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Albalate, Daniel; Bel, Germà; Gradus, Raymond; Reeves, Eoin

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Re-municipalization of local public services: incidence, causes and prospects

Daniel Albalate
Universitat de Barcelona, Spain

Germà Bel
Universitat de Barcelona, Spain

Raymond Gradus
Vrije Universiteit Amsterdam, The Netherlands

Eoin Reeves
University of Limerick, Ireland

Abstract
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 2000s 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 articles 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.

**Keywords**
contracts, local government, privatization, public services, re-municipalization

**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. (2019) 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 occur 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’.

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 has swung over time between the 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 et al., 2010; Petersen et al., 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 to 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., 2019). 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 Tjerk Budding (2020) open the issue with the article ‘Drivers of service delivery modes in Dutch local government: An analysis over time and across domains’. 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 regarding 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 (2021). The article reports findings of a meta-analysis on the causes of re-municipalization and provides evidence on the role played by the 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 between ‘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. As 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 Albalate, Germà Bel and Eoin Reeves (2021) 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 factors positively associated with contract termination. On the contrary, the energy sector and French legal origin are factors 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 as to the symmetry between oscillations from the private to the public paradigms observed.

Finally, David Hall and Vera Weghmann (2021), in ‘The unsustainable political economy of investor–state dispute settlement mechanisms’, cover the mechanisms to deal with expropriation disputes. Specifically, they analyse the investor–state dispute settlement (ISDS) mechanisms that protect companies from the Global North against expropriation by Global South governments. This mechanism has been increasingly used to obtain compensation in nationalizations and re-municipalizations, and to protect commercial interests from environmental and social regulations regarding service provision. However, they are now in steady retreat in the face of opposition from both governments and social movements. Hall and Weghmann 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 have become more available, spatial aspects of re-municipalization are relatively underexplored and 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 (2021) provide a useful guide for future research into this question. In particular, he recommends that future quantitative studies include variables of citizen interest and grass-roots 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 Albalate, Bel and Reeves (2021), 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 policymakers are to make informed decisions about how vital public services are controlled and delivered in the future.

ORCID iDs
Daniel Albalate https://orcid.org/0000-0002-4940-4589
Germa` Bel https://orcid.org/0000-0002-1330-8085
Raymond Gradus https://orcid.org/0000-0002-4519-4633
Eoin Reeves https://orcid.org/0000-0003-4674-3152

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Daniel Albalate is Associate Professor of Economics and Deputy Director of the
Observatory of Analysis and Evaluation of Public Policies at the University of
Barcelona, Spain. His research focuses on the empirical evaluation of public policies.

Germà Bel is Professor of Economics and Director of the Observatory of Analysis
and Evaluation of Public Policies at the University of Barcelona, Spain. His research focuses on the empirical evaluation of public policies.

Raymond Gradus is Professor of Public Economics and Administration at the Vrije
Universiteit Amsterdam, The Netherlands. His research focuses on public admin-
istration, local government, environmental policy and social security.

Eoin Reeves is Head of the Department of Economics and Director of the
Privatisation and PPP Research Group at the University of Limerick, Ireland. His research focuses on the economics of public–private partnerships.