

## The poor unprotected

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Privatisation increased in the 1990s, when the government needed to decrease its debt burden to make the economy competitive and to adopt the EURO. The focus was on making public services cheaper rather than on safeguarding public interests or fulfilling its human rights obligations. Underestimating the need for regulation, supervision and enforcement, the State has abandoned its human rights obligations. The poor, particularly women, have little protection against price increases and unemployment.

### Privatisation in different stages <sup>2</sup>

Since the 1980s, Dutch governments have used privatisation as a pragmatic instrument to economise on the state budget and deal with the failures of state intervention. Privatisation increased in the 1990s, when the government needed to decrease its debt burden to make the economy competitive internationally and to adopt the EURO. Beginning in 1989, essential and non-essential services, such as telecommunications, electricity, postal services and the social security system, were privatised. At the same time, the government cut expenditures in many public sectors, including education and health.

Privatisation has been characterised by a two-stage approach, avoiding the radical option of selling off state assets immediately. During the first phase, state enterprises are restructured and become independent state-owned companies that gradually become a market-driven, profit-making corporation. During the next stage, the government sells all or part of the shareholdings. So far, the government has sold part of the shares of the companies that operate the regular postal services (TPG Post) and telephone services (KPN), while some local governments sold shares of local energy companies. Only cable (television and internet), the «post bank» (the government run postal service that also provides banking services), and extra pension provisions have been fully privatised. The water sector and the railways are still fully in government hands.

Regulatory issues such as universal access for the poor, consumer protection (quality, prices, safety, etc.) and fair competition played a minor role at the start of the privatisation process. When new laws and semi-independent regulatory agencies were established, the government's obligation to respect rights under the international Covenant on Economic, Social and Cultural rights was neglected. Attention to safeguarding jobs or income was achieved only because of resistance by civil servants' unions opposed to privatisation.

Some highly publicised negative experiences, especially with the railways, have given many political parties and the public second thoughts and have currently stalled the drive towards further privatisation. The need for stricter contracts and regulatory bodies to safeguard quality is now well recognised. However, national policy makers did not realise in time that their flexibility to respond to privatisation has been substantially constrained by the European Union. For instance, no preference can be given to national providers (which is now the case in the health service) or privatised companies, but competition for public procurement needs to be open to all European companies. The authorities cannot regulate the prices, buildings and operation of privately financed health institutions.<sup>3</sup> EU rules also prevent certain regulations that protect public interests.

### Privatisation of water so far halted

At the end of the 1990s, the water distribution sector had been restructured into approximately 20 independent commercial companies owned by local authorities. However, the majority of policymakers and government members opposed actual privatisation, arguing that profit-making motives could undermine quality, supply guarantees, sustainable management of water and public access.

However, the government's decision against privatisation of its own water does not apply to developing countries. One of the companies owned by local government (NUON) has formed a joint venture (CASCAL) with a British company (Biwater) to operate privatised water systems in different developing countries. These operations have raised concerns about job cuts and universal access. In spite of complaints by the Dutch Minister of Environment, parliamentarians and NGOs, in WTO negotiations on services (GATS), the Netherlands supported the EU's requests to developing countries to open up the water sector permanently to foreign companies without guarantees for universal access and quality. At the same time, the government has been supporting many bilateral and international initiatives for sustainable and equitable water distribution. The government sees a role for the private sector to invest in water access for all, through privatisation or public-private partnerships, provided that the government plays an important role to protect access to water for the poor.

### Public-private co-operation in the health sector <sup>4</sup>

During most of the 1990s, the government not only cut the budget for health services but also introduced market-oriented measures to make hospitals and other health providers operate as efficient private companies. The health system was transformed into a public-private system in which private health insurance companies play an intermediary role between the patients and health providers. Citizens pay these companies fees according to their income. In addition to a «basic package» of health services, people can pay higher fees for insurance coverage of more or better services, thus ending the principle of equal coverage for all.

The quality of health services delivered by the public-private system is reasonably good but has been decreasing, while innovation has lagged. Problems of access and availability plague the health sector: waiting lists (even for life saving operations), insufficient capacity to deal with emergencies, lack of nurses and doctors (half a million Dutch people have no family doctor<sup>5</sup>), and little choice in health services. Thus, the State is failing to fulfil its obligation to provide an essential human right.

Some private health insurance companies took measures to improve coordination between different health services and shorten the time patients have to wait for treatment, including use of private or even foreign hospitals.

The State sets standards for private hospitals, requiring a permit, setting prices and regulating their operation and finances. Private hospitals are not allowed to profit

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<sup>2</sup> See W. Hulsink, «Tides in infrastructure politics? Experiences with privatisation, liberalisation and regulatory reform in the Netherlands», paper, April 2001.

<sup>3</sup> «Europa remt privatisering zorgstelsel af», *Het Financieel Dagblad*, 30 September 2000.

<sup>4</sup> See *Sociaal en Cultureel Rapport 2002*, by Sociaal Cultureel Planbureau, 2002, pp. 322-326.

<sup>5</sup> «Twaalf tips voor de zorg», in *Elsevier*, 22 June 2002

from «regular» care and complain that the State harms them financially. Therefore, they specialise in procedures that do not require patients to stay longer than one day.

The new Minister of Health declared in September 2002 that there should be much more room for the functioning of the market and private clinics. Health practitioners have rejected an increasing role for the private sector, sending patients to foreign clinics, or attracting foreign nurses. Concerns about the potentially negative impacts of greater private provision include:

- damaging public service: private health care services focus on highly profitable services and rich clients, leaving fewer funds for less profitable services or leaving them to the public sector;
- price increases by private health services, which are expensive and not subsidised by the State, make many specialised health services unaffordable for poor people;
- deteriorating working conditions and training opportunities due to pressure to cut expenditures.

### Impact of market orientation on education

Primary and secondary education continues to be financed by the government, but the national government has introduced measures to increase standards while maintaining or decreasing expenses through market orientation, deregulation and autonomy. Together with budget cuts, these measures have led to increasing stress for personnel, a lack of teachers, an ageing infrastructure, as well as unequal quality and segregation.<sup>6</sup>

Due to the poor quality of public education, in recent years non-subsidised private primary and secondary schools have popped up. Although the quality is considered much better, the fees are high. This trend towards expensive, high quality private education is contrary to the Covenant (Art. 13.2.), which strives to provide free education at all levels. One initiative for basic education has been sponsored by businesses that are interested in teaching children the spirit of enterprise. However, the stability of corporate sponsorship, in which corporations fund schools in exchange for publicity, has yet to be determined.<sup>7</sup> Corporate sponsorship has increasingly allowed the private sector to enter all parts and all levels of education: in 2000/2001, 13% of the schools in primary education and 27% of the schools in advanced education received this kind of sponsorship.<sup>8</sup>

### Conclusion: privatisation and social issues

In the processes of privatisation, the authorities have long focused on making public services cheaper rather than on safeguarding public interests or fulfilling its human rights obligations. Policy makers have underestimated the need for regulation, supervision and enforcement. For instance, ownership of shares in the privatised companies has not given the government the influence necessary to secure public interests<sup>9</sup>: the price increases by the NS train company could not be stopped by the State even though it fully owns the company. Other protections for consumers, citizens and workers, such as regulations and strict contract provisions, have not guaranteed lower prices, better quality or equal access.

In sectors in which the government has kept major control, i.e. health and education, budget cuts have resulted in poorer services and, consequently, more private provision. The State has increasingly abandoned its human rights obligation to provide sufficient and high-quality medical or education services to all. Orientation of these sectors towards the market conflicts directly with public interest.

### Privatisation of anti-poverty policies

Poor people have little protection against the gradual increase in prices of some privatised services (see box). No Dutch law forbids cutting off people from water or energy services when they cannot pay the bill. Governmental poverty-reduction measures only include subsidies for education and housing. Some private initiatives have shown improved quality but often at high prices, thus limiting access to those who can afford it. The governmental policy to fight poverty by getting people back to work has been privatised but has had

many implementation problems. Private «reintegration» companies only help the most employable people go back to work while leaving out many others.

### Women: the vulnerable domestic rearguard

The lack of availability and quality of privatised (e.g. postal services, «post bank») and «marketised» (e.g. health, education, trains) services makes it more time consuming for women to access them and adds to the stress which they experience combining working and caretaking roles.<sup>10</sup> On days that children are sent home because of teacher shortages, women are more likely to leave work. The good privatised services are also expensive; thus, poor women are at a disadvantage. Decreasing job security and more demanding job requirements (flexibility, etc.) have not made it easier for women to work in the basic public services sectors. For instance, 60% of women family doctors give up their profession after 5 years, a result of the profession's high demands and insufficient resources of doctors and hospitals. Hospital reorganisations increased the number of managers, mostly men, while those caring for hospital patients, mostly women, had their jobs cut. ■

### Lessons of privatisation of non-essential services

#### • Energy

*Increased efficiency can hurt consumers.* In preparation for full privatisation in the energy sector, many measures have been taken to liberalise electricity production and distribution, but some companies are still owned by local authorities. Privatisation of electricity networks has been put on hold. Corporate measures to increase the efficiency of electricity distribution and face international competition have revealed the following problems:

- prices for individual consumers have increased more than for business users<sup>11</sup> who can make price deals after liberalisation;
- customer invoices are sent out late, making it difficult for poor people to spread out costs;
- quality standards to guarantee electricity delivery, such as less investment in maintenance and security, have decreased;
- the working conditions and collective bargaining contracts have deteriorated, and jobs are being cut;
- strategies to compete internationally have not always been profitable. ESSENT and NUON sustained large losses after making expensive acquisitions abroad;
- expensive advertisements to attract customers might nullify the cost savings of liberalisation;
- incentives to encourage energy conservation have diminished.

#### • Privatised pension funds

*Markets do not always guarantee profits.* Since the State only provides for a basic pension income, employers and workers contribute to private pension funds. The employers determine their own contribution. The administration of the private funds has been mismanaged. Pension funds invested 46% (June 2002) of their capital in shares in the national and international stock market. After years of enormous gains, the value of shares tumbled, and in 2002 some pension funds could not cover 100% of the pension disbursements. The state supervisor has ordered measures to address the problem, which might result in higher payments for pensions (up to 50%), foregoing wage increases in return for more contributions from employers, or paying out lower disbursements.<sup>12</sup>

#### • Telecommunication

*Private speculation has public costs.* The government privatised all non-mobile telephone services by making the company operate as a private company (KPN) and selling a part of the shares on the stock market. In practice, there is only one private monopoly. The KPN has been praised for achieving more efficiency, innovation of many products, and stable or decreasing prices. However, it has been criticised for installing too much network capacity and pursuing unsuccessful strategies such as expensive acquisitions abroad. The resulting debt almost caused the collapse of the company, which was saved by job cuts, the sale or liquidation of some of its businesses, and a change to customer prepayment. The government's shareholdership did not prevent KPN from becoming unsustainably indebted and putting the public interest at stake. The telecom sector specific supervisor (OPTA) does not have a mandate to supervise the quality of the services.

#### • The national railways

*Private mismanagement harms public service.* The «privatisation» of the railways is generally seen as a disaster. In fact, all shares of the train company NS have remained in government's hands, but NS has operated as a private company since 1992. Efforts to introduce competing private train services failed. Because of too few new trains, NS was unable to cope with the increasing number of passengers. Travellers had to cope with late, cancelled and overcrowded trains. Workers did not accept the new efficiency measures that eroded working conditions: strikes worsened the situation. This «private» monopoly was not supervised by a regulator to protect the interests of the consumers. After standards specified in the performance contract were not achieved, the government's imposition of sanctions did not result in an immediate improvement of service.

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6 Sociaal en Cultureel Rapport 2002, op.cit., p. 552.

7 Diedema, «Leren in een sprookje», in *Intermediair*, 27 June 2002, p. 19.

8 F. Adams, H. Beerends, P. Krooneman, «Sponsoring in het onderwijs», for Regioplan Onderwijs en Arbeidsmarkt BV, 8 October 2001, p. ii.

9 «Overheid als aandeelhouder weinig zinvol», in *Het Financieel Dagblad*, 23 August 2002.

10 «De veeleisende samenleving», October 2002.

11 «Energie Markt trends: Eindverbruikersprijzen elektriciteit», at [www.energie.nl/emt/deel4-ozd.html](http://www.energie.nl/emt/deel4-ozd.html)

12 «Spoed geboden: babyboomers gaan met pensioen», in *NRC Handelsblad*, 1 October 2002.