

## **WHAT HAVE UNIONS GOT TO DO WITH REVERSE PRIVATIZATION?**

**CATHY-SOLEIL CYR-RACINE**

**PATRICE JALETTE**

*School of Industrial Relations, Université de Montréal*

### **ABSTRACT**

Anecdotal evidence shows that unions contribute to reverse privatization, but their role in the process is far from clear. The reverse privatization process, and unions' involvement and capacity to influence it, was extensively studied in four reverse privatization experiences in two Canadian municipalities. The experiences analyzed show that unions acted pragmatically, quite a different image from that depicted in the literature as a one-track-minded opponent of privatization. In all the experiences studied, internal knowledge regarding data collection and computing cost figures was a key union input in the reverse privatization process. These case studies show that public unions can definitely bring value added to the decision-making process regarding public service delivery by reducing local governments' expenses and preventing the waste of taxpayers' money.

Because of the threat it poses to their members' jobs and working conditions, municipal unions will often strongly oppose the privatization of public services. Empirical studies steadily show that union presence is associated with less contracting-out and privatization of service delivery [1-4]. Alternative evidence shows, however, that unions have little or no effect [5], especially when complex forms of local government restructuring, including reverse privatization, are considered [6, 7]. This suggests that union reaction may be more subtle than what

is generally assumed. Anecdotal evidence shows that unions not only contribute to reverse privatization by preparing bids based on external and in-house service costs comparison, but that they also regularly win competitive bidding processes in order to keep or repatriate services and associated jobs in house [8-10]. The role and influence of unions in reverse privatization, however, is far from clear and this article will address these.

We conducted case studies of two Quebec municipalities, focusing on blue-collar unions which were involved in four reverse privatization experiences. These case studies show that public unions can definitely bring added value to the decision-making process regarding public service delivery. The results clearly challenged the fundamental belief that private delivery is always more efficient than public delivery.

First, this article briefly reviews the mainstream literature focused on union opposition to privatization. Other evidence shows, however, that union reaction to local government restructuring is more subtle, as demonstrated by union involvement in competitive bidding and the reverse privatization process. Methodology and case study results are then presented. Finally, case studies are analyzed with special attention given to unions' strategic capacity to influence the municipal management decision to contract back-in.

## REVIEW OF THE LITERATURE

### Union Opposition to Privatization

Unions are generally opposed to privatization because of its expected adverse effects on their membership and on their own survival. Privatization may mean that some public workers may lose their jobs or be transferred to a private employer, which, in turn, could lead to lower wages and less advantageous benefits, job insecurity, reduced health and safety regulations, and fewer opportunities for advancement and training [11]. More indirectly, opportunistic use of the privatization threat by employers may induce union concessions on wages and benefits or on work organization in order to keep the service delivery public [12, 13]. Loss of members and forced concessions also weaken the union's bargaining power and, eventually, may lead to its disappearance.

The negative link between unionization and privatization observed in empirical studies [1-4] is clearly explained by union opposition. But there is alternative evidence that unions have little or no effect [5, 6]. This suggests that union reaction to privatization may not be monolithic. Foster and Scott [14] have already shown that UK unions forced into competitive tendering have actually adopted a range of different stances: industrial action, non-involvement, negotiations, and legal challenge. Moreover, a much larger scope for studying union effect was adopted by Warner and Hebdon [6] who surveyed not only privatization experiences but all types of initiatives put forward within the scope of local

government restructuring movement. Results showed that unions had a negative effect in cases of simple restructuring like privatization alone. But union effect was not significant when restructuring involved a complex mix of alternatives including governmental entrepreneurship and reverse privatization. These results, suggesting the presence of variations in union reaction, served as an incentive to study the relationship between the union and reverse privatization more in-depth.

### **Motives For and Extent of Reverse Privatization**

Reverse privatization, or contracting back-in, happens when the delivery of a previously privatized service is brought back to be performed in house by a local government. This practice completely repositions the privatization debate which is no longer a one-way movement [7].

Why go from private to public delivery? Reverse privatization is generally justified by problems associated with contracting out and privatization, which are well documented in the literature [7, 10, 15-17]. Among the most-cited problems are lack of market competition creating private monopoly and dependence toward one contractor, administrative costs associated with the bidding process and with contract administration and monitoring, dissatisfaction with service quality, "low-ball " bids, corruption, lack of political accountability, loss of government control, adverse impact on the employment of women and minorities, community impoverishment, and reduced access to public services. Work can also be brought back in when municipal government efficiency is improved, through labor-management cooperation or other means, or when local employees win a competitive bidding process [7, 8]. Summarizing their study of 36 cases of contracting back-in, Ballard and Warner [11] identified failed privatization and successful competitive bidding as the main reasons for reverse privatization.

Data from the International City/County Management Association's (IC/CMA) 2002 survey shows that more than one American city surveyed out of five have brought back-in at least one service in the last five years [18]. Further analysis of the same source of data also revealed that during the 1992-1997 period, 81% of local governments that responded in both surveys contracted back-in at least one service and 3.7 services on average [7] . A Canada-USA comparison based on IC/CMA data, and on the first Canadian data on this phenomenon shows that, after controlling for various factors in multiple regression estimates, Canadian levels of contracting back-in are significantly higher than U.S. levels [19]. The extent of reverse privatization, the logic behind it, and the number of alternatives to privatization observed in the field led researchers to conclude that local governments are guided more by pragmatic concerns than by ideological or political ones when evaluating these decisions regarding governmental restructuring [5-7, 18].

### **Alternative Union Responses**

One of our working hypotheses is that a union will also act pragmatically in a public service restructuring context. Its reaction to local government restructuring is expected to be more subtle and multi-faceted than just unconditional and exclusive opposition taking the form of legal challenge and industrial action. To illustrate this, one must examine the alternative union reactions to privatization that may be put forward in place of, or in conjunction with, more traditional forms of opposition, in order to influence the motives and consequences of privatization.

First, the union will generally call into question the motives of privatization by warning officers, administrators, and the population about the hazards and costs of any project proposed. This is not only to protect their members' interests but also to project themselves as the custodians of wider public interest regarding the quality and efficiency of public services [20] which is how they view themselves. This type of action may have a larger echo when a union builds a large coalition with other groups, such as parents, neighborhood associations, or environment activists, to fight privatization [15]. Secondly, since privatization decisions are based on a comparison between at least two types of service delivery, the union can also try to influence the employer's motivation to privatize by proposing alternatives. Union proposals or concessions over labor costs, work organization, or working hours can make public service delivery more appealing. Finally, if a union cannot influence the motivations to privatize, and the decision to do so is taken, it will try to influence the expected consequences. For instance, income security and a no-layoff policy are among the provisions that union and management can agree on in order to completely or partially eliminate adverse consequences on actual public workers [8, 21, 22].

### **Unions and Reverse Privatization**

A description of the union's attitude toward reverse privatization completes the illustration of how it acts strategically in a local government restructuring context. It is obvious that the union will be in favor of reverse privatization. The reason is that reverse privatization means at least the maintenance, and even the growth of, public services that imply more secure jobs for their members and even new unionized jobs. The benefits expected from reverse privatization seem to be the source of this "reverse attitude" on the part of the union toward this particular form of alternative service delivery. This may explain the absence of significant negative union effect on restructuring in Warner and Hebdon's study [6], when reverse privatization was considered.

The adoption of a strategy aimed at reverse privatization is often the only way for a union to counterattack once a service has already been contracted out. When services which have never been performed in-house are targeted, this proactive strategy goes further by looking for public service expansion. In either case, the very heart of the union strategy lies in comparisons between public and private

delivery where one option must be preferred over the other. The development of union discourse and its capacity to convince public administrators, politicians, and the population depend on comprehensive “make-or-buy” comparisons based on quantitative and qualitative criteria. Without an argumentation of this type favoring public delivery, it will be difficult for a union not only to convince the employer and the population but also to mobilize its members who may be well-informed citizens with access to alternative information sources.

Union involvement in a process that could lead to reverse privatization can be either proactive or reactive. As supposed in the above discussion, a union may enter this type of process on its own initiative to reverse management’s past contracting-out decisions. In the same category, a legal action strategy can be pursued by the union in order to bring back in contracted-out services. In Canada, federal and provincial laws preserve the collective bargaining rights of the union in cases of the sale or transfer of all or part of its operations. Nevertheless, these were often likened to contracting-out by Québec tribunals in their interpretation of these successor right provisions in the *Labour Code* (R.S.Q., c. C-27). The non-respect of a provision prohibiting privatization in a labor contract could also provide grounds for a legal challenge that may lead to reverse privatization [10, 15, 21]. On the other hand, the union is sometimes forced to act as a vendor and submit bids [9] when the local government decides on its own to contract out a particular service or to implement a formal competitive bidding process.

However, reverse privatization may also stem from labor-management cooperation programs [11]. Joint committees are an important vehicle to tap employees’ suggestions of alternatives to privatization and of innovations to improve local government efficiency [15]. Moreover, labor contracts may stipulate that the union has the right to bid in order to keep in-house the work proposed for contracting-out by the employer or to return services in-house that had previously been outsourced [15, 22].

Public-private competition (PPC) is another situation in which public employees compete “head-to-head” with the private sector to retain government service delivery in-house or to win back services previously contracted out [8]. PPC is described as an alternative to privatization since it formally gives public employees the opportunity to bid on the same invitation to tender as private sector contractors. Although PPC is often presented as a best practice initiated by management, Martin [8, p. 68] states that the “majority of the public private competition reviewed here initially started out as privatization programs and were only changed due to efforts of public employees and unions.” For the union, PPC is the lesser of two evils. For PPC proponents, however, the union cannot really be against these virtuous initiatives aiming to improve service delivery to the population. For Martin [8], the union’s role in PPC must be to let its members compete and take the lead in restructuring and be open to more flexibility in work rules, wages, and fringe benefits. As shown earlier, union reaction

is expected to be less docile and more diversified and proactive than what is suggested in this stream of literature.

This review clearly highlights the need to study reverse privatization, which seems to be an important restructuring practice in the field while only a few studies have addressed it directly. This article's contribution, however, is not only to address reverse privatization, but to adopt a union perspective to do so. The literature review carried out in this section indicates that the union plays an important role but a lot of the research to date is based on a managerial perspective and scarce evidence. At this point, we need to know more about the union's role in reverse privatization initiatives and in, what is fundamentally, a managerial process of evaluation of alternative in-service delivery.

We want to examine more thoroughly union motives and approaches toward reverse privatization. These union facets have been more often explored in privatization literature where unions, however, are simplistically depicted as being ideological, one-track-minded opponents to any form of local government restructuring. As has been the case in privatization experiences, we think that the union will adopt a pragmatic approach to reverse privatization. A major focus here is to examine the union's capacity to act strategically and the resources that it needs to mobilize to effectively influence management's decision. Our working hypothesis is that the availability of these resources and the capacity for the union to mobilize them will help the union to return in-house work that has been previously contracted-out. In their model of union power resources, Lévesque and Murray [23] identified three of these resources of particular importance for unions involved in workplace change: *internal solidarity*, which relates to mechanisms developed in the workplace to ensure democracy and collective cohesion among workers; *external solidarity*, which is the capacity of the local union to work with its community and build horizontal and vertical coordination and alliances; and *strategic capacity*, which refers to the discursive ability of local unions to shape and put forward their own agenda. The use of this model in this article to analyze the union's role in local government restructuring is clearly a departure from previous literature.

## CASE STUDIES

The most appropriate way to thoroughly explore the role of the union in reverse privatization experiences is through case studies. This qualitative research is based on in-depth interviews conducted separately with representatives of a union and a municipality between 2004 and 2005. Labor agreements, minutes of meetings, and various documents made available by the union and the municipality were analyzed in order to better understand the context and the details of the reverse privatization experiences.

Key union and management informants in the municipal sector were contacted in order to find cases of completed reverse privatization experiences. A review of

collective agreements also helped us to target cities that possessed a labor-management committee to deal with contracting-out issues, which raised the probability that the parties had previously dealt with reverse privatization. We selected two cities that corresponded to these criteria. These cities differ mainly in terms of size: City A has a population of 42,000 citizens and 375 municipal employees, while City B had 226,000 and 2,250 respectively. Moreover, a major similarity between these municipalities is that they have been under serious financial and fiscal stress in recent years following a major devolution of services by the provincial government without a corresponding transfer of funds. This type of situation has frequently incited cities to contract out [20]. In each of the cities, we selected two reverse privatization experiences involving blue-collar work. These were completed and documented experiences in which a previously contracted-out service was returned in house.

The small size of the sample clearly limits the empirical generalization to be made from the results obtained. We cannot be completely sure that these case studies are totally representative of the reverse privatization experiences occurring in the municipal sector. Nevertheless, we are confident that these cases gave us a comprehensive overview of what typically happens. In this sense, the cases could be considered exemplary, as we were able to trace their history from the contracting out to the return of the municipal service involved. Given that we had complete access to the main actors and documentation, these cases provided us with almost ideal conditions under which to explore the poorly documented issues of reverse privatization and the union's role in this process.

### **Experience 1-A**

In City A, snow clearance was shared about equally between public employees and private contractors. This contracting-out arrangement was motivated by the need for additional labor and equipment in peak periods during, and immediately following, snowstorms. The union did not oppose the use of private contractors since it was sensitive to the city's argument that a complete public delivery would necessitate purchasing costly specialized equipment (e.g., bulldozers) used only for a couple of months each year, while private contractors already possessed this equipment. But labor availability was not an issue here for the union: only union members from the public works department were assigned to snow clearance operations, and regular and temporary workers from other departments were also able and available to work in these peak periods.

In the 1990s, City A experienced different problems with private contractors who did not respect various contract specifications regarding, for example, the number of trucks on the road after the beginning of the snowstorm, the age of equipment, or the proximity of the truck drivers' homes to the city. Citizens were very dissatisfied with the service provided, and the city received many complaints. Furthermore, the price of the contract greatly increased over the years. Contractors

wanted to have a fixed price based on the annual mean of snow received (225 cm), regardless of whether this target was attained or not. In addition to a basic price, contractors charged many extra costs for minor departures from what was specified in the contract.

During this period, the union took the initiative to gradually construct its case for reverse privatization. Some union officials spent hours collecting information: private bids, the invitation to tender, the city's choice and justification, the contract between the city and the contractors, contractors' bills, etc. This collection process was laborious since all of these data had to be requested from the city, which did not facilitate the operation. Based on this information and supported by its parent union, the local union was able to elaborate complete public-private cost figures for snow clearance including labor, vehicle maintenance and payoffs, gasoline, winter equipment, etc. The union used the joint subcontracting committee to make the case for public delivery with City A officials. The costing figures presented demonstrated that the city paid almost twice the price it would have paid for delivery by municipal employees. As a union official told us, a lot of pressure was put on the local administration when the union proved—with the city's own information—that the private contractor cost approximately \$1 million per year, while public delivery cost approximately \$600,000, extras included. The transfer of snow clearance responsibility to the blue-collar employees of City A was formalized in their collective agreement. After a one-year trial period, the contracting back-in was agreed on for two years. Since then, snow clearance is carried out by municipal employees, and the agreement is assessed every year by the city council.

### **Experience 2-A**

A high-tech, used-water treatment facility was opened by City A in 1991. It was then operated by a private firm which provided the equipment and supplies for the plant. City personnel lacked the specialized competences required to operate this facility; and city administrators used this fact to justify its private operation. The decision was not subject to any discussion with the union before the plant's opening. The union was aware that members lacked specialized expertise and did not oppose the decision at the time. In the following collective agreement, however, the union was able to obtain a commitment from the city on the public operation of the facility after an 18-month trial and start-up period. This engagement was politically motivated since it derived from a verbal promise made by the mayor of City A to the union leader. The other motivation was legal since it was likely that, under the Québec *Labour Code*, a court could judge that the new work performed at the used-water treatment facility had to be considered as work covered by union certification and the collective agreement.

The public operation of the facility was continuously delayed, because of collective negotiations and municipal elections; as a result, five years after its



opening, the facility was still being operated by a private firm. City A also argued that technical specifications required by the provincial government had to be met before the operation of the facility could be brought back in. At this time, the union became more impatient, notably when it obtained access to an internal study from a former public works manager stating that costs of facility operations by public employees were less than those involved in private operation and that the city could save from \$95,000 to \$200,000 over two years. This argument was constantly pounded by the union in city council public audiences and in letters addressed to the general manager, but efforts were in vain. The union pursued its work of collecting information about the contract, its specifications, the contractor's bills, etc.

Facing a refusal from the city to make these public documents available, the union had to go to the *Commission d'accès à l'information du Québec* which is a public authority responsible for administering the *Act* "respecting access to documents held by public bodies and the protection of personal information (R.S.Q., c. A-2.1) that applies to municipalities and other public bodies." The union finally obtained access to the requested documents and was able to elaborate costing figures and present these to the joint subcontracting committee in support of its discourse concerning the lower cost of public delivery. City A finally agreed to bring the operation of the facility back in, and it canceled the in-force contract with the private contractor. In order to gain rapid access to the needed competencies, the city hired the five employees that had worked for the contractor in this facility. The union, however, did not make any net gain in terms of membership since the hiring of these new employees was compensated by the retirement of the same number of members during the same year.

### **Experience 3-B**

City B decided to put the task of grass mowing up for bid without notifying the union. The city's argument was that the collective agreement was not flexible enough to accomplish this activity efficiently. Private delivery meant lower costs, not only through lower wages, but also through more flexible working hours because the contractor's employees would be able to start work earlier in the morning, finish later in the evening, work during weekends and prolong their shifts if necessary. This accrued flexibility in working hours would greatly lower overtime costs that were incurred when municipal employees accomplished the same task. This contracting-out experience resulted in the loss of 12 jobs for temporary blue-collar employees usually assigned to this task.

The union immediately "manned the barricades" and opposed the transfer of grass mowing to a private contractor. It argued that this move was clearly against the collective agreement which allows contracting-out only if it does not result in any layoffs. More substantial grounds for a legal challenge were given by provision 45 of the *Labour Code*. This provision on successor's rights was

interpreted at that time as applying to contracting-out when a service was partially conceded to another employer. Union opposition rested on legal grounds since it was aware that municipal delivery of grass mowing was not very competitive in terms of costs when compared to private delivery. Therefore, with the support of the trade union to which it was affiliated for legal services, the union entered into a legal battle with City B, which argued that neither provision 45 nor the collective agreement ruled out its right to contract out in this case.

The union finally won the case before a labor commissioner first and before the Labour Tribunal and Québec Superior Court after appeals from City B. This union victory was clouded by the fact that more than two years elapsed between the contracting-out and the Superior Court decision. During this time, laid-off workers, dealing with uncertainty and problems following the layoff, asked union executive members during a general assembly to make concessions in order to get back to work as soon as possible and to avoid further conflicts with the City that could delay their return to work.

After the court decision, both parties went back to the joint labor relations committee and the discussion was expected to be as conflict ridden as before should the parties retain their respective positions. Negotiations focused on making the contracting-back-in effective, the union yielded concessions to respond to reiterated management concerns about the lack of flexibility in labor working conditions when compared with those the City had experienced with private contractors during the legal battle. The parties agreed on wage reductions for the grass-mowing function (from \$16 to \$9 an hour), 12-hour shifts, and work on weekends when work that had been planned during the week was canceled because of the weather. Members' pressures to end the conflict and the non-competitive position of municipal delivery were identified as major factors in the union's decision, which clearly made municipal delivery less costly and more competitive.

#### **Experience 4-B**

Street cleaning was contracted out in 1997. City B justified its decision by citing that this activity was seasonal; it is intensive for a month and a half in early spring to remove salting and sanding material spilled during winter time and, after that time, performed only occasionally. This decision was also a matter of cost; the city's street-sweeping equipment was old and due to be replaced. Replacement would have necessitated significant public investments which made the prospect of using a private contractor with its own specialized equipment even more appealing. After a public bidding process in which many private contractors expressed interest, City B awarded a two-year contract and sold its two street-sweepers. At this time, the union tried to oppose the decision, but it let go since the contractor's bid was so low compared to the cost of providing this activity in house. The collective agreement forbids private contracting if it

eliminates a unionized function, which was the case with the street-sweeper operator. It was difficult, however, to raise a legal case because the city had already sold the old street-sweepers, and it was unlikely that an arbitrator would force the city to buy new ones.

At the end of the contract, the city wanted to renew the street-sweeping contract. It went back on the market to see if better bids could be obtained from other private contractors. Unfortunately, there was only one bidder, the one with whom the city had done business during the previous two years. The absence of competition created a major problem since the price of the renewal had more than doubled compared to the previous contract. The union seized the opportunity and started discussions with the city through the labor relations committee in order to return the activity in house. With appropriate information and costing software, the union carried out “make-or-buy” cost comparisons. It demonstrated to the municipal administrators that public delivery of this activity would be less costly than a private contract, even if the city had to buy new street sweepers.

## DISCUSSION

The most striking aspect of these cases is that reverse privatization happens under varying circumstances; therefore, this phenomenon is less monolithic than it may appear at first glance. We found different types of reverse privatization depending on the circumstances under which it is initiated: 1) “*competitive*” *reverse privatization*, when the union puts itself in competition with the private sector and tries to demonstrate that public delivery is less expensive than private delivery, as illustrated in 1-A and 4-B; 2) “*planned*” *reverse privatization*, as illustrated in 2-A, when the parties agree in advance to return in house contracted-out service; and 3) “*forced*” (or “*judicial*”) *reverse privatization*, when a court decision forces a city to bring a formerly privatized service back in, as was the case in experience 3-B. These circumstances influenced the dynamic at work in each of the experiences. “Planned” and “forced” reverse privatization appear to be the two ends of a “cooperative”—“adversarial” continuum describing relationships between parties; while the “competitive” type, indicating a more pragmatic stance regarding reverse privatization, appears to be more in the middle of this continuum.

Regarding the reasons explaining reverse privatization, using Ballard and Warner’s [11] classification, experiences 1-A, 2-A, and 4-B are examples of failed privatization. When private contractors’ costs got out of control at one stage or another, the union is inevitably in a better position to convince local government officials to repatriate in-house privatized services. The enhancing efficiency changes in public delivery contribute also to the reverse privatization decision in these experiences, but in a lesser extent. In experience 3-B, while the main determinant of reverse privatization remains the court decision, the negotiations surrounding the implementation of this decision led to an improvement in the

efficiency of public delivery, making it more competitive with that of the private sector. Major union concessions seem to be the major determinant of the viability of the reverse privatization.

Moreover, it should be noted, that in each experience, the cost of service delivery was at stake. The precarious financial situation and fiscal pressures may explain the importance of cost in these experiences. In the interviews, it became clear that for local government, privatization was seen as an efficient way to reduce the cost of service delivery while still providing services to the population without an increase in taxes. This logic was nevertheless based on the premise of the superior efficiency of private delivery, which was seriously challenged in these experiences. Local governments were convinced of the appropriateness of reverse privatization when the efficiency of public delivery was demonstrated. Opposition based on ideological grounds or on stubbornness was an unsustainable stance for local government managers. So, the cost argument was used to support both privatization and its reverse and became the decisive criterion.

The experiences analyzed here show that unions also acted pragmatically. They did not enter into battle or competition when they had no chance of winning against the private sector. In experiences 1-A and 4-B, the unions had accepted the privatization of the services to a certain extent and, while collecting information, waited until such time as they could demonstrate the efficiency of public delivery and made the case for the reverse privatization. In these experiences and in experience 2-A, the rising costs of the private contracts gave the unions the perfect opportunity to do so. Experience 3-B represents the most interesting evidence of the pragmatism of unions. Although the legal battle had been won, the union realized that the lack of flexibility and competitiveness in the working conditions for grass mowing made its position difficult to sustain in the long run, not only from the standpoint of the local government, but also for its members and the population. The union pragmatism observed here is far removed from its image of being a one-track-minded opponent as depicted in the literature reviewed earlier. Since the consequences of privatization observed in these experiences were all negative for labor (job losses, reduction of regular and overtime hours, relocation to other jobs, etc.), union opposition is understandable. Reverse privatization was seen by union leaders as an opportunity to attenuate or completely eliminate these adverse consequences of privatization.

### **The Union's Power Resources**

The image of docile unions depicted in the PPC literature was far removed from what was observed in these cases. They were able to mobilize other resources, which we will examine below following Lévesque and Murray's model [23].

The strategic capacity of the union regarding reverse privatization matters refers to its capacity to keep in-house services that are good prospects for privatization and to bring back in services already contracted-out. These cases show that

this requires, on the part of the union, the ability to assess and compare internal versus external service delivery objectively, using all available information. In both cases, the unions were able to develop an argument supporting reverse privatization as an alternative to privatization that was strong enough to convince local government managers and politicians. The strategic capacity of the union has its limits, one of which being that a union always has to react to privatization. It is far from obvious that a union will be able to develop a mobilizing discourse on short notice unless it adopts a preventive approach, identifying services that are good prospects for privatization, and getting prepared in advance, which was not the case here. In this sense, working for reverse privatization may be easier than preventing privatization. While the union was preparing to make the case for reverse privatization, it had time to develop its arguments, collect data, and create alliances, and it was able to mobilize the membership since the negative consequences of privatization were tangibles in the workplace. The time which elapsed after privatization also turned out to be in the union's favor since private contractors were revealed to be their own worst enemies.

In many respects, the most obvious internal resource mobilized by unions was their costing and comparison abilities. This internal knowledge regarding data collection, and computing cost figures supportive of their positions, was a key input in the reverse privatization process in all the experiences studied. The discourse following these specific competencies was also used to mobilize the membership toward the reverse privatization goal. Both unions could also count on strong leaders well aware of what was at stake with privatization. A lot of volunteer time from officers and members was required to develop the union's argument which cannot be accomplished without leaders who could mobilize others. Finally, even if, strictly speaking, it is not a completely internal union resource, the collective agreement appears to provide tools that are useful when it comes to the question of reverse privatization. For example, the dynamic of all the experiences would have been completely different without contractual protection against the adverse consequences of privatization and without joint committees dealing with contracting-out.

In their quest for contracting municipal services back in, both of the local unions interviewed were able to mobilize resources to build external solidarity. First, their parent unions gave them support, which took different forms. The legal services available at this level were useful for contesting privatization before the courts or forcing cities to divulge public information. One union had access to training sessions on privatization and to an Internet database on privatization experiences, private contractors, and legal decisions. The other union had access to a software application developed by its parent affiliate to compute the bottom-line cost of a service. This costing software takes into account wages, benefits, equipment use, and so forth in order to compare public delivery to private contract prices. In one experience, the union used the software jointly with the employer, and they agreed on common parameters to compare public and private

delivery costs. The unions also used external information resources to obtain data to support their cases for reverse privatization (e.g., *Commission d'accès à l'information*). Except in the case of experience 2-A, where the union intervened in city council audiences, the unions interviewed did not appear to be explicitly seeking public support. Making passionate declarations through the media does not exactly fit with the pragmatic approach adopted by the parties in these experiences, which were, for the most part, marked by a relatively good labor relations climate.

### CONCLUSION

The results of this case study support the hypothesis that a union can act pragmatically in a local government restructuring context. The unions depicted here went beyond ideological opposition since their actions were rationalized with cost figures and practical arguments based on available resources. Also, the unions did not explicitly oppose privatization when they were not able to make the case for public service delivery. This capacity to rationalize the discussion may be the only way for unions to fight ideology-based privatization projects [9]. But the consequence to the union for adopting this type of pragmatic stance is to abandon ideological arguments in its own rhetoric, as was the case for both unions studied. This is far removed from the traditional union stance regarding privatization and is extremely demanding in terms of resources and mobilization, but it may be an alternative and productive way for unions to protect their members' jobs and working conditions.

This study is not without limitations. The small sample of four reverse privatization experiences seriously limits the generalization that can be made from the results. Also, this study suffers from a selection bias since it studied only successful cases of reverse privatization with unions able to mobilize their resources. In order to better understand the forces at work, it would appear necessary in future research to examine cases including less successful experiences and unions that are less effective at mobilizing resources.

To conclude, we think that union involvement in the service delivery "make-or-buy" decision-making process should be encouraged since it can definitely bring added value. Union involvement can contribute to reducing local governments' expenses and prevent waste of taxpayers' money as related in this case study. All experiences depicted here show that union involvement may prevent waste of public funds in overly expensive private contracts and keep private contractors "on their toes." It is only through information-sharing that a union's bid can be stimulated and cost reduction seen as a challenge. If the desired bottom line is better municipal services at a reasonable cost, then the union's access to bidding and relevant contracting information must be guaranteed and facilitated. The barriers raised by cities to keep unions away from the decision process are unjustified from the point of view of public interest.

Union involvement in this process may prevent local government managers and politicians from carelessly assuming that private delivery of municipal services will automatically be more efficient than public delivery.

### ENDNOTES

1. W. Z. Hirsch and E. Osborne, Privatization of Government Services: Pressure-Group Resistance and Service Transparency, *Journal of Labor Research*, 21, pp. 315-326, 2000.
2. T. D. Chandler and P. Feuille, Municipal Unions and Privatization, *Public Administration Review*, 51, pp. 15-22, 1991.
3. T. D. Chandler and P. Feuille, Cities, Unions, and the Privatization of Sanitation Services, *Journal of Labour Research*, 15, pp. 54-71, 1994.
4. J. M. Ferris, The Decision to Contract Out: An Empirical Analysis, *Urban Affairs Quarterly*, 22, pp. 289-311, 1986.
5. J. L. Brudney, S. Fernandez, J. E. Ryu, and D. S. Wright, Exploring and Explaining Contracting Out: Patterns among the American States, *Journal of Public Administration Research and Theory*, 15, pp. 393-419, 2005.
6. M. Warner and R. Hebdon, Local Government Restructuring: Privatization and Its Alternatives, *Journal of Policy Analysis and Management*, 20, pp. 315-336, 2001.
7. A. Hefetz and M. Warner, Privatization and Its Reverse: Explaining the Dynamics of the Government Contracting Process, *Journal of Public Administration Research and Theory*, 14, pp. 171-190, 2004.
8. L. L. Martin, Public-Private Competition: A Public Employee Alternative to Privatization, *Review of Public Personnel Administration*, Winter, pp. 59-70, 1999.
9. D. Simpson and P. Hammel, Alternatives to Privatization, *Perspectives on Work*, 8:2, pp. 29-31, 2005.
10. R. Hebdon, Contracting Out in New York State: The Story the Lauder Report Chose Not to Tell, *Labor Studies Journal*, 20, pp. 1-29, 1995.
11. M. J. Ballard and M. E. Warner, "Taking the High Road: Local Government Restructuring and the Quest for Quality," Cornell University, Department of City and Regional Planning, Working Papers in Planning, 194, 2000.
12. G. Fearon, Public Sector Wage Settlement and the Threat of Outsourcing, *Atlantic Economic Journal*, 32, pp. 160-173, 2004.
13. P. Warrian, *Hard Bargain: Transforming Public Sector Labour-Management Relations*, Toronto: McGilligan Books, 1996.
14. D. Foster and P. Scott, Conceptualising Union Responses to Contracting Out Municipal Services, 1979-97, *Industrial Relations Journal*, 29, pp. 137-150, 1998.
15. A. Bilik, Privatization: Selling America to the Lowest Bidder, *Labor Research Review*, 9, pp. 1-12, 1990.
16. E. D. Sclar, *You Don't Always Get What You Pay For: The Economics of Privatization*, Ithaca: Cornell University Press, 2000.
17. J. Barthélemy, The Seven Deadly Sins of Outsourcing, *Academy of Management Executive*, 17, pp. 87-100, 2003.
18. M. Warner and A. Hefetz, Pragmatism over Politics: Alternative Service Delivery in Local Government, 1992-2002, *Municipal Year Book, 2004*, Washington, DC: International City/County Management Association, pp. 8-16, 2004.

19. R. Hebdon and P. Jalette, The Restructuring of Municipal Services: A Canada-United States Comparison, *Environment and Planning: Government and Policy*, 2008.
20. International Labour Organization, *The Impact of Decentralization and Privatization on Municipal Service: Report for Discussion at the Joint Meeting on the Impact of Decentralization and Privatization on Municipal Service*, Geneva: ILO, Sectoral activities programme, 2001.
21. P. Jalette and P. Warrian, Contracting-out Provisions in Canadian Collective Agreements: A Moving Target, *Workplace Gazette*, 5, pp. 64-76, Spring 2002.
22. S. Helper, Subcontracting: Innovative Labor Strategies, *Labor Research Review*, 9, pp. 89-99, 1990.
23. C. Lévesque and G. Murray, Union Involvement in Workplace Change: A Comparative Study of Local Unions in Canada and Mexico, *British Journal of Industrial Relations*, 43, pp. 489-514, 2005.

Direct reprint requests to:

Dr. Patrice Jalette  
Professeur  
Ecole de relations industrielles  
Université de Montréal  
3150, rue Jean-Brillant, bureau 7018  
C. P. Box 6128, succursale Centre-ville  
Montréal, Quebec,  
Canada H3C 3J7  
e-mail: patrice.jalette@umontreal.ca