"What Impact Has Privatization Had on Pay and Employment? A Review of the UK Experience"

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What Impact Has Privatization Had on Pay and Employment?

A Review of the UK Experience

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This paper reviews the features and objectives of privatization in the UK. The centrality of labour management and industrial relations objectives to the programme are outlined, with particular attention to the capacity of privatization to reduce political influences on pay determination and to encourage labour-shedding improvements in efficiency. The paper than considers the available evidence of the effects of privatization on pay and employment. It is found that pay levels have registered above-average increases since privatization. The evidence on employment reductions is more mixed. It is argued that greater product and labour market competition are necessary if the predicted effects of privatization are to be fully realized.

One of the most striking features of the period since 1979 in the UK has been the reduction in the size and scope of the public sector. From small beginnings in the early 1980s, privatization in its various forms has come to affect every area of state activity. Most prominent has been the sale of public corporations and utilities, such as British Telecom, British Gas and the water supply companies. These initiatives had reduced employment in the state sector by well over one million by the end of the 1980s (Beaumont 1992: 36–37). The other main form of privatization (in terms of direct transfer of activities from public to private sector) has been competitive tendering and private contracting in local government, the National

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Health Service (NHS) and parts of central government. The evidence suggests that between 20 and 25 percent of local authority contracts subject to competitive tendering in the 1980s passed to private sector firms (Painter 1991; Walsh 1991). The Conservative government in power until May 1997 aspired to extend "market testing" of this sort to all public sector activities (Cabinet Office 1991). Other important parts of the public sector have been subject to what might be called "quasi-privatization" in the form of agency status for much of central government and self-governing trust status for NHS hospitals and services, characterized by contractual relationships in place of direct control via management hierarchies, and the weakening of democratic accountability via elected politicians (Stewart and Walsh 1992). Some observers have suggested that a fundamental transformation of the state is occurring with the state retreating from direct provision of services and activities (Lewis 1993).

It is widely accepted that reform of labour management and industrial relations has been of prime importance in the privatization initiatives (Heald and Steel 1986; Vickers and Wright 1988; Vickers and Yarrow 1988). Given this objective, it is perhaps surprising that there has been so little analysis of the impact on labour in the now voluminous privatization literature, or indeed in industrial relations analysis. Some (Thomas 1984) early commentaries on industrial relations drew attention to a number of cases where a deterioration in pay and conditions followed in the wake of privatization (Trades Union Congress 1986; McCarthy 1988). More recent studies have focused on industrial relations processes and institutions in particular organizations immediately prior to, during and just after privatization (Colling 1991; Ferner 1990; Blyton 1993; Turnbull 1993; Ferner and Colling 1993; Forrester 1993; O'Connell Davidson 1993; Ogden 1992, 1993). Between them, they have highlighted a tendency towards decentralization of collective bargaining structures, either from industry to company level, as in the case of water and electricity supply, or from company to profit centre, as in the case of steel. There is also some evidence of a change in managements' approach to industrial relations. However, to quote Ferner and Colling's "the effects [of privatization] on industrial relations have been ambiguous. Some managements have tried hard-line industrial relations approaches, leading to serious conflict. But others have preferred to maintain stability and continuity with the earlier public enterprise traditions" (1991: 406). At the same time dramatic industrial relations events in organizations remaining in the public sector, such as British Coal and British Rail, suggested that public ownership was not incompatible with substantial changes in industrial relations practices. For these reasons we emphasized our scepticism about the causal impact of a change of ownership *per se* in an earlier review of developments in the public sector since 1979 (Pendleton and Winterton 1993: 240).

However, some ten years on from the beginning of the large-scale privatization programme, the time seems ripe for a reappraisal of the impact of this policy on labour management and industrial relations. Most studies of privatization have been conducted at the time of, or shortly after the change of ownership and it is possible that the full impact of privatization had not yet been felt at the time of the research. Industrial relations effects could lag behind ownership change. A further problem with the timing of most research is that it is difficult to distinguish transitional from more enduring effects. Also, most UK studies have been of single firms or industries — which is to some extent inevitable given the structure of these industries — so that it is extremely difficult to isolate the impact of privatization from other firm-specific events occurring at the same time, such as technological change. Finally, many of the studies of privatization and industrial relations to date have focused on processes and institutions, saying comparatively little about outcomes such as movements in pay levels and employment. This is an unfortunate omission since much of the debate around the desirability of privatization has centred on these outcomes, with trade union opponents fearing and the advocates of privatization hoping that privatization will reduce "over-staffing" and "inflated" levels of pay and benefits in public sector organizations. In this paper we attempt to provide a longer term assessment of the impact of privatization in the UK on pay and employment, drawing on the findings of a variety of studies by economists and industrial relations analysts. Where possible, privatized firms are compared with similar firms (or the economy as a whole) in an attempt to isolate the specific effects of privatization. Where this is not possible, comparative analysis of privatized firms is drawn upon to provide an indication, though by no means conclusive proof, of the impact of privatization.

THE NATURE AND OBJECTIVES OF PRIVATIZATION

Features

In 1979, the year that Mrs Thatcher came to office, 7.3 million employees were to be found in the public sector, around one-third of the UK employed labour force. Of these, 2.1 million were employed in public corporations such as the railways and post office, 3 million in local authorities, 0.9 million in central government administration and 1.2 million in the National Health Service. By 1994 this figure had fallen to 5.3 million, less than a quarter of the employed labour force. Most of this fall can be attributed to the transfer of public corporations to private ownership: employment in public corporations shrunk by 1.5 million over the 15 years since 1979. Also responsible for some of the decline in public sector employment was a range of initiatives to transfer responsibility for service provision to private sector firms, such as competitive tendering for service provision in central and local government and the National Health Service (DTI 1995). The privatization programme in the UK has been wide-ranging in its focus and objectives. As Heald (1984) has put it, privatization is an "umbrella term for many different policies loosely linked by the way in which they are taken to mean a strengthening of the market at the expense of the state" . Young (1986) has identified a number of different forms of privatization: (1) the sale of public assets, (2) the relaxation of state monopolies, (3) contracting-out, (4) private provision of services, (5) private sector involvement in public investment projects, and (6) extension of private sector practices into the public sector. Of these, the sale of public assets has been the most novel and the most visible. It is not surprising, therefore, that most of the literature tends to focus on this form (Abromeit 1988; Bishop and Kay 1993; Heald and Steel 1986; Vickers and Yarrow 1988; Ramanadham 1988, 1993), followed by deregulation and contacting-out (see also Clarke and Pitelis 1993; Bishop, Kay and Mayer 1994). We too will concentrate on these forms of privatization since, with the exception of the extension of private sector services into the public sector, they are likely to have the most impact on industrial relations.[1]

The sale of public assets has taken a number of forms since the early 1980s (Bishop and Thompson 1993). At the beginning of the privatization programme, the government sold all or some of its shareholding by flotation in a number of Companies Act "hybrids", such as British Petroleum (1980), and British Sugar Corporation (1981) in which governments had earlier purchased a shareholding. During the lifetime of the first Thatcher Government (1979–83) a number of wholly-owned state companies were either partially sold, such as Cable and Wireless (1981), British Aerospace (1981), Britoil (1982) and Associated British Ports (formerly the British Transport Docks Board) (1983) or sold in their entirety, as in the case of Amersham International (1982). Those organizations partially privatized in this period were fully privatized during the course of the next Thatcher Government (1983–87). Spanning these two administrations were sales, some by flotation some by private sale, of profitable but non-core activities of major public corporations, such as British Rail's Hotels (1983) and Sealink ferry services (1984), British Gas' Wytch Farm (1984) and Enterprize Oil (1984), and British Airways Helicopters (1986). However, it was the sale of 50 percent of the equity of British Telecom by share flotation in late 1984 which brought privatization to political centre stage, with the success of the

1. The extension of what are said to be "private sector" management practices into public sector organizations, often termed "the new public management" (Hood 1991), has too large a literature of its own to do it justice here. See Gray and Jenkins (1991); Pollitt et al. (1991); Carter, Klein and Day (1991) for research evidence on some of these innovations.

public flotation leading to privatization by share issues of core public utilities and nationalized industries, including British Gas (1986), British Airways (1987), British Airports Authority (1987), British Steel (1988), the regional water companies (1989), the regional electricity distribution companies (1990) and the non-nuclear electricity supply industry (1991). Besides share flotations and private sales there have been a number of management-employee buy-outs, the best-known and largest of which was the National Freight Corporation in 1982 (Bradley and Nejad 1989).[2] By 1994, 48 companies had been transferred to private ownership (DTI 1995: ch. 10) and the government was embarking on privatizing those remaining parts of the public corporation sector initially thought to be unsaleable, such as nuclear energy generation, the railways and the post office.[3]

Running in tandem has been a policy of relaxation of public sector monopolies, more commonly known as deregulation, to facilitate the exposure of public sector companies and their successors to market forces (Abromeit 1988; Bishop and Thompson 1993). In some cases deregulation occurred independently of privatization. For instance, entry to express coaching was liberalized in 1980 some years before the bus and coach industry was privatized (Forrester 1993). In many instances, however, deregulation accompanied privatization. For instance, the Telecommunications Act paving the way for British Telecom's privatization also restricted BT's hitherto exclusive privileges in provision of telecommunications services. However, deregulation usually played second fiddle to privatization, despite the claims of those behind the privatization initiatives that promotion of competition was essential to privatization (Moore 1986). As Abromeit (1988) shows, public corporation managers, such as those heading British Gas, were able to frustrate government attempts to expose their organizations to greater competition. More importantly in most cases, government interest in stimulating market competition was more than counterbalanced by recognition

2. There were over 150 management buy-outs from state sector organizations during the 1980s and early 1990s (see Wright, Thompson and Robbie 1994). With the exception of the NFC buy-out and the National Bus Company privatizations, most of these were of relatively small-scale ancillary activities. Most did not involve significant employee participation in ownership, though towards the end of the decade there were a number of management-employee buy-outs of local authority-owned bus companies. We do not deal with these firms here because employee ownership raises a number of additional issues to privatization, and shortage of space precludes adequate consideration of them.

3. The sale of the nuclear power industry, originally excluded from the privatization of the electricity generators because of the scale of likely future liabilities, took place in 1996. British Rail was broken-up into around eighty constituent companies with some parts sold by private sale, some by stock market flotation and some by franchise sale between 1995 and 1997. The planned sale of the Post Office was postponed in 1994 due to parliamentary opposition.

that the popular success of the large public flotations rested in part on the monopolistic position of the utilities after privatization (Clarke 1993). More recently the promotion of competition has assumed greater importance mainly because of adverse public reaction to the perceived pricing behaviour of the new private sector monopolies. When electricity supply was privatized, the Central Electricity Generating Board was split into two generating companies, National Power and Powergen, while its transmission network, the National Grid, was transferred to the twelve regional electricity distribution companies privatized in 1989. The new structure allowed new entrants (including the distribution companies) to generate electricity (Ferner and Colling 1993).

The other main form of privatization has been contracting-out of services hitherto provided by public sector bodies to private sector firms or "arms-length" public sector organizations after a process of competitive tendering. Contracting-out is by no means a new development in the public sector but its scale increased greatly after the Conservatives came to power in 1979 (Ascher 1987: 3). In 1980, the Local Government Planning and Land Act introduced compulsory competitive tendering (CCT) into local government housing maintenance and road construction/maintenance (Foster 1993: 50) while in 1983 National Health Service districts were required to test the cost effectiveness of cleaning, laundry and catering services by going out to tender within three years (Ascher 1987: 31). Studies of this first phase of contracting-out indicated that most local authorities were not prepared to follow the lead of "radical right" councils such as Wandsworth (in London) by extending the range of services put out to tender (Parker 1990; Painter 1991); in addition, many of the contracts put out to tender were won by in-house bids, not necessarily at the lowest price (Hartley and Huby 1986). To counter the capacity of local government organizations to adapt contracting-out requirements to suit their own ends, the Local Government Act in 1988 made competitive tendering compulsory (CCT) for a range of public services (refuse collection, street cleaning, cleaning, ground maintenance, vehicle maintenance and management of sports and leisure facilities [Foster 1993: 51] and tightened the regulations governing the award of contracts. Contracts had to be awarded to the lowest bidder and local authorities were precluded from including non-cost considerations (e.g., promotion of good employment standards) in the criteria for awarding of contracts.[4] Even so, evaluations of CCT indicate that most (around three-quarters) contracts have been won by in-house organizations (Painter 1991; Walsh 1991; Davis and Walsh 1993). Nevertheless, the significance of CCT is

4. Compulsory competitive tendering was extended to white collar activities such as local tax collection in 1996.

clear: as Ascher points out (1988: 11), the switch from in-house to external provision of services means the end of public sector employment for most of the direct labour force, while competition for contracts seems likely to affect the management of labour within those local authority organizations retaining contracts.

Objectives

Commentators have identified a range of objectives for the privatization programme. These objectives have received different emphases at different times and for different initiatives. Vickers and Wright (1988: 4–8) list the following possible aims of privatization: an *ideological* concern to reduce the role of the state and promote consumer choice: a set of *economic* reasons, embracing a change in the structure of the economy, the promotion of efficiency, facilitation of tough labour policies and promotion of an "enterprise culture"; a *managerial* concern to rationalize the internal structures of state-owned organizations; a *party political* interest in boosting support for right-wing governments; and a desire to reap various *financial* benefits such as a reduction in the Public Sector Borrowing Requirement.

Most observers suggest that the objectives of the asset sale and denationalization "programme" have been contradictory or ill-defined, with coherent rationales often being provided by government ministers after rather than before the event (Mitchell 1990; Bishop and Kay 1988; Abromeit 1988). By contrast, there appears to have been a fairly consistent rationale for the contracting-out programme, with a considerable amount of government effort being devoted to developing and refining an effective package of changes (Ascher 1988: ch. 2). It is clear, also, that the relative importance of the various objectives for asset sales has varied over time. Many observers (e.g., Heald 1988; Veljanovski 1987; Yarrow 1989) suggest that the UK privatization programme falls into two clear phases: Phase 1, from 1979 to 1984, was dominated by the sale of firms already operating in competitive markets and of ancillary firms of the nationalized industries. Heald characterizes this as "eliminating the fringes" (Heald 1988:36). In this phase the Government's ideological hostility to the public sector was tempered by a concern not to alienate the public by highly visible and dramatic changes to industrial structure. These privatizations were therefore in the main fairly small scale and were conducted either in the relative privacy of the stock market or by private sale.

The turning point came in 1984 with the privatization of British Telecom by public flotation, embarked upon primarily because the government was unable to finance BT's programme of telephone exchange modernization (Veljanovski 1987). The success of this privatization initiated Phase 2: the sale by public flotation of the utilities and other key nationalized industries. In this latter phase it is clear that the promotion of competition and the maximization of receipts played second fiddle to securing wide public participation in the share offers (Vickers and Yarrow 1988). In a number of cases, shares in privatized corporations were sold too cheaply, and investors made instant gains from the rise in value (Buckland 1987; Jenkinson and Mayer 1994). Given the electoral and political gains likely to be secured from disposal of under-priced shares to the public (Marsh 1991), it is difficult to escape the conclusion that Phase 2 came to be driven by questions of political advantage (Heald 1988: 43–44). Some commentators have argued the apparent contradictions between the oft-stated economic rationale (promotion of market forces) and actual policy initiatives (creation of private sector monopolies) falls away once it is realized that privatization increasingly came to be aimed at increasing the proportion of the electorate likely to vote Conservative rather than to promote economic efficiency (Henig, Hamnett and Feigenbaum 1988; Dobek 1993).

Whatever the precise balance between the Government's political and economic aims, industrial relations and labour management objectives have been present from the outset. Indeed, industrial relations reform has been central to the programme, for both political and economic reasons. The infamous Ridley Report, prepared by a right-wing Member of Parliament close to Mrs Thatcher when the Conservatives were still in opposition, apparently argued that privatization would be necessary to remove the threat posed by public sector trade unions to a Conservative Government (Heald and Steel 1986). The experience of the 1970s had shown right-wing politicians that the determination of public sector pay at national level in close proximity to government in situations of near or total monopoly gave immense power to unions, both inflating public sector pay and damaging governments. As John Moore (a senior member of the Thatcher Government in the mid-1980s) put it, "public sector trade unions have been extraordinarily successful in gaining advantages for themselves in the pay hierarchy by exploiting their monopoly bargaining position" (Moore 1986: 82). And as the Ridley Report apparently said, when the nationalized industry unions "have the nation by the jugular vein the only feasible option is to pay up" (quoted in Heald and Steel 1986).

Privatization could resolve these difficulties in a number of ways. First, severance of the political link between corporation and government would reduce, and possibly eliminate, the political significance of pay determination in these industries (Moore 1986:89; Ferner and Colling 1991). Second, it would facilitate the decentralization of pay determination so that pay came to be more responsive to unit performance than the "going rate" (Heald 1984). Third, exclusion of public sector trade union leaders from the political sphere would weaken their power in dealings with the employer. In the past these union leaders had been able to put bargaining pressure on public corporation managers by exploiting their contacts with politicians and members of the government, a process referred to by Ferner as "tripartite political exchange" (Ferner 1988). Privatization could therefore be expected to make pay determination more responsive to markets and performance than to political factors, and might therefore slow down the increase in levels of pay in these industries. Certainly opponents of privatization anticipated that pay and benefits would be harmed by privatization (McCarthy 1988; Trades Union Congress 1986).

The efficiency benefits claimed for privatization also had clear and well-recognized industrial relations implications. Indeed, in a context where restrictive practices were seen to be important barriers to public sector efficiency (Pryke 1981), any arguments that privatization would increase efficiency were bound to have an industrial relations component. Economists have argued that privatization can improve productive efficiency in a number of ways. First, transfer of ownership will lead to clearer objectives. Whereas public sector organizations tend to pursue a multiplicity of often conflicting objectives, private sector firms can focus more narrowly on generating profits (Haskel and Szymanski 1994). This process will be assisted by exposure to capital market forces. The need to raise capital privately rather than via the Exchequer will also lead to greater emphasis on profitability and rates of return. The pursuit of profits, it is argued, will encourage attempts to improve internal efficiency, such as reform of working practices (Beesley and Littlechild 1983). Insights derived from agency theory explain the mechanisms by which a change of ownership leads to behavioural change. It is often asserted that under public ownership information asymmetries between firms and government prevent effective monitoring of firm behaviour: industry managers restrict and distort the flow of information to prevent unwelcome pressure from ministers for reform of internal organizational practices. Furthermore, incentives for the "agents" running public corporations tend to be weak: the threat of bankruptcy is absent, whereas incentives to encourage good performance are weak. Privatization, it is argued, exposes managers to greater control, reduces information asymmetries and can provide incentives to improve firm performance (Bishop, Kay and Mayer 1994: 5–6). This in turn provides encouragement to modify traditional patterns of labour management and industrial relations thought to impede efficiency and profitability.

These pressures will be supplemented by those emanating from exposure to product market competition. Removal of barriers to competition will ensure that the industrial relations and labour management practices of the most efficient firms in the market will percolate into the ex-public sector organizations. Many have questioned the extent to which this has actually occurred, at least in relation to the large-scale utility initiatives, because the retention of monopolistic product markets has meant that higher levels of profitability can be secured by adjustments to prices rather than costs (Vickers and Yarrow 1988). The importance of competition between firms has been much more integral to the competitive tendering initiatives, and reductions in labour costs have been a clear objective. Rival organizations compete for contracts on the basis of forecast costs, of which by far the biggest component is usually labour costs. Indeed, given that the contract specification is determined at the outset, the basis of competitive advantage during tendering lies in labour costs and productive efficiency. Competition therefore seems likely to exert downward pressure on remuneration and pose a challenge to prevailing work practices. Government ministers were clear about this effect of contracting-out. As former minister Nicholas Ridley put it, "the root cause of rotten local services lies in the grip which local government unions have over those services in many parts of the country....Our competitive tendering provisions will smash that grip once and for all" (quoted in Foster 1993: 51).

WHAT IMPACT HAS PRIVATIZATION HAD ON INDUSTRIAL RELATIONS?

Privatization is likely to have a number of effects on labour management if the theoretical predictions discussed above are well-founded. First, as pay determination is removed from the political arena and as new market-focused objectives are adopted, a convergence of pay trends between privatized firms and other private sector firms could be expected. Workers in privatized firms will no longer be able to secure pay increases in excess of market rates by virtue of the political power of their unions. At the same time, the pay of senior managers seems likely to increase substantially given the opportunity to introduce new incentive structures. Second, a decline in levels of employment may result as organizations newly exposed to market forces take action to tackle over-staffing and improve labour productivity. In the following sections we consider how far these predictions have been borne out by reporting the findings of recent studies of the impact of privatization on labour management.

Pay

One of the most surprising lacunae in the literature is the virtual absence of any systematic exploration by industrial relations analysts of the impact of privatization on employee pay and benefits. Anecdotal evidence collected by the Trades Union Congress (TUC) on companies privatized in the early years of the Thatcher Government uncovered some unfavourable developments for workers, such as consolidation of bonuses on unfavourable terms at British Shipbuilder's Yarrow yard (purchased by GEC) and the reluctance of purchasers of British Transport Hotels to maintain existing pay levels and institutions; but there was no evidence of a generalized downward movement in either rates of pay or total pay (TUC 1986; Thomas 1984). In fact, more systematic research by economists suggests the opposite. Bishop and Kay's comparison of average remuneration in privatized companies, the public enterprise sector and the private sector generally between 1979 and 1988 found that the average level of pay rose most in the privatized companies. Haskel and Szymanski, in a comparative study of 14 public sector firms (4 of which were privatized during the study period) and the economy as a whole, found that the growth in wages during the 1980s was very similar in the two groups (1994). There were no clear differences between the privatized and public sector firms: two of the privatized firms experienced lower wage growth, one about the same, and one a substantially greater increase than the public sector average. They therefore concluded that privatization had not had much of an impact on wage levels.

Haskel and Szymanski's study highlights two of the key problems in evaluating the impact of privatization in the UK. First, the monopolistic position of many of the privatized firms means that it is impossible to compare them with matched or similar firms. As a result it is difficult to establish whether privatization or other industry-specific features have the greater impact on pay movements. Second, it is questionable how far events occurring preprivatization should be viewed as part of the privatization process on the grounds that firms to be privatized undergo adjustment processes in advance of the actual transfer of ownership. Haskel and Szymansi group their public sector organizations together with the privatized firms on the grounds that they all undergo a process of commercialization during the period that is supportive of any eventual change of ownership. Yet it is empirically questionable (especially given the political pragmatism that has guided the UK privatization programme) how far commercialization has been undertaken in these cases with the specific objective of preparing the ground for privatization. Movements in public sector pay levels may therefore be more influenced by public ownership effects than privatization. This could well be true also of two of Haskel and Szymanski's privatized firms that were privatized towards the end of the study period.

A sophisticated attempt to resolve this second problem is mounted by Parker and Martin (1994a). They track the performance of eleven privatized firms over five distinct, though sometime overlapping, periods – a four-year public ownership period, up to four-years pre-privatization, post-announcement of privatization, a four-year post-privatization period, and the recession of the late 1980s and early 1990s. They find that wage growth was higher than the UK average in seven out of eleven firms under review in the period between public ownership and up to four years after privatization. In six of ten firms this differential persisted through the recession of the late 1980s and early 1990s. Despite this, in all but one case the share of business income spent on wages fell whereas the share going into profits increased during the period. However, in most cases the share of income going to wages starts to fall when firms are still in public ownership and no announcement of forthcoming privatization has been made. In five cases, the biggest fall in the wages share in the period between public ownership and up to four years post-privatization occurs in this early period.

The evidence presented so far suggests that a change of ownership, either actual or forthcoming, does not affect pay levels in the forecasted manner. It may be that greater exposure to product market competition is necessary to bring about the full effect of ownership change (Vickers and Yarrow 1988). Indeed, Haskel and Szymanski find that a steep fall in market share is correlated with a decline in wages relative to the economy as a whole (1994: 348). The story is less clear-cut in Parker and Martin's study. Some organizations (e.g., British Telecommunications) operating in markets which become more competitive upon privatization, experience little change in relative wage levels, while others (e.g., British Gas) that experience little change in market conditions during the study period, exhibit a decline in average wages relative to the economy as a whole.

A better guide to the effect of competition on pay levels can be derived from studies of contracting-out and competitive tendering of public services because there are a large number of similar cases, and because the nature of competition is in some respects more clear-cut.[5] From the outset the evidence has indicated that competitive tendering has brought down service costs (Audit Commission 1987; Hartley and Huby 1985). In one of the first studies, Domberger, Meadowcroft and Thompson (1986) found that average contract costs were 34 percent lower where private operators won contracts and 22 percent lower where in-house bidders secured contracts, suggesting that competition rather than private provision is most powerful in reducing costs. There has been a continuing debate about the source of these savings. Cubbin, Domberger and Meadowcroft (1987) suggest that the lower cost base of private contractors is a function of

5. CCT involves direct competition between firms to provide an identical product. By contrast firms producing goods and services for sale on the open market may experience low competition for some products and intense competition for others. A good case in point is those water companies who have diversified into new areas, such as waste management. Although they experience no competition in their core water supply business, competition can be stiff in their other business.

technical efficiency, i.e., better utilization of vehicles and labour rather than reduced levels of pay and benefits. However, there is plenty of evidence of contractors, including in-house bidders, securing competitive advantage by reducing the pay and benefits (such as pension entitlements) of public sector employees transferred to them (Ganley and Grahl 1988; Public Services Privatization Research Unit 1992; Milne and Magee 1992; Chaundry and Uttley 1993). Colling's case study investigation of CCT in two local authorities, one Labour authority where the Direct Service Organization (DSO) won the main contracts and one Conservative authority where services were divided into several contracts in which DSOs were partially successful, found in both cases that bonuses were cut, resulting in a pay cut for some employees of around 25 percent. There were also reductions in working time so as take some employees below national insurance thresholds (1993). However, survey evidence suggests that these cases may be the exception rather than the rule. Davis and Walsh's survey of CCT in 40 local authorities found that only 7 percent of successful contractors reduced basic pay and less than 15 percent abolished the bonus system or cut holiday entitlement. These findings suggest that reductions in the cost of service provision may be secured primarily by reforms to working practices and work intensification rather than adjustments to pay and benefits.

Agency theory suggests that when public organizations pass to private ownership new principals will seek to introduce incentive-based payment systems, especially among top management, to ensure that agents behave in the principals' interests. We would therefore expect to find the spread of performance-related pay among these organizations. There is indeed some evidence that this is the case. In National Power, for instance, service-related increments have been abolished and performance-related pay introduced for all staff (Bishop 1993). Similar moves are afoot in the electricity distribution companies (James 1993). In the water industry Severn Trent Water Company is supplementing the basic wage for manual and process workers with quality payments based on the achievement of key quality targets for drinking water, sewage effluent, customer service levels, etc. (*Industrial Relations Review and Report* 1992). However, once again it is difficult to discern a clear privatization effect since during the same period performance-related pay has also become widespread in the public sector. British Rail, for instance, introduced a merit pay scheme for managers in the early 1980s, subsequently replacing it with a far more radical scheme in the late 1980s (Pendleton 1992). As for the public services, the Government views performance pay as a key mechanism in improving the quality of service (Cabinet Office 1991; DTI 1995) and performance pay is now widespread in local government, the civil service and the National Health Service, at least among non-manual grades (Kessler 1994). However, it is not common among employees of Direct Service Organisations securing local authority contracts (Davis and Walsh 1993), suggesting that alternative forms of incentivization (e.g., labour market pressures) may be present.

If there are no clear differences between privatized and publicly-owned firms in the diffusion of performance-related pay, the same cannot be said of directors' remuneration. Bishop and Kay (1988) found that during the 1980s the average pay of directors in firms privatized during the period rose nearly fourfold (in nominal terms), while in the public sector and leading private sector firms top executive pay approximately doubled. Subsequently, pay increases for directors and top executives have been substantial in the water companies, the electricity generation and distribution companies, and British Gas, so much so that "excessive" top executive pay in privatized utilities has become a very sensitive political issue in the UK. Privatization has affected executive remuneration in two ways. First, it has removed public sector constraints on the level of top executive pay, thereby allowing directors' remuneration to rise to market levels (and above, in some observers' view [Curwen 1994]). Second, top executives can now be rewarded with stock option schemes, thereby enabling the new owners to incentivize their "agents" in a way not easily possible in the public sector (Bishop, Kay and Mayer 1994). Unfortunately for the advocates of privatization, the evidence does not find a robust relationship between directors' pay and performance. In the water and electricity utilities, pay levels have risen faster than various measures of company performance, such as return on capital and earnings per share (Conyon 1995).

Summarizing developments so far, the evidence suggests that a change of ownership *per se* does not lead to a reduction in levels of pay relative to other public sector organizations or indeed the economy as a whole. Indeed, there is some evidence of higher levels of wage growth in some firms and for some groups of employees. These findings suggest that the supposition that the drive for greater profitability will lead more or less directly to pressures to constrain the growth in pay is unduly simplistic and static. There is no *a priori* reason why total pay should be reduced to achieve these goals. Freed from the link with government, privatized firms may be able to improve financial performance through real price increases.[6] Alternatively cost reductions may be secured by improvements in labour productivity and reductions in employment. Release from state ownership may also contribute to rising levels of pay. For most of the 1980s and 1990s the size of public sector pay increases have been restricted by

6. Overall levels of price increases are governed by the industry regulators. In the early phase of the utility privatization programme, firms were able to change their pricing structures, usually to benefit business rather than domestic customers, within the overall pricing formula. In subsequent privatizations regulatory regimes have been more rigorous but there is still widespread political criticism that regulators are too "soft" on the privatized utilities.

governments' "cash limits" policies and, more recently, by incomes policies targeted on the public sector. Rates of pay, and indeed total pay, are widely accepted as being very low in some public sector organizations, such as British Rail, for the levels of skill and responsibility exercised by their employees. Removal of government controls on pay may allow pay levels to drift upwards to more realistic market levels. Such a development may be encouraged by a change in employee perspective towards their employer (as yet not fully tested in UK empirical research): as company objectives shift from public service to generating returns for shareholders, employees may come to view their relationship with their employer in a more materialistic way. The large rewards given to top managers under the new regime may well reinforce this. Certainly the award of a 6 percent increase to British Gas manual staff in 1995 (double the incomes policy limit in the public sector) is thought to be a direct result of the massive increases in salary given to the company's top executives (TUC 1995).

Employment

Critics of public ownership suggest that employment levels will be reduced around the time of privatization as a result of work reorganization initiatives, measures to reduce labour hoarding and attempts to get employees to work harder (Hartley and Parker 1991). Furthermore, if pay levels are relatively inflexible, as the evidence presented in the previous section tends to suggest, then reductions in costs thought to be made necessary by privatization are likely to centre on productivity-enhancing and employment-reducing initiatives.

There is certainly ample evidence of reforms to working practices both shortly before and after privatization in the UK utilities. In her study of "Albion Water", O'Connell-Davidson found that in the run-up to privatization the organization of work and tacit agreements over the wage-effort bargain were substantially altered (1993: 127). After privatization a number of water companies introduced measures to increase craft flexibility (Ferner and Colling 1991: 399–400). In a similar vein, British Telecom reduced demarcations between installation and maintenance engineers from 1987. However, such developments were by no means confined to privatized or about-to-be privatized companies. British Rail, for whom there were no plans for privatization at the time, also introduced a number of fundamental changes to its patterns of work organization including elimination of the conductor on some trains and removal of demarcations between assistant drivers and junior conductors (Ferner 1988; Pendleton 1993).

Whether privatized companies have pursued large-scale labour shedding policies is another question. The theory of privatization suggests that employment will fall in relation to output around the time of privatization as the change of ownership, or preparation for it, brings about a more or less immediate adjustment process. The evidence on this score is mixed, as is indicated in Table 1. The electricity generating companies, National Power and Powergen, have both experienced a sharp fall in employment since privatization in 1991 (59 percent and 49 percent respectively between 1990 and 1994). By contrast, employment in the water companies has grown

TABLE 1

Employment in Privatized and Public Sector Companies, 1979–1994 (large companies sold by share offer)

Company (date of privatization)	*1979*	*At date of privatization*	*1990*	*1994*
National Freight Corporation (1982)	34,549	24,305	33,761	33,989
Associated British Ports[a] (1983)	11,609	8,956	4,471	2,221
British Telecom (1984)[a]	233,447	238,384	247,971	156,000
British Gas (1986)	104,424	88,469	75,597	74,480
British Airports Authority (1987)	7,070	7,462	9,521	8,498
British Airways (1987)	57,741	40,271	52,054	49,628
Rolls-Royce (1987)	57,000	42,000	55,475	43,500
British Steel (1988)	186,000	53,720	54,400	41,000
Water companies (1989)	63,221	46,728	42,170	54,200
Electricity distributors (1990)	95,800[b]	82,485	82,485	74,457
Electricity generators (1991)[c]	n/a	24,553	26,407	11,737
Public sector				
British Rail	244,084	–	154,748	121,052
Post Office	178,397	–	210,284	155,000
British Coal	297,400	n/a[d]	91,500	18,868

Sources: Company accounts; Pendleton and Winterton (1993), various chapters; Bishop and Thompson (1993).

[a] Initially a majority holding was sold; the remainder was sold later.

[b] 1980 figures.

[c] These figures refer to Powergen and National Power. The National Grid and the nuclear generation industry are excluded from these figures, as is electricity generation in Scotland. Comparable figures for 1980 are not available as these activities were not clearly distinguished in the accounts of the Central Electricity Generating Board, the forerunner of these companies.

[d] The activities of British Coal were gradually privatized from late 1993. As British Coal closed pits, the leases were offered for sale to the private sector. The remainder of British Coal itself was privatized in late 1994/early 1995.

substantially (around 30 percent) in the same period, having fallen steeply in the years before privatization. In the main, employment growth in these companies is due to expansion and diversification into new areas; nevertheless there appears to have been little reduction in employment levels in "core" activities and, as Saunders and Harris put it, "for those in employment in 1989 privatization has not posed any significant threat to jobs" (1994: 84).

The evidence from studies of privatization in the 1980s also provides mixed results, though on the whole it tends to refute the suggestion that there will necessarily be a short-term "shake-out" around the time of privatization. Although Haskel and Szymanski (1994) find that most of their sample experienced quite substantial falls in employment levels during the early and mid-1980s, the steepest falls are to be found among those companies remaining in public ownership throughout the research period such as British Steel and British Coal. Their argument only succeeds by conflating commercialization and privatization (as mentioned earlier), an approach that is only legitimate where it can be clearly demonstrated that commercialization was a conscious element of a strategy of privatization. In Bishop and Kay's (1988) sample of eleven privatized companies, two had increased employee numbers since 1979 whereas three had decreased them. However, nine had *increased* their workforce since privatization, whereas only two had reduced employee numbers. In fact, most of these had experienced fairly substantial labour shedding *before privatization* and had then restored some job cuts when they were transferred to the private sector. This is not incompatible with the argument that privatization causes job losses: employment contraction may be an integral part of the adjustment process prior to the transfer of ownership. However, the evidence does not provide unambiguous confirmation of this. In five out of eleven firms studied by Parker and Martin, employment levels had been rising for three years prior to privatization, having fallen earlier. This earlier fall may be viewed as a "public ownership effect": the Thatcher Government favoured moves to reduce over-staffing in public sector firms irrespective of any intentions concerning future privatization. Organizations remaining in the public sector throughout the 1980s, such as British Rail and British Coal, experienced steep falls in employment (Pendleton 1993; Winterton and Winterton 1993), and labour shedding seems to be more clearly associated with public ownership than privatization. As Abromeit puts it "one look at the capacity-reduction policies of the British Steel Corporation and the National Coal Board makes the unions' contention that privatization would increase unemployment sound slightly ridiculous" (1988: 73).

The theory of privatization suggests that there will be a more or less immediate need to improve efficiency to cope with the rigours of the private sector. It is worthwhile, therefore, to examine movements in labour productivity in privatized firms. Here again, however, the evidence is inconclusive. In Bishop and Thompson's (1993) sample of firms the highest annual growth in labour productivity in the 1980s was to be found in British Steel which as well as being in public ownership for most of the 1980s experienced very large reductions in capacity and employment. The best performing privatized firm was British Telecom with average productivity growth of 7.1 percent but this was lower than that achieved by British Coal (8.1 percent), in public ownership throughout the period and which, like British Steel, underwent sharp reductions in capacity and employment. As they point out, "the most striking observation is the far greater upturn (in the 1980s) of the public enterprises" (1993: 21). There is no clear evidence of a privatization effect on productivity and it is possible that the high rates of productivity growth in organizations such as British Telecom may be due to industry-specific technological developments. Parker and Martin's study of productivity in eleven privatized firms (1994b) uncovers similar findings. Although there is evidence of higher levels of productivity growth after privatization in six of their firms, in the five others higher levels of annual growth in labour productivity are to be found in the period of public ownership before the run-up to privatization than in the period after privatization.

Why did employment levels during the 1980s in privatized firms not show the steep fall feared by some and advocated by others? One important factor is the regulatory regime established to oversee the activities of the utilities such as those in gas and telecommunications (Ferner and Colling 1991). By enforcing quality of service objectives on these firms, their freedom of manoeuvre to reduce staffing was limited. The increase in employment levels in British Telecom shortly after privatization was a direct response to criticism of poor levels of service quality, such as repair of public telephone boxes. At the same time, the regulatory regimes governing the utilities generally allowed real price rises for many customers, through adjustments to pricing structure, which muted pressures to reduce employment costs. Another factor has been entry into new activities, such as waste disposal in the case of water companies and overseas gas transmission in the case of British Gas. Finally, these companies have, on privatization, been freed from relentless pressure from government to reduce labour costs. Whilst the new owners of these firms have sought improvements in efficiency, the pressures emanating from capital markets do not appear anything like as persistent as those coming from Whitehall. Furthermore, the new owners may well be more sensitive to adverse consumer reactions to the consequences of employment contraction than government (Ferner and Colling 1991). Finally, private owners are arguably less able to tolerate adverse reaction by the workforce to policies of contraction. As Vickers and Yarrow point out, the National Coal Board's handling of the year-long miners' strike in the mid-1980s could not have been sustained in the private sector, where the threat of bankruptcy would have driven the company to seek some sort of accommodation with workforce and unions much earlier (1988).

These observations suggest that the impact of a change of ownership on levels of employment will be mediated by specific features of the political-institutional context in which these firms operate. A further important factor seems to be the degree of competition in the product market. Where competition is limited, pressures for greater profitability may well be secured through pricing changes rather than by changes to internal organization. A good example of the potential impact of competition on employment is found in the case of competitive tendering. Local authorities and the Direct Service Organizations (DSOs) have been widely forced to reduce employment levels via changes to working practices to be able to compete with private sector contractors. Davis and Walsh found that over 50 percent of Direct Service Organizations securing contracts had reduced their employment levels in response to competition for contracts, and they note that there is some evidence that reductions in staffing levels have been greater in service areas where competition for contracts has grown most rapidly (1993: 155–159). Case studies have provided evidence of the scale and dynamics of employment reduction. One of the local authorities studied by Colling reduced employment levels by around 700 jobs, about one-quarter of the workforce, as a prelude to competitive tendering (1993: 5). Bach's case study (1989) of the award and outcome of an NHS cleaning contract found that the winning contractor proposed lower staffing levels than the in-house bid. When this contractor lost the contract due to inadequate service standards the contract reverted to the in-house organization on the basis of lower levels of staffing than those proposed in the original bid. It is clear, also, that the threat of competition may be as effective as actual competition in forcing changes to employment and working practices. Painter finds that some local authorities have used CCT not as a means to privatize services but as a way of introducing changes to working practices which would otherwise have been more strongly resisted by the workforce (Painter 1991). Econometric studies of contracting-out suggest that changes to working practices and consequent reductions in employment levels provide a more long-term source of savings than reductions in pay and benefits (Milne and McGee 1992).

DISCUSSION

Advocates of privatization in the UK have criticized public ownership on the grounds that pay levels tend to be artificially inflated by the politicized and centralized nature of pay determination, and that the weakness of market pressures encourages restrictive practices and hence overstaffing. Privatization, therefore, seems likely to cause a reduction in the rate of growth in pay relative to other public sector firms and to lead to labour shedding as firms remove surplus staff and improve efficiency. The evidence from the UK, however, provides little clear-cut evidence to support these contentions. Pay levels in privatized firms have held up and even increased relative to public sector and other private sector firms, though there is some evidence of a reduction in bonus payments for those employees working in local authority services subject to competitive tendering. It has been suggested, therefore, that pressures to reduce labour costs in privatized firms have centred instead on reducing employment levels and boosting productivity (Haskel and Szymanski 1994). There is evidence of a fall in employment around the time of privatization in some firms, but also there is counter-evidence of increases in employment in others. In local authority services, however, the evidence is clearer: most organizations securing contracts have reformed working practices and reduced employment levels.

Overall, the suggestion that a change in ownership has a direct impact on these aspects of labour management is not borne out by the evidence. However, this conclusion is dependent to some extent on the assumption that developments prior to privatization do not necessarily form part of the privatization process. If events during the last years of public ownership are viewed as part of the preparations for privatization, then privatization appears to have a stronger relationship with reductions in employment, if not in levels of pay. The danger, however, with this conceptualization of privatization is that it conflates developments that are *functional* for a transfer of ownership with those that are directly causally related. It also assumes that governmental actions are far more strategic in character than may actually be the case given what we know about the short-term political considerations governing much of the privatization "programme" in the UK. To some extent this problem can be resolved empirically by examining events after the announcement of privatization as well as after the change of ownership, the approach taken by Parker and Martin (1994a; 1994b). Even so, there is a residual problem that the decision to privatize may have been taken some time before the formal announcement, and conversely an apparent intention to privatize may conceal a decision to leave an organization in public ownership. Throughout the latter half of the 1980s, Secretaries of State for Transport announced to Conservative Party Conferences the intention to privatize British Rail, but we now know that there was no serious plan to privatize the railways at the time.

Our conclusion that ownership change *per se* does not appear to have a consistent or strong effect on pay and employment is consistent with studies of organizational performance by economists (Vickers and Yarrow

1988) and to some extent with investigations of industrial relations reforms (Ferner and Colling 1991; Pendleton and Winterton 1993). The conventional explanation for this finding by economists is that profit maximization in monopolistic product markets can be secured by changes to product pricing rather than adjustments to inputs. While not dissenting from this argument, it is clear that there are additional reasons for the failure of privatized organizations to respond in the manner forecast by the advocates of privatization. First, organizations are not "black boxes" which respond in a direct and straightforward way to external stimuli (Parker 1994). The prospect of privatization has generated conflict within firms as various management functions have attempted to imprint their own priorities on the adjustment process, and it is not predetermined which faction will win (Ferner 1990; Colling and Ferner 1992). The evolution of labour policies within privatized firms may well be substantially influenced by changes in management attitudes as privatization progresses, though in the absence of any longitudinal research into management attitudes in UK privatized firms this possibility has to remain at the level of supposition.

Second, the conception of the differences between public and private ownership is far too simplistic in many discussions of privatization. The emphasis placed on commercializing public sector organizations enterprise by UK governments over the last fifteen years means that the behavioural differences between private and public firms are by no means clear-cut. Furthermore, the argument from agency theory that monitoring and information asymmetries will be better developed in the private sector does not do justice to the tight controls exercised by governments on public enterprise activities. In some respects, monitoring by a single agency (i.e., government) is likely to be more effective than that by a multitude of private owners (*cf.* Haskel and Szymanski 1994). As Batstone *et al.* put it, "the political contingency may impose on management an imperative as forceful as that facing a private firm in the midst of a profits crisis" (1984: 288). A case can be made that privatization entails a release from constraints on pay levels and persistent pressure to reduce employment levels.

While conventional economic explanations may pay insufficient regard to these factors, the economists' argument (e.g., Yarrow 1989) that deregulation and exposure to product market competition have a more powerful impact on firm behaviour than transfer of ownership is supported by the evidence presented here. Continuities in employment practice among the privatized utilities can be explained by the limited exposure to competition, as can the falls in employment levels once markets are liberalized. The clearest indication of the power of competition, however, comes from the local authority sector where employment levels have fallen among both private and public sector service providers. As Domberger *et al.* put it "it is the introduction of competition, rather than the awarding of contracts to private firms, which is the critical factor in achieving lower costs" (1986: 79). It is not at all clear, however, how this form of competition should be conceptualized: while at one level firms compete to sell rival products, the basis of competitive advantage lies to some extent in labour market factors (Ganley and Grahl 1987). This raises the possibility that continuities and change in the privatized firms may be explained as much by labour market as product market competition. Continuities in pay and employment among some monopolistic privatized utilities with industry-specific technology could be partly explained by the lack of alternative sources of labour supply. Equally, some of the most dramatic changes in labour management in the privatized docks firm – Associated British Ports – occurred after deregulation of the labour market rather than privatization (Turnbull 1993). There are therefore strong grounds for suggesting that future work on privatization needs to scrutinize the labour market as much as product market competition and transfers of ownership.

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RÉSUMÉ

Privatisation, rémunération et emploi : l'expérience du Royaume-Uni

Les différentes formes de privatisation ont été d'une importance immense au Royaume-Uni dans les années 80 et 90. Cependant, peu d'études ont été réalisées par les spécialistes en relations industrielles sur les effets de telles privatisations sur les relations industrielles. La plupart des travaux effectués sont des études de cas de différentes formes d'entreprises ou d'industries particulières. Il est alors difficile d'estimer les résultats typiques qui en découlent. De plus, ils ont surtout visé les accommodements en négociation collective et les styles de gestion en relations industrielles. Peu d'analyses ont été réalisées sur l'effet de la privatisation sur la rémunération et l'emploi.

Nous identifions ici différentes formes de privatisation, mais nous en retenons trois plus en profondeur : le changement de propriétaire, la déréglementation et la sous-traitance des services publics. Les objectifs de cette privatisation sont nombreux et incluent une préoccupation idéologique de limiter le rôle de l'État, une préoccupation économique d'améliorer l'efficacité et d'encourager la culture de l'entreprise et, finalement, une préoccupation électoraliste de support accru des gouvernements et des politiques de droite. Les objectifs ont certes varié dans le temps mais, de façon constante, ceux visant les relations industrielles ont été d'importance majeure. La privatisation réduirait d'une part la signification politique de la définition de la rémunération dans les industries d'État et d'autre part, les pouvoirs des syndicats du secteur public. Les niveaux de rémunération seraient alors établis en fonction du marché. Les critiques syndicales ont craint que cela exercerait une pression à la baisse sur la rémunération. Quant aux objectifs visant l'efficacité et les pratiques de travail, les critiques gouvernementales des organisations du secteur public prétendent que des pratiques restrictives existent vu l'absence de pression du marché du capital, vu le peu de motivation de la haute direction d'augmenter l'efficacité et vu l'inexistence des pressions du marché des produits considérant la position monopolistique et réglementée de plusieurs de ces organisations. La privatisation et la déréglementation provoqueraient alors un certain nombre de pressions sur ces organisations pour qu'elles réforment leurs pratiques de travail et qu'elles améliorent leur productivité.

Nous examinons ensuite si la privatisation a eu ces résultats espérés sur l'emploi et sur la rémunération en passant en revue les principales études produites en ce domaine autant par des économistes que par des gens de relations industrielles. Même s'il y a un peu de preuves anecdotiques

de la réduction de la rémunération par des nouveaux propriétaires privés, la preuve prépondérante suggère des hausses de niveau moyen de rémunération plus grandes dans les entreprises privatisées que dans les firmes publiques et dans le secteur privé pris dans son ensemble. De plus, il y a quelques preuves à l'effet que la proportion de revenus d'entreprises dépensés en salaires a diminué juste avant et après le transfert de propriétaire. On peut observer plus clairement une croissance plus lente des salaires relatifs et même des réductions de salaires et d'avantages lorsque les organisations sont sujettes à une concurrence croissante sur le marché des produits : à preuve, la concurrence obligatoire dans l'octroi des contrats de services publics. Même là cependant, on peut exagérer les conclusions. En effet, dans ces cas, les données indiquent qu'en une minorité de cas, la rémunération et les avantages ont été réduits. En somme, l'ensemble des données suggère que les ajustements aux coûts du travail par ces entreprises du secteur privé et celles du secteur public nouvellement confrontées à la concurrence ne sont pas causés par des changements dans les niveaux de rémunération.

Les données indiquent également peu de différences entre le secteur privatisé et le secteur public quant à la prolifération d'un système de rémunération relié à la performance. Cependant, on note de grandes augmentations dans les niveaux de rémunération des haut dirigeants et des directeurs des entreprises privatisées. Les données indiquent clairement la présence importante de réformes de pratiques de travail dans les entreprises privatisées. Mais, la preuve de leur incidence importante sur les réductions du facteur travail est moins claire. Quelques entreprises ont connu des baisses drastiques d'emploi immédiatement après la privatisation alors que d'autres ont à peu près maintenu leur niveau d'emploi. Dans un certain nombre d'autres cas, l'emploi a crû. Cependant, il y a présence substantielle de réduction d'emploi lorsque ces entreprises demeurent propriété publique.

On peut certes prétendre que ces réductions étaient nécessaires pour préparer la privatisation mais on peut se demander, de façon empirique, si telles politiques de réduction de travail faisaient effectivement partie du processus de privatisation. D'ailleurs les plus importantes baisses d'emploi dans les années 80 sont survenues dans les organisations du secteur public où la privatisation n'était aucunement planifiée. La preuve est beaucoup plus claire quant au lien entre concurrence accrue et réduction d'emplois.

Il faut identifier un certain nombre de difficiles problèmes méthodologiques dans l'identification des effets de la privatisation, notamment l'identification de groupes contrôle adéquats lorsque les firmes privatisées sont des fournisseurs monopolistiques. En somme, la croyance que la privatisation va mener directement à des changements en relations du travail doit être rejetée, étant trop facile. Les réactions organisationnelles aux changements dans l'environnement externe sont en toute probabilité plus complexes que ce que peuvent penser les tenants de la privatisation. De plus, lorsque les gouvernements sont hostiles à l'entreprise publique, comme au Royaume-Uni, la propriété publique peut constituer une contrainte plus puissante sur la croissance des salaires et une force plus grande sur la réduction de l'emploi que la propriété privée. Finalement, le marché du travail peut être un déterminant plus puissant des résultats de la privatisation que ce que pensent les tenants de cette école qui portent plus leur attention sur le capital et sur les marchés des produits.