

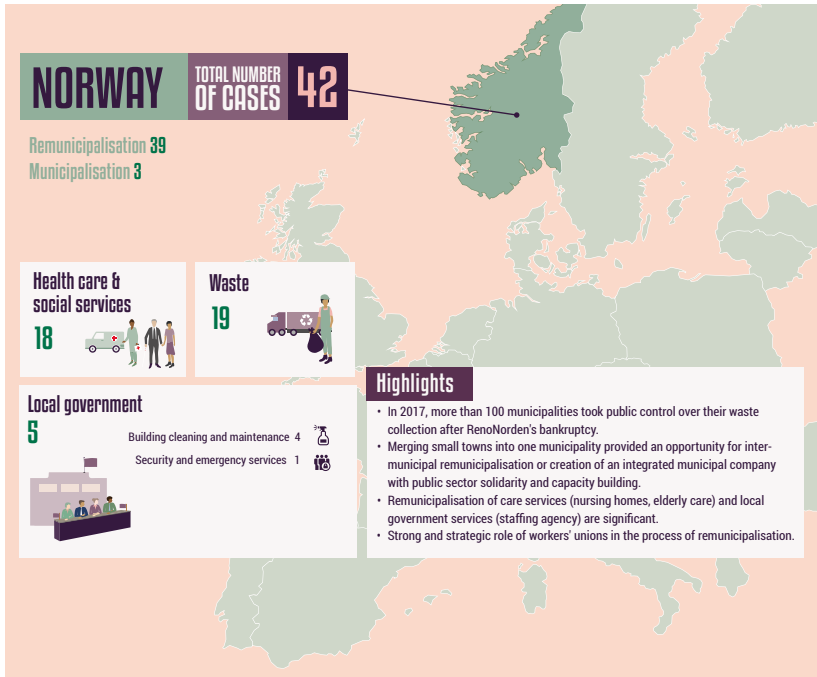
# Norway: Bankruptcy sparks more than 100 cases of remunicipalisation

By Nina Monsen and Bjørn Pettersen

When one of Norway's largest waste collection companies went out of business, Fagforbundet used it as a stepping-stone for taking waste collection back into public hands. The waste collection company, RenoNorden,<sup>1</sup> declared bankruptcy on 19 September 2017. Since then more than 100 municipalities, alone or in cooperation, have taken public control of their waste collection. The strategic thinking and hard work of Fagforbundet and its local unions and shop stewards played crucial roles in this achievement. Before RenoNorden's bankruptcy some municipalities were aware that the company faced difficulties in the Norwegian market, especially after RenoNorden announced it would terminate nine less profitable municipal contracts signed in 2015 and 2016. Workers in commercial waste companies faced some of the worst conditions in the country, according to county-level representative Anders Kollmar-Dæhlin who was part of the project team working on getting waste collection back in house. "Many of the employees in RenoNorden had 90-hours work weeks. These over-worked drivers are driving on the same roads that our kids use to get to school," Kollmar-Dæhlin says.

In Norway, waste collection is financed with tax revenue. But private companies contracted to deliver the services usually pay their employees lower wages and pensions than municipalities that manage those services in house. "The commercial companies make profit at the expense of the common resources of the municipality's welfare services," Kollmar-Dæhlin adds. Kragerø municipality in southern Norway was quick to act

and negotiated with RenoNorden to terminate its contract. It became the first municipality to take back waste collection. The result was better pay for employees and lower fees for residents (See Box II).



Box I

### Fagforbundet

Fagforbundet, the Norwegian Union of Municipal and General Employees, is the largest trade union in Norway. The union has 370,000 members. Our members work mainly in the public sector, in local and county government and in hospitals, as well as in the private sector. Fagforbundet also represents 17,000 shopkeepers across the country.

## A chance for success

Fagforbundet saw the demise of RenoNorden as an opportunity to bring waste collection back into public hands in all 137 municipalities affected by the company's collapse. The day it declared bankruptcy, Fagforbundet's Secretary General Mette Nord sent a clear and direct message to local unions in the affected municipalities: "To avoid a breakdown of waste collection, the municipalities that had contracts with RenoNorden will most likely have to take over the waste collection in the short term. Our aim is to make this takeover a permanent solution." Nord underlined that Fagforbundet's competence centres, which are regional support centres on labour law and collective agreements, and county-level unions that back and support the local unions would be prepared to give support and follow-up to the remunicipalisation efforts. The union also provided assistance for financial analysis and cost calculations.

Although there had been some reporting on a possible bankruptcy, it came as a surprise to most municipalities. Some had started to consider alternatives, but the local shop stewards and union representatives were not sufficiently involved in these discussions. According to procurement regulations, municipalities can enter short-term contracts with other suppliers without tenders when a provider goes bankrupt. Some municipalities outsourced to a new private company, but most remunicipalised or even municipalised the waste collection, as they had never provided the service in house before. To aid the process, a project team of professionals from Fagforbundet's head office and a union representative from the county level went on the road to support affected unions. By February 2019, 110 municipalities had voted to remunicipalise or municipalise waste services either through inter-municipal companies or on their own.

## Keeping knowledge in house

There are many advantages to keeping waste collection in municipal hands. Municipalities have better democratic control and can predict costs. Municipal delivery keeps the knowledge in house, and provides decent working conditions, better pensions and training opportunities for employees. It also means equipment is put to better use and the municipality has control over recycling and how waste is used. When services are in municipal hands, it also lays a foundation for employee-driven innovation, which in turn leads to better services.

### *Case I: Kragerø*

#### **A good-news waste collection story**

Kragerø was the first municipality to take its waste collection back into public hands in connection to RenoNorden's bankruptcy. Employees and their shop stewards were on the lookout and alerted the municipal administration that RenoNorden was not fulfilling its duties as a waste collection company. In an agreement with RenoNorden, Kragerø terminated the contract before it went out of business. After a thorough analysis, the municipality decided to take waste collection back in house.

Kragerø is ruled by a political constellation of the Labour party and its allies on the left of Norwegian politics. According to the vice-mayor of Kragerø, Charlotte Therkelsen Sætersdal, the analysis showed it was more effective and cost-efficient to remunicipalise waste collection and bring it under the control of the elected local government. The fee for residents was reduced by 14 per cent after remunicipalisation, even as wages and pensions for the employees increased. The municipality saved money by avoiding expensive tendering processes and benefited from having its own full-time employees in waste collection who could also carry out duties in other areas of responsibility for the municipality.

In addition to better pay, employees who went from RenoNorden to the municipality as their employer are reporting improvements in their work situation. Workers without formal training are being offered support to obtain vocational education diplomas for their skills. The number of part-time workers has gone down, and workers are getting permanent contracts with more hours or full-time positions.

“Removal of refuse and handling of waste are important tasks in society. The service should be run by an organisation with a broader mandate than making a profit,” says Vice-Mayor Sætersdal.<sup>2</sup>



Morgan Martini and Kjell Arne Isnes are two of the workers who were employed directly by the municipality when Kragerø took over waste collection. “Now we don’t have to worry whether we will have a paid job in the future,” they said to Fagforbundet’s magazine Fagbladet. Byline/Photo: Morgan Andersen.

## A brief overview of the Norwegian model

Norway is a system of relatively free-market capitalism combined with a comprehensive welfare state that aims to provide universal social services. This model delivers positive outcomes – Norway has high scores on a variety of social indicators. Some might think Norway's high oil income feeds the economy, but Norway channels less than three per cent of its return on oil investments into the annual state budget.

There is a high level of trust in Norwegian society, founded in social dialogue and tripartite cooperation at the national and municipal levels. Collective agreements and collective bargaining at the national level, with some local adjustments, ensure a relatively small wage gap, especially in the public sector. Small wage differences, a low unemployment rate and a high employment rate ensures strong purchasing power. Most residents pay taxes because a large part of the population works or is on a pension scheme. The combination of high private demand, fair taxation and a minimal informal economy is good for the overall economy.<sup>3</sup>

Approximately half of all employees in Norway are union members. Eighty per cent of public employees are union members, whereas less than two out of five are union members in the private sector. However, the trend in Norway, as in many European countries, is that of a decline in the number of people organised in trade unions.

### *Box II*

#### **Tripartite dialogue**

The Nordic model of tripartite dialogue and cooperation has a long tradition and has proven successful. Municipal tripartite cooperation refers to constructive cooperation between politicians, administrative leaders and trade unions. The aim is to work together to create a culture of cooperation that promotes finding

the best local solutions to the specific challenges facing the municipality. By creating a forum to share ideas, suggestions from employees and other more marginal voices are brought forward and handled systematically by the management of the municipality. Local tripartite cooperation is not a formal part of political decision-making; it is merely a part of the development process. The rationale is that different views and perspectives lead to better solutions.

## Empowered shop stewards

Fagforbundet's strength is founded on the principles of the Norwegian model, and comes from our many members, who make us the country's biggest union and ensure we have a broad representation. Our strength is what let us be proactive when RenoNord was going bankrupt, turning the situation into an opportunity for remunicipalisation. We have empowered employees, represented by trusted shop stewards and good political and administrative systems to solve workplace challenges. According to our basic agreement<sup>4</sup> and labour regulations, shop stewards have an obligation to react when they suspect breaches of our labour regulations. In addition, Fagforbundet has shop stewards and trade union representatives at all levels of the country's administration: national, county and municipal. Fagforbundet is made up of more than 550 local branches. Each local branch is a fully functional trade union where members elect their local representative. Fagforbundet has nearly 17,000 experienced shop stewards across the country, and 18 county-level organisations. Fagforbundet also gains strength from being under the umbrella of the Norwegian Confederation of Trade Unions.

## Sirkula: an inter-municipal company takes back control

Four municipalities northeast of capital city Oslo have taken waste collection back as a joint endeavour. The four municipalities co-own an inter-municipal company, Sirkula, which is responsible for handling and collecting waste from 41,000 households in the region.<sup>5</sup>

Sirkula had contracted out waste collection to RenoNorden with operations starting on 1 January 2017. By 18 January 2017, a local newspaper revealed that 800 complaints had already been received about the company's lack of services. Before RenoNorden's collapse, Sirkula already faced many challenges with the private company.

Complaints grew and RenoNorden's poor service received more local media coverage. In response to the complaints, RenoNorden simply imposed more loads and longer working hours on their employees. Eventually the Labour Inspection Authority launched an investigation and documented massive use of overtime and violations of several labour regulations. RenoNorden was denounced for violations of the Working Environment Act.

When RenoNorden went bankrupt later that year, in September 2017, the four municipal owners of Sirkula entered into a short-term contract with another private company. But Fagforbundet's aim was to end tendering and have Sirkula take over waste collection. The union worked through its local and regional branches to get the four municipalities to bring waste collection back in house.

Fagforbundet's project team of professionals from head office, along with a union representative from the county level, supported the local union and other branches of Fagforbundet. The project team held meetings with trade unions and union representatives in the four municipalities and



ensured regular communication. The main objective was to influence the municipalities to vote against new tender processes for waste collection.

## Political influence on Sirkula owners

Local politicians in the Sirkula-owner municipalities guide the management of the company. Sirkula's structure allows the local government in each of the owner municipalities to elect a political representative to a committee, which elects the company's board of directors.

Widely sharing political, economic and professional rationales behind remunicipalisation is an important part of the strategy for taking back services in inter-municipal companies. Thus, the local trade unions, with the support of the project team, met with all the political parties. The union's county level coordinated this work and the project team ensured that local unions and union representatives were equipped with those political, economic and professional arguments. Local union representatives took advantage of the media attention on RenoNorden's breaches of labour regulations and bankruptcy, providing interviews and comments.

In April 2018, the supervisory board of Sirkula voted in favour of taking over the waste collection. Although inter-municipal companies can seem out of the control of city councils and residents, the Sirkula case shows how to ensure better democratic oversight of an inter-municipal company. It also highlights that an inter-municipal company can efficiently take over a service that the municipality has not previously delivered on its own.

## New municipalities commit themselves to remunicipalisation

A new threat, in the form of structural reforms and municipal mergers, may pave the way for privatisation by creating bigger and more attractive markets for private companies in rural regions. This may have been one of the reasons behind Norway's government – a coalition of neoliberals and conservatives – introducing an extensive structural reform in 2015.

Fagforbundet, in cooperation with allied political parties, managed to turn this neoliberal strategy to our advantage, using it to boost public sector solidarity, capacity-building and efficiency.

Initially, Fagforbundet opposed the structural reform, arguing that the policy of merging municipalities should be based on facts and referendums and should not be forced. But when parliament approved the structural reform, Fagforbundet shifted gears to focus on making municipal mergers an opportunity for remunicipalisation.

Municipalities established after the merger of smaller ones will be operating as of January 2020. Several of these new municipalities have already committed to remunicipalisation of public services. In the government's own words, one of the goals of the reform was to create "robust municipalities that can be assigned additional tasks and responsibilities."<sup>6</sup>

Opponents of the government's policies saw the reform as preparation for large-scale privatisation. But local union representatives turned the argument upside down, saying that large, robust municipalities are strong enough to provide all services on their own, without tendering to private contractors. The new municipality of Asker is an example of a municipal merger that will lead to several cases of remunicipalisation. (See Case II)

### *Case II: New municipality of Asker takes services back into public hands*

The merger of three municipalities into the new Asker municipality will result in six inter-municipal companies closing down and widespread remunicipalisation.

The new municipality will have 90,000 inhabitants and 6,000 workers. Anders Fosen, shop steward for Fagforbundet in the current Asker municipality, is pleased that politicians have voted to shut down inter-municipal companies and take the services back into the new bigger municipality. Fosen told *FriFagbevegelse*, the Norwegian labour movement's online magazine, that the process has increased the level of trust among the workers:

“We have established a well-functioning tripartite cooperation and dialogue. The unions have come together across the three merging municipalities and we will have renewed strength in the new municipality with 6,000 workers behind us.”

Six inter-municipal companies will close down. The services that will be taken over by the new municipality include water and drainage services, property management and transport. Fosen does not fear new tenders to private contractors in the new municipality:

“After the ribbon-cutting for the new municipality, I do not expect any politician to bring up controversial cases such as outsourcing and tendering of public services. If they do, it will be very damaging for the working environment and the quality of the services.”<sup>7</sup>

## Lessons learned

The lessons learned from this situation are not restricted to cases of bankruptcy and waste collection. Fagforbundet has used the same strategy successfully in many other cases, as the example of the ongoing structural reforms in Norway shows.

Looking back, we would give ourselves and other unions the following advice:

- Make use of the skills and competence of the entire organisation at all levels
- Support the local shop steward, the local trade union and union representatives taking part in the local political processes
- Contact the employees and shop steward in the private company, regardless of their union membership, with the aim to get access to strategic and financial documents in the company
- Find out if you have any potential allies among the board of directors of the company
- Get in touch with the person responsible for the outsourced service in the administration of the municipality
- Confront local politicians with the union's viewpoints
- Use existing networks within the labour party and other political allies to influence future decisions
- Try to influence representatives from parties outside the political ally as well
- Adjust arguments to different target groups. Some key supporting arguments for remunicipalisation are more relevant to the municipality's administration, some to local politicians and some to the local union. These arguments include:
  - More flexibility when service needs change
  - Better democratic control
  - Predictable costs
  - Decent working conditions

- Better pay and pension
  - The ability to train and keep skilled employees
  - Better use of equipment
  - Improved environment for employee-driven innovation
  - The ability to benefit from recycling and to increase recycling rates
- Use local/regional media positively. Develop a media strategy and follow it
  - Social media must be part of any media strategy
  - The union's regional and/or national level must support the local union and local union representatives with relevant information and knowledge
  - The union's regional and/or national level should ensure the local level has the resources it needs

#### ABOUT THE AUTHORS



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## Endnotes

- 1 After the bankruptcy in Norway, the business people behind RenoNorden established a new company, NordRen, to compete for the tenders to collect waste in Norwegian municipalities. RenoNorden ASA is still one of the largest waste collectors in the Nordic countries, with branches in Sweden, Finland and Denmark. See the article in Fagforbundet's magazine for shop stewards, 6 December 2018, by Ola Tømmerås (in Norwegian), <https://fagbladet.no/nyheter/nytt-storselskap-kinesere-eier-det-spanske-selskapet-som-na-skal-kjore-soppel-i-51-norske-kommuner-6.91.599935.faf968e0b>. See also RenoNorden's company website (in Norwegian), <http://www.renonorden.no/category/uncategorised/>
- 2 Interview in Fagforbundet's magazine for shop stewards, 20 September 2018, by Nina Monsen (in Norwegian), <https://www.fagforbundet.no/for-tillitsvalgte/omstilling/a/8904/renovasjon-i-egenregi-ndash-gront-og-lonnsomt/>
- 3 SAMAK, the Nordic Labour Movement's Organization, brochure on the Nordic model (2016) (in English), [http://samak.info/wp-content/uploads/2016/09/THE\\_NORDIC\\_MODEL\\_FOR\\_DUMMIES.pdf](http://samak.info/wp-content/uploads/2016/09/THE_NORDIC_MODEL_FOR_DUMMIES.pdf)
- 4 In the Norwegian context collective agreements usually consist of two parts: a basic agreement which governs the relationship between organisations and sets predominant rules (stating both parties' rights and duties, such as the employees' right to access to information, and the shop steward's "obligation to react" to suspected breaches of labour law); and a national agreement regulating wages and working conditions for a certain industry or sector.
- 5 Sirkula's company website (in Norwegian), <https://www.sirkula.no/>
- 6 Press release on the local government reform, 14 May 2014, on the Norwegian Government's website (in English), <https://www.regjeringen.no/en/aktuelt/Local-government-reform-to-se-cure-future-welfare/id759493/>
- 7 Interview in the labour movement's online magazine, 9 February 2018, by Bjørn A. Grimstad (in Norwegian), <https://frifagbevegelse.no/nyheter/nye-asker-kommune-legger-ned-selskaper-og-tar-de-ansatte-og-tjenestene-tilbake-6.158.528533.b8b22df506>