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## Overview of global megatrends affecting local and regional governments

by

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This paper was commissioned by Public Services International (PSI) to inform a meeting of the PSI Local and Regional Government Committee to be held on Monday 19<sup>th</sup> September 2016 in Brussels. The purpose of the paper is to provide an overview of issues which affect local and regional governments (LRGs). It will cover:

- Global trends in urban development;
- Current mainstream policy responses;
- Implications for LRG workers and their unions;
- Public alternatives.

## 1. Global trends in urban development

### Global urban population

3.9 billion people or 54% of the world population lives in an urban centre. Different levels of urbanisation are found across the world: North America (82%), Latin America & Caribbean (80%) and Europe (73%) have the highest rates but Africa (40%) and Asia (48%) are now experiencing very rapid rates of urbanisation, which will affect the demand for public services and infrastructure<sup>1</sup>.

About 50% of the global urban population is found in seven countries (Brazil, China, India, Indonesia, Japan, Russian Federation and USA). One in eight urban dwellers lives in one of the 28 megacities with at least 10 million inhabitants. In contrast, 50% of urban dwellers live in urban centres of less than 500,000 inhabitants<sup>2</sup>. This shows that the dwellings of the urban population may vary from a megacity to a small, rapidly-growing small- or medium-sized town. Some of the fastest growing urban centres are less than one million in size and are found in Africa and Asia. Middle income countries, for example, Malaysia, Indonesia and Mexico, are experiencing the fastest rates of urban growth. These different scales of urbanisation bring their own problems, including the creation of a security vacuum and growing criminality which are common in states with weak governance and public services. All these issues require reliable and publicly-funded public services.

### Shrinking cities

Cities do not always continue to grow. An increasing number of urban centres are experiencing declines due to low or no demographic growth, environmental disasters and economic recession<sup>3</sup>. Detroit in the United States is an example of a city having experienced economic decline which has contributed to a rapid decline in population<sup>4</sup>. Leipzig in Germany has experienced economic decline following the fall of the Berlin Wall and the integration of East and West Germany<sup>5</sup>. Environmental disasters such as earthquakes and tsunamis can devastate cities: Kobe Port (Japan) was struck by the Great Hanshin-Awaji earthquake in 1995, where port facilities were destroyed and many jobs were lost. Even after reconstruction the port fell into decline<sup>6</sup>. These type of changes make it difficult for local governments to maintain existing public services for the remaining population and to maintain the city as a viable urban centre.

### Demographic trends and cities

40% of the global population is aged under 24 years<sup>7</sup>. Cities in emerging countries are characterised by a predominantly young population which has implications for job creation. In contrast, cities in industrialised countries are characterised more by an older population. 12% of the global population is aged over 60 years<sup>8</sup>. The older population is gradually leaving the workforce, raising questions about the sustainability of the workforce in several sectors as well as the future demand for public services. Most local government workforces are predominantly aged 40+ in many cities of the North. These demographic trends have significant implications for public services and employment.

### Inequalities

Throughout the world, inequalities within and between countries are continuing to grow. Poverty places a continued pressure on public services and a continued need for job creation and employment growth. Local and regional governments (LRGs) have responsibility for addressing these issues but often with a declining resource base. There is a growing evidence

that publicly-funded and publicly-delivered public services contribute: to reducing inequalities<sup>9</sup>; creating employment<sup>10</sup>; improved rates of economic growth<sup>11</sup> and improve health outcomes, e.g. reduction of infant mortality<sup>12</sup>.

## Disasters and climate change

**Disasters and emergencies** can take several forms:

- Everyday emergencies - road accidents, gas explosions, fires;
- Natural disasters – flooding, storms, winds, forest fires, earth quakes, volcanic eruptions;
- Industrial accidents – involving hazardous materials, nuclear, mining;
- Transport accidents – car and plane crashes, rail and ship/ferry accidents;
- Terrorist and criminal attacks – bombs attacks, gas attacks, shootings.

Flooding, typhoons, forest fires and earthquakes can result in the destruction of housing and infrastructure, causing death, injuries and displacement of populations. Immediate action is needed to provide basic services such as food, water, sanitation and housing. Public sector workers, such as firefighters who often have an additional civil defence role, and other emergency workers, such as police and ambulance services, deal with the immediate aftermath of natural and technological disasters. LRG has a key role to play in the assessment and prevention of risks as well as the management of disasters.

**Climate change** is responsible for the growing incidence of more extreme weather patterns, such as the hottest summer in Western Russia since 1500, the worst flooding in Pakistan since Independence in 1947. People in poor and disadvantaged communities are more vulnerable to the impact of climate change because of their situation of discrimination and income inequalities. It affects their livelihoods, destroys their homes and undermines their food security. Disasters show that there is a need for changes in public policy and practice. They provide opportunities to change both built and human environments<sup>13</sup>. Risk is determined by the disaster (hazard) and the potential for damage (vulnerability)<sup>14</sup>. There are four elements of risk management: Compensatory anticipatory management; Prospective anticipatory management; Preparedness; Disaster response activities<sup>15</sup>. These can be found across all the different phases of disasters, although preparedness and response are the main focus of many disaster organisations. Anticipatory risk management is less tangible and usually has a lower social and political priority.

Reducing risk is a social and political process rather than just the use of technical or scientific expertise<sup>16</sup>. Risk reduction should be seen as a social problem. Effective risk reduction in most countries involves poverty reduction, since poor people are most likely to be at risk from disasters. Big disasters are also 'easier' to respond to but prevention of smaller disasters should take place regularly. Institutions that were created to deal with disasters are not necessarily able to deal with risk prevention. Effective preventive responses require institutional and legislative structures but in many countries these do not exist. Measures such as land use planning and controls, environmental management and the empowerment of local groups all require political commitment<sup>17</sup>. Governments and public services have an important role to play in these processes, which include urban planning, implementation of building codes and inspecting buildings and public procurement.

Local governments have a key role to play in both disaster risk reduction and disaster management but do not have funding allocated for these activities. South Africa illustrates some of the problems facing a country which has a strong centralised system but has also introduced decentralisation policies. Disaster risk management in South Africa is established as a public sector function: The Disaster Management Act 57 (2002) defined disaster risk management as

an activity for all levels of government and it aims to reduce risks of hazards and vulnerability through a multi-sectoral and multi-disciplinary approach. District and metropolitan municipalities have clearly defined roles but local municipalities do not.

### Migration and refugees

Migration and the displacement of large numbers of people have emerged as global problems triggered by economic, social, political and environmental crises. Although the terms 'migrants' and 'refugees' are often used interchangeably, there are specific definitions of asylum seekers, refugees and migrants.

- An asylum seeker is someone fleeing persecution or conflict and seeking international protection under the 1951 Refugee Convention on the Status of Refugees.
- A refugee is an asylum seeker whose claim has been approved.
- An economic migrant has left their country in search of improving their economic position.

There is growing evidence that local authorities are taking a more proactive position to defining local policies for third country nationals. In some countries, these complement stronger positive national policies, in other countries, where there is an absence of national migration policies, local authorities are playing an important role in supporting the integration of third country nationals within the society and local economy. They do this through social cohesion activities, language education and wider education and life-long learning services.

For example, the city of Dublin launched a City Wide Integration Framework in 2008 which brought together stakeholders to make integration of third country nationals central to policies and services, rather than setting up separate services for these people. This Framework presents the economic and social advantages that third country nationals can bring to the city. The impact of the global financial crisis on Ireland has led to the cutting of national funding for local integration initiatives. Local authorities are now expected to put integration into local development plans. Dublin City Council set up a Public Participation Network which provides opportunities for local groups to influence and contribute to decision-making bodies in the Council, particularly migrant community groups<sup>18</sup>.

The position of third country nationals in the labour force is often weak, especially women and those with low levels of education. There is a need for more focused strategies to make the recognition of their existing qualifications easier and quicker. Third country nationals do not form a large part of either local authority or public sector workforces. In a period of growing labour shortages, this problem will have to be addressed through faster recognition of qualifications and training, mentoring and networking initiatives. Austerity policies have had an impact on third country nationals because they have resulted in cuts to services, e.g. social cohesion, which were specially targeted at third country nationals. The effect of the global economic crisis has also disproportionately affected the employment of third country nationals, thus slowing their integration into the labour market. Public sector workers responsible for services for third country nationals have experienced cuts in budgets, more difficult working conditions and a lack of training, which has made it more difficult to deliver adequate public services.

Berlin Needs You! (*Berlin braucht dich!*) is an example of a campaign run by a municipal authority to encourage young migrants to apply for vocational training programmes. It

provides information about training facilities and links training institutions together. The campaign is an initiative of the Commissioner of Berlin for Integration and Migration and is coordinated by BQN Berlin, the Vocational Qualification Network for Immigrants in Berlin<sup>19</sup>.

## Digitalisation

Digitalisation has been defined as the *“adoption or increase in use of digital or computer technology by an organization, industry, country, etc.”*<sup>20</sup>. In a broader sense, digitalisation has also been defined as *“economic and social transformation triggered by the massive adoption of digital technologies to generate, process, share and transact information”*<sup>21</sup>. These two definitions start to capture the impact of digitalisation in that it is a transformative process which had only just started to affect local and regional government. The term e-government is defined as *“using information and communications technologies to support modernised, joined-up and seamless public services”*<sup>22</sup>.

The adoption of digital technologies in government, and specifically in municipal services, has been gradually expanding since the 1990s. These definitions show that there is a difference between digitalisation, which refers to the use of digital technology, and e-government, which uses information and communications technologies to improve delivery of public services. A UN survey of e-government in 2012 found that there are four main stages that public administrations move through:

- **Emerging** – limited and static information, e.g. local information on public services;
- **Enhanced** – one-way interaction: regularly updated information on public policy & governance, links provided to documents, forms, reports, e.g. planning applications;
- **Transactional** – two-way interaction between government to citizen and citizen to government communications often using e-forms, e.g. passport renewal, paying taxes and payment for service transactions;
- **Connected** – total integration of all services across administrative and departmental boundaries, back-office integration of departments and cross-unit information sharing, e.g. social services integrated information systems<sup>23</sup>.

An OECD survey of innovative use of digital services shows how digitalisation is being used by local and regional governments to provide public services more effectively<sup>24</sup>. Many of these services are information-based. There are also examples of how digitalisation is being used to improve the effectiveness of the way in which local and regional governments operate. A study by Ernst & Young/Danish Technological Institute (2012) found that e-government requires changes in organisational structures, operations and working practices<sup>25</sup>. It can lead to changes in job content, skills, relationship between administration and service users and between different structures<sup>26</sup>. Digitalisation has an impact on the quality of work and the individual worker's control over the labour process, as well as sometimes changing the public sector ethos. The promotion of 'smart cities' by municipal authorities working in partnership with digital companies, using new technologies to create innovative solutions, do not always reflect an awareness of the public interest.



## 2. Current mainstream policy responses

### Privatisation, outsourcing and public-private partnerships (PPPs)

Since the 1980s, neoliberal policies have been promoted by national and international financial institutions and form part of an anti-public sector strategy which has gradually undermined local and regional governments by reducing budgets and contracting out or outsourcing public services. With continued pressure to adopt private sector management methods and outsourcing public services to the private sector, the size and scope of local and regional government is being compromised. It is predicted that in countries that had both adopted privatisation policies and, more recently, austerity measures, the extent of LRG public services will soon be reduced to basic services only. The private sector is gaining increasing power and influence at LRG level and the future of democracy is threatened by these changes.

Due to pressures to reduce public spending, the public sector has had to enter public-private partnerships (PPPs) in terms which, it gradually becoming obvious, are to the detriment of the public sector in the short and long term. PPPs were introduced as a way of hiding the extent of public sector spending. They were supposed to be a cheaper way for the public sector to fund infrastructure.

### Failure of the private sector in essential service provision

The experience of PPPs in the last twenty years has shown that many of the original claims have been shown to be misleading. PPPs do not necessarily provide better value for money or deliver projects on time or on budget. The private sector is not more efficient at running services. The private sector does not raise capital more cheaply than the public sector and, increasingly, the public sector has access to cheaper capital. The OECD advised in 2008 that “the cost of capital of the private partner is usually higher than that of government”<sup>27</sup>. In the long term, PPPs load payments onto the public sector which undermines the ability of the public sector to react to new needs. The lack of transparency in PPP contracts contributes to corruption and a lack of public accountability. PPPs do not solve the problems of austerity <sup>28</sup>.

### Market-friendly decentralisation

Decentralisation policies were introduced in the late twentieth century, often as part of World Bank/IMF conditionalities, to impose a new system of governance in countries of Africa, Asia and Latin America. Some countries in the Global North have also adopted decentralisation policies. Although decentralisation can help to support local democracy, local public services and employment, the implementation of decentralisation has often resulted in budget cuts, privatisation and the reduction in public services. Over the longer term, decentralisation can result in the uneven distribution of public services over a country which contributes to greater regional inequalities, increased risks of corruption, problems in organising workers and reduced employment. The Trade Unions Anticipating Change in Europe (TRACE) project recommended that when implementing decentralisation, the introduction of national frameworks for public services, pay and working conditions, adequate resource allocation and capacity building of the workforce were essential to effective implementation<sup>29</sup>.

### New models of governance for the 21<sup>st</sup> century

More recently, groups of global cities have started to work together to address common issues, e.g. climate change or urban security. Information communications technologies have given city networks a global reach. However, the power of nation states is still strong and dominates the UN system. The early preparations and negotiations for Habitat III<sup>30</sup> were dominated by the agendas of national governments rather than city governments.

Although the creation of new global city networks provides new opportunities for cities to work together to solve common problems, these new arrangements are strongly influenced by the private sector. Cities are shaped by market forces and global capital, which is part of the neoliberal restructuring of the global economy. City mayors encourage cities and local government to network globally in order to address the city's problems, but the private sector also plays a role in these networks as a form of public-private partnerships. This has implications for local democracy which will impact on the future development of cities<sup>31</sup>. There are city networks which are working together to promote new ways of planning and managing cities, for example, United Cities & Local Government (UCLG), Metropolis, ICLEI (Local Government for Sustainability), City Mayors, C40, Global Parliament of Mayors and the Commonwealth Local Government Forum (CLGF).

### 3. Implications for LRG workers and their unions

#### Collective bargaining, freedom of association and social dialogue in local government

Privatisation and outsourcing have had a devastating effect on the pay, terms and conditions and working conditions of municipal workers. The power of trade unions has declined with lower rates of union membership. As local government services have been broken up into a series of contracts, this has led to the fragmentation of the workforce, making collective action more difficult. The basic rights of freedom of association and collective bargaining are constantly being threatened. New legislation has been introduced, often as part of austerity policies, which dismantle national collective bargaining systems and put decentralised systems in place, thus weakening the power of trade unions to protect national pay systems in LRG.

In Europe, the process of social dialogue is more clearly defined at European Union (EU) and national levels. Historically, some European countries, for example, the Netherlands, Germany and France, have well-developed social dialogue structures defined in their legislation. The EU, as part of creating a 'Social Europe' in the 1980s, developed specific agreements for social dialogue at European level, which have continued to support a growing number of European sectoral social dialogue committees. These depend on both employees and employers finding shared issues to negotiate on at national and European level. The process of social dialogue is stronger between public sector unions and public sector employees; the involvement of private sector employees is more limited. In countries of Central and Eastern Europe where new social dialogue structures were introduced to countries on their accession to the EU, there are varying levels of social dialogue. In other global regions, the structures that facilitate social dialogue are not as extensive, partly because the structures that recognise trade unions and employer relationships are less well defined and the power of trade unions is weaker.

#### Living wages and working conditions for municipal sector workers

In the United States over 130 cities have introduced 'living wage' ordinances as a way of ensuring that individual workers are provided with enough income to stay out of poverty<sup>32</sup>. This concept is being explored in several countries including Canada (Waterloo, Ontario) and the United Kingdom (London). During a period when the private sector has continued to use low pay and zero hour contracts as a way of keeping labour costs down, the recognition that a 'living wage' can help to reduce poverty is becoming more widely accepted. Campaigners are working with both the public and private sectors to get 'living wages' accepted as a basic minimum level of pay.



### Lack of skilled workforce due to lack of investment

Some of the arguments for adopting privatisation and outsourcing have been based on criticisms of the public sector workforce, which was considered more concerned with its own interests rather than those of public service users. This view completely underestimated the value of public sector workers in the delivery of public services. In many public services, the main costs are labour costs. However, the result of contracting out, privatisation and outsourcing has been to reduce labour costs as much as possible, which has impacted on the training and development of the workforce. After several decades of under-investment in public services, one of the main problems currently facing LRG is a secure and well-trained workforce. Coupled with demographic changes, many LRG workforces are being reduced due to cost-cutting, budget reductions, competition and retirement.

### Occupational safety and health (OSH) issues for municipal workers

Municipal workers who have been subject to privatisation of public services, for example, water, energy and waste management, in the Global South have experienced a deterioration in OSH standards. New employers no longer provide gloves, overalls and safety equipment, thus putting the lives of workers at risk. This has resulted in higher rates of industrial accidents among municipal workers, often resulting in injuries and death. The lower rates of unionisation due to outsourcing and privatisation results in the absence of joint management/union committees which are essential in addressing workplace accidents and hazards.

All municipal workers have experienced growing workloads and accompanying high levels of stress as a result of cuts to budgets and privatisation<sup>33</sup>. There is a growing body of research which is exploring the impact of workplace restructuring on the health of individual workers. The results show that continuous restructuring of the workplace affects both the mental and physical health of workers. There is a need to recognise the social role played by the workplace in the lives of workers, a role which is affected when workplaces are restructured. Public management reforms introduce new forms of organisation, similar to the private sector, and new targets which disrupt and often destroy the public sector ethos. This makes public sector workers feel devalued and often disengaged with the new management systems. A health impact assessment could contribute to raising awareness of how restructuring affects the health of workers.

In the Global North the introduction of digitalisation to LRG services is emerging as a new and growing OSH issue. The introduction of digitalisation to the municipal workplace often results in the deskilling of workers. Where once they communicated with service users and colleagues and used a range of social skills, with the introduction of digitalisation, the work is reduced to inputting data into a computer and workers no longer have control over their work process. In addition, the processes of reorganisation and restructuring which accompany digitalisation can break up established teams, which is now recognised as affecting the mental and physical health of municipal workers.

## 4. Public alternatives

Although the private sector has been promoted for over 30 years as being more effective and efficient, there is a lack of evidence to show that private provision is more effective and efficient than public provision in health, social care, education, and water & waste management services in both the Global North and South<sup>34</sup>.

As a result of some of the failures of privatisation to deliver adequate public services, social movements have demanded alternatives to privatisation in the form of re-municipalisation (PSIRU 2014). There are three main public sector alternatives:

1. Re-municipalisation;
2. Inter-municipal cooperation; and
3. Public-public partnerships.

### Remunicipalisation

Re-municipalisation was originally introduced in the light of the failure of the private sector to deliver public services in water and energy, but increasingly other public services, including, for example, public transport and social services, are being taken back “in-house”. Some of the triggers for re-municipalisation have been failure of the private sector, corruption, a lack of transparency, political willingness to take on the failure of the private sector in national or local elections and the need for new forms of service delivery.

In Paris, water services were re-municipalised in January 2010 after two contracts held by Suez and Veolia expired. The private contracts were not renewed because of a lack of financial transparency and accountability, which had been repeatedly criticized by the public audit bodies. In the first year of operations, the new municipal operator, Eau de Paris, made efficiency savings of €35 million, which allowed for an 8% reduction in tariffs, contrasted with a 260% increase under private operation from 1985 to 2008<sup>35</sup>.

In Norrtaelje, Stockholm, Sweden, the local municipal council set up a public company to develop an integrated system of health and social care, based on universal coverage and funded public programmes based on tax-based resources. The public company facilitated improved public sector collaboration and transformation through organisational change and leadership, with no extra funds<sup>36</sup>.

### Inter-municipal cooperation

Inter-municipal cooperation involves contracts or joint production with other local governments as a means to gain economies of scale, improve service quality and promote regional service coordination, within or between countries. One example is the partnership between the Belgian town of Edegem (population 22,000) and the Peruvian municipality of San Jeronimo (population 32,000) which have worked together on waste management since 2004. Edegem is a member of VVSG (Association of Flemish Cities and Municipalities) and of PLATFORMA, the European network of local and regional authorities for development (Gotev, 2015).

### Public-public partnerships (PUPs)

Public-public partnerships (PUPs) involve the collaboration between two or more public authorities or organisations, based on solidarity, to improve the capacity and effectiveness of one partner to provide public services. Peer relationships are forged around common values, interests and objectives, but which exclude profit-seeking. The absence of commercial considerations allows public partners to reinvest resources into local capacity, to build a mutual trust which translates into long-term capacity gains with low transaction costs. A network of international PUPs enabled the city of Phnom Penh, Cambodia, to increase water supply coverage from 20% in 1993 to 90% in 2007. The public utility PPWSA expanded access to water supply in Phnom Penh faster than in PPPs anywhere in the world<sup>37</sup>.

In the late 1990s, PUPs were used to clean up the Baltic Sea within the framework created by the Helsinki Commission (HELCOM) and in the context of prospective European Union (EU) enlargement. The municipal water operator of Stockholm, Sweden, entered into two PUPs with the municipal water operators of Kaunas, Lithuania, and Riga, Latvia. They both implemented investment programs of over \$100 million. Wastewater treatment plants were built on time and within budget. Local municipal operators were restructured and became autonomous and self-financing utilities<sup>38</sup>.

### Local participatory democracy approaches

There are some examples of local governments developing new ways of making decisions with their citizens, e.g. participatory budgeting in Porto Alegre, Brazil, which has been adopted by many countries across the world. The Asian Coalition for Community Action has been working in 19 Asian countries to create coalitions between people living in informal settlements and local governments to upgrade housing and services<sup>39</sup>.

## 5. Conclusion

The rate of global urbanisation is continuing to grow and this is affecting very large but also smaller urban centres. The pressures on public services and infrastructure will continue to pose problems for local and regional government.

The impact of privatisation, outsourcing and PPPs will continue to affect the LRG workforce, making it more difficult to secure well-paid work with good working conditions. The lack of systematic training of LRG workers is causing a lack of skilled workers. Outsourcing and privatisation result in the fragmentation of the municipal workforce. Trade unions face a continued struggle to secure labour rights in outsourced or privatised services. They will have to find ways of organising, mobilising and defending workers which address the problems of a dispersed workforce.

Some of the key issues facing LRG are how to fund public services and future infrastructure investment. There is still strong pressure by international financial institutions, international agencies and national governments for LRG to work with the private sector through PPPs. The loss of democratic autonomy that results from PPPs is a major problem for LRG to address in the future. Systematic tax avoidance, which reduces public finances and the resources available for public services, and the growing precarity and informalisation of labour are both linked to the private sector pursuit of profits and high investment returns. Alternative ways of promoting democracy and working with local communities have to be developed to ensure essential public services. Encouraging LRGs and their trade unions to work in partnership with each other to address shared problems is an essential first step.

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