The privatization of state assets and services is at the core of the neoliberal agenda, most specifically under the Washington Consensus (1989) and the General Agreement on Trade and Services (GATS, 1995) of the World Trade Organization (WTO). While privatization of state assets and certain service sectors (namely international finance and maritime transport) have been fairly covered by international agreements presaging even the Consensus and the Uruguay Round of the WTO, trade in government services only took off with the birth of the GATS, opening up (or liberalizing) publicly-owned and publicly accountable services to international market forces.

Oftentimes rationalized as the necessity to enhance public sector efficiency and productivity, privatization in government services has in reality worked to open up the sector to plunder by private capital to increase their profits and to shore up their capacity to weather out capitalism’s periodic crises of overproduction.

The delivery of services and infrastructure – utilities, transportation, communications, education, health, hallowed state obligations once considered outside the bounds of profit-making – have been gradually handed over to big foreign and local capital and converted into private enterprises, subject to the vagaries and whims of the market. Again, the “need” to break up government’s monopoly of these sectors is cited, backstopped by anti-Keynesian arguments.¹

Private corporations as a sector have been expanded – in the areas of police protection, the penal system and even the defense establishment² – and given the privilege of little or no governmental regulation nor control. The market’s opportunities for accumulation of absolute rate of surplus has also been expanded globally. Once privatized, an enterprise departs irreversibly from governmental control (the so-called ‘ratchet effect’) and becomes itself a commodity.

While underdeveloped WTO member countries have an option to exclude any specific service from liberalization under the GATS, they are also under international pressure, from monopoly business interests, to refrain from so excluding any service “provided on a commercial basis”. The catch however is, important public utilities including water and electricity supply most commonly involve purchase by consumers and are thus

¹ This is part of structural adjustment programs (SAPs), new policies imposed on debt-ridden countries in the ’80s. Further loans are based on compliance with austerity measures. Eventually, the 10-point package of conditionalities were branded as ‘Washington Consensus’, standard policies imposed by financial institutions based in Washington, mainly the WB, IMF and the US Treasury Department.

demonstrably "provided on a commercial basis". The same may be said of many health and education services which are sought to be 'exported' by some countries as profitable industries.

The ideology of ‘New Public Management’ (NPM) has been highlighted and promoted to the hilt. This represents a major shift in combining modern management trends with the logic of orthodox economics, while retaining ‘core public values’. In the area of human resource management, NPM puts stress on ‘performance management target’, ‘indicator’ and ‘output objective’, entry into term contracts, performance-related pay and locally-determined salary rates. After NPM comes ‘restructuring’ or reforms in the bureaucracy, notwithstanding its destructive impact on public sector employment.

Erosion of employment

One of the main objectives of public sector reform is the introduction of private sector management practices, ‘competition’ and ‘private sector providers’ into the public sector. More often than not, the process of privatization begins with the contracting out of selected services, which then leads to the auctioning off and full-scale privatization of public facilities.

It has oft been said that labor restructuring is the most sensitive issue in privatization, with labor downsizing its most prominent feature. Some of the more palatable names used to sugarcoat its noxious content are reinventing, reengineering, and rightsizing.

In Argentina, employment reduction due to privatization of state-owned enterprises (SOEs) reached as high as 40 percent.

In Vietnam, 5,000 out of 12,300 SOEs closed down and went bankrupt as a result of a privatization campaign. Its objective was to scale down civil service in 1994 as

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4 Aside from these, other elements of NPM are cost cutting; capping budgets and greater transparency in resource allocation; disaggregating traditional bureaucratic organizations into separate agencies; decentralized management within public agencies; separating the function of providing public services from their purchase; establishing market and quasi-market mechanisms; and giving stress to quality of service, standards and customer responsiveness.


prescribed by the International Monetary Fund (IMF), and replicated in China where thousands also lost their jobs in the public sector.\(^8\)

In the Maldives, SOE reform led to the privatization of Maldives Industrial Fisheries Company Limited, Maldives National Shipping Limited, Nasandhura Palace Hotel and State Electric Company Limited (STELCO). Workers in these enterprises now face workforce restructuring through early retirement schemes, rehabilitation and retraining.\(^9\)

In Bangladesh, downsizing/rightsizing to weed out supposed ‘ghostworkers’ was pushed by the World Bank.\(^{10}\) Between 1995 and 1997, an estimated 89,000 workers lost their jobs.\(^{11}\)

In Thailand, more than 100,000 employees were laid off upon the sale of energy-related SOEs like the Petroleum Authority of Thailand and the Electricity Generating Authority of Thailand between 1999-2000.\(^{12}\)

In South Korea, the number of minister-level officials were reduced from 33 to 24, 230 high-level positions were scrapped and approximately 16 percent of public employees (or 26,000) were removed in 2001.\(^{13}\)

In the Philippines, this practice is referred to as reengineering and attritively but systematically erodes jobs in the public sector. In the aforementioned countries, downsizing has exceeded the requisites of need-based personnel planning in public services and has had a negative impact on the effective functioning of such agencies.\(^{14}\) The number of employees belonging to first-tier positions (Salary Grades 1-9) has gone down from 521,428 in 1999 to 373,625 this year, or a 28.3% reduction from the total.\(^{15}\) COURAGE, the foremost public sector union center in the country, estimates that some 300,000 to 500,000 employees will be eventually retrenched or downgraded as a result of this ongoing 'rationalization' in the bureaucracy.

In Russia, more than 50 percent of privatized industries have been pushed to bankruptcy by 1993. The following year, hundreds of workers were no longer receiving regular wages.\(^{16}\)

\(^11\) Ibid.  
\(^13\) Haque.  
\(^14\) Ibid.  
\(^15\) Data from COURAGE-Philippines. Government blue-collar jobs are more vulnerable. While these were declining, the 2\(^{nd}\) and 3\(^{rd}\) tiers went up by 30.6% and 88.3 % respectively for the same period.  
\(^16\) Ibid.
In the US, the sale of two uranium plants in Ohio and Kentucky by the US Department of Energy's United States Enrichment Corp. (USEC) in a 2008 public-offering resulted in the 1,350 employees losing their jobs.17

Contracting out, outsourcing

Contracting out and outsourcing have become prevalent as organizational and managerial tools in the state sector.18 With privatization, the status of absorbed workers are left in the hands of the market and without the firm protection it once enjoyed under the state. 19

Casual employment has become the norm with privatized workers, concordant with the mantra of business process outsourcing. Under privatization, sections, functions and departments in a given workplace are parcellled out to third parties in an evolving process of public sector dismemberment, and further leads to obfuscation of employee-employer relationships that work to the advantage of the latter. On the whole, this creeping contractualization has eroded salary and wages, job security and the exercise of unionism in the public sector.

The trend towards piece-meal privatization in the public sector mainly takes the form of outsourcing of functions and departments to private sector players. This has happened in the Philippines with certain government agencies such as the Bureau of Customs (BoC), which is still principally under state control but whose valuation and appraisal functions have been contracted out to a French TNC.20 The country’s Land Transportation Office (LTO) has spun off its Management Information System (MIS) department, while other offices have gone to the extent of outsourcing even their human resources departments.

Public hospitals in the Philippines are also being subjected to this policy, entering into partnerships with local and foreign private investors to offset lack of budgetary support from government and to cut down on manpower costs. Specialization hospitals are especially vulnerable, such as the Lung Center of the Philippines (LCP), the National Kidney Transplant Institute (NKTI), the Heart Center of the Philippines (HCP) and the National Institute for Mental Health (NIMH). Intended or not, privatization in the country’s health care system is helping push low-paid health practitioners abroad to seek greener pastures, contributing to the massive brain-drain attendant with government’s labor-export policy and further exacerbating the country’s already deteriorated public health services.

In Sri Lanka, government enthusiasm for the NPM gave birth to the proposal for employment contracts that bypass public sector unions and cover even existing

17 Prizzia.
18 Farizmand.
20 Interview with Ferdie Gaite, Chairperson of COURAGE-Philippines.
government employees. Fortunately, this was thwarted by union mass actions and led to its being limited to new recruits in lower levels of the bureaucracy.\textsuperscript{21}

In British Columbia, the state health sector lost some 8,500 jobs when it was placed under partial private sector control. An initial 6,500 jobs from housekeeping, food, laundry and security were terminated in March 2004, while a further 2,000 followed suit in July of the same year. Personnel affected by this move found their pay reduced by as much as 40 percent under the new management of such TNCs as Aramark, Compass and Sodexho.\textsuperscript{22} Furthermore, privatized jobs in BC hospitals fewer benefits, comes with a heavy workload, inadequate training and lacks tenurial security.

In Japan, the K Local Government has been outsourcing services from the private sector\textsuperscript{23} since 1996, specifically on such areas as nursery and daycare centers, school meal provisions and garbage collection. This has resulted in the closure of bureaus, departments and sections under the council, and the retrenchment of 30\% of its workforce. Meanwhile, J University has been applying flexible work arrangements among both its academic and non-academic personnel. This has led to an increase in the number of temporary and agency staff and left 30\% of its administrative and clerical staff with short-term contracts.\textsuperscript{24}

In Australia, the Industry Commission reported in 1996 that the government sourced out $13 billion worth of public sector jobs, and billions more in IT contracts.\textsuperscript{25}

A “soft” outsourcing approach initially targets “non-core functions”, beginning with general services, security, maintenance and messengerial (also called menial administrative clerical functions), but then usually ends up passing on even mid-level functions to external service providers.

In this way, previously core functions in the office become non-core depending on the evaluation of NPM managers. Categorization as to which functions are core or non-core then becomes arbitrary, meaning no job is safe from outsourcing.

This so-called reform under the NPM, therefore, is nothing but an oblique attack on public sector employment. Generally, the most lowly-paid government employee is hit the hardest, with women registering an unusually high percentage.\textsuperscript{26}

\begin{thebibliography}{99}
\bibitem{21} Samarutunge, at al.
\bibitem{23} Global outsourcing is altering the \textit{keiretsu} structure in Japan. \textit{Keiretsu} is a peculiar set of human resource practices and policies different from those observed in Western economies.
\bibitem{25} Richard Hall. “Outsourcing, Contracting-out and Labour Hire: Implications for Human Resource Development in Australian Organizations.” \textit{Asia Pacific Journal of Human Resources} 2000, Downloaded from \url{http://rop.sagepub.com}
\bibitem{26} Lethbridge.
\end{thebibliography}
In the health sector, nurses are sourced from third-party providers. In the education sector, despite the seeming lack of any rationalization program, retrenchments of non-academic personnel in general services, human resources and information systems has been ongoing for some time now.

Privatization assists in the creation of a global workforce reserve through retrenchments and downgrades. This further cheapens labor power as a commodity, exposing workers to more and intensified attacks from big foreign and local capital in the area of wages, jobs and rights.27

**Government as agents of TNC interests**

The purveyors of NPM also purvey privatization, regardless of how pleasantly it is packaged in seminars, workshops and conferences to make it seem palatable to its intended victims. This public management fad’s paramount mission is to pry open the public sector for private sector gain, to the detriment of core labor standards. Through its promotion of “agencification” 28 in the state sector, it turns governments into pliant accessories of TNCs assisting in their plunder of vestigial “public” property. In this manner, foreign monopoly capital further tightens its stranglehold on Third World economies.29

And while big corporations earn huge dividends from privatization, an ever-increasing number of taxpaying citizens – most of whom are workers and peasants – are excluded from state services that they have essentially paid for.

In the Philippines, 38 public hospitals are up for full privatization by 2010. This will deprive an estimated 88% of the population of much-needed health services. Water supply has also become a flourishing business while excluding poor families from access. This is clear from the sale of the government-owned Metropolitan Waterworks and Sewerage System (MWSS) in the early ‘90s to TNCs like Bechtel, Northwest Water and Lyonnaise des Eaux. Between 1997 to 2004, water charges per cubic meter went up by 226%, leading to a water supply crisis in many parts of the national capital.30

**Strategies for redress**

**National**

On a national level, there is ample proof that direct action by vigilant public sector unions and a fairly broad alliance with affected taxpayers can in many cases delay or even derail plans for privatization.

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27 Farazmand.
28 This falls under the theory of subsidiarity, wherein local governments do not need to operate separately. Through privatization of industry and services, they can only become agents of global corporations and receive commissions and fees for their services from centers of global power.
29 Farazmand.
30 Ibid.
In India, the Delhi Transport Corporation Employees’ Congress (DTCEC) went on strike for 36 days between July and August this year. They fought for the regularization and promotion of 3,000 contractual employees, all of whom are drivers and conductors. Victories were also achieved by members of the All-India Irrigation Employees Federation in their campaigns against contractualization and outsourcing in the public sector, resulting in the regularization of 7,000 workers in Uttra Pradesh State and 12,000 more in Madhya Pradesh State.  

In Australia, there is a campaign by the Public Service Association of NSW against the privatization of electricity.  

In Indonesia, some 5,000 workers joined a rally last January in Jakarta against privatization and unbundling. They came from different parts of the country to protest the decision of PLN Stakeholders to sell its generator plant, which will remove power subsidies in the poorer parts of the country and cause a rise in charges. 

In the Philippines, plans to outsource large chunks of the Social Security System’s (SSS) operations in the year 2000 were thwarted by its union’s mass actions, with the support of COURAGE and other militant people’s organizations. 

The key lesson here seems to be that particularly affected public sector unions (PSUs) cannot go it alone and expect to win the fight, especially public utility unions that are relatively small or have limited legal rights (no strike, no right to bargain for higher salaries/wages in collective negotiations with management). Amplification of protest actions may be achieved through linking up with and mobilizing other civil society groups and even affected consumers or taxpayers, creating an immense pressure on the government and the interested private sector player to at least sidestep and delay the privatization process. 

Of course, it is also important to strengthen the capacity of local PSUs to resist privatization schemes, mainly through education programs, recruitment of new members, and certain metalegal manifestations that temper their collective will to participate in bigger campaigns. Networking and alliance work with other local PSUs is also a must, providing a mechanism for cooperation and coordination of plans and giving early-warning to fellow unionists about the real threat of privatization in their own places of work. 

A systematic, built-in education and information committee is especially necessary in mobilizing and steeling PSU members for an anti-privatization campaign, among other needs. Lack of knowledge on the characteristics of a particular privatization scheme can lull backward members into passivity, complacency and indifference, providing ideal conditions for -management to put its divide-and-rule tactics into full play. PSUs must

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31 PSI news, accessed on October 2008.  
32 Ibid.  
33 Ibid.
have a general curriculum for independent unionism and a specific curriculum on
privatization. A parallel effort for complementing this union-based effort would be the
establishment of a research and education institute for public sector employees, that
would develop course modules for PSU education and conduct researches on
privatization and other public sector concerns.

While a spontaneous movement of concerned consumers and taxpayers can provide
additional clout in protracted anti-privatization campaigns, a PSU under fire can have a
ready support base in close proximity to the workplace by organizing communities in its
vicinity. More often than not, such communities house relatives, friends and even a
friendly local government unit that can respond at a moment’s notice to a PSU’s call for
support in times of great tactical need.

An ever-expanding national alliance among PSUs against privatization should be
developed on the basis of each union’s individual strength. Governments often plan and
implement privatization schemes on a national level to comply with its obligations to the
WTO and the Washington Consensus, and unified resistance of all affected agency and
SOE employees can have a chilling effect on the state’s determination to push through
with such schemes.

A media campaign plan is also indispensable to the success of an anti-privatization fight,
making full use of the potential of the press to quickly draw general public sympathy
around oppositors that represent their common interest. Such a campaign must be
initiated long before implementation of the particular privatization plan kicks in, in order
to adequately inform the public and generate their optimum support. In some cases, mere
exposure of the privatization plan can put the government on a defensive footing nd
induce it to delay its timetable for the plan, thereby buying needed time for the union to
consolidate further.

**Cross-country**

Cross-country coordinations play the role of confronting the problem of privatization at
its very source: globalization. Bringing this awareness home to PSUs abroad and working
out plans together to question the premise of globalization itself strikes at the roots of the
problem deals a head-blow to monopoly capitalism.

Starting out at the regional level, various fora, conferences and coordinated actions
between PSUs and allies may be utilized as venues for progressive unities. These may
further be developed to eventually culminate in regional alliances against privatization
that are consensual in nature.

A subject of discussions would be on how to tighten monitoring of privatization plans
through the creation of “Privatization Watchdogs” as an early-warning and data-gathering
mechanism. This could take the form of information dissemination, databasing, targeted
research, and training for such functions. Another is to build campaigns around the
exemption of public utilities and services from the coverage of GATS, without necessarily compromising the more basic demand for the scrapping of the WTO.

The internet has been a proven medium for underpinning formal international alliances (especially community websites) and fostering linkages and cooperation between civil society groups. Forum websites for national, regional or global anti-privatization or PSU alliances can facilitate quick exchanges among advocates and bring much-needed focus to this issue.

A particularly important multisectoral linkage for PSUs and anti-privatization activists is that with migrant workers, a significant section of which is composed of former government employees. Low salaries in public health facilities and schools drive highly-skilled personnel from these services abroad, and a case can be made that the low status of the health and education sectors in budgetary priorities is in fact an unstated policy of government, a means to push high-value manpower (teachers, doctors, nurses, etc.) overseas and thus drive up remittance-sending. Joint campaigns between PSUs and migrant workers can thus bolster the international dimension of anti-privatization advocacies.

At the end of the day, no policy option is more effective than that of scrapping the WTO, scrapping globalization and replacing them with genuinely constructive development models. These cannot but be paradigms that take into consideration the particular features and needs of each economy, promote self-reliance in industry and agriculture, and advocate independence from unequal treaties with foreign capital. Such policy options have been pilloried by proponents of neoliberalism to be ‘socialistic,’ as though the very word itself is pejorative.

But in this day and age of economic downturns, financial turmoil and sheepish groping by Washington economists for an alternative to the irredeemably failed neoliberal model (Neo-Keynesianism, anyone?), what option do workers really have but to turn towards their own strengths and forge the future without capitalism?

It is true that nationalization of strategic industries and social services under current, prevailing state systems is hardly a more savory option to privatization. Corruption, mismanagement, inefficiencies and dependence on foreign aid have plagued such enterprises, giving nationalization a bad name and neoliberal propaganda grist for their mill. What is lost in the debate is that the question is not whether to nationalize or not to nationalize, but under what conditions it should be done.

If a state exists that merely treats public property as an extension of private property, then nationalization under the circumstances would be an utter failure. But if a state exists that truly works for the interest of the broad populace and merely acts as the caretaker of publicly-owned means of production, then nationalization in this case would be a guaranteed success. Unfortunately, the former case is prevalent, and more work by workers themselves need to be done in order to make the latter case so.
Before that day happens therefore, public sector workers must fight a running battle for their salaries and wages, job security and democratic rights. The global financial crisis is resulting in the opening up of more public resources to the private sector, as governments in both developed and underdeveloped countries offer bailout packages from public coffers for ailing private banks and industries. Budgetary and public sector deficits are sure to mount, to prompt more austerity measures and revenue-generating schemes that cannot but hew along the lines of further workforce rationalization and accelerated privatization.

This ludicrous spectacle of ‘renationalization’ should offer an idea to public sector workers: “Nationalization as a form of public management cannot be all that bad. After all, it is where the biggest industry players run to when they are in trouble.” After religiously upholding what George Souros dubbed as ‘market fundamentalism’ for more than 3 decades, these disciples of John Williamson and his ‘Washington Consensus’ are now eating crow and running back the other way – to the welfare statism they so hated (or professed to hate).

The sordid end of neoliberalism, mimicking a similar event at the turn of the 20th century that saw European governments taking over distressed monopoly industries, should point to us the superiority of centralized, planned economies that still rely on socialized production but are not predicated on private gain and cutthroat competition (rather, on socialized appropriation and equitable distribution). It should point to us that this folly inherent in capitalism, private accumulation running atop the powerful engine of socialized production, cannot but lead to periodic crises of overproduction and massive waste in productive capital, such as what we are experiencing now. It should point to us the continuing viability of Socialism as the way out and forward.