\$3,000 to N\$10,000, depending on one's need and ability to pay back, supported citizens, while the council charged 4 per cent administrative fees. In promoting local economic development, the council had established light industrial facilities to assist backyard mechanics, upholsterers, welders and carpenters, affordable overnight facilities for tourists, markets for farm products and cross-border markets to accommodate international small businesses. The city was incurring a huge loss, however, in providing transport and was looking for a joint venture partnership with the private sector where the operation would be subsidized. He stressed that the city was interested in putting infrastructures in place to assist the private sector, but not in running enterprises, and that careful planning was a key to a success.

Mr. Sengenberger remarked that upgrading and extension of services to local communities associated with decentralization would open up the democratic process and employment opportunities. Outsourcing could also generate employment, while childhood development, primary education and health care would have positive impact on local development. He wondered what implications the city's positive experience in development would have on the surrounding communities and on internal migration.

Mr. Wahl described the successful "model municipality project" in Norway, which had been implemented in three communities against the backdrop in the country of ongoing restructuring, change in political climate, increasing focus on privatization, weakening industrial democracy, rising prejudice against trade unions and mounting pressure for new strategy formulation in public service. Despite a strong ideological drive towards privatization, there had been little evaluation of existing models and little knowledge on its cost or the quality of service delivery afterwards. Privatization usually involved expensive tendering processes and always accompanied by additional expenses, and above all, people shared a fear of private monopolies. These realities had made citizens recognize the need for change and regain initiatives by building alliances as the question was no longer whether one was for or against a change, but for what kind of change, resulting to the implementation of the "model municipality project", where users were involved, alternatives to market competition and external assistance sought, and a methodology for change and learning organizations developed. With a bottom-up approach, the project aimed at better value and quality for money and user satisfaction, better working environment and increased worker qualification, higher capacity for change

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for all stakeholders and proving that public services be better delivered by the public. The preconditions for the project implementation had been that there would be neither privatization nor competitive tendering and that job security be assured, though there might be job changes. Trade unions had prepared themselves for change by establishing restructuring units and data bank, designing educational programmes, conducting training for change, and networking and disseminating information through newsletters. It had been implemented on a consensus basis, under the steering committee, where politicians, administration and trade unions were represented, and all ideas had been heard. This bottom-up approach had empowered workers and allowed them to feel that they had influence over their own workplaces, which had released their creativity. This had been possible by training workers to gain additional qualifications, delegating them the responsibility in decision-making and promoting them to apply their concrete experiences and their ability to change. What he saw in the municipalities three years after the project implementation were more efficient use of resources as well as financial surplus, better quality of services, a higher user satisfaction, better working environment and higher worker satisfaction. He was confident that the bottom-up approach had brought a win-win situation for the administration, workers and users.

Mr. Simpson gave a brief account of the modern consumer movement that had begun in the United States and spread to Europe, the strategy of which had evolved from “testing and reporting” to policy analysis and campaigning. Along with increasing globalization, international cooperation among consumer bodies had developed. The testing and reporting strategy had been successful, but had its limitations since it tended to concentrate on goods rather than services and on the products themselves without analysing market structures. There had also been philosophical issues that had hampered relations between consumer bodies and employers as well as trade unions as both employers and trade unions were seen as being on the producers’ side. Nevertheless, there had been cooperation between consumer bodies and employers over the development of codes of practice, while that between consumer bodies and trade unions had been important particularly in the utility sector as there was a common interest in expanding services. Public ownership of public services had complicated matters for consumer bodies, however, as the latter often received funds from public authorities whose policies they had to criticize. One way to escape this was to work on contract basis for development organizations, although this did not provide continuity in the effort and left consumer organizations struggling from one contract to another. To resolve this, consumer groups in the utility sector in the United States had managed to obtain funding from small levies on the bills paid by consumers to maintain permanent staff and to bring cases of tariff increase before public utility commissions. He spelt out consumer rights relevant to public services as set out in United Nations guidelines. They included the right to satisfaction of basic needs, to safety, to choose, to be heard, to redress, to consumer education and to a healthy environment. The “right to choose” associated with liberalization had created conflict between consumer bodies and trade unions. While the former recognized the limitation to choose as far as public services were concerned, the latter increasingly agreed that services to be provided had to become more responsive to individual needs of consumers. The “right to be heard” also led to conflict over the representation of consumer bodies, on the one hand, who lacked electoral legitimacy, and trade unions, on the other, who were thought to have had a producer interest and were not “pure” consumer bodies. Consumer bodies had greatly contributed to the development of innovative dispute settlement mechanisms to deal with small claims and complaints with regard to the “right to redress”, and they and trade unions had been closely aligned on other aspects of consumer rights. Finally, he gave accounts of the investigations conducted by his group on provision of public services in three different municipalities in Hungary and a case in Brazil. In Hungary a municipality had decided to continue providing water service, while another entered into a partnership with a private contractor, but such had been the level of public debates in both cases that the standard of service in both were similar and rather high. In Budapest, however, the arrangement had been much criticized for lack of transparency. In Brazil, too, the

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privatization of Rio Light Co. had been followed by failure in service delivery, redundancies and tariff rise because no proper regulatory structure had been put in place prior to privatization. He believed that decentralization brought management closer to consumers, although its mechanical arrangement should be different from service to service. What had to be stressed was the indispensability of transparency and democratic process for consumer protection.

## **Discussion**

A Worker delegate wondered how the City of Windhoek had been handling the problem of waste management in view of the fact that it was a serious problem in all African cities. He also questioned what had happened to education and health-care staff during the course of the reform. Mr. Vei responded that there had been a dual system introduced in waste management, a part run by a private contractor and the rest by the city, although the latter handled a bigger share, and remarked that Windhoek was the cleanest city in Africa. With regard to education, health care and other staff, the public authorities retained the responsibility over human resource management. Workers were impressed by the successful project in Norway where change for the better had taken place with workers' input and asked for a concrete example, to which Mr. Wahl responded that manning of garbage collection per vehicle at the time of the purchase of new vehicles had been reduced from three to two as a result of technical input of workers. He added that trust in people and empowering them made them responsible, while threatening them with possible privatization or outsourcing of services did not make them more productive. Finally, the representative of ILO Turin informed the participants about a training programme being conducted in Turin to support strategic and participative planning of decentralization in assistance to municipal authorities to better deal with new responsibilities.

## **Round table: Decentralization and governance: Acting global**

*Moderator:* Ms. Heather Wakefield, Vice-Chairperson of the Workers' group

*Speakers:* Mr. Robertson Work, Decentralized Governance, UNDP, New York  
(*videoconference*)

Mr. Shabbir Cheema, Governance Systems and Institutions, UN, New York  
(*videoconference*)

Dr. Haile Kahassy, Office of Health Service Provisions, WHO,  
Geneva

Mr. Giovanni di Cola, Programme Coordinator of "Universitas", ILO  
Geneva

After the introduction of the speakers in New York, Ms. Wakefield briefed them on the apprehension and fears expressed by Workers during the course of the discussions in this Meeting of the impact of IMF/World Bank policies on globalization and restructuring and on a general agreement on the need for an international regulatory framework to deal with global governance in public services to meet local needs. The question was how best to come up with a delivery system that guaranteed effective and quality services satisfactory to all stakeholders.

Mr. Cheema discussed what he considered as four different forms of decentralization, which were: (1) devolution, the primary form of decentralization, where the autonomy of government units was strengthened, including the power to mobilize resource;

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(2) deconcentration, or transferring of some functions; (3) delegation, where specific functions were given to semi-autonomous bodies; and (4) transfer, where some functions were totally given to bodies such as NGOs through subcontracting. The United Nations experiences had shown that decentralization strengthened democracy if the following conditions were met. First, there had to be clear government policies and a national institutional framework to implement it. Second, there required active participation of community-based groups in providing services such as education and primary health care. The critical factors were the degree to which local leaders were accountable to local residents and their ability to reconcile conflicts between modern institutions introduced and those that had existed for generations. Finally, a strong financial resource base was required, although a predominant trend had been the allocation of more functions and responsibilities without providing additional resources. Despite the fact that decentralization was meant to create equality between central and local governments, a strong central government (CG) was needed to create equality among different regions, while too many interventions by the CG would make the local governments (LGs) with little resources more dependent. Therefore, it was important for local leadership to take the intermediary role between the CG and LGs. He warned that decentralization was not a panacea, but evidence showed that it brought out accountability of local actors and better access of local citizens to services.

Mr. Work presented UNDP's programme on decentralized/participatory governance within the framework of human development, social mobilization and the eradication of poverty and gender discrimination, now being implemented in some 160 countries and several regions. There had been a sixfold increase in the volume of this programme between 1992 and 1999, and the request for support was expected to rise. In Nepal, for example, the programme of participatory district development and social mobilization was being linked to the capacity development of both CG and LG authorities. The decentralized governance programme in Kyrgyzstan and Uganda was being linked to that on poverty eradication. The UNDP had also been implementing this programme jointly with academic institutions and other United Nations agencies, such as MIT, HABITAT, UNAIDS, focusing on the linkage of local governance with the role of partnership in service delivery, local initiative in the improvement of urban environment and eradicating urban poverty, and local response to HIV/AIDS. The studies that had been conducted showed positive correlation between good governance and various indicators of human development.

Dr. Kahassy addressed WHO's work in bringing health to all members of the global community, to which a new focus had been added by national governments and multilateral organizations from the perspective of poverty eradication. This added dimension had coincided with significant development in local governance along with increased devolution in many developing countries, which had impacted public service delivery, particularly in the health sector. This development had led CGs to transfer health service delivery to organizations closer to people as their functions had shifted to providing policy direction and guidance, while leaving the service delivery to LGs, semi-autonomous agencies, NGOs and private companies. While the importance and relevance of decentralization had been recognized in terms of promoting the goals of health programmes, he thought that the relationship between devolution and health systems had not been fully studied. When WHO had adopted the District Health System (DHS) in 1986 and reviewed in 1987, there had been no reference to LGs, which was perhaps due to general preconception then that LGs in developing countries were not reliable as CGs were afflicted with so many problems and that LGs would never acquire the autonomy, resource and capacity required to significantly impact health services. The Expert Group on the Role of Health Centres in District Health Systems had noted in 1995, however, the increasing importance of the role of LGs in health service. A more recent WHO study on the impact on decentralization on health service delivery had reviewed experiences of both rural and urban LGs. The results showed that LGs with institutional capacity had

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succeeded in improving access and increasing equity in health service delivery, but the capacity of CG to support LGs' new roles by providing policy guidance and mobilizing support of NGOs and private organizations was also crucial. LGs' proximity to the people and their understanding of local cultures enhanced their capacity for assisting local people in breaking cultural habits that made them susceptible to disease and providing improved health education. It pointed out the need of civil society organizations (CSOs) playing active roles in health service, although they were often neglected by the formal health sector to be brought into the mainstream of local health sector planning and management. It stressed that the performance of LGs depended on whether they had access to adequate financial resources, competent and motivated staff and effective arrangements for accountability of LGs to the citizens. It also raised some challenges, such as how to cope with new disease patterns, how to mobilize local resources in poor countries, how to deal with considerable gaps in health knowledge among various stakeholders at the local level and how to replace the direct hierarchical control of local health systems with accountability to the local population. On the whole, it was necessary for LGs and all stakeholders of the national health system to confront the economic, fiscal, administrative and cultural issues raised by decentralization processes if the potential of decentralization was to be maximized.

Mr. di Cola presented *Universitas*, an ILO's modular programme commenced in 2001 as a tool to promote training on human development to help developing countries meet the challenges of globalization as well as to promote ILO's Decent Work Agenda. Its objectives included capacity building through training on how to integrate national and local policies into Poverty Reduction Strategy Papers (PRSP) and United Nations Development Assistance Framework (UNDAF), for example, and through networking of participating countries in partnership with donors and other United Nations agencies. The studies being undertaken analysed the Decent Work Agenda and human development from various dimensions such as tripartite social dialogue, social protection, public administration and public services, the results of which would be published, while innovative initiatives negotiated on a tripartite framework and best practices be catalogued and disseminated. The programme was being implemented under the institutional framework with a multidisciplinary task force. The multidisciplinary partnership and flexible approaches taken in this programme implementation would bring positive results in social development in developing countries.

## **Discussion**

In commencing the discussion, Ms. Wakefield expressed her concern on the tension often created between the CG and LGs over resource allocation associated with decentralization. Mr. Cheema's reply was that United Nations experiences and studies had shown that the greater the decentralization, the greater the ability for local citizens to mobilize resources for services. Decentralization could lead to tension among LGs with various resource bases. It therefore had to be approached in a holistic way where strong support of CG was combined with continuous process of devolution. Mr. Work commented that there needed to be an overarching framework and advocacy as well as practical mechanisms within LG institutions to bring in voices of all stakeholders and fiscal decentralization to mobilize resources. Enabling environment for a greater role to be taken by the private sector in economic development at local level was also important. Dr. Kahassy remarked that many studies undertaken on decentralization were limited in time and place and that they did not allow for a generalization as to pros and cons of decentralization, with which Mr. Cheema disagreed. Mr. di Cola said that under his programme local authorities were able to attract resources directly from donors and thought that their ability to coordinate asymmetric information on human development would be important for local development. An observer wondered if there was more competition or coordination for resources among groups working at a local level. Dr. Kahassy thought that the formal health sector did not have enough information of

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actors in the informal sector to coordinate activities. Some Workers and Government/Employer members from developing countries commented that under the pressure of multilateral organizations for increased decentralization, CGs had shifted their responsibilities of service delivery to municipalities that had little human resources to handle the tasks. The new form of governance had not therefore benefited people very much as it had left them apprehensive for having to manage service delivery without proper capacity, and asked if they would be better off under a centralized system. Another observer questioned if something complementary to decentralization, such as “regionalization” where different localities could cooperate in management, would be an alternative to alleviate problems associated with decentralization. Mr. di Cola thought that some services might be better provided by CGs. Mr. Work commented that each country had to come up with its own form of decentralization as it involved various issues of empowering and resource sharing, while international organizations could only give advice on the framework. He thought that decentralization did not replace centralization, but rather complemented it, and found the idea of “regionalization” interesting. He was concerned that international organizations had been perceived to be pressurizing developing countries to decentralize, and if that had been the case, the organizations had to review their approach. Mistrust among LGs, NGOs and CSOs would be removed only through evolutionary process in partnership.

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## Closing speeches

The Secretary-General informed the Meeting that 11 Government representatives, six Government advisers, two Government observers, six Employer representatives, 23 Worker representatives and five Worker advisers attended the Meeting. One observer from an IGO and ten observers from NGOs also attended. Fourteen women delegates were present, 35 per cent of the total, which represented a higher percentage than the average sectoral meeting, but below the percentage of women employed in public services worldwide. The Meeting provided a unique occasion to discuss decentralization and privatization of municipal services. Four specific sectors in addition to municipal administration, all with particular characteristics presented a challenge, successfully met, to arrive at relevant conclusions on the commonalities and differences in these sectors. Moreover, this was the first Meeting to both declare a resolution irreceivable and to declare another one to be covered in the agenda of the Meeting. A spirit of social dialogue which prevailed throughout the Meeting enabled the adoption of key conclusions by consensus. Together with the report of the Meeting, they would be submitted to the Governing Body of the ILO in March 2002. The Governing Body would decide on sending these documents to the member States of the ILO, through them to workers' and employers' organizations, and to the international IGOs and NGOs concerned. In addition, this multisectoral Meeting would be followed in the next biennium by further meetings in four of the sectors discussed here, thereby maintaining a focus on these issues. Thanks were expressed to the Chairperson and Vice-Chairpersons of the Meeting, group spokespersons and secretaries, participants and the secretariat for a job well done.

The spokesperson of the Government/Employers' group expressed his group's satisfaction and thanks to various people: the ILO secretariat, translators and interpreters for the preparation and servicing of the Meeting; the Workers' group for their friendly cooperation and for the soft-spoken yet truthful expression of their viewpoints; and the Chairpersons of the Working Party on Conclusions and of the Meeting for their effective conduct of the sessions. The "win-win" point of departure at the beginning of the Meeting had been transformed into a winning outcome for the tripartite composition reflected here. The balanced report of the discussions reflected the fact that the problems facing the Meeting, and therefore the solutions, were not perfectly definable, requiring the kinds of compromises contained in the conclusions. His group was satisfied with these documents going forward to the ILO Governing Body. The Meeting had been an enriching learning experience, drawing out both the disparities and the commonalities of national experiences such as his own.

The Chairperson of the Workers' group joined in thanking the ILO secretariat for the serious preparation of the Meeting, including the background materials, the Chair and Vice-Chairs for their fair direction of the Meeting's discussions, and especially the open and frank cooperation of the Government/Employers' group which had led to constructive social dialogue, and ultimately fair solutions to difficult questions. The best practices, as well as the failures candidly cited by Government representatives, in addition to the Government/Employers' group recognition of workers' and trade unions' value as partners in social dialogue had helped to shape meaningful conclusions. The Workers' group nevertheless expressed their ongoing concern with regard to the Employers' attitudes towards the outcomes of sectoral meetings and especially fundamental ILO Conventions. The Workers respected these Conventions and the Employers must also take the standards and their underlying concepts seriously. To underscore this point, he cited examples of cases in Latin American countries during the course of this Meeting where workers' fundamental human rights had been violated. The value of the ILO and its Conventions in signalling concern for these rights should not be underestimated; therefore means must be found within the ILO for better joint work on this question.

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The Chairperson added his thanks to all the participants, Officers and secretariat of the Meeting for a week of hard and interesting work focused on local communities and their public services. The Meeting had concluded that decentralization and privatization of municipal services should be guided by basic principles and agreements reached through the processes of dialogue. Moreover, it reached a consensus on the design, implementation and evaluation of such processes. Exchanges of good practices and less successful cases between the two groups, as well as the panel discussions, had been rewarding. Even more so was the Meeting's consensus that processes of decentralization and privatization can be created which would result in win-win situations for all stakeholders – governments, private employers, workers and users of municipal services. The conclusions also gave guidance to the ILO on how to promote social dialogue in public service reform and to develop a comprehensive research programme on municipal service reform and its social and labour dimensions. As the Governing Body's representative in this Meeting, he would carry this message to the Governing Body and its committees.



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## Evaluation questionnaire

A questionnaire seeking participants' opinions on various aspects of the Meeting was distributed before the end of the Meeting.

### 1. How do you rate the Meeting as regards the following?

	5 Excellent	4 Good	3 Satis- factory	2 Poor	1 Unsatis- factory	Average score
The choice of agenda item (subject of the Meeting)	10	10	2			4.36
The points for discussion	10	8	3			4.33
The quality of the discussion	9	8	5			4.18
The Meeting's benefits to the sector	9	9	3			4.28
The conclusions	4	8	9			3.76
Resolution	3	4	9		3	3.21
Panel discussion on corporate social responsibility	2	12	4	1		3.79
Round table: Decentralization and governance: Acting local	3	9	4	2		3.72
Round table: Decentralization and governance: Acting global	1	10	4	3		3.5
Opportunity for networking	5	11	2	1		4.05

### 2. How do you rate the quality of the report in terms of the following?

	5 Excellent	4 Good	3 Satis- factory	2 Poor	1 Unsatis- factory	Average score
Quality of analysis	7	11	4			4.13
Objectivity	6	10	6			4.0
Comprehensiveness of coverage	6	12	4			4.09
Presentation and readability	9	11	1	1		4.27
Amount and relevance of information	5	11	4	2		3.86

### 3. How do you consider the time allotted for discussion?

	Too much	Enough	Too little
Discussion of the report		15	7
Panel discussions	3	16	1
Groups		20	
Working Party on Resolutions	1	12	3
Working Party on Conclusions	2	11	4

### 4. How do you rate the practical and administrative arrangements (secretariat, document services, translation, interpretation)?

	5 Excellent	4 Good	3 Satis- factory	2 Poor	1 Unsatis- factory	Average score
	16	3	2	1		4.5

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### 5. Respondents to the questionnaire

Government/Employers	Workers	Observers	Total	(Response rate: 29%)
5	15	2	22	

### 6. Participants at the Meeting

Government/Employers	Workers	Technical advisers	Observers	Total
17	23	11	24	76

### 7. Delegates/technical advisers

	Government/Employers	Workers	Total
Delegates	17	23	40
Technical advisers	6	5	11

### 8. Female participation

	Government/Employers	Workers	Total	% women delegates
Delegates	5	9	14	35
Technical advisers	2	1	3	

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**List of participants**  
**Liste des participants**  
**Lista de participantes**

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Representative of the Governing Body  
of the International Labour Office  
Représentant du Conseil d'administration  
du Bureau international du Travail  
Representante del Consejo de Administración  
de la Oficina Internacional del Trabajo

Mr. Nitte Manjappa Adyanthaya, Indian National Trade Union Congress, Mangalore

Members representing governments  
Membres représentant les gouvernements  
Miembros representantes de los gobiernos

**BENIN BÉNIN**

M<sup>me</sup> Abiba Dafia Owassagari, Maire, Circonscription urbaine de Natitingou, Atacora  
*Advisers/Conseillers techniques/Consejeros técnicos*

M. Isidore Gnonlonfoun, Chef de la Circonscription urbaine de Cotonou, Cotonou

M<sup>me</sup> Antonine Rose Bibi, ministère de l'Intérieur, de la Sécurité et de la Décentralisation, Cotonou

**CHILE CHILI**

Sr. Manuel Barrera Romero, Agregado Laboral, Misión Permanente de Chile en Ginebra

**EGYPT EGYPT EGIPTO**

Mr. Mohamed Amin, Assistant Secretary General, New Valley Governorate, New Valley – Kharga  
*Adviser/Conseiller technique/Consejera técnica*

M<sup>me</sup> Nadia El Gazzar, conseillère des affaires du travail, Mission permanente d'Égypte à Genève

**FINLAND FINLANDE FINLANDIA**

Mr. Markku Pekurinen, Development Manager, National Research and Development Centre for Welfare and Health (Stakes), Helsinki

**ITALY ITALIE ITALIA**

M. Luigi Trento, Ministero del Lavoro e delle Politiche Sociali, Direzione Generale della Tutela delle Condizioni di Lavoro, Div. II, Affari Internazionali, Roma

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Ms. Keiko Aoyama, Deputy Director, Local Public Service Personnel Division, Ministry of Public Management, Home Affairs, Post and Telecommunications, Tokyo

*Adviser/Conseiller technique/Consejero técnico*

Mr. Tomoaki Fujiwara, Senior Official, Local Public Service Personnel Division, Ministry of Public Management, Home Affairs, Post and Telecommunications, Tokyo

**KENYA**

Mr. James M. O'maroro, Chief Economist, Ministry of Local Government, Nairobi

*Adviser/Conseiller technique/Consejero técnico*

Mr. Peter Celestine Njagi, Chief Economist, Nairobi City Council, Nairobi

**NAMIBIA NAMIBIE**

Mr. Justus Veii, Organizational Development and Management, City of Windhoek, Windhoek

**PHILIPPINES FILIPINAS**

Ms. Regina Sarmiento, Labor Attaché, Permanent Mission of the Philippines in Geneva

**RUSSIAN FEDERATION FÉDÉRATION DE RUSSIE FEDERACIÓN DE RUSIA**

Mr. Leonid N. Chernyshov, Head, State Committee for Construction and Municipal Services (GOSSTROY), Moscow

*Adviser/Conseiller technique/Consejero técnico*

Mr. Iouri Tyrtychov, Stavropol Region Government, Stavropol

**UNITED KINGDOM ROYAUME-UNI REINO UNIDO**

Mr. Godfrey Perera, Head of Employment Issues, Section Head of the NHS Employment Policy Branch, Department of Health, Leeds, West Yorkshire

**Members representing the Employers**

**Membres représentant les employeurs**

**Miembros representantes de los empleadores**

Mr. Joseph Babalola, Head of Management/Labour Administration, National Electric Power Authority, Industrial Relations Division, Abuja

Mr. Len Dekker, Attorney, Prokureur Len Dekker and Ass., Pretoria

Mr. Jens Hedström, Director of Trade Policy, Confederation of Swedish Enterprise, Stockholm

Sra. Marinella Mata, Consultor Jurídico, (FEDECAMARAS), Federación de Asociaciones de Producción, Industria y Comercio de Venezuela, Caracas

Mr. Abdul Aziz Memon, Chairman, Kings Group of Companies, Karachi

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Ms. Heba Nassar, Director, Center for Economic and Financial Studies, Faculty of Economics and Political Science, Cairo

**Members representing the Workers**  
**Membres représentant les travailleurs**  
**Miembros representantes de los trabajadores**

Ms. Agneta Anderlund, Ex. BO. Member, Educational International, Stockholm

Ms. Jane Barrett, Research and Policy Officer, South African Transport and Allied Workers' Union (SATAW), Johannesburg

M. Ali Boujemaa, Coordinateur, Fédération générale des municipaux (UGTT), Tunis

M. Bruno Fiocca Soungue, Président, Syndicat national des agents des municipalités gabonaises-solidarité, Libreville

Mr. Rezső Gál, President, Trade Union Workers in Electric Energy Industry (VDSZSZ), Budapest

Mr. René Ilagan, Confederation of Independent Unions in the Public Sector (CIU), Quezon City

M. Mohamed Larbi Kabbaj, Secrétaire général, Syndicat national des agents administratifs (SNAA), Casablanca

Mr. Jianmin Liu, Vice-Chairman, Water Conservancy and Electrical Workers' Union of China, Beijing

*Adviser/Conseiller technique/Consejero técnico*

Mr. Yong Peng, Deputy Chief of the General Office, International Liaison Department, All-China Federation of Trade Unions, Beijing

Sra. Cándida Inés Lucena, Confederación Nacional de Trabajadores de Venezuela (SUNEP-SAS), Caracas

Mr. William Lucy, President, American Federation of State, County and Municipal Employees (AFSCME), Washington

*Advisers/Conseillers techniques/Consejeros técnicos*

Mr. Jack Howard, Consultant, American Federation of State, County and Municipal Employees, Washington

Mr. Steven Kreisberg, American Federation of State, County and Municipal Employers, Washington

Mr. Musyoka Boniface Munyao, National General Secretary, Kenya Local Government Workers Union (KLWU), Nairobi

Ms. Keiko Nakajima, All Japan Prefectural and Municipal Workers Union (JICHIRO), Tokyo

Sr. Javier Ortega Sánchez, Secretario de prensa y propaganda, Federación Nacional de Asociaciones y Organizaciones de Empleados Públicos (FENASEP), Ciudad de Panamá

Sr. Jorge Pávez Urrutia, Presidente nacional, Colegio de Profesores de Chile, Santiago

*Adviser/Conseillère technique/Consejera técnica*

Sra. Jenny Assael, Colegio de Profesores de Chile, Santiago

Ms. Ija Rudzite, Vice-President, Trade Union of Health and Social Care Employees of Latvia (LVSADA), Riga

Sr. João Domingos Santos Gomes, Presidente, Confederação dos Servidores Públicos do Brasil (SCPB), Brasília

M<sup>me</sup> Lucie Somakpo, Présidente des Femmes, Syndicat national des agents des collectivités locales (SYNACOB), Cotonou

Ms. Dinah Toule, Policy, Research and Education, Public Employees Association of Papua New Guinea (PEA), Boroko Ncd

Ms. Taina Tuomi, Head of Department, Trade Union for the Municipal Sector, Kunta-Alan Ammattiliitto KTV Ry., Helsinki

*Adviser/Conseiller technique/Consejero técnico*

Mr. Jari Vettenranta, Development Manager, Trade Union for the Municipal Sector (KTV), Helsinki

Mr. Alexander Vasilevsky, Local Industries and Public Services Workers Union (LIPSWU), Moscow

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Mr. Asbjorn Wahl, National Secretary, Norsk Kommuneforbund, Oslo

Ms. Heather Wakefield, Senior National Officer, UNISON, London

Sr. Oscar Yáñez Pol, Presidente Nacional, Confederación Nacional de Funcionarios Municipales de Chile (ASEMUCH), Santiago

**Others Autres Otros**

Representatives of member States present at the sittings

Représentants d'Etats Membres présents aux séances

Representantes de Estados Miembros presentes en las sesiones

**NIGERIA NIGÉRIA**

Mr. Abdullah Shehu Ahmad, Deputy Director, Labour Representative, Permanent Mission of Nigeria in Geneva

**UNITED STATES ETATS-UNIS ESTADOS UNIDOS**

Mr. Robert S. Hagen, Labor Attaché, United States Permanent Mission in Geneva

Representatives of United Nations, specialized agencies  
and other official international organizations

Représentants des Nations Unies, des institutions spécialisées  
et d'autres organisations internationales officielles

Representantes de las Naciones Unidas, de los organismos  
especializados y de otras organizaciones internacionales oficiales

**World Health Organization (WHO)**

**Organisation mondiale de la santé**

**Organización Mundial de la Salud**

Dr. Haile Kahssay, Scientist, Office of Health Service Provision, Geneva

Representatives of non-governmental international organizations

Représentants d'organisations internationales non gouvernementales

Representantes de organizaciones internacionales no gubernamentales

**Education International**

**Internationale de l'éducation**

**Internacional de la Educación**

Mr. Bob Harris, Consultant, Gingins

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**International Confederation of Free Trade Unions**

**Confédération internationale des syndicats libres (CISL)**

**Confederación Internacional de Organizaciones Sindicales Libres**

Mr. Dan Cunniah, Director, Geneva Office, Geneva

Ms. Anna Biondi, Assistant Director, Geneva Office, Geneva

**International Confederation of Public Service Officers**

**Confédération internationale des fonctionnaires (CIF)**

**Confederación Internacional de Funcionarios**

M. Joseph Daleiden, P-A. CGFP, Luxembourg

M<sup>me</sup> Irène Eyschen, Steinsel

**International Council of Nurses (ICN)**

**Conseil international des infirmières**

**Consejo Internacional de Enfermeras**

Ms. Mireille Kingma, Consultant, Nursing and Health Policy, Geneva

Ms. Janelle Ramsborg, Geneva

**International Federation of Employees in Public Services (INFEDOP)**

**Fédération internationale du personnel des services publics**

**Federación Internacional del Personal de los Servicios Públicos**

Sr. William Huevo Martínez, Vicepresidente, San Salvador

**International Federation of University Women**

**Fédération internationale des femmes diplômées des universités**

**Federación Internacional de Mujeres Universitarias**

Ms. C. Poncini, Coordinator, Troinex/Geneva

Ms. Katherine Hagen, Versoix

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**International Organization of Employers (IOE)**

**Organisation internationale des employeurs**

**Organización Internacional de Empleadores**

Mr. Jean Dejardin, Adviser, Cointrin/Geneva

**International Transport Workers' Federation (ITF)**

**Fédération internationale des ouvriers du transport**

**Federación Internacional de los Trabajadores del Transporte**

Mr. Gabriel Craciun, Senior Section Assistant, London

**Latin American Union of Municipal Workers**

**Union latino-américaine des travailleurs municipaux**

**Unión Latinoamericana de Trabajadores Municipales (ULAT-MUN)**

Sr. Oscar Antonio Cuartango, Asesor Legal, Confederación de Obreros y Empleados Municipales (COEMA),  
Buenos Aires

Sr. Juan Carlos Sluga, Secretario Adjunto, Confederación de Obreros y Empleados Municipales(COEMA),  
Buenos Aires

**Public Services International (PSI)**

**Internationale des services publics**

**Internacional de Servicios Públicos**

Mr. Hans Engelberts, General Secretary, Ferney-Voltaire

Mr. Mike Waghorne, Assistant General Secretary, Ferney-Voltaire

Mr. Alan Leather, Deputy General Secretary, Ferney-Voltaire

Mr. John Dupont, The Danish Confederation of Municipal Employees, Copenhagen

Mr. Bengt Rastén, The Danish Confederation of Municipal Employees, Copenhagen

**World Confederation of Labour**

**Confédération mondiale du travail (CMT)**

**Confederación Mundial del Trabajo**

M<sup>me</sup> Béatrice Fauchère, Représentante permanente, Genève

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**World Federation of Trade Unions**

**Fédération syndicale mondiale**

**Federación Sindical Mundial**

Sra. Aida Avella, Representante permanente en Ginebra, Ginebra