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Are We There Yet? Understanding the Implementation of Re-municipalisation Decisions and their Duration

Daniel Albalate, Germà Bel & Eoin Reeves

Synopsis

In recent years, there has been growing evidence of a reversal of the widespread trend towards privatisation that commenced in the late 1970s. At the local authority or municipal level such reversals are often labelled as 're-municipalisation'. Studies of the factors driving the decision to re-municipalise have increased recently, but research on its implementation is very scarce. We analyse how service characteristics and institutional factors influence the implementation of re-municipalisation. For that purpose, we use an extensive international database covering re-municipalisation decisions, and analyse the available data by means of logistic and negative binomial regressions.

We find that sectors with strong network characteristics such as water and energy are associated with lower probabilities of full implementation and longer implementation processes. Re-municipalisation of personal services is more likely to be fully implemented and is finalised faster. Interestingly, after the great recession the probability of implementing reforms increased.

Introduction and Background

The sale of public enterprises (at national and municipal levels), the contracting-out of public services and the adoption public-private partnerships (PPPs) were examples of what can loosely be described as 'privatisation' policies that swept across the globe from the late 1970s onwards. These policies had an enormous impact on how public services are controlled, financed and delivered.

In recent years, however there has been growing evidence of a reversal of the earlier trend towards privatisation. Such reversals have commonly been described as contracting back-in, back-sourcing or insourcing. At the local (or municipal levels) they have been popularly labelled as 're-municipalisation'. Recent data provided by Kishimoto and Petitjean (2017) provides evidence of over 800 cases of re-municipalisation in over 40 countries since the early 2000's. These include high-profile cases such as Atlanta and Paris where concessions for water supply were terminated in 2003 and 2010 respectively.

There is an emerging literature covering different aspects of re-municipalisation. Much of this literature covers the factors driving this phenomenon and prominent explanations include dissatisfaction with service quality under private production. Research on the implementation of re-municipalisation policies is however very scarce and this paper addresses this gap in the literature.

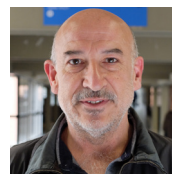
Issues and Questions Considered

The data we analyse contains cases in which the decision to re-municipalise was made and was either (a) fully implemented or (b) not fully implemented. Moreover, where re-municipalisation decisions were implemented, there was significant variation in the time period between the decision and full implementation across cases. The time taken to implement re-municipalisation decisions can have important implications for public policy as protracted durations are suggestive of obstacles to the achievement of policy objectives. In economic terms, guiding decisions through the

Authors



Daniel Albalate,
Associate Professor
University of Barcelona
(Department of
Econometrics,
Statistics and Applied
Economics, Public
Policy Section).



Germà Bel
Professor of Economics
and Public Policy at the
University of Barcelona
(Department of
Econometrics, Statistics
and Applied Economics,
Public Policy Section).



Eoin Reeves,
Associate Professor
and Head of the
Department of
Economics,
University of
Limerick

implementation process is likely to create non-trivial transaction costs and efficiency losses. These issues provide the context and justification of our two research questions. First, what factors explain the implementation of the re-municipalisation decision? Second, what factors speed up or slow down the implementation of this decision? To address these questions we derive testable hypotheses from three strands of the relevant literature namely: re-municipalisation, public versus private choice for service delivery and public policy implementation.

H1:

Probability of implementation and speed of re-municipalisation is negatively related to network services characterised by greater asset specificity and higher transaction costs.

H2:

Probability of implementation and speed of re-municipalisation is higher in social/personal than in technical services, as ideological factors can be more influential and give more strength to the policy.

H3:

Ambiguous definition of policy goals and tasks has a negative effect on the probability of the policy being implemented, and also on the time required for implementation.

H4:

Administrative ineffectiveness is negatively related to the probability of the policy being implemented, and also to the speed of implementation.

H5:

Re-municipalisation decided after the great recession has a higher probability of being implemented, and also more quickly implemented

Methodology

Our empirical analysis covers information on 834 cases of re-municipalisation worldwide between 2000 and mid-2017. The empirical approach in this study comprises two different analyses of the implementation of re-municipalisation decisions. On the one hand, given the low implementation rate of re-municipalisation decisions (54%), we seek to assess the factors determining the probability of implementation. Thus, we consider all decisions in the database and identify whether they have been actually implemented or not. Because our analysis is based on a probability model with a binary outcome variable, we apply logistic regressions for this part of the analysis.

On the other hand, we are also interested in evaluating the variables that extend or shorten the time between the re-municipalisation decision and its implementation. This analysis is applied only to the sample of the database in which decisions have been implemented. Because our dependent variable follows a distribution similar to count data we apply negative binomial regressions. Both approaches use a common set of explanatory variables (demographic variables, level of government, economic sector, institutional variables etc.)

Outcomes and Findings

Our findings provide strong empirical support for hypotheses drawn from public versus private choice literature. In that regard, service characteristics are found to matter in terms of policy implementation and execution. Sectors such as water and waste services which possess strong network characteristics are associated with lower probabilities of implementation. Also, it takes longer to implement re-municipalisation policies in network sectors, consistent with the view that organizational change is more difficult in these sectors. On the other hand, re-municipalisation is more likely to be implemented in personal services including health and education and is finalized faster for these services.

Support for hypotheses drawn from policy implementation literature is more nuanced. The results do not find that greater clarity about re-municipalisation policy is associated with the level of implementation. But there is some support for the proposition that less ambiguity is associated with less time spent on implementation. There is support for the hypothesis that administrative inefficiency is negatively associated with both the probability of implementing policy and the time taken to complete the task, as legal origins are found to be significant. Specifically, countries following the German legal tradition are associated with higher probabilities of implementing and completing reforms compared to other legal traditions. Our findings support the proposition that significant changes in external economic conditions, (specifically the great recession) provide opportunities to implement decisions for the purpose of reorganising service delivery. We find that the probability of implementing reforms increased after the great recession and there is some evidence of faster implementation in the post-recession period.

Overall, when our analysis of the re-municipalisation phenomenon is considered in terms of relevant theoretical frameworks we find support for propositions from theory that considers choices between public and private sector delivery of services. However, support for propositions derived from the literature on the implementation of public policy measures is more limited.

In conclusion, this paper highlights how re-municipalisation has been an important phenomenon since the turn of the century. A number of studies have addressed questions about the re-municipalisation experience to date but there is much to learn, especially as developments are ongoing and the incidence of re-municipalisation appears to be increasing. This study goes some way towards illuminating implementation issues which are often overlooked in the literature on insourcing and outsourcing of public services in general and re-municipalisation in particular. In that sense it adds to the ongoing and multi-faceted debate about re-municipalisation that is likely to evolve as events unfold.

The underlying paper was published in *Public Management Review*, a full copy can be obtained at:

<https://doi.org/10.1080/14719037.2021.1877795>

Authors: Daniel Albalade, Germà Bel, Eoin Reeves

For further information and comments, please contact:

Dr Deirdre O'Loughlin

Assistant Dean, Research

Kemmy Business School

University of Limerick, Ireland

T: +353 61 213375

E: Deirdre.O'Loughlin@ul.ie

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