

Re-municipalization of Local Public Services: Incidence, Causes and Prospects

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(Forthcoming, *International Review of Administrative Sciences*)

Since the turn of the century a global trend of re-municipalization has emerged with cities reversing earlier privatizations and returning infrastructure and public service delivery to the public sector. The reversal of privatization measures is not an entirely new phenomenon. In the US for example, returning public services to in-house production has been a long-standing feature of ‘pragmatic public management’. However, many cases of re-municipalization that have occurred since the early 2000’s represent a distinctive shift from earlier privatization policies. High-profile cases in cities including Paris and Hamburg have thrust re-municipalization into the limelight as they have followed public campaigns motivated by dissatisfaction with the results of privatization and a desire to restore public control of vital services such as water and energy. Just as the reform of public services towards privatization spawned a vast body of scholarship the current re-municipalization phenomenon is increasingly attracting the attention of scholars from a number of disciplinary perspectives. The papers contained in this Symposium contribute to this emerging literature. They address some of the burning issues relating to re-municipalization but they also point to issues yet to be resolved and shed light on a research agenda that is still taking shape.

What does the Label Re-municipalization mean?

One prominent issue in the emerging re-municipalization literature is the need to contextualize and improve our understanding of the concept. To date the term re-municipalization has been broadly used to describe changes in public service delivery that differ in spatial respects and also in terms of where the reform fits into the sequence of events. This spatial and sequential diversity poses challenges when seeking to conceptualize re-municipalization.

In spatial terms, Clifton et al (2021) suggest that re-municipalization should be considered at the level where the municipality is the unit of local government. In this sense re-municipalization is distinguished from other types of reverse privatization that occurs at the national or state-owned enterprise levels. The term re-municipalization is also used to describe reform at the levels of regional government and inter-municipal cooperation. However, sequential issues arise at these levels. For example, in some cases, services move from inter-municipal contracts to a municipality. Where these services were never delivered at the municipal level it is not clear if such changes should be labelled *re-municipalization* (italics used for emphasis).

Notwithstanding these questions around the definitions of re-municipalization and its conceptualization there is sufficient evidence to suggest that there has been a shift in the pendulum that over time has swung between public and private control and delivery of public services. It is instructive therefore to understand the scale and drivers of the current re-municipalization phenomenon and to consider these aspects in a historical context.

From local privatization to re-municipalization

The so-called 'regulatory consensus' that followed the Great Depression was increasingly challenged from the 1960s onwards especially due to theoretical and empirical developments that originated in the Chicago School, which questioned the results of government intervention in the market and had a strong influence on academia and politics. Extensive adoption of contracting-out policies coincided with influential scholarly research on the topic (e.g. Donahue, 1989). Subsequent works reviewed the main factors triggering local privatization. Bel and Fageda (2017) found fiscal constraints and the objective of cost-reduction to be the main factors promoting privatization. Political partisan interests (seeking support to stay in office) played a role in privatization, while ideology has been less influential (except for social/personal services).

Regarding the effects of the privatization of public services, the most recent literature reviews and statistical meta-analyses of privatization and costs (Bel, Fageda and Warner, 2010; Petersen, Hjelmar and Vrangbæk, 2018) show no significant differences between public and private production since the beginning of this century. The main reasons for the lack of systematic cost savings from privatization are static as well as dynamic. Regarding the structure of the local services and local markets, transaction costs (Brown and Potoski 2003) and low competition for contracts (Hefetz and Warner, 2012) are the two most important hazards for privatization. Regarding market dynamics, a tendency towards concentration in local services has been found to amplify competition failures, and further erode potential benefits from privatization (Bel and Costas, 2006; Dijkgraaf and Gradus, 2007; Gradus et al, 2016).

The lack of clear evidence of superior performance under privatization can be usefully considered in the context of a reversal of these policies. The widespread emergence of re-municipalization policies since the early 2000s has been largely driven by disappointment

with results from privatization (Clifton et al, 2021). Ideological factors also appear to have played a minor, albeit occasional role, in practice (Gradus and Budding, 2020).

Structure and contents of this special issue

The articles included in this symposium deal with several relevant aspects of the core re-municipalization theme. Martijn Schoute, Raymond Gradus and Budding Tjerk open the issue with the article ‘Drivers of service delivery modes in Dutch local government: an analysis over time and across domain’. They investigate the trend of re-municipalization in the general context of service delivery mode choice by municipalities, both over time and across the physical and operational domains. Based on Dutch municipal data for 2010 and 2018, they find that inter-municipal cooperation (and, to a lesser extent, use of municipality-owned firms) increased significantly, whereas in-house production and use of private firms declined. Their analysis suggests that municipality choices of service delivery modes are particularly driven by service characteristics. They observe significant results for asset specificity and measurement difficulty. Moreover, they find some indications that political fragmentation decreases the ability to outsource, especially to municipality-owned firms.

The symposium continues with the article ‘Country, Sector, and Method Effects in Studying Re-municipalization: A Meta-Analysis’, by Bart Voorn. The article reports findings of a meta-analysis on the causes of re-municipalization and provides evidence on the role played by countries selected, sectors examined, and methodologies applied in a large variety of studies. The author delivers a synthesis of the academic findings and uses an analytical framework to classify causes into three main groups, distinguishing by “proximate”, “intermediate” and “ultimate” causes. Political and pragmatic factors appear to be most

frequently considered and found as causes of re-municipalization; environmental factors are considered less frequently but also seem highly relevant. Because the divide between qualitative and quantitative methods is one of the most influential choices in the literature, the article uncovers and discusses their main differences.

Another aspect that deserves attention is the study of the implementation of re-municipalization policies. In “Government choice between contract termination and contract expiration in remunicipalization- A case of historical recurrence”, Daniel Albalade, Germà Bel and Eoin Reeves explore the way in which re-municipalizations materialize. These authors employ an international database of re-municipalizations to assess the determinants leading to the decision to terminate contracts or wait until they expire. The main findings indicate that larger cities, those services with strong monopolistic characteristics and strong public interest, and decision making at the municipal level are all positively associated with contract termination. On the contrary, the energy sector and French legal origin are negatively associated with termination. Given these results the authors discuss how disappointment with the results of privatization has given impetus to the restoration of the public interest approach (due to market failures), providing evidence on the symmetry between oscillations from privatist to public paradigms observed.

Finally, David Hall and Vera Weghmann cover in “The unsustainable political economy of investor-State Dispute Settlement /ISDS) mechanisms”, the mechanisms to deal with expropriation disputes. Specifically, they analyze the investor state settlement dispute mechanisms (ISDS), which protect companies from the Global North against expropriation by Global South governments. This mechanism has been increasingly used to obtain compensation in nationalizations and remunicipalizations and to protect commercial interests from environmental and social regulations of service provisions. However, they are now in

steady retreat, in the face of opposition from both governments and social movements. Hall and Wegmann propose a political economy analysis of the processes of supporting and contesting the role of ISDS mechanisms. They consider the influence of post-colonial contradictions over sovereignty, globalization, the continued contestation over the role of the State and climate change policies.

Agenda for future research

Although important inroads into our understanding of the phenomenon have been made in the recent literature, there is still ample opportunity to further our knowledge into the *what, where, why, how* and impacts of re-municipalization.

Several contributions to the literature to date have highlighted the scope for greater clarity about what policymakers and scholars mean when they use the term re-municipalization.

Although data on the extent of re-municipalization activity has become more available spatial aspects of re-municipalization are relatively underexplored and are largely dominated by the experience in a few countries. In this sense there is a need for more complete international data on re-municipalization activity especially in low-income countries where privatization policies have been prevalent.

Much of the extant research on re-municipalization has examined the reasons for its occurrence. The recommendations by Voorn (this issue) provide a useful guide for future research into this question. In particular he recommends that future quantitative studies include variables of citizen interest and grassroots political movements. For qualitative research, case studies should avoid bias towards big political cases and strive for a more systematic approach to case selection. The issue of policy implementation also presents

interesting opportunities for further research. This is suggested by Albalade, Bel and Reeves (this issue) who illuminate the importance of this issue as the implementation of re-municipalization decisions can influence the sustainability of these policies (i.e. how long they last).

Finally, there is a need for greater understanding of the economic and social impacts of re-municipalization. In this context, rigorous performance-based studies are essential if policy makers are to make informed decisions about how vital public services are controlled and delivered in the future.

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