

GMB CONGRESS 2018

CEC STATEMENT

OUTSOURCING AND PUBLIC OWNERSHIP

The logo consists of a square divided into two horizontal sections. The top section is orange and contains the text 'WE ARE GMB' in white, with 'WE ARE' in a smaller font above 'GMB'. The bottom section is black and contains the word 'UNION' in white, spaced out.

**WE ARE
GMB
UNION**

CEC STATEMENT – CONGRESS 2018

Outsourcing and Public Ownership

GMB continues to oppose the privatisation and outsourcing of our public services. The collapse of Carillion should serve as a warning that the fragmentation of our services for personal and private profit has had its day. Any money saved needs to go back into rebuilding our public services and remunerating staff.

Across the country, we have seen how privatisation has hit our members' pay and terms and conditions. Eye watering PFI deals have lumbered public services with ruinous repayments while the taxpayer continues to foot the bill when private providers fail. Our schools, colleges, hospitals and councils are being parcelled up and fragmented, and ordinary people are paying the price. Public sector employment has fallen to its lowest share of the labour market since 1947 – the year before the NHS was founded.

For the last forty years we have been told that the public sector cannot be trusted to deliver essential services. The events of the first half of 2018 have comprehensively exposed that lie. The blacklisting outsourcing company Carillion collapsed, leaving 20,000 livelihoods in the balance. The private sector failed on the East Coast rail franchise for the third time. Conservative-controlled Northamptonshire County Council – a so-called 'easy council' local authority that outsourced everything it could get its hands on – ran itself into the ground.

We welcome the Labour Party's commitment, as set out in its 2017 manifesto, to return essential services to public ownership. We continue to express our solidarity with the members of our sister unions who work for Royal Mail, for rail companies, and in other privatised industries, who are fighting for decent treatment at work.

Our policies have not changed; the rest of the country is catching up with our way of thinking. The GMB has longstanding policy positions against privatisation, outsourcing, and PFI deals. The CEC does not believe, however, that our policies should sit on a shelf to gather dust just because they continue to be correct: we must ensure that the position we outline and the language we use remains relevant to the world of work.

The GMB's members care passionately about the future of public services and the quality of their employment. This is reflected in the number of motions submitted to Congress 2018 on the subject of outsourcing and public ownership. This Statement has been written to incorporate the concerns raised in those motions, and CEC commends it to Congress.

Privatisation – Thatcher's legacy

Privatisation has been the economic orthodoxy since the 1980s when over two million workers were transferred to the private sector. Our national assets were disposed of at artificially reduced prices – the famous 'selling off of the family silver' – while prices rose for consumers. Councils were subject to compulsory competitive tendering, with devastating consequences for services.

The real cost of privatisation **Price increases above inflation since sale**

Electricity (1990)	+ 41%
Rail fares (1996)	+ 49%
Gas (1986)	+ 55%
Bus fares (1986)	+ 109%
Water (1989)	+ 118%

Source: The Retail Price Index (RPI)

Despite Margaret Thatcher's insistence that 'There Is No Alternative' the Government's own official history of privatisation concluded that there was no evidence that the policy had contributed to economic growth. In the meantime enormous private profits are being made from revenues that should have been invested in services: water companies have paid out £18 billion in dividends over the last decade. Research by the University of Greenwich suggests that if the annual cost of dividend leakage and debt interest payments was removed then bills could be reduced by 25 per cent on average.

GMB recognises that the last Labour Government had a mixed record on privatisation. On the one hand, RBS and Lloyds were partly nationalised following the financial crash, and East Coast rail services were taken into ownership. However, Labour also continued to use PFI; failed to protect the pensions of TUPE transferred workers; attempted to privatise Royal Mail; and opened the door to the fragmentation of our hospitals and schools. The next Labour government must learn from the mistakes of the last.

Since 2010 the Tory policy of privatisation has reached new heights. Our national stake in Eurostar; the Green Investment Bank; the Student Loan Company debt book; the NHS's Blood Products Laboratory; and East Coast rail services have all been sold off. Instead of using our nationalised banks to promote the common good, the Government has allowed them to continue their exploitative practices while preparing them for re-sale to the private sector. The Health and Social Care Act cleared the way for further NHS privatisation, and agency payments are stretching Trusts' finances to breaking point as permanent staff leave due to overwork and the pernicious public sector pay cap.

Public sector outsourcing is now a £120 billion business, and the share of outsourced NHS estates services increased from 38% in 2009/10 to 45% in 2015/16 (despite the fact that the risk of MRSA infection is twice as high in hospitals that outsource cleaning services). Outsourcing and fragmentation is costing public services money they can ill-afford to lose: the annual public sector bill for agency and temporary workers has risen by £2.5 billion since 2012/13.

The rebirth of public ownership

"The government says that outsourcing is everything, but while it might get you an initial cheaper price, that price simply doesn't last, you lose flexibility, and it causes a great deal of unrest."

Eddie Martin, former Conservative Leader of Cumbria County Council

Despite the Government remaining ideologically wedded to privatisation, many public bodies are taking the pragmatic decision to bring services back in house as funding cuts continue to bite.

Councils controlled by both Labour and the Conservatives have returned services to public operation, including Bournemouth, Cumbria, Liverpool, Thurrock and Somerset. NHS Trusts including Brighton and Sussex (where GMB campaigned to bring Coperforma patient transfer services in house) and Nottingham have also insourced services. The tendency towards insourcing is not just confined to NHS Trusts and local authorities: HMRC and the DVSA have both quietly taken their IT services back in house in recent years.

New forms of public ownership are emerging too. Nottingham City Council and Bristol City Council have created wholly owned energy companies that provide tariffs in the public interest, and a number of other cities (including London) are following suite. GMB welcomes the opportunity to organise in these new municipal enterprises.

The public sector has proven that it can outperform outsourcing firms and deliver savings for the public purse. Municipal bus operators have some of the best passenger satisfaction ratings in the country, and public ownership of the East Coast rail franchise delivered record punctuality and passenger satisfaction scores and returned over £1 billion to the Treasury. As we proceed the GMB should have full confidence in the public sector's ability to deliver.

The collapse of Carillion

GMB represents more former Carillion workers than any other union. We have long campaigned against the company's management excesses, including through the 2012 strike at Swindon Great Western Hospital against bullying and exploitative managers. We are proud of our part in exposing Carillion's involvement in the disgraceful construction industry blacklisting scheme.

Carillion's collapse is having devastating consequences for its UK workforce, many members of which were originally employed by local authorities. At the time of writing, over a thousand jobs have been lost – approximately 8% of the former Carillion workforce – and the short-term of a further 10,000 Carillion jobs is still uncertain. Five hundred apprentices have still not been found replacement courses – raising questions over whether the state should step in when apprenticeship providers fail

Carillion workers below the state retirement age stand to lose 10% of the value of their pensions, and TUPE protections do not apply to employees of companies in liquidation. Thousands of additional jobs are threatened in the wider supply chain. GMB is working tirelessly to protect our members whose livelihoods are under attack.

The collapse of Carillion has sent shockwaves through the world of outsourcing. Capita issued a profit warning and questions have been raised over Babcock's finances. The edifice of the privatised state has been shown to have been built on unsafe foundations.

Terms and conditions

GMB believes that the supposed cost savings delivered by outsourcing are a myth: where 'savings' are achieved, it is all too often through attacks on the pay and terms and conditions. Numerous studies have shown that, once workers are outsourced, wages tend to fall or otherwise fail to rise as fast as they would have done if the service had remain in house.

In theory the Two Tier Code used to provide a measure of protection for public sector contractors. However, the code was only voluntary and compliance was limited. Even this protection was removed when the Two Tier Code was abolished in 2010. TUPE regulations were also downgraded to state that subsequent changes to collective agreements would not affect workers who had been outsourced.

Today our members' terms and conditions are under threat in the NHS, where a number of Trusts are establishing wholly-owned subsidiary companies ('SubCos') to avoid paying tax. Staff transferred to these companies are not automatically entitled to be paid on Agenda for Change scales. The transfer of staff and assets to these companies has also raised fears that the NHS is being broken up into units for full privatisation.

Privatisation was not motivated by narrow economic arguments alone – its architects saw privatisation as a means of breaking the process of collective bargaining. We have seen the effects of this policy on our own members. Ensuring fair pay awards that keep pace with the rising cost of living are not the only casualty when collective bargaining is undermined: the fragmentation of our industries also has serious consequences for health and safety standards.

Workers and their representatives are also often hampered by a basic lack of information during the outsourcing process. This should be seen as an infringement of workers' basic right to be consulted over changes to their future. As ACAS has warned:

"In our experience difficulties around outsourcing can be exacerbated by poor preparation and hasty consultation arrangements Even where there is clarity of process many aren't clear about the impact on their terms and conditions."

Our members' interests must also be represented during any future nationalisation process. During privatisation employees were encouraged to enter into share schemes, and a number of our members did so in good faith. It is important that they will not be left out of pocket through no fault of their own and GMB calls upon the Labour Party to safeguard their financial interests.

PFI

GMB opposes the use of PFI and other 'Public Private Partnership' schemes to finance public projects. PFI (now rebranded as 'PF2') has proved to be ruinously expensive and has left behind a litany of failed contracts.

By any measure, PFI represents terrible value for money. £59 billion of investment has been financed through PFI since the early 1990s but these deals will cost public authorities an eye-watering £306 billion over their lifetime. PFI repayments are costing public services £10 billion every year - money that should be spent on services instead.

It is a scandal that taxpayers are paying extortionate fees to PFI investors who in many cases are based offshore and pay minimal tax rates. GMB supports exploring all options, including negotiations and refinancing, to bring existing PFI contracts to an end without paying extortionate compensation to PFI speculators. The Government can borrow money much more cheaply directly (the nation has not missed a single debt repayment since 1694) and the base interest rate remains at historic lows. PFI is not a price worth paying to keep spending off the balance sheet. It's time to fund public projects up-front to bring down costs and end the degrading of our members' terms and conditions that has been enabled by PFI.

Organising around outsourcing

Outsourced workers urgently need union protection. GMB already represents thousands of members in the sector, but the threat of further fragmentation is real and we must be ready to meet that challenge.

GMB National Office is working with the Regions to put together a toolkit, which will include campaigning and organising materials such as checklists, for our officials to use when services are outsourced. This will build on existing organising policies for school workforces that are undergoing academisation. Mapping exercises are also being undertaken to identify all NHS wholly-owned subsidiary companies, and an NHS contractors' forum is being created. Organising opportunities have also been identified following the 2018/19 to 2019/20 local government pay ballot.

We are also undertaking organising work around outsourcing in the private sector. GMB National Office is working with the Regions to enact Motion 157 passed by Congress in 2017, on Utilities Contractors, brought by the East of England Waterworkers' Branch. The union is current carrying out a mapping exercise to better understand the extent of outsourcing and agency working in this sector, and this work potentially represents a model that could be applied to other sectors and employers.

Summary

Over the last forty years vital public services have been outsourced or privatised: including utilities, the railways, Royal Mail, and council services (including catering, cleaning, refuse, care and direct labour services) have all been sold off to the highest bidder. The creeping privatisation of our public services is degrading the quality of provision in our schools and hospitals.

GMB believes that services formerly provided through the public sector should be taken back into public ownership.

We oppose any further financing of projects through the ruinously expensive PFI or PF2 schemes. We support taking steps to end existing contracts early, including through negotiations, that avoid the need to make extortionate compensation payments to PFI speculators.

GMB urges a future government to use public ownership as an opportunity to improve working conditions, strengthen collective bargaining and end the exploitation of agency and temporary workers that is being used to drive down wages for the permanent workforce.

The GMB has longstanding policy in support of the nationalisation of key parts (the 'commanding heights') of UK industry and we reiterate that commitment today.