

## **Quality of European Union public services and regulation**

The privatisation of public services in the EU has produced varied effects, with improvements in some areas, like efficiency and productivity, but deterioration in others, such as employment conditions and, in some cases, service quality. This is the conclusion of the **PIQUE** project that has recommended that public services should not be left to the free play of market forces but require further regulation to ensure the quality, affordability and accessibility of services.

PIQUE covered four sectors – electricity, postal services, local public transport and health services/hospitals – and six European countries – Austria, Belgium, Germany, Poland, Sweden and the UK. It analysed labour market data and productivity data and integrated it with qualitative data from 18 company case studies and a large-scale survey of service users.

### **Market regulation**

The results indicated that the move towards highly competitive market structures has been minimal. Out of 24 public service sectors only four (electricity in Poland and the UK, and local public transport in the UK and in Sweden) show strong competition. However, even in a competitive market, there is no clear link between the degree of competition and consumer satisfaction. Results from the case studies indicated that regulation is needed to bridge this gap. A number of recommendations were made:

- EU level regulations could include some obligations on public service providers instead of leaving it up to Member States. A directive that clarifies the nature and role of public services would be helpful in developing these obligations.
- The national regulatory bodies that overlook the sectors must consider the interests of multiple stakeholders including consumers, workers, companies and public authorities. Due to the increasingly European dimension of public sector markets there should be greater co-operation between national bodies.
- Instead of focussing on specific aspects of the supply chain, regulation should cover the provision of the service and guarantee equal conditions for all in terms of access, quality and price.

### **Employment**

Privatisation has primarily been associated with job reductions rather than creation of employment. At the same time employment has become increasingly part-time and more reliant on self-employment and temporary workers. Lower wages is another consequence and, in postal services in Germany and Austria, a new low-wage sector has emerged. The following policy suggestions were made:

- Regulation is needed to ensure companies compete on quality and do not cut costs by wage dumping. Possible instruments to achieve this are socially responsible tendering and the introduction of minimum wages.
- Active labour-market measures are needed to support workers who are made redundant through voluntary layoff schemes.
- Actions are needed to ensure more equal access to training and lifelong learning for different groups of workers in public services. High quality services depend on high-quality jobs.

### **Industrial relations**

In order to save on labour costs companies have tended to abandon the traditional model of labour relations. This has produced changes in the collective bargaining mechanism by which employers and employees agree on wages. There now appear to be two tiers: companies who were service providers before privatisation that use sector unions to broker wages and newer companies with a more decentralised system. This produces an unequal playing field in terms

of wage differentials that tends to benefit the newer companies. The PIQUE project suggested the following:

- Market regulation needs to be complemented by social clauses to ensure it does not go against the aim of creating more and better jobs. EU regulation stresses that social considerations should be taken into account but it may be necessary to turn this into an obligation.
- To reach a level playing field, competing companies need to be covered by the same labour-relation regimes.
- These could take the form of statutory minimum standards complemented by bargaining by employers and employee organisations.

### **Productivity and service quality**

Gains in productivity have tended to be a by-product of cost-cutting and measures to enhance quality have only occurred if they do not conflict with cutting costs. On some occasions privatisation has led to a compromise of quality. For example electricity providers may extend the operating hours of call centres while closing down traditional walk-in centres where customers can talk to agents face-to-face. The following policy recommendations were made:

- Regulation is needed to ensure that companies invest in higher quality services.
- In sectors where no measures are taking place a 'catalogue' of quality criteria should be developed and enforced.
- Consumers need to be empowered to monitor and influence the quality of public services. This could be done through consumer protection organisations and other forms of participation such as public-service quality advisory boards.

**PIQUE - Privatisation of Public Services and the Impact on Quality, Employment and Productivity** (duration: 1/6/2006 – 31/5/2009) was a Specific Targeted Research Project funded under the 6th Framework Programme for Research of the European Union, Thematic Priority 7 - Citizens and governance in a knowledge-based society.

See: <http://www.pique.at/>

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