

Re-municipalising municipal services in Europe

A background note for the EPSU conference in Riga, May 2012

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1. Re-municipalisation and the revival of the public sector

After many years when privatisation, contracting-out and outsourcing have been the dominant trends across the public services, there is now increasing evidence, particularly in the municipal sector – including water and energy – of trends in the opposite direction. This short briefing looks at the background, the latest evidence and highlights some of the key issues facing trade unions faced by re-municipalisation.

2. Background: The pressures to privatise

Since the 1980s direct public sector provision of services has been strangled by various forms of privatisation – either the direct sale of enterprises such as energy companies to private owners, or the outsourcing of a wide range of services, from water supply and waste management to cleaning and catering. This process has been driven by political, legal, and fiscal factors.

Since the 1980s politics and economic policy has been increasingly dominated by neo-liberalism, the idea that markets are always in principle the best solution to any problem, and activity by the public sector is an inefficient burden on the economy. Privatisation is an important instrument of neo-liberal policy, either by selling public sector operations or by outsourcing, as it expands the market and reduces the role of government at the same time. At European Union level legislation on the internal market has further undermined direct public services. The procurement directives, introduced in 1993, and subsequent rulings by the European Court of Justice have put more pressure on public authorities to put services out to tender while directives on the liberalisation of electricity, gas and other network services, have forced the breakup of integrated public sector energy companies, but allowed the growth of multinational groups.

Pressure on public finances has also encouraged the spread of public-private

partnerships (PPPs) particularly as a way of keeping major capital spending off government balance sheets. The financial and economic crisis has been used to tighten these fiscal pressures further and demand heavy cuts in public spending, while those countries subject to EU/IMF/ECB programmes have privatisations as part of their targets.

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