



BPSU REPORT: MUTUALISATION

This report paper was developed by Bro. Jason Hayward, President and Bro. Edward Ball Jr., General Secretary of the BPSU. This report seeks to build on information provided in BPSU's position paper and is specifically aimed to provide information on Mutualisation.

Report on
Mutualisation in
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Report Highlights

1. In December 2013, the Minister of Finance, E.T Bob Richards introduced the concept of mutualisation to Bermuda.
2. In its simplest form, public service mutuals can generally be described as organizations which have been derived from the public sector and continue to deliver public services, in which employee control plays a significant role in their operation.
3. To date, approximately 100 public service mutuals have been formed in the United Kingdom. These mutuals collectively control about \$1.6 billion, less 1 per cent, of total public spending with the vast majority being local community based services, not traditional Government departments.
4. The founding principles of public services, namely universal access, delivery according to needs, services free at point of use and services delivered for the public good rather than for profit should be at the heart of any model of public service.
5. The evidence supports that either the Minister of Finance deliberately tried to mislead the public on the success of MyCSP [MY Civil Service Pension] or he was misinformed on the true reality.
6. Where is the evidence to support the Minister of Finance's claims that mutuals will lead to a more user friendly, innovative, efficient and economical service?
7. Can these benefits be derived from other types of in-house reform that do not involve mutualisation?
8. Is it truly about cost-cutting or boosting productivity and enhancing the quality of the public service?
9. What problems in the public sector have been highlighted that mutualisation will address?
10. Who is driving the agenda for mutualisation?
11. Why would the Government mutualise a Department that makes an operational profit?
12. What happens if employees were to own a non-profitable mutual and it fails?
13. The BPSU calls on all public servants and members of the public to 'Say No' to the Government's mutualisation agenda.

Mutualisation in Bermuda

Context

In December 2013, the Minister of Finance, E.T Bob Richards introduced the concept of mutualisation to Bermuda. This announcement preceded the date on the SAGE Report recommendations. The Minister stated:

“With even the mere possibility of certain Government functions being privatized being met with consternation and horror in certain quarters, I would like to introduce a concept that has been put into practice in the UK with considerable success.

What if we could find a way to unleash that wealth creating power, that efficiency creating power, that power delivered by intelligent balancing of risk versus reward.

What if we could apply that attitude, that only comes from self-interest, to some functions currently provided by the Government and thereby make those services more user friendly, innovative, efficient and economical? What if we could?

Indeed we can! It is called mutualisation. What is mutualisation? Mutualisation is a process by which a service, that is currently provided by the public sector, is spun off into a separate entity, but the staff employed by Government providing the service move over to the new entity, not only as employees, but as shareholders of the new entity with representation on the board.

Typically these employees will be provided their shares without charge by the government and there will also be other private sector investors invested in the entity. Often, but not always, the Government will retain some shareholding going forward.

Mutualisation transforms employees into owners, with outstanding success in the UK.

If the staff is unionized, they choose whether to keep their membership in the union after mutualisation, and many have done so.

Mutuals have a 5-6 year track record in the UK and there has evolved a proven play-book on how to mutualise: what to do, and what not to do, to take this concept from an idea to success on ground.

One example of a successful mutualisation is MyCSP [MY Civil Service Pension].

There has been much talk about economic empowerment over the years, but little concrete achievement. Mutualisation of certain Government services has proven itself to be an outstanding success in economic empowerment in the UK.

And we think that, at this time in our history, there could be a confluence of two opportunity streams; first, the opportunity to slim down Government and the second the opportunity for economic empowerment by way of mutualisation.”

What is Mutualisation?

Mutualisation can be described as the process of converting public services into public service mutuals. There are several different varieties of public service mutuals. **In its simplest form, public service mutuals can generally be described as organizations which have spun out of the public sector and continue to deliver public services, in which employee control plays a significant role in their operation.** They can vary in terms of their legal form, business model and ownership and governance model.

Mutuals in the UK

In May 2010, Prime Minister, David Cameron, and Deputy Prime Minister, Nick Clegg, set out the Coalition Government’s Programme for Government. The programme set out radical plans for public service reform, including for a wide range of groups and organisations, such as mutuals, co-operatives, charities and social enterprises, to have much greater involvement in the running of public services.

The Minister of the Cabinet Office, Francis Maude, built on this commitment in a speech later that year, where he set out his vision to empower public sector workers to release their ‘entrepreneurial vigour’ to take over the running of the services they provide, as part of opening up the delivery of public services beyond the traditional binary choice of public and private. The Minister pointed out how ownership and control, through mutualisation, can empower employees to redesign services around users and communities freeing up their untapped entrepreneurial and innovative drive.

This was further reinforced through the publication of the White Paper *Open Public Services*, which positioned the role of mutuals at the heart of the Government’s vision for public service reform. The White Paper set out a comprehensive policy framework across public services.

To date, around 70 to 100 public service mutuals have been formed. **These mutuals collectively control about \$1.6 billion, less 1 per cent, of total public spending with the vast majority being local community based services, not traditional Government departments.** Established mutuals fall in the following service areas:

- Adult and Community Learning Services
- Culture & Libraries

- Fire and Rescue Authorities
- Integrated Health and Social Care
- Social Work
- Children & Youth Services
- Education
- Health
- Leisure

Significant staff resistance:

- NHS Ballots
- MyCSP

BPSU's Position on Mutualisation

The BPSU have undertaken an exercise to research the full extent of what is being proposed. The method that the Government will use for creating public service mutuals and the extent of the Government's mutualisation plans remain unknown. What we do know is that the proposed Public Bodies Reforms Act 2014 will serve as the platform for the undertaking.

We embrace the notion that public services have a unique position and role to play as part of our society. They are not discretionary commodities, and provide benefits not only to service users but to the wider society. **The founding principles of public services, namely universal access, delivery according to need, services free at point of use and services delivered for the public good rather than for profit should be at the heart of any model of public service.**

The BPSU supports the belief that the public sector is the best place to provide public services that meet the above mentioned criteria and we will continue to advocate for publicly owned and democratically accountable public services.

We are concerned that the Government may attempt to pass off mutualisation as something beneficial when in fact, that may not be the case. The Minister of Finance, E.T. Bob Richards, indicated that an example of a successful mutualisation is MyCSP. However, Co-Operatives UK and the UK TUC report:

“The civil service pension scheme manager MyCSP, for example, was formed as a private business without a ballot for staff on the transfer and operates without the genuine accountability that would make it a true mutual. Employees hold just 25 per cent of the shares in a trust, with 35 per cent being held by the government and 40 per cent owned by private investor Equiniti, led by former employees of outsourcing firms Serco and Capita.”

This is why the Co-operative Party has called it a “quasi mutual private enterprise”, not a worker-owned co-operative or a real mutual.

The UK TUC further report:

“The government cites MyCSP as an exemplar mutual spinning out of the civil service. However, there has been minimal consultation or negotiation with the workforce or union and Public and Commercial Services Union members at MyCSP have been so hostile to the move that industrial action was held in July 2011 and a staff survey completed by 211 of the 380 staff at MyCSP found that 94 per cent did not agree that turning them into a ‘mutual joint venture’ would “empower employees and drive up performance”. Ninety-five per cent said they wanted to retain their civil service status – a request that government has refused.”

In addition:

“MyCSP Limited’s CEO Phil Bartlett confirmed (interview with Civil Service Live) that after vesting the new Mutual Joint venture expected to cut its staff headcount by at least 50 per cent.”

“The Public and Commercial Services Union and the TUC regard “Mutualisation” of MyCSP and the model of the Mutual Joint Venture as simply privatization under a new name. They report, the Government has not attempted to secure staff buy-in, and ignored consistent evidence that staff would rather stay within the public sector and reveal that the Government’s claims to give staff a say in the running of public services is simply spin and fiction.”

The case of MyCSP is a prime example of how we can be misled about the true reality of mutualisation. **The evidence supports that either the Minister of Finance deliberately tried to mislead the public on the success of MyCSP or he was misinformed on the true reality.**

We are cognizant of the fact that spinning out public services into mutuals may not draw the level of public opposition that traditional privatization would, but it still accepts the logic of the market in public service provision and, in the long term, could also result in a major extension of more traditional privatization.

The Minister of Finance asked the public, “What if we could find a way to unleash that wealth creating power, that efficiency creating power, that power delivered by intelligent balancing of risk versus reward? What if we could apply that attitude, that only comes from self-interest, to some functions currently provided by the Government and thereby make those services more user friendly, innovative, efficient and economical?”

The BPSU believes that there is no reason to believe that mutualisation is necessary to achieve a service that is more user friendly, innovative, efficient and economical. These are all qualities that could be built into, and should be a part of, the day-to-day work of public service provision.

We believe that the Government's view on mutualisation is less about empowering employees and more about reducing the size of the current public service. We ask members to consider the following:

1. **Where is the evidence to support the Minister of Finance's claims that mutuals will lead to a more user friendly, innovative, efficient and economical service?**
2. **Can these benefits be derived from other types of in-house reform that don't involve mutualisation?**
3. **Is it truly about cost cutting or boosting productivity and enhancing the quality of the public service?**
4. **What problems in the public sector have been highlighted that mutualisation will address?**
5. **Who is driving the agenda for mutualisation?**
6. **Why would the Government mutualise a Department that makes an operational profit?**
7. **What happens if employees were to own a non-profitable mutual and it fails?**

If the Government believes that mutualisation is a quick fix cost-cutting exercise, they are likely to be wrong. Recent research by the Association of Public Service Excellence (APSE) argue that three elements need to be in place to ensure that mutuals and co-ops have any chance of long term sustainability:

- A contract length of five years or longer, which also locks in previous benefits such as adequate training provision and decent staff terms and conditions;
- Buy-in from key stakeholders including staff, citizens and elected members; and
- Ongoing support, advocacy and expert advice from the public sector.

If mutualisation is forced upon the public service, the BPSU will work to ensure that the Co-Operatives UK and TUC best practice guidelines are adhered to. The guidelines lay out the conditions that should be in place to ensure that public service mutuals are based on employee support and offer genuine employee ownership and representation.

The five key areas that the guidelines address are:

- **Workforce engagement and consultation** – ensuring that the agenda is employee driven
- **Governance and democracy in the mutual** – ensuring genuine employee ownership and participation

- **Commissioning of services** – ensuring that open competition does not lead solely to privatization
- **Safeguarding of public assets** – protecting public assets from private takeover
- **Employment standards** – stopping the race to the bottom

The guidelines emanate from Recommendation 193 of the International Labour Organization on the Promotion of Cooperatives (2002), with particular reference to Paragraph 8 and Section IV covering labour standards and the role of employers, workers and co-operative organizations and the relationships between them.

The Guidelines set out principles of good practice whilst recognising the central role of the members and governance structures of co-operative or mutual enterprises in determining the best way to deliver public services that provide members value through a sustainable model.

The BPSU calls on all public servants and members of the public to ‘Say No’ to the Government’s mutualisation agenda.

