

## **REVIEW: THE GENDER IMPACT OF COMPULSORY COMPETITIVE TENDERING IN LOCAL GOVERNMENT**

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Karen Escott and Dexter Whitfield (1995) **The Gender Impact of Compulsory Competitive Tendering**, Manchester: Equal Opportunities Commission, Discussion series, No 12, £19.95, pb, ISBN 187035835X, pp.vi+252.

This report is a well documented and detailed account of research carried out by the authors into the impact on equal opportunities of Compulsory Competitive Tendering in local government. The research consisted of a sample study of 39 local authorities in England, Wales, and Scotland. This included 3 Regional Councils and 3 District Councils in Scotland. It examined the local authority services in which Compulsory Competitive Tendering is now operational, and also looked at the impact of community care, though since this is more recent it was not possible to analyse its full impact. The four service areas studied were building cleaning, education catering, refuse collection, and sport and leisure management.

### **THE EXPERIENCE OF COMPULSORY COMPETITIVE TENDERING**

Some general points emerge from the report. The majority of contracts, since the introduction of Compulsory Competitive Tendering, have been won by Direct Service Organisations, in other words were won by an in-house body. However there are differences in the distribution of these, with private contractors showing more interest in bidding for contracts in building cleaning and refuse collection than in education catering or in sports and leisure management. There were also significant differences on a regional

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basis. Scotland demonstrated the highest proportion of contracts going to Direct Service Organisations, and the South East of England, in particular London, showed the highest proportion going to private contractors. In 1993 in England and Wales, Direct Service Organisations were awarded 67% of contracts, amounting to 82% of total value of all contracts, whereas in Scotland the figures were 91% and 98% respectively. This distribution has remained fairly constant since 1988. The authors comment that competition for contracts has been less strong in Scotland with almost half of all Compulsory Competitive Tendering contracts being won without any competition. They suggest a number of reasons for this - the private sector market being less developed, trade union opposition to Compulsory Competitive Tendering being stronger, and a high proportion of Labour controlled authorities.

Another important point is that although Compulsory Competitive Tendering was trumpeted as a means of making substantial savings in public expenditure through increases in efficiency brought about by market forces, in fact the apparatus necessary to administer the tendering process is relatively costly. Instead of the savings of 25-30% predicted by the government, research carried out by INLOGOV (1991, 1993) suggests that savings of only around 7% have been effected.

## **THE IMPACT**

The crucial question is at whose expense have these savings been made? Compulsory Competitive Tendering has made improvements in efficiency, cost effectiveness and productivity. However if this has been achieved by cutting jobs and increasing pressure on the workforce, it is not clear that the public is as a consequence receiving a better service. What Escott and Whitfield provide is a detailed catalogue of just how the savings have been made, and they demonstrate that this has had a differential impact according to the sex of employees.

They conclude that Compulsory Competitive Tendering has had a particularly negative impact on the position of women employees. This is so for a number of reasons. Firstly there have been substantial job losses - a loss of 12,500 jobs (21%) in the four Compulsory Competitive Tendering services in the case study authorities. There was a variation between services, with building cleaning experiencing a 29% decline and sports and leisure management experiencing an increase of 5%. In the case study services female employment declined by 22% and male employment by 12%.

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Secondly part-timers have frequently had their hours reduced, and the intensity of their work increased. Hours have often been deliberately reduced to below 16 hours a week, to reduce employment protection. Many part-timers earn below the Lower Earnings Limit for National Insurance, and are thus excluded from contributory benefits. The impact of Compulsory Competitive Tendering has been to worsen this situation for part-timers.

Thirdly, temporary contracts have become much more common, and such things as retainers paid over school holiday periods, or unsocial hours payments, have disappeared, or been severely restricted. Overall full-time jobs have decreased, and part-time jobs increased. However, in services where male workers predominate, such as refuse collection, though there have been job losses, conditions have not necessarily deteriorated in the same way, with workers retaining bonus payments, or indeed negotiating new ones. In some cases male workers have significantly improved their earnings.

Pressures for increased productivity have had an impact on older workers, leading to many of them leaving jobs. The limited opportunities for people with disabilities have been further restricted as the intensification of work reduces the scope for their employment.

A particular concern relating to part-time workers was that a fair proportion, estimated at up to 25% of cleaning and catering staff, were found to be working at multiple jobs within the same authority. However, the employing authorities did not recognise this in the administration of wages, and did not aggregate these to take employees over the NI threshold, thus denying access to benefits conditional on NI contributions.

On the whole Direct Service Organisations have maintained national conditions, though a small number have introduced a local rate. They have also, on the whole, maintained sick pay and maternity provision, though in some authorities there have been restrictions in access to these. Where contracts were awarded to the private sector, staff were usually already being paid at less than national rates, and no part-timers were entitled to sick pay and maternity provisions. As the authors comment, a three tier pay structure has been created, with the majority of authorities continuing to pay national rates, some Direct Service Organisations introducing a local rate, and private contractors often paying a lower rate than either of these. Evidence from the study also suggests that differences between permanent and casual work, between full-time and part-time jobs, and between female and male employment have widened since 1988-9.

The record of Direct Service Organisations in encouraging workers to take part in Equal Opportunities training was not good, but nor was the record of

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Equal Opportunities officers in ensuring that equal opportunities issues had a profile in the Compulsory Competitive Tendering process. The evidence cited by Escott and Whitfield suggests that Equal Opportunities officers concentrated their efforts more on professional and non-manual staff than on manual staff. The lack of engagement of Equal Opportunities officers with the relevant service departments in the Compulsory Competitive Tendering process, combined with the pressures to cut costs in order to win contracts, has resulted in a deterioration of pay and conditions for women workers in these services, and therefore represents a step backward for equal opportunities. Monitoring proved to be rarely carried out, not just with respect to gender, but also with respect to ethnic minorities and people with disabilities.

Accompanying job loss has been a decrease in trade union membership. Part-timers who were formerly union members have ceased to be members, and new part-timers have not been recruited by unions in Direct Service Organisations. Few private contractors give union recognition or negotiating rights. In some Direct Service Organisations, however, union organisation has been strengthened, especially in building cleaning, with women workers now having their own representation, rather than being dependent on male caretakers.

Though pay and conditions have deteriorated in order to make savings, this does not mean that services being run by Direct Service Organisations are only reaching break even point. In fact, as Escott and Whitfield point out, a number of services are now generating considerable surpluses, which are transferred into the general funds of the council and contribute to its overall budget; thus it can be argued that they are helping reduce the council tax payer's bill. These surpluses are generated largely by female dominated services, staffed by low paid workers some of whom require benefits to top up their income.

Escott and Whitfield make an interesting calculation about the costs of Compulsory Competitive Tendering. They look at the savings made by Compulsory Competitive Tendering, and then at the costs to the benefits system of unemployment resulting from job loss, of periods which workers spend on benefit as a result of temporary contracts, and of claims for benefits such as Family Credit. They conclude that the overall costs of Compulsory Competitive Tendering are greater than the savings. They estimate that the cost across the whole of Britain of Compulsory Competitive Tendering in the four service areas considered amounts to £250 million per annum, and net savings to £124 million per annum. The net cost of Compulsory Competitive Tendering in the four service areas is therefore £126 million per annum.

## **POLICY RECOMMENDATIONS**

Drawing on the research findings, the Equal Opportunities Commission has made several policy recommendations, both short and medium term. A detailed examination by the government of the operation of the Lower Earnings Limit on women and men is called for, and local authorities are urged to audit their pay systems, to carry out effective monitoring, and to improve training in equal opportunities. Trade unions are called on to improve recruitment and retention of part-time workers, and to ensure protection of minimum hours and minimum earnings. In the medium term, it is recommended that the relevant Local Government Acts are amended to allow terms and conditions to be a commercial matter. This would enable local authorities to assess potential contractors in terms of equal opportunities policies. It is also recommended that equal opportunities becomes one of the core criteria for the selection of tenderers and evaluation of bids. Direct Service Organisations are urged to seek a surplus only to meet capital requirements and profit sharing schemes, but not to generate surpluses at the cost of jobs, hours, pay or conditions. Finally it is recommended that action is taken to establish mechanisms to break down job segregation and to close the gender earnings gap, with a Statutory Minimum Wage being suggested as an effective measure to help achieve this.

This report is thorough and detailed, with policy recommendations that certainly deserve discussion. It should be of interest to local government practitioners, as well as to researchers in the field, both those concerned with the impact of Compulsory Competitive Tendering in general and those concerned with equal opportunities policies. For those who may find the full report too specialised or too detailed there is a very useful booklet accompanying it which gives a summary of the key findings and recommendations.

It is interesting to note that, as reported in the **Guardian** last year, the publication of this report proved controversial. It should go without saying that an important function of a body like the EOC is to commission research of a high standard from independent researchers to contribute to policy debate. It is not to be expected that the current Government will pay much attention to research that casts doubt on the efficacy of its favourite ideologically driven policies. However, it is to be hoped that both local authorities and opposition parties will.

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