



# Water Privatization Threatens Workers, Consumers and Local Economies



*“The American Labor Movement has consistently demonstrated its devotion to the public interest. It is, and has been, good for all America.”*

*-John F. Kennedy*



Our country's good public operators have kept water safe and affordable for most households, but despite their successes, they are coming under attack. Private control of water is threatening their jobs, their livelihoods and the wellbeing of entire communities.

Multinational water corporations are trying to convince elected officials that privatization is a miracle cure for budget deficits and aging water lines. They claim that it will reduce operational costs, but they neglect to advertise that any savings will come from cutting corners, downsizing the workforce, decreasing salaries and wages and impeding unionization. They will turn a public resource and service into a profit center.

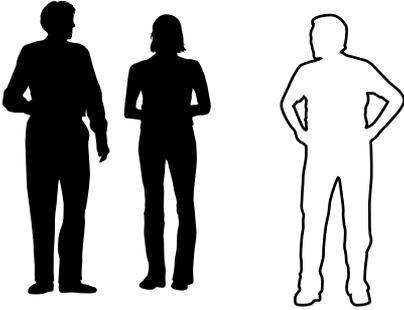
These practices are irresponsible. They can lead to service problems and maintenance delays. What's more, because companies tend to just pocket the difference in labor costs, ratepayers and taxpayers are unlikely to see their bills reduced.

Because of high bills and lost jobs and income, privatization can negatively affect local economies. While workers spend their hard-earned dollars in their community, the multinational corporations operating municipal water systems send earnings generated locally overseas to international stockholders. So, in effect, they transfer money out of town when they cut labor costs to increase their profits.

There are three main ways that private operation and management of water and sewer systems can affect workers and their communities.

## 1. One in three workers could lose their jobs.

From Atlanta to Indianapolis, dramatic staff cuts have followed private takeovers of public water and sewer systems. In a survey of 10 drinking water and wastewater privatizations, corporate takeover led to an average job loss of 34 percent (see table 1 and figure 1).



*“That’s how they made their money. We started with 49 employees and today we have 34. The labor portion of the contract was \$2.2 million a year. They’re saving 30 percent, nearly \$700,000, and we don’t see a nickel from those labor savings.”*

– Daniel F. O’Neill,  
executive director of  
Lynn Water and Sewer  
Commission, told The  
Republican.<sup>1</sup>

**Poor work environments** – For corporations, downsizing the workforce can cut costs and boost profits, but for employees, it means either losing their jobs or seeing their workload mushroom to potentially unmanageable levels. With the same amount of work but fewer hands available to help, downsizing frequently leads to service problems and low employee morale.

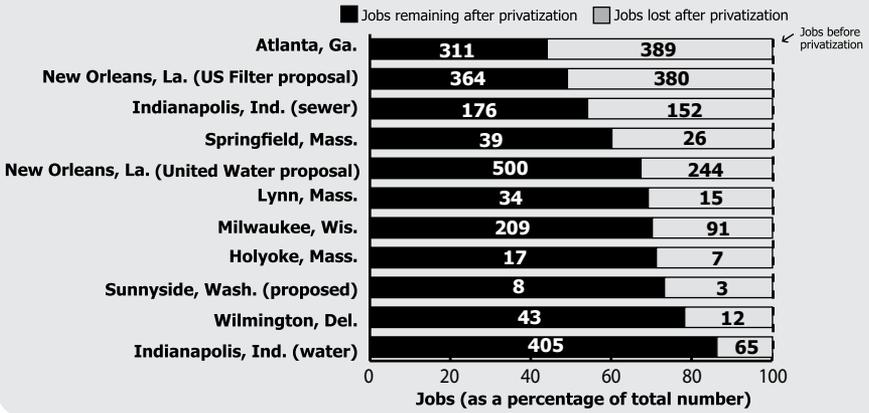
### **Loss of expertise and experience**

– Even when the number of jobs does not decrease considerably, turnover in the workforce can lead to loss of key technical skill and expertise. Corporations often lay off or force into retirement veteran employees with valuable experience because they earn higher pay. In their stead, they bring in lower-paid, less qualified personnel. This change, too, can have damaging effects on service quality and work environments.

The Center for American Progress Action Fund, a progressive think-tank, found similar trends prevalent in federal government contracting: “Without decent wages, benefits, and working conditions, work quality can sometimes suffer due to high turnover, inadequate training and experience, and low morale.”<sup>2</sup>

**Service problems** – After job cuts, service problems frequently plague cities. Fewer employees are available to make repairs and respond to customer concerns. Backlogs of work orders can accrue. When maintenance falls by the wayside, equipment wears out faster and the public must pay higher replacement costs. Meanwhile, poor upkeep can lead to sewage spills, wasted water and putrid odors. Private operators could violate state and federal environmental standards and force cities and towns to pay penalties and fines (see table 1).

**Figure 1: Jobs Lost with Privatization**



**Table 1. Privatization, Lost Jobs and Service Problems at 10 Drinking Water and Wastewater Utilities**

City	Contract	Corporation	Job Loss*	Problems Following Privatization
Atlanta, Ga.	1999 Water	United Water	-56% (from 700 before privatization to 311 at contract termination in 2003) <sup>3</sup>	<ul style="list-style-type: none"> <li>Allegedly, more than \$23 million in uncollected water bills by 2003<sup>4</sup></li> <li>Backlog of more than 13,000 service requests by 2003</li> <li>Complaints of brown water, low pressure by 2003</li> <li>Four-inch thick report documenting the company's failures published in August 2002<sup>5</sup></li> </ul>
Holyoke, Mass.	2005 Wastewater	Aquarion Water Services	-29% (from 24 to 17 on Oct. 1, 2005) <sup>6</sup>	<ul style="list-style-type: none"> <li>Foul odors after equipment failure in April 2007<sup>7</sup></li> <li>Alleged non-compliance with Clean Water Act every quarter from January 2006 to December 2008<sup>8</sup></li> </ul>
Indianapolis, Ind.	1993 Wastewater	A consortium including the parent company of United Water Resources <sup>9</sup>	-46% (from 328 in 1993 to 176 in 1995) <sup>10</sup>	<p>By October 2006:</p> <ul style="list-style-type: none"> <li>60 sewage overflows a year</li> <li>8 billion gallons of untreated sewage discharged a year</li> <li>\$1.9 billion worth of improvements to stop overflows, city ordered to make</li> <li>\$1.1 million environmental penalty and \$2 million for supplemental environmental projects, city ordered to pay<sup>11</sup></li> </ul>
Indianapolis, Ind.	2002 Water	U.S. Filter Corp., (name changed to Veolia Water North America in 2004)	-14% (from 470 in March 2002 to 405 by March 2006) <sup>12</sup>	<ul style="list-style-type: none"> <li>40 percent increase in wasted, unaccounted-for water between 2003 and 2007<sup>13</sup></li> <li>Thousands of gallons of untreated water released into the water system, and a boil-water alert shut down businesses and sent home about 40,000 public school children in October 2005</li> <li>Water supply shortages throughout June 2005<sup>14</sup></li> </ul>
Lynn, Mass.	1999 Wastewater	Aqua Alliance (previously acquired by U.S. Filter's parent company)	-31% (from 49 in September 1999 to 34 by March 2005) <sup>15</sup>	<ul style="list-style-type: none"> <li>Odor complaints after the company stopped using expensive chemicals that disguise the smell allegedly to save thousands of dollars on operating costs in 2004<sup>16</sup></li> <li>Alleged non-compliance with Clean Water Act every quarter from January 2006 to December 2008<sup>17</sup></li> </ul>
Milwaukee, Wis.	1998 Wastewater	United Water Service	-30% (from 300 in 1998 to 209 by June 2003) <sup>18</sup>	<ul style="list-style-type: none"> <li>Corrective orders backlogged up to a year by June 2003<sup>19</sup></li> <li>1.5 billion gallons of sewage spilled in May 2004<sup>20</sup></li> <li>20 notices of contract noncompliance for problems such as sewer overflows and sewage spills by November 2007<sup>21</sup></li> </ul>
New Orleans, La. (proposed)	Rejected in 2002 Water	U.S. Filter	-51% (from 744 to 364)	Not applicable; contract never awarded
		United Water	-33% (from 744 to 500) <sup>22</sup>	
Springfield, Mass.	2000 Wastewater	U.S. Water (now called United Water)	-40% (from 65 in 2000 to 49 by March 2005) <sup>23</sup>	Alleged noncompliance with the Clean Water Act for every quarter from October 2005 to September 2008 <sup>24</sup>
Sunnyside, Wash. (proposed)	Rejected in 2005 Water and wastewater	Veolia	-27% (from 11 to 8) <sup>25</sup>	Not applicable; contract never awarded
Wilmington, Del.	1997 Wastewater	Wheelabrator EOS Inc. (acquired by U.S. Filter in 1996)	-22% (from 55 to 43 planned through attrition) <sup>26</sup>	<ul style="list-style-type: none"> <li>Undertreated sewage dumped into river in six out of nine months in 1999 and 2000<sup>27</sup></li> <li>19 million gallons of sewage dumped into creek in 2000</li> <li>\$91,000 fine to U.S. Filter for ongoing violations in 2000<sup>28</sup></li> <li>Complaints of fishy and rotten odors in 2003<sup>29</sup></li> <li>More than a billion gallons of contaminated wastewater spill into area waterways every year by 2008<sup>30</sup></li> </ul>
<b>Average</b>			<b>-34%</b>	

\*Note: Through layoffs, transfers and attrition



**2. Workers could see cuts in their pay and benefits.**

For the workers who are not fired, transferred or forced into early retirement, compensation packages usually worsen after privatization.

**Lower wages and salaries** – People earn less money working for water and sewage corporations than for local governments, according to data from the U.S. Bureau of Labor Statistics (see table 2):

- Workers earn 7.4 percent less at private utilities.
- Water and sewer treatment plant and system operators earn 5.9 percent less at private utilities.
- Meter readers earn 5.8 percent less at private utilities.<sup>31</sup>

**Table 2. Median Earnings for Water Jobs in the Public and Private Sectors (May 2007)**

Occupation	Employer	Median annual earnings	Difference (private – government)
All occupations	Local government	\$37,740	-\$2,790
	Nongovernment water, sewage and other systems	\$34,950	
Water and liquid waste treatment plant and system operators	Local Government	\$37,260	-\$2,200
	Nongovernment water, sewage and other systems	\$35,060	
Meter readers, utilities	Local government	\$29,800	-\$1,720
	Nongovernment water, sewage and other systems	\$28,080	

**Fewer benefits** — Compared to local governments, the private sector offers far fewer benefits:

- An additional one in three workers lacks access to retirement benefits.
- An additional one in five workers lacks access to life insurance.
- An additional one in seven workers lacks access to medical insurance (see table 3).
- Workers have to pay more than twice as much of their monthly health insurance bills. Private sector employees are paying an extra \$350 every year just for their health insurance (see figure 2).<sup>32</sup>

*“If you’re going to save money, you’re going to save it through some kind of efficiency or you’re going to reduce the cost of labor. With water and wastewater facilities, there are questions about how much technical progress is possible (that will raise efficiency). So certainly, there are lots of stories around the country of privatization being done on the backs of labor.”*

— Mildred E. Warner, a professor of planning at Cornell University who follows privatizations issues, told The Republican.<sup>34</sup>

ends up paying more.<sup>33</sup>

**Community costs** — The growing number of people without insurance or with inadequate coverage is increasing the price of healthcare for the entire nation. When people cannot pay their medical bills, everyone else must pick up the tab.

Indeed, benefits are an important part of an employee’s compensation package. Without employer provided health insurance, many households could not afford medical care and may forgo treatment until it becomes an emergency. The delay is not only dangerous but also expensive.

Fortunately, the law requires hospitals to provide care to emergency admission patients regardless of their ability to pay. Afterwards, hospitals recover those costs by negotiating higher treatment rates with insurance companies, which raise premiums on individuals and businesses. Businesses then make their employ-

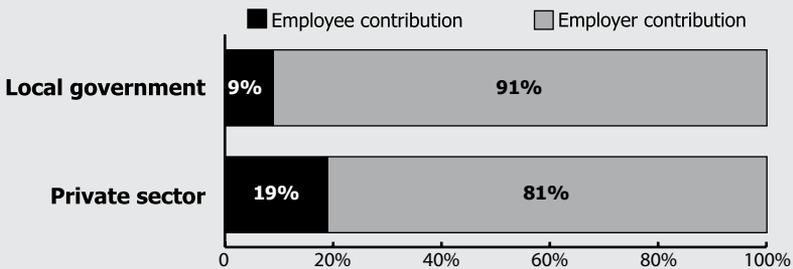
ees pay a higher portion of their overall premiums. As a result, everyone ends up paying more.<sup>33</sup>

By failing to provide health insurance to their workers, businesses are privatizing profits, socializing medical costs and contributing to the growing price of everyone’s healthcare.

**Table 3. Benefits in local government and private sector jobs (2007)**

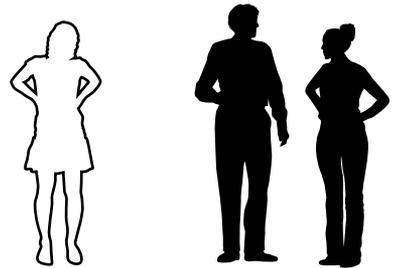
Benefit	Private sector	Local government	Difference (private sector – local government)
Access to retirement benefits	61%	88%	-27%
Access to medical care insurance	71%	85%	-14%
Access to dental care insurance	46%	53%	-7%
Access to vision care insurance	29%	34%	-5%
Access to life insurance	58%	78%	-20%

**Figure 2: Share of Monthly Bills for Medical Insurance, Single Coverage**



### 3. One in three union members could lose their union.

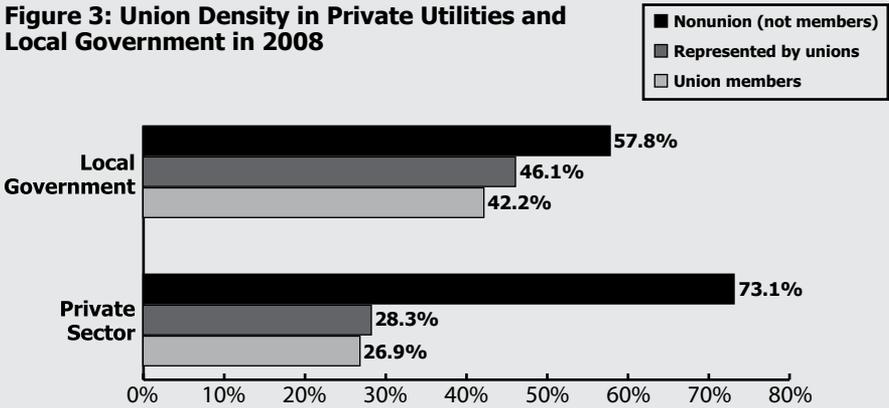
With less job security and reduced compensation packages, it is not surprising to learn that labor unions represent a smaller portion of workers in private utilities than in local governments, according to data from the U.S. Bureau of Labor Statistics (see figure 3).



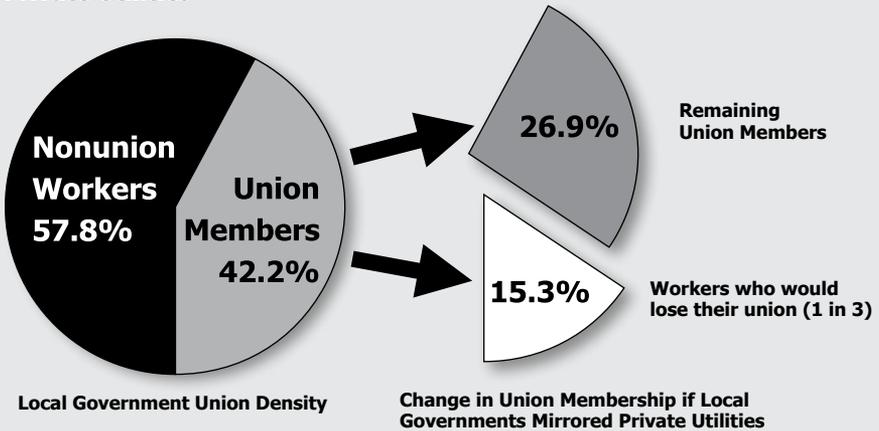
Union density, or the portion of workers who are members of a trade union, is 15 percent lower in private utilities than in local governments. That means if local governments had the same union density as private utilities, one in three union workers would lose their union (see figure 4).<sup>35</sup>

**Union busting** – While the union membership rate in local governments has remained fairly constant since 1983, it has fallen by more than 10 percentage points in private utilities.<sup>36</sup> A report by the Center for Economic and Policy Research, an economic policy think tank, attributes the decline

**Figure 3: Union Density in Private Utilities and Local Government in 2008**



**Figure 4: Portion of Union Workers Who Would Lose Union Membership if Local Governments Had the Same Union Density as Private Utilities**



in private sector unionization to “aggressive — even illegal — employer behavior [that] has undermined the ability of workers to create unions at their workplaces.” The researchers estimated that employers illegally fire one in seven union activists who try to organize their workplaces through election campaigns.<sup>37</sup>

Many multinational water corporations have actively sought to bust unions. That’s because organized workforces fight layoffs, reductions in compensation and other undesirable labor policies. Without unions, employees are at-will, so a company can fire them for no reason, and employees have far less input on their salaries and wages and benefit packages.

A study published in *Public Administration Review* found that privatization of sanitation services leads to less unionization, concluding, “In other words, union opposition to contracting is quite rational, for contracting often spells the elimination of the union in the contracted workplace.”<sup>38</sup>

For example, water workers in Wilkes-Barre, Pa., lost their union when American Water took over the water system in 1996. Five years later, they held a drive to re-unionize but lost the election,<sup>39</sup> after the company distributed what union officials told *The Times Leader* were “threats, half-truths and lies.”<sup>40</sup>

In Lynn, Mass., sewage plant workers with IUECWA Local 201 threatened to go on strike in 2007 when Veolia wanted to cut back benefits. Ric Casilli of Local 201 told *The Daily Item*, “Veolia wants to take members out of the union — that’s not going to happen.”<sup>41</sup>

**Economic damage** – Unions benefit workers and the economy:

- With all else equal, the typical worker will earn 11 percent more by joining a union. That’s an extra \$90 a week for a fulltime employee.
- Union workers are 28 percent more likely to receive employer-provided health insurance.

Better compensation allows union members to purchase more goods and support our consumer-driven economy.<sup>42</sup> So, by obstructing unionization, water privatization hurts the economy.





## The Bottom Line

Water privatization is bad for workers, bad for consumers and bad for local economies. Multinational water corporations cut jobs, decrease wages and benefits and fight unions. They take their profit off the backs of their employees and out of the quality of their service.

Water and sewer systems must remain in public hands. Instead of irresponsible private control of water, communities need sound public management that respects workers' rights, maintains a qualified workforce, encourages good service and helps keep money local. Public utilities provide the good union jobs that can help boost a weak economy and protect our valuable water resources for generations to come.

*“In the beginning there’s savings of course. That’s how they [contractors] get in the door. But how long can you go without making a decent profit? The bottom line isn’t safety, the bottom line isn’t service, the bottom line isn’t workers. The bottom line is money.”*

*– Kenneth Goley, president of United Steel Workers Local 4-149, which represents workers at Rahway Valley Sewage Authority, told The Star-Ledger.<sup>43</sup>*

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