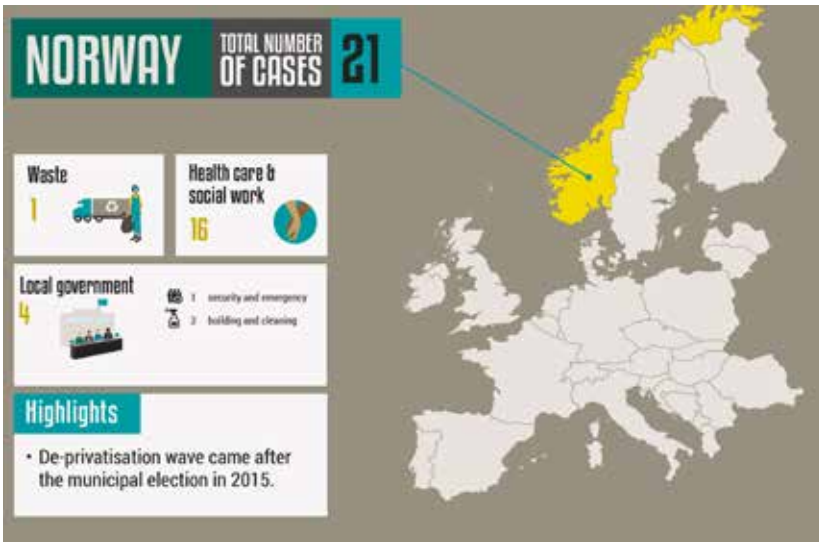


## Chapter 4

# Norwegian municipalities bringing social services back into public hands

By Bjørn Pettersen and Nina Monsen

Norway's municipalities are partly self-governed and are responsible for offering several services to their citizens, such as child welfare and pre-schools, education, basic health services, elderly services, water, sanitation, waste and cleaning services. Of the main sectors listed in this report, water, postal service and local government are 100 per cent publicly owned in Norway. In addition, more than 80 per cent of the energy sector is in public hands. Social services, transport and waste services are the sectors mostly affected by privatisation. Within these sectors, kindergartens, bus transport and cleaning of public buildings are the sectors most prone to competitive tendering. About half of all kindergartens in Norway are run by private companies.



In recent years, 21 services have been de-privatised and brought back into public hands in municipalities across the country. This wave of de-privatisations comes after a change in political leadership in many municipalities after the local elections of 2015. Cooperation between the trade unions, the municipal administrations and the local politicians has been fundamental in these remunicipalisation processes. The year 2017 also began with a significant case of remunicipalisation. In February, 170 employees who were engaged by a private waste collection company became municipal employees when the Oslo municipality took over waste services in the capital.

Box 1

**Oslo takes back its waste services**

In 2017, the municipality of Oslo took its waste collection services back into public hands after 20 years of competitive tendering. The last private provider, *Veireno*, which had won the tender for the capital's waste services in October 2016, quickly became a perfect illustration of competitive tendering gone wrong. In February 2017, Oslo remunicipalised waste collection and also took over the assets of the private contractor and employed its 170 former staff. The takeover is expected to be costly, as *Veireno* had several part-time employees, who will now work full-time for the municipality, with municipal salary and pension rights.<sup>1</sup>

In the period between October 2016 and February in 2017 the municipality received tens of thousands of complaints from citizens whose waste was not being collected. The Norwegian Labour Inspection Authority examined *Veireno* and disclosed workweeks of up to 90 hours for some employees.

One employee had a seven-day workweek, for several weeks at the

start of the private company's contract with the Oslo municipality. Many employees had worked for more than 70 hours per week, with workdays lasting from 6h00 to 22h00. *Veireno's* low-cost waste services obviously came at great expense for the workers' conditions. These employees who were responsible for the capital city's garbage collection and for driving heavy vehicles were putting themselves and other people at risk with such long workdays and so little rest between shifts.

*Veireno* is not unique. Competitive tendering of waste collection services is bad for employees and expensive for citizens. Even when services are outsourced, the municipality ends up covering for anything that goes wrong. If Oslo had not taken back the services and employed the people engaged by *Veireno*, the employees would not have received any salaries after 1 January 2017 because the company filed for bankruptcy, freeing itself from all responsibilities.



**Oslo waste collection**

Photo by Simen Aker Grimsrud/Fagbladet

*Emil Gasparovic (right) and his colleague are now employed full time by the Oslo municipality after it took back the waste handling in public hands in the beginning of 2017.*

## Remunicipalisation in Norway

The new political leadership at the local government level paved the way for remunicipalisation. Seventeen municipalities have started taking services back into public hands, including major municipalities like Oslo, Bergen and Tromsø. In Oslo, the local government changed from centre-right to left for the first time in 18 years. The current political leadership is a coalition of the Labour Party, Socialist Left Party and the Green Party. Bergen in western Norway is a similar case. The country's second largest city, Bergen changed to a centre-left local government after 15 years of centre-right leadership. Remunicipalisation of two outsourced elderly care centres is one concrete effect of the new political leadership. The local government has also voted to keep all elderly care centres in the hands of the municipality, or only outsource services to non-profit organisations.

### *Box II*

#### **Elderly care centres' remunicipalisation**

The City Government of Bergen was prepared to lose money on the remunicipalisation process of two elderly care centres. The opposite happened. In May 2016 two elderly care centres were taken back into municipal hands. Political parties on the right protested against the remunicipalisation and the Confederation of Norwegian Service Industries claimed that the remunicipalisation would cost NOK 11 million (approximately €1 million).<sup>2</sup>

Before a year had passed, the calculations were clear: one care centre had balanced its budget and the other centre had almost NOK 5 million (approximately €500,000) in surplus.

*Fagforbundet's* shop steward, Christian Magnussen, at one of the

care centres says in an interview with *Fagbladet* magazine, that any concerns among the employees prior to the remunicipalisation process have been answered and that the employees are now satisfied to be employed by the municipality. Almost all employees' salaries increased due to the remunicipalisation and they have improved pension schemes.<sup>3</sup> The Chief Commissioner of Bergen City Government, Harald Schjelderup from the Labour Party, said to *Fagbladet* prior to the remunicipalisation process that taking the services back into public hands is not only an important political action, but also has its technical reasons. It is about taking responsibility for recruitment in the health sector through good working conditions, reliability and the possibility for full-time employment on permanent contracts for the employees.

Bodø, in northern Norway, is another relatively large municipality where a change in local government occurred after the election in 2015. In Bodø, the Norwegian Congress of Trade Unions and the Norwegian Union for Municipal and General Employees played an important role in campaigning for the political parties that were against privatisation and supported other important issues for the trade unions. After winning, the current local government, a coalition of the Labour Party and four other parties on the centre-left agreed on a political platform called "the great democracy project."<sup>4</sup> In the platform, the local government has committed to cooperating with the trade unions and the employees in the development of the municipality. The platform also states that no municipal services should be placed under competitive tendering.

Stord, a relatively small municipality in western Norway, took cleaning services back into public hands after the local government changed in 2015. The services involved the cleaning of all municipal buildings, from the town hall to kindergartens, schools and sports halls. The local branch of the Labour Party had already committed itself to de-privatisation of

the cleaning services during the election campaign. The local government has also agreed to use local tripartite cooperation as the tool for developing the municipality. Formal cooperation among the three parties – the union shop stewards, the leaders in the municipal administration and the local politicians – will lead to better decision making, greater quality and efficiency of the services, and better leadership, according to the mayor of Stord.

Sandnes is a municipality in southern Norway that has made an effort to strengthen its child welfare services and phase out private contractors. Until 2010, Sandnes procured large parts of its child welfare services from private companies. Family guidance, help in the home and support for leisure activities for the child were typical services being outsourced to private companies. In 2010 the local government decided to develop its own public services instead. The reasons behind the decision were both financial and technical. Buying such services from private companies was costly for the municipality. At the same time, the municipal service did not develop its own capacity or know-how. By 2016, Sandnes municipality was contracting out very few private services, having transferred responsibility to its high capacity public child welfare system. This has resulted in better know-how and competence internally, earlier intervention and prevention and better quality control over the services. Bringing child welfare services into municipal hands has also made it easier to prioritise the resources. The municipality has received both local and national recognition for its services. Both the families receiving child welfare services and the supervisory authorities are satisfied with the new publicly run services.

## **Pre-school child care and hospitals**

In Norway, all one-year-olds have a right for a placement in a kindergarten in the municipality where they live. More than 90 per cent of Norwegian children (ages 1-5 years) attend kindergarten. The first kindergartens were established by non-profit organisations, which had traditionally

been running these services. But ever since private, for-profit companies were allowed to enter the market, the trend has been one of expansion of their market share, while the number of non-profit companies running kindergartens is decreasing.

Today, about half of the kindergartens are run by the municipalities, while the other half is run by private companies. The financing principles and control system for private kindergartens is complicated. They differ from other competitive tendered services because there is no contractual time limit. The private kindergartens will stop providing services when they decide so, for example if the market is no longer profitable (too few children).

This makes it difficult to take back the kindergartens into public hands. In an attempt to reclaim a larger share of the market, the municipalities of Oslo and Trondheim in central Norway have passed local resolutions to the effect that all future kindergartens should be run either by the municipality itself or by a non-profit organisation. These resolutions shut out all commercial private companies for future pre-school services.

While all hospitals in Norway are publicly owned by the state, some services in the hospitals have been outsourced. Three hospitals, under the state-owned regional health authorities, have committed to taking back services that have been subject to competitive tendering. However, a new law on value-added tax on hospital services is expected to increase the pressure to privatise certain services in hospitals, among them cleaning, IT and accounting.

## **Nordic model**

Universal welfare services and maintaining high quality public services are central to what is known as the Nordic model – the economic and social policies common to Denmark, Finland, Norway, Iceland and Sweden. Although there are significant differences among these countries, they all share some common features. This includes a combination of free market

capitalism with a comprehensive welfare state and collective bargaining at the national level. The countries have relatively small economies, well-organised labour markets and well-developed welfare states. Each of the Nordic countries has its own economic and social model, as is the case with the “Norwegian model.”<sup>5</sup>

The Norwegian model is founded on three pillars of economic governance, public welfare and an organised labour market. A crucial feature of Norwegian political life is social dialogue and tripartite cooperation.<sup>6</sup>

A high percentage of workers belong to a labour union, representing roughly 50 per cent of all employees nationally. In the public sector, four out of five employees are union members, whereas less than two out of five are union members in the private sector. The other Nordic countries have higher figures, all above 60 per cent. However, the trend in Norway, as in many European countries, is that of a decline in the number of people organised in trade unions.

The Norwegian Union for Municipal and General Employees, called *Fagforbundet*, is the largest trade union in Norway. Its 360,000 members mainly work in the municipal sector or in publicly owned organisations or enterprises. Nearly 80 per cent of the members are women, reflecting the gender imbalance in the majority of the occupations that are represented in the union.

Economists have criticised the Nordic model, claiming that the public sector is too large and the labour market, too rigid because of the strong trade unions affiliated with collective bargaining, and finally because the tax levels are too high. According to traditional economic theories, such national economies are unsustainable. The Nordic model has been compared to a bumblebee; technically it should not be able to fly due to its proportionally small wings and heavy weight. But it does. Likewise, the Nordic model broadly speaking has proven to be a success.<sup>7</sup>



The very foundations of the Norwegian model are currently under pressure, however, due to liberal/conservative government policies such as changes in labour law, privatisation and reduced tax levels. Opponents of the government would argue that we are still flying, although not as well as before. And perhaps not for very long, unless a new political leadership is elected.

## A strategic approach from *Fagforbundet*

In the late 1990s *Fagforbundet* as well as other unions in the public sector faced serious challenges. New Public Management was sweeping in at the municipal as well as regional levels in Norway, and privatisation, deregulation and competitive tendering were viewed as the answer to every challenge in the public sector.

*Fagforbundet* resisted the pressure for privatisation, arguing that competition does not work in services that involve caring for people and that tendering leads to a race-to-the-bottom in terms of salaries and other working conditions. *Fagforbundet* has always argued that public services should remain in public hands, and in 1999 it launched a project aimed at improving production and service levels without privatising. The aim was to counter the political call for privatisation.

By involving the management from the various municipal administrations, trade union representatives and shop stewards, as well as local politicians, the quality of public services improved and the political drive to privatise lost speed. The project was successful. *Fagforbundet* continued its efforts to encourage social dialogue and local tripartite cooperation to improve public services in the municipalities.

Box III

### **Local tripartite cooperation**

Local tripartite cooperation refers to constructive cooperation among politicians, administrative leaders and trade unions. The aim is to work together to create a culture of cooperation that promotes finding the best local solutions to the specific challenges facing the municipality. By creating a forum to share ideas, suggestions from employees and other voices normally not heard by the management of the municipality are brought forward and handled systematically. Local tripartite cooperation is not a formal part of political decision making; it is merely a part of the development process. The rationale is that different views and perspectives lead to better solutions.

## **Social dialogue and tripartite cooperation**

The Nordic model of tripartite dialogue and cooperation has a long tradition and has proven to be a success. Over the last 10 years, the national ministry in charge of local government has collaborated with the Norwegian Association of Local and Regional Authorities (KS) and the four largest national trade unions to support programmes in the municipalities.

*Fagforbundet* has played a central part in these programmes. In order to qualify for participation in the programme, municipalities had to base their projects on local tripartite cooperation among local politicians, administrative leaders and employees and their shop stewards. More than half of Norway's 426 municipalities have been involved in the programmes, covering topics such as reduced sick leave, full-time work, skilled labour, communication and innovation. Both internal and external evaluations of the programmes have been positive. The Norwegian Institute for Urban and Regional Research evaluated some of the earlier programmes, with sound results.

## Cooperation pays off

The research organisation Oslo Economics<sup>8</sup> found significant signs of improvement on all topics related to a programme called “Together for a better municipality.” In the area of sick leave, the participating municipalities obtained a total reduction in spending of nearly €38 million (after deducting all administrative costs of the programme) thanks to improved working conditions contributing to reduced stress levels and less sickness.

*Fagforbundet* is pleased to see that the method of tripartite cooperation at the municipal level is growing. In 2015, a knowledge centre for trade union issues, De Facto, evaluated the impact of local tripartite dialogue on the municipalities’ economies and published a report called “Cooperation pays off.” According to the evaluation, between 2 and 3.5 per cent of each of the municipalities’ total operating costs were reduced by using tripartite dialogue and cooperation. Tripartite cooperation also hindered privatisation in three municipalities.<sup>9</sup>

## Political cooperation

The municipal election of 2015 discussed earlier was described by many as a downfall for the conservatives and an accomplishment for the Labour Party and the Green Party in particular. Some political commentators summed up the election results by saying that the map of Norway “was painted red.”

Traditionally the trade union movement is affiliated with the Labour Party. In addition to paving way for de-privatisation, the new political landscape in the municipalities opened up other opportunities for *Fagforbundet*. The union has signed formal agreements on local cooperation between *Fagforbundet* and the Labour Party in some 200 municipalities. Local cooperation is mainly with the Labour Party, but can also be with other politically affiliated parties.

Summing up, the situation regarding remunicipalisation and de-privatisation in Norway makes *Fagforbundet* optimistic. Our strategic approach toward tripartite cooperation at the municipal level, that is, active dialogue among the trade unions and relevant political parties, is paying off. We believe that the model of cooperation is the best way to create jobs and secure good working conditions locally. We believe this is the way to provide high quality public services to our citizens and keep municipal services in public hands.



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