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THE IMPACT OF PRIVATIZATION ON PUBLIC PERSONNEL  
ADMINISTRATION: WHAT HAPPENS TO  
PUBLIC EMPLOYEES?

Gloria Burch Smith

A Dissertation  
Submitted to  
the Graduate Faculty of  
Auburn University  
in Partial Fulfillment of the  
Requirements for the  
Degree of  
Doctor of Philosophy

Auburn, Alabama

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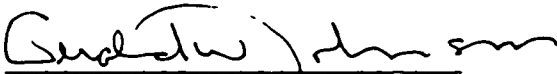
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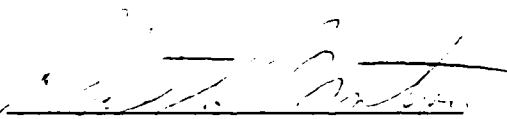
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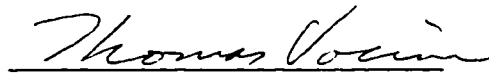
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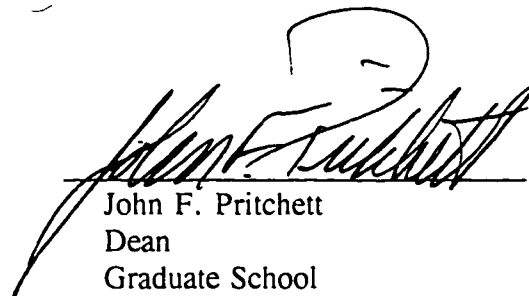
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DISSERTATION ABSTRACT  
THE IMPACT OF PRIVATIZATION ON PUBLIC PERSONNEL  
ADMINISTRATION: WHAT HAPPENS TO  
PUBLIC EMPLOYEES?

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This study addresses the intersection of privatization and public personnel administration. Specifically, it examines the employment implications of privatization. In the last decade, there has been a great deal of attention given to privatization, but few investigators have systematically examined the impact of privatization on public personnel administration. This study examines personnel issues that arise when public services are privatized. The general issue examined is the effect of privatization on the employment status of public employees. Four specific questions flow from the general issue of employment status. First, when privatization occurs, do public employees stay with the public sector; move to the



suffer a loss in wages and benefits when the service they are performing is contracted out to a private company and they are hired by that company to perform the service? Third, does privatization make a difference in the gender and ethnic employment of public employees? Fourth, does the presence of an accommodating privatization employment policy, which attempts to minimize the potential adverse effects of privatization on public employees, lessen the obstacles to privatization? The service area to be investigated is municipal residential garbage collection, and the population to be studied consists of 120 municipalities in the state of Alabama.

The overall finding of the study is that public employees are substantially impacted by privatization. In this study 33% of the public employees were displaced/laid off. The data also indicate that the employees did not suffer a significant loss in wages and benefits and that minority employees did not fare any differently from caucasian employees.

## ACKNOWLEDGEMENTS

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## CHAPTER ONE

### INTRODUCTION

"Privatization" became the administrative buzzword of the 1980s and is destined to reshape public administration into the next century. The term is at once a diagnosis of popular dissatisfaction with government (government is inherently inefficient) and a prescription to cure its ills (private delivery of public services, especially through contracting out, is more efficient and effective). In turn, the growth of privatization poses enormous new challenges to personnel management and the training of future public servants. (Kettl 1991, 254)

Governments at all levels are facing increasing demands from their citizens (Sharp 1990, 286-89), stable or decreasing resources (Colman 1989, 61-65), and the absence of political support for new taxes (pp. 73-81). Within these budgetary constraints and uncertain times, governments, especially at the state and local level, must find creative and efficient ways to cut expenditures and at the same time maintain or increase the level of services.

Complexity and change in public service lead to decision-making uncertainty. In this environment adaptive governments are needed, managed by informed decision makers. Alternate service delivery opportunities today mean that "business as usual" is no longer acceptable. (Finley 1989, 11)

Many units of government are selecting privatization as a strategy for addressing these competing demands (Kettl 1993; Kemp 1991). However, according to Kettl (1993),

while governments at all levels are relying more and more on the private sector, they have not learned to manage that reliance.

The term privatization is used in numerous ways (Brooks, Liebman, and Schelling 1984; Donahue 1989). The first use of the term came from Peter Drucker (1968), who originally called it reprivatization. In countries other than the United States, privatization is typically defined as the sale of government assets--denationalization (Savas 1987). Here in the United States, some scholars use "privatization" as an umbrella term for actions that move services from the public sector to the private sector and also refer to it as a form of public-private partnerships (Henig, Hamnett, and Feigenbaum 1988). Currently, there is very little agreement on one general definition of privatization. However, a common element of most definitions is the increased reliance on the private sector for the provision, production, and delivery of public services<sup>1</sup>.

The privatization movement (Moe 1987) raises many questions for the theory and practice of public management. This project addresses questions that have to do with the impact of privatization on public personnel and public personnel administration. Few studies to date have directly addressed these matters. The literature that does deal directly with the intersection of privatization and public personnel administration tends to focus on the negative impact of privatization on public employees, such as lower wages and benefits with the private sector and the

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<sup>1</sup>For a discussion of the distinction between provision, production, and delivery, see Kolderie (1986).

loss of jobs for minorities and women. Much of this discussion appears in works published by public employee's unions, such as the American Federation of State, County, and Municipal Employees (1983, 1987).

Other studies done in this area paint a different picture. Dudek and Company (1988, 1989)<sup>2</sup> have prepared two studies for the National Commission for Employment Policy and have concluded that the consequences of privatization are less adverse for public employees than the literature sponsored by the labor unions suggests.

*The opposition of public employees to the concept of privatization is understandable. Government workers whose jobs are affected by contracting out or other forms of privatization face the prospect of significant and possibly painful dislocation. This may involve workers being laid off or possibly suffering a decline in their wages, if they move to the private sector.*

The principal lesson of the 34 local privatization case studies presented in this report is that the extent to which workers are negatively affected by privatization depends largely on the employment policies of the individual local government. We found that in the majority of cases cities and counties have done a commendable job of protecting the jobs of public employees. The government workers in these localities did not appear to suffer from privatization, and in some cases they were

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<sup>2</sup>The 1988 study relies primarily on the literature to date in examining the employment effects of contracting out. They also presented findings from their interviews with county and city administrators involved with contracting out. Finally, Dudek made some tentative recommendations for local officials who face trouble from public employees with a contracting out decision.

The 1989 study which was a follow-up to the 1988 study looked at several employment issues with respect to privatization. They collected survey data on 34 privatized services in 28 cities and counties. The information was gathered through telephone interviews of at least one city or county official and one member of the private company handling the service. Public employees were also interviewed when possible.



even made better off. It is not coincidental, in our opinion, that these cities and counties are the ones that view privatization as a successful policy initiative.

Conversely, privatization typically has not been viewed as a success when it has involved massive lay-offs, or for some other reason has left behind many embittered employees. In such cases, the complaints of labor have tainted the entire privatization experience. It is essential, therefore, for cities and counties--as well as the federal government--to satisfy the legitimate concerns of government employees. Without such a labor policy, privatization as a cost cutting strategy will often fail to generate community support. (Dudek 1989, 43)

This dissertation proceeds from the premise that privatization is here to stay and that it raises numerous issues that relate to the overall operation of public personnel administration; these issues can have a profound impact on government's ability to recruit and retain qualified public employees.

The growth of privatization raises three important questions for the public work force. First, just how has the privatization movement affected public employees? Second, what new management issues has the movement created? Finally, how has the nature of public-sector work been changed by the movement? (Kettl 1991, 255)

In recent years, the field of public personnel administration has devoted most of its energy to coping with issues that deal with methods and techniques. To meet the challenges of privatization as cited by Kettl and others, public personnel administration must ascertain the implications and consequences of this new way of doing business in a changing environment. This dissertation examines four of the issues that arise for personnel administration as local governments choose to privatize services.

The general research question addressed in this work is *What is the effect of privatization on the employment status of public employees?* The dissertation will

bring survey data to bear on four specific questions that flow from the general statement of the issue:

When privatization occurs, do the public employees stay with the public sector; move to the private sector; retire; or are they displaced/laid off?

Do public employees suffer a loss in wages and benefits when the service they are performing is contracted out to a private company and they are hired by that company to perform the service?

Do gender and ethnicity make a difference in the effects of privatization on public employees?

Does the presence of an accommodating employment policy, which attempts to minimize the potential adverse effects of privatization on public employees, lessen the obstacles to privatization?

To address these questions all 120 Alabama cities with populations between 3,000 and 265,965 were surveyed. The service area that is examined with the use of the surveys is residential garbage collection. Garbage collection was chosen as the subject area because it is one of the primary services being contracted out by local governments.<sup>3</sup> Additionally, initial telephone calls to the 120 Alabama cities revealed that almost half of the cities contract out garbage collection, which would allow for ample data to be gathered.

The framework for this study is that in the coming years privatization will be used more and more at all levels of government. Privatization brings together the public and private sectors in order to provide goods and services for the public. It has an impact on public personnel administration in that it alters the status of the public employees who are performing the service that is privatized. This study will

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<sup>3</sup>For further information on local government contracting, see Rehfuss (1989).

look at just how the status of public employees is altered by privatization with the use of survey data from Alabama cities and the available literature.

Chapter Two looks at the public and private sectors separately and how they might come together to provide goods and services through privatization. At the conclusion of the chapter, the research questions spelled out above and four hypotheses are developed. Chapter Three reviews relevant privatization and public personnel administration literature. The privatization literature included provides a further understanding of privatization and lays the groundwork for spelling out the intersection between it and public personnel administration. The section on public personnel administration examines the historical changes that the field has gone through and where it is now in terms of dealing with privatization. Chapter Four examines the intersection of privatization and public personnel administration by exploring numerous issues that tie the two together. Chapter Five provides a description of how the empirical data were gathered by the use of surveys. The remaining sections of the chapter review the data that were gathered through the surveys and analyze it with the use of descriptive statistics. The chapter also includes some of the relevant literature that adds to the data analysis. Chapter Six provides conclusions and ideas about further study of the issues at hand.

## CHAPTER TWO

### THEORETICAL FRAMEWORK

Most people have been taught that the public and private sectors occupy distinct worlds; that government should not interfere with business, and that business should have no truck with government. (Osborne and Gaebler 1992, 43)

The reality of today's world is that the public and private sectors do not occupy distinct worlds, and, in fact, they are moving closer together than ever before.

Although the two sectors are merging together in the wake of the "Privatization Movement," they both still retain certain norms that characterize their existence.

According to Osborne and Gaebler (1992), "business does some things better than government, but government does some things better than business" (p. 45).

#### A Comparison of Sectors

Americans have long had a reverence for private markets to match their dislike of public power. Markets seek efficiency; government may not. Markets promise choice, in quality and price; government does not. Markets offer competition; government has a monopoly. The distinction between private liberty and public authority has always been a critical one in American society.

The most profound attacks on government, in fact, have come from comparisons with the market. Without the discipline of competition, critics contend, government develops lazy habits. Its workers have little incentive to innovate, control costs, or deliver services effectively. The market, these critics say, keeps the private sector lean and

efficient. Government tends to grow and grow, without regard to the available resources. While competition focuses private marketers clearly on the bottom line, the argument goes, government bureaucrats tend to be rewarded, not for efficiency, but for increasing the size of their budgets; not for responsiveness, but for expanding their power. (Kettl 1993, 1)

Graham Allison (1982) argues that the public and private sectors are alike in all unimportant respects. Allison states that a common element for both public and private organizations is that they each must perform certain management functions (Luther Gulick and L. Urwick (1937) capture them in the acronym POSDCORB - planning, organizing, staffing, directing, coordinating, reporting, and budgeting). Although both sectors perform these basic management functions, the differences between how the public and private sectors operate affects the execution of these management tasks.

Allison (1982) contends that there are many important differences between the two sectors. First, most of the top leadership in public organizations have a shorter tenure (average of 18 months) than their private sector counterparts. This frequent turnover in the public sector has to do with the political calendar. Because of the short tenure of most top leaders in public organizations, their outlook tends to be very short term. On the other hand, private sector leaders can afford a long term approach. Second, it is very difficult to measure the performance of public organizations: they serve many values and pursue multiple, vague goals. Private organizations measure their performance according to whether they made a profit or not, and how much the profit was. Third, public organizations are said to be in a "fishbowl." The media, citizens, and interest groups keep a close watch on the public

organizations that affect their lives. Private organizations can expect some scrutiny, but not to the degree that public sector organizations face. Fourth, decisions that get made in public organizations typically have to go through multiple levels, and there is always the need to try to make decisions in line with the public interest. The public interest is not always easy to specify, but individuals in public organizations must keep in mind the best interest of the public, whether it is the general public or a specific public. Private organizations usually only look to a president or a board of directors before reaching decisions. Private sector looks to consumers. Consumers act on self-interest, not public interest. Public sector acts on public interest.

According to Chandler (1986), there are some differences between government and industry that specifically relate to personnel.

The public sector is labor intensive, while the private sector is not. Industry uses raw materials and machines that turn materials into finished goods. Government, however, typically provides services rather than products, and in most instances those services must be provided by people rather than machines. (p. 646)

Society expects more of government workers than it does of private workers. High ethical standards are expected of public employees, while some private sector practices may be shrugged off as "just business." Different standards of quality control are used, and different levels of visibility pertain. (p. 646)

Personnel in the private sector tend to have a single purpose to serve, while public sector employees typically serve multiple purposes. Industry uses people to make products and deliver services. Government does that, too, but it uses people for other purposes as well. Government jobs have been used to reward the politically faithful, for example. (p. 649)

Ronald Moe (1987) argues that the most important thing that separates the public and private sectors is the concept of sovereignty<sup>4</sup>.

In any serious analysis of a proposal to assign the performance of a function to the public or the private sector, the first question should be: Does the performance of this function necessarily involve the powers properly reserved to the sovereign? Or, is the function largely private in character requiring none of the coercive powers of the sovereign? (p. 457)

There are additional factors that must be considered when debating the privatization decision, such as national security, public safety, and corruption.

Advocates of privatization use the norms of the private sector to demonstrate its superiority over the public sector. While those who oppose privatization may see the benefits of the private sector norms, they also think that the norms of the public sector are too important to concede. Instead of focusing on the differences between the two sectors, Harlan Cleveland (1985) asserts that "we would do well to glory in the blurring of public and private and not keep trying to draw a disappearing line in the water" (p. 82).

The great fear of using nongovernment institutions to row [produce services] is, of course, that it will cost many public employees their jobs. This fear is legitimate. In fact, the prospect of massive layoffs is one of the barriers that keeps government from moving into a more catalytic mode. (Osborne and Gaebler 1992, 37)

The American Federation of State, County, and Municipal Employees (AFSCME) describes in detail the fear public employees feel toward privatization. According to

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<sup>4</sup>For information on the attributes of a sovereign, see Moe (1987, 456-457).

their research, privatization will lead to substantial layoffs for public employees. A question for this dissertation is what really happens?

The above discussion provides some of the important differences between the public and private sectors. Given that the goals of the two sectors are likely to be different, a crucial issue for privatization emerges, namely, the development of an arrangement that reconciles the diverse goals present in the public and private sectors.

### Meshing the Two Sectors

One way to bring together the public and private sectors in a privatized arrangement is to ensure co-alignment of goals. The concept of co-alignment of goals is not a new one. James D. Thompson (1967) developed the notion of a co-alignment of goals and he refers to the concept as "the basic administrative function" (p. 147). In the privatization literature, Donald Kettl (1988) uses Thompson's concept of a co-alignment of goals to make suggestions for what is needed to mix the two sectors in a public-private partnership. This section will briefly discuss Thompson's delineation of co-alignment of goals and then examine Kettl's use of the concept.

When Thompson developed the concept of co-alignment of goals, he was not thinking specifically in terms of public-private partnerships. However, what he discusses as an important concept in the development of interorganization theory can definitely be used as a significant concept in the development of privatization theory. Public-private partnerships necessarily involve interorganizational and sometimes



intergovernmental processes. There is at least one public and one private organization involved in the partnership.

According to Thompson (1967),

Perpetuation of the complex organization rests on an appropriate co-alignment in time and space not simply of human individuals but of streams of institutionalized action. Survival rests on the co-alignment of technology and task environment with a viable domain, and of organization design and structure appropriate to that domain. (p. 147)

Although the terms are different, Thompson argues that in order for an organization to be successful and survive as a complex organization (public-private partnership), coalignment must occur. We will see that this is very close to the argument that Donald Kettl makes twenty-one years later.

A related notion that Thompson discusses is domain consensus. According to Thompson (1967), "domain consensus defines a set of expectations both for members of an organization and for others whom they interact, about what the organization will and will not do" (p. 29). By reaching agreement on roles, it is possible for the participants to diffuse or lessen domain conflict. If conflict continues to occur between the public and private partners, the needed good or service will certainly suffer.

From the preceding discussion it should be clear that consensus and co-alignment of goals are important when two or more organizations are joined. Another related issue is the search for certainty and the need for flexibility, which Thompson refers to as "the paradox of administration." Uncertainty about goals and methods is commonplace in the public sector, but working together with the private sector

requires some degree of certainty about what is needed and what is expected. Flexibility is also very important in the face of some degree of uncertainty that is inevitable. It is not always possible to achieve certainty and flexibility, but co-alignment of goals tends to reduce uncertainty and permit a sense of flexibility.

Donald Kettl (1988) argues that in order to have a successful public-private partnership, there must be a co-alignment of goals and mechanisms to ensure feedback. We will put aside the issue of feedback and focus on the co-alignment of goals. According to Kettl, reaching a co-alignment of goals between two different organizations is a difficult undertaking, especially when one organization is private and the other is public.

Attempts to mesh the disparate goals of the public and private sectors are further complicated by the fact that the public's goals are usually ill-defined, ever-changing, infeasible, and in some cases non-existent. As Kettl (1991) reflects,

After all, how can a principal engage an agent unless the principal knows what the agent is to do? And what agent is willing to sign on without a clear sense of its task? That, of course, is hard for government principals to do because public goals rarely stand still long enough to allow precise formulation. Defining the goals carefully, however, is critical because the behavior of agents cannot be controlled without clear standards against which to hold their actions. (p. 4)

If coalignment of goals is to be achieved in a public-private partnership, the public organization(s) must work towards defining its goals, so the negotiation of a common set of goals can take place.

Kettl (1988, 157) suggests two ways that co-alignment of goals can be achieved. The most direct method for aligning goals is through bargaining between

the public organization and the private partner, and execution of a contract. In order for the bargaining to be a successful process, the public partner needs to have some idea of the intended goals of the program. In turn, both sides must be in a position to compromise. The public organization wants to be assured that the program will be carried out in line with the expected goals. On the other hand, the private agent wants to know that its goal of profit will be attained. The process of bargaining is not always easy.

Another mechanism for aligning goals is more indirect than bargaining, but can also be effective. Co-alignment of goals may occur as a result of incentives that are contained within the particular relationship or program, such as tax expenditures. The private agent is in a position to accept the agreement and gain the benefits of the given incentive or reject the proposal. The assumption is that if the incentives are to be obtained, then the private agent agrees to meet the goals of the public organization.

Kettl argues that the process of aligning goals is an ongoing process that must be dealt with at different intervals throughout the partnership. Both members of the partnership need to be aware that things will not remain the same and that goals will be modified. The goals of public programs are constantly being revised due to an ever-changing environment. While attempting to align goals, both sides of the partnership are searching for certainty, but that too can cause problems. It is necessary that the arrangement be flexible so that the organizations can adapt to new realities or changing environmental conditions.

Obtaining co-alignment of goals is an important part of any successful public-private partnership. As discussed, the alignment of goals is not a simple component of every partnership, but time must be spent trying to reach some semblance of consensus on goals. If co-alignment of goals is not secured, then the partners will possibly be working in different directions and achieving nothing of substance. According to Kettl, the challenge for public managers in achieving co-alignment of goals is to determine the place where the two sectors meet and place the program there. Thompson (1967, 148) refers to this meeting point for organizations as the nexus. He argues that the nexus is constantly moving and therefore difficult to identify and control. This dissertation addresses the nexus of privatization in the public personnel arena.

### Research Questions

The intersection of privatization and public personnel administration raises numerous issues in regard to public employees. The research questions examined in this dissertation have to do with the goodness of fit between employment outcomes and the goals of both public and private organizations. The general research question addressed in this work is: *What is the effect of privatization on the employment status of public employees?* The following are four specific questions that flow from the general statement of the issue:

When privatization occurs, do the public employees stay with the public sector; move to the private sector; retire; or are they displaced (become unemployed)?

Do public employees suffer a loss in wages and benefits when the service they are performing is contracted out to a private company and they are hired by that company to perform the service?

Do gender and ethnicity make a difference in the effects of privatization on public employees?

Does the presence of an accommodating employment policy, which attempts to minimize the potential adverse effects of privatization on public employees, lessen the obstacles to privatization?

These four questions are all related to the consistency of employment outcomes with the goals of both sectors, but they are clearly different questions from one another. The first question relates to the employment status of the public employees, which is an outcome of privatization, and represents a dependent variable, with public or private operation being the independent variable. This question was chosen because of the emphasis AFSCME (1983) places on its being a negative outcome for public employees with privatization. AFSCME argues that most public employees will suffer when privatization occurs, whether it is the loss of their job or a loss in wages and benefits. The question about loss of wages and benefits also has to do with an outcome of privatization for public employees, and with an issue that AFSCME argues is of major concern.

The third question relates to the gender and ethnicity of public employees relative to private sector employees engaged in the same program area. This is an intervening variable that is intrinsic to the employees and that may influence the impact of privatization on them. It too is an issue that is addressed by AFSCME and therefore deserves some attention. The fourth and final question deals with an accommodating employment policy, which is an intervening variable that is extrinsic

to the public employees and subject to public policy. The Dudek studies (1988, 1989) examined this issue in their surveys and found that those cities that had accommodating employment policies faced fewer obstacles in privatization.

This dissertation examines these four questions in the context of contracting out for residential garbage collection services at the local level. Contracting out, which is discussed in greater detail in Chapter Three, is the most common form of privatization at the local level. According to Dudek (1988), it frames a number of employment-related issues. Most services that are contracted out involve numerous employees and privatization therefore typically meets with a great deal of resistance because the employees have a stake in their jobs being kept in-house. Contracting out is thus an opportune setting in which to explore the personnel consequences of privatization.

### Hypotheses

This study examines personnel issues that arise when public services are privatized. The theory is that privatization is related to the employment status of public employees (AFSCME 1978, 1983). The objective of the study is to determine the impact of privatization on employee status when cities contract out garbage collection.

Hypothesis 1:                      Public employees are more likely to be displaced (become unemployed) in cities that privatize than in cities that do not.

- Hypothesis 2: Public employees hired by a private sector company in the course of privatization suffer a loss in wages and benefits when the service they are performing is privatized.
- Hypothesis 3: When privatization takes place, the gender and ethnicity of public employees will affect who is displaced, with women and minorities experiencing relatively high rates of displacement.
- Hypothesis 4: Cities that have an accommodating employment policy are less likely to report obstacles to privatization than cities that do not have such a policy.

As discussed earlier, the first three hypotheses flow from strong arguments made by AFSCME against the use of privatization. The fourth hypothesis flows from the work reported by Dudek. These hypotheses are worth testing for practical as well as theoretical reasons. If privatization is the wave of the future and employment status is an outcome, then it is important to know how privatization impacts public employees.

The first hypothesis has to do with job status. A central issue is whether privatization results in greater numbers of unemployed citizens?

The second hypothesis dealing with a loss in wages and benefits for public employees with privatization addresses basic questions about the structure and character of government employment, including job security and equity issues. If privatization will save the government money, and the employees are hired by the private company, then should it matter that they may have to take a pay cut for the greater good?

The third hypothesis relating to gender and ethnicity is connected directly to the second hypothesis in terms of social goals of government employment. If the government's role is, in part, to promote equal employment opportunity, then the effects of privatization on the employment of minorities and females may or may not be compatible with these goals.

The fourth and final hypothesis deals with an issue of public policy. According to the Dudek study (1989), an accommodating employment policy appears to lessen the obstacles on the path to privatization. This would be important to know from the standpoint of the public decision maker and relates directly to the public employees, because it represents a public policy mechanism that may help align the goals of the two sectors.



## **CHAPTER THREE**

### **LITERATURE REVIEW**

This chapter reviews the literature of privatization and public personnel administration relevant to this study. The purpose is to provide background for the four questions the study examines, specifically illustrating the intersection between privatization and public personnel administration. The privatization section briefly discusses the definition of privatization, forms of privatization, arguments for and against privatization, and local government contracting. The personnel section examines the history of changes that have occurred in the field of public personnel administration, with privatization being a recent force for change.

#### Privatization

There are numerous definitions of privatization in the literature. E. S. Savas (1992, 821) provides a listing of three of the most common definitions of privatization in use today.

In the broadest definition, one which emphasizes a philosophical basis, privatization means relying more on the private institutions of society and less on government (the state) to satisfy people's needs.

According to a second and more operational definition, privatization is the act of reducing the role of government, or increasing the role of the private sector, in an activity or in the ownership of assets.

The third and most constrained definition considers privatization to be the act of transferring government enterprises or assets to the private sector.

An additional complication in the examination of the concept of privatization is the fact that it means different things in different countries. However, all three definitions share one common thread, which is an increased reliance on the private sector in providing, producing, and delivering goods and services for a society. In reaching a full understanding of the concept of privatization, one must also engage a further distinction between privatizing production and/or provision. According to Kolderie (1986, 286),

one distinct activity of government is to *provide* for its people. In other words: policy making, deciding, buying, requiring, regulating, franchising, financing, subsidizing.

A second and distinctly separate activity of government may be to *produce* the services it decides should be provided. In other words: operating, delivering, running, doing, selling, administering. (italics in original)

There is usually less concern over privatizing production of a good or service than over the privatization of provision (Kolderie 1986). If the government retains the role of provider, then it decides what goods or services are to be provided and also has a degree of control over how the good or service is produced and delivered to the public, which lessens the opposition to privatization in some circles. Contracting out involves the government as provider and the private company as producer, which means the public employees will be impacted since their labor is no longer needed to produce the public service.

The following section explores one approach to defining privatization. The decision to privatize is evaluated according to the nature of the good and/or service at hand.

### *Nature of the Good*

E. S. Savas (1987) argues that goods and services can be classified according to excludability and manner of consumption. He develops a typology of goods and services based on these two factors. Once one knows the type of good that is involved in a decision then a choice can be made about the best arrangement to provide and produce the good.

Table 3.1  
Four Kinds of Goods in Terms of Their Intrinsic Characteristics

	Easy to deny access	Difficult to deny access
Individual consumption	private goods	common-pool goods
Joint consumption	toll goods	collective goods

Source: Savas (1987, 56)

According to Savas (1987),

Private goods and toll goods can be supplied by the marketplace, and collective action plays a relatively minor role with respect to such goods, primarily establishing ground rules for market transactions, ensuring the safety of private goods, and regulating the means of supplying those toll goods that are natural monopolies. Collective

action is indispensable for assuring a continued supply of common-pool goods and collective goods, however, and for providing those private and toll goods that society decides are to be subsidized and supplied as though they were collective goods. (pp. 56-57)

In this study, the good being examined is residential garbage collection, which is classified by Savas (1987, 40) as a private good. There is very little debate in the literature about the appropriateness of privatizing garbage collection. Thus this service provides an ideal testing ground for the effects of privatization on personnel.

There are other criteria to consider besides nature of the good when making a privatization decision (Savas 1987, 93-107). If one examines each of these criteria in relation to garbage collection, then it still appears to be an appropriate candidate for privatization. Can the good or service be specified? If it is clear what is needed, then privatization may be a viable option. In the case of garbage collection it is relatively simple to specify what is needed, which is basically to pick up the garbage.

The availability of producers is another factor that should be considered. The theory of the private market is based on competition. In order to produce goods and services in an efficient manner the market should be competitive. The lack of competition in government is one reason cited for the inefficiency of the public sector. Before a good or service is privatized, there should be at least two different available producers to ensure quality and efficient production. In Alabama, there are two major companies that perform garbage collection and a few smaller companies.

There are also equity concerns involved when making a privatization decision. Can the good or service be fairly distributed among groups in society if privatized? Do all groups in society have access to employment in producing the good or service

if privatized? If the answer is no, then the good or service should remain in the public sector. There appear to be few equity problems with the privatization of garbage collection. All citizens have access to garbage collection and employment in the service area.

A final criterion that may be considered is the degree of susceptibility to fraud. If privatizing a good or service will likely lead to corruption, then the public sector may be a better place for the particular good or service. Corruption is always a possibility in the service area of garbage collection. There is little evidence to suggest it becomes more likely when the service is privatized.

#### *Alternative Arrangements*

A complication in the definition of privatization is the fact that it can take many different forms. The literature is saturated with discussions about alternative arrangements of privatization. For purposes of this study, E. S. Savas' (1987) discussion of alternative arrangements will be reviewed.

The term *government service* denotes the delivery of a service by a government agency using its own employees; government acts as both the service arranger and the service producer. (p. 62; italics in original)

Government vending, where consumer, as arranger, authorizes and pays government to deliver service. (p. 65)

Intergovernmental agreement, where one government authorizes and pays another to deliver service. (p. 66)

Contracting, where government authorizes and pays private firm to deliver service. (p. 68)

Exclusive franchise, where government authorizes private firm to deliver service and consumer pays firm. (p. 75)

Grant arrangement, where government subsidizes the producer. (p. 77)

Voucher arrangement, where government subsidizes the consumer. (p.78)

Market arrangement, where consumer selects and pays private producer for service. (p. 80)

Charitable organizations, through their voluntary efforts, provide a host of human services to people in need. (p. 80)

The most basic delivery mode of all is self-help, or *self-service*. (p. 81; italics in original)

The roles played by government, the private sector, and the consumer differ with each of the above arrangements. As one moves down the list of arrangements, the extent of government responsibility and private sector involvement lessens, with self-service involving only the consumer. In this study, the focus is on contracting and it will be discussed later in greater detail. On the continuum of arrangements, contracting is near the middle; both government and the private sector play a role in it. Contracting is an appropriate choice for the privatization of garbage collection. As discussed in the preceding, it meets many of the criteria required for privatization, including government retention of the provision role - essential in a basic governmental service related to the health of citizens.

### *Arguments For and Against Privatization*

There are strong arguments on both sides of the privatization debate. Those who support privatization rely heavily on the superiority, in terms of efficiency, of

the private sector (Butler 1985; Savas 1987; President's Commission on Privatization 1988). Those who oppose privatization point with alarm to the outcomes that are introduced on the four hypotheses this study examines (American Federation of State, County, and Municipal Employees 1983, n.d.; Sundquist 1984; Kuttner 1989; Squires 1989).

Stuart M. Butler concludes:

Privatization is suitable, however, for those goods and services that society believes should be provided, but for which federal provision is costly, inefficient, and subject to political dynamics that benefit undeserving groups. (Butler 1985, 62)

The Report of the President's Commission on Privatization states:

The United States is experiencing a renewed interest in the systematic examination of the boundary between public and private delivery of goods and services. The interest has been stimulated in part by concerns that the federal government has become too large, too expensive, and too intrusive in our lives. The interest also reflects the belief that new arrangements between the public and the private sector might improve efficiency while offering new opportunities and greater satisfaction for the people served. (Report 1988, 1)

E.S. Savas concludes one of his works on privatization by stating:

This book arrives at the position that privatization is the key to both limited and better government: limited in its size, scope, and power relative to society's other institutions; and better in that society's needs are satisfied more efficiently, effectively, and equitably. (Savas 1987, 288)

All three of the above quotes from advocates of privatization illustrate their assumption of private sector efficiency. According to E.S. Savas (1987, 4-5), there are four major forces at work in favor of privatization. The first is the ideological argument that the private sector is more efficient than government. Advocates of

privatization assert that anything government can do, the private sector can do better. Second is the closely related pragmatic argument that to save money the private sector should be utilized more in providing goods and services. Third, the commercial argument is that government spending accounts for a large amount of total spending and business should receive a larger percent of the government pie. Fourth, the populist argument states that there should be a greater sense of community (voluntary arrangements) in the provision and production of goods and services.

The American Federation of State, County, and Municipal Employees is one of the strongest opponents of privatization. As early as 1977, they published *Government for Sale* by John D. Hanrahan, which exposed cases of corruption with contracting out. AFSCME's major concern is for the public employees whose service is contracted out. Although their direct personal interest is of utmost importance, they also see other problems with contracting out that are just as significant.

In *Passing the Bucks: The Contracting Out of Public Services*, AFSCME (1983, 14-16) puts forth nine arguments against contracting out that have been demonstrated at the state and local levels. The following are just a sample of the arguments against contracting out: (1) contracting out may lead to higher costs, because of the profit motive at work in the private sector; (2) contracting out may produce a lower quality of service, once again, due to the profit motive; (3) contracting out diminishes the degree of accountability to the citizens; and (4) contracting out can lead to a high level of corruption, such as the use of patronage in rewarding contracts. According to AFSCME,



The central message in this detailed examination of contracting out is clear: The key to improving public services is good public management, and not the selling off of government. All too often, public officials have used contracting out as a crutch to prop up weak management. (1983, 101)

This study examines the extent to which public employees are in fact the big losers with privatization. The data were collected at the local level with cases of contracting out of residential garbage collection. The next section briefly reviews some of the literature concerning local government contracting. The discussion includes the kinds of services cities and counties are contracting out and the benefits of contracting.

### *Local Government Contracting*

Contracting out in the public sector is a topic now receiving a good deal of attention. Contracting out is a basically straightforward concept: it simply means that government agencies can provide services to the public by employing private firms, nonprofit organizations, or even other governments. These firms operate under contract with the city, state agency, or other government. Governments have been contracting out for decades—for instance, the Pentagon to Lockheed and General Dynamics for military hardware, state agencies to nonprofit firms and hospitals for human services, and cities to engineers for design and construction of streets. Despite its familiarity and simplicity, contracting out is still something of an enigma. Contracting out is well known by the governments that use it, yet it is often poorly explained, researched, and managed. Contracting out can save enormous amounts of money, but often it wastes large sums. Contracting out has been used for many years but is now suddenly a popular topic, gaining the attention of politicians, interest groups, and citizens. Oddly, contracting out for one service may be controversial, while in the same city or state or at the federal level, another service will be routinely contracted out. (Rehfuss 1989, 1)

Contracting out of services is being used extensively at the local government level and this trend will likely be on the increase over the next decade (see Ferris and Graddy 1986; Savas 1987; Dudek 1989; Rehfuss 1989). The broad use of contracting out by local governments is most likely due to the close fit between many services that they provide and the requirements for contracting. Some of the most common services that are being privatized are vehicle towing, building repair, tree trimming, day care, cultural programs, hospital operation, legal services, and waste collection (see Rehfuss 1989, 10-12).

According to Rehfuss (1989, 18-24) there are three major benefits from contracting out. Cost-effectiveness is very important to most local governments and contracting out is seen as a cost cutting measure. The private contractor is able to cut cost due to economies of scale and their ability to purchase innovative technologies and equipment. Contracting out also allows for more flexibility in meeting changes in service demands. One area where private contractors have greater flexibility is in dealing with employees. Private contractors do not face the numerous civil service regulations that government employers are bound by. Therefore, private employers can reward employees for good performance in a more timely manner and transfer workers more quickly to where they are most needed. Lastly, using contracting out may allow local governments to be more responsive to citizens' demands by freeing up governmental resources, such as money and time.

This study explores the contracting out of garbage collection at the local level.

Garbage collection is in many ways an ideal task for which to compare public and private efficiency. Two-thirds of all American cities have

some type of private trash collection, whether through free competition among firms, exclusive franchises, or contracts with city governments. In 45 percent of the cities, only private firms pick up the garbage, while in 33 percent, municipal sanitation departments have a monopoly. Adjusting these figures by the sizes of the cities suggests that between one-third and one-half of American households have their trash collected by private firms. The private sector role in waste management, moreover, has grown steadily in the past few decades. In 1964, 18 percent of surveyed cities contracted with private firms to pick up residential garbage; in 1982, the proportion had risen to 27 percent. (Donahue 1989, 58)

As suggested by Donahue, garbage collection is one service area that is extensively being contracting out to private companies. This reality lends importance to the need for examination of the issues developed in this dissertation. The personnel implications of the privatization of garbage collection examined through the survey will be important to many communities, administrators, budgets, and people.

What is the future for contracting out? R. Poole (1980) in *Cutting Back City Hall* considers a city with only three employees (a city manager, a city attorney, and a secretary). Even if this extreme vision does not come true, the future for local governments will most likely consist of providing fewer services directly to the citizens.

There is a direct tie between the privatization of goods and services and the field of public personnel administration. The following section briefly examines the field of public personnel administration and provides insights which illuminate the connection with privatization. The key point in this section is that change is constant. The field of public personnel administration has gone through many reforms over the years; privatization is an important contemporary force that will cause further reform.

The effects of privatization will be an important element in an understanding of the developing issues of public personnel administration.

### Public Personnel Administration

In recent years, the field of public personnel administration in the United States has experienced greater change and sparked more interest than any other area of public administration. It is a field that has experienced a conflict over goals and a weakening of executive control, resulting in the encroachment by courts into the decision-making process. It is also a field in turmoil due in large part to the unclear role of the personnel administrator, resulting in the limited scope and effectiveness of government managers. (Rabin, Teasley, Finkle, and Carter 1985, vii)

From the era of "government by gentlemen" to the current era of "efficiency and management," the field of public personnel administration has experienced at least as much change as any other area of public administration. This literature review examines how factors driving change in the theory and practice of public personnel administration have changed over the past century. In every historical period, public personnel administration reflected the values of society of that period. In its early history, public personnel administration reflected the reform tradition of public administration. In recent decades, however, it has changed due to external pressures and environmental changes, e.g, demographics, technology, political ideology, and privatization.

### *Historical Development*

The first American personnel system of "government by gentlemen," based on fitness of character, had much in common with the ancient Chinese Civil Service

that called for the ruler to have people of moral integrity and wisdom around him. However, the early American system did not adopt other elements of the Chinese system. By about 206 B.C., the Chinese began to utilize an examination system that was based on the teachings of Confucius. Local officials recommended individuals for official positions and these chosen few would be given an examination. According to Titlow (1979), the examination system was used as a tool by the government to "overcome the powers of regionalism and the hereditary aristocracy" (p. 4). Not until near the end of the 19th Century did the American public personnel system move broadly to an examination system.

In the early U.S. public personnel reforms the British influence on the American personnel system was more profound than that of any other country. The British personnel system included competitive exams, entrance at the bottom of the civil service system, and neutrality of the civil service. The American personnel system adopted elements of the British system with variations and other parts were not embraced. Richard Titlow asks: Why the British system, when the Chinese, French, and Germans had firmly established civil service systems? Titlow proposes six possible reasons for why the United States looked to the British model.

- (1) Political and administrative conditions in the United States more closely paralleled conditions in Britain than any other foreign country.
- (2) The recent administrative developments in Britain were fresh in the minds of American reformers.
- (3) The background of the major United States reformers helped turn their attention to Great Britain.
- (4) Liberals in Great Britain and the United States advocated and supported civil service reform.

- (5) Political parties did not have significant influence in shaping civil service systems in China, Germany, or France. In Great Britain and the United States political parties benefitted from the patronage system, which in turn helped shape the direction of civil service reform movements.
- (6) The administrative systems of China, Germany, and France offered little help in eradicating a number of the most severe problems which faced the United States. (1979, 98-99)

Traditionally, as previously noted, the first period of federal level public personnel administration (1789-1829) was designated as "government by gentlemen" - the guardian period. Public servants were chosen by President Washington on the basis of "fitness of character." The dominant view was that an elite government service was the best means to govern a nation. According to Maranto and Schultz:

Under Washington and the presidents immediately after, public service was an honorable and stable occupation for the well bred and well educated. Government employees were from the elite, but they were also capable and honest. Removals from office were rare, and nearly always related to performance at work. (1991, 23)

In the new American tradition, it was inevitable that an "elite" public service could not and would not last very long for both political and ideological reasons. For political reasons, Jefferson changed the elite system to a partisan, if still elite, one, thus initiating the change to a patronage personnel system. With the election of Andrew Jackson, an elite public service was dropped from the partisan requirement. Jackson campaigned on a platform that would limit the number of elite individuals in government and infuse the public service with the common man - "the spoils period" (1829-1883). He believed it was important to fill the halls of government with loyal party followers and that the ability to administer was widely held. He observed that the governmental duties were plain and simple, and therefore, almost anyone could do

the jobs of public officers. The Jacksonian system was the first major reform in the American public personnel system. On the positive side it was designed to replace the "un-American" and "elite" system, to increase public accountability, and strengthen executive power. According to Maranto and Schultz, however, there were problems with Jackson's reforms.

First, contrary to what Jackson had believed, some government tasks were not so simple that anyone could do them.

Second, though Jackson was principled, the same could not be said of all his supporters.

Third, the Jacksonian response to corruption was to narrowly define duties to limit the opportunity for fraud. (1991, 33-34)

The abuses of the spoils system and the inefficiency that transpired led to the passage of the Pendleton Act of 1883, the second major reform in American public personnel administration. The British model strongly influenced the Pendleton Act. The common element between the British system and the United States system was the concept of competitive examinations that could lead to a merit civil service system. According to Paul Van Riper, "the problem was to reconcile British ideas with American experience and inclination" (Thompson 1991, 8). The focus of this reform of public personnel administration was on preventing "spoils" through a merit system. The concept of a merit system was used to separate "dirty" politics from the task of administration, a general reform in public administration. As Woodrow Wilson (1887) argued, administration should be more "business-like" and civil servants needed to be appointed on the basis of their technical knowledge, i.e., a merit system.

According to Van Riper, the Pendleton Act, which was based on British precedents, developed a merit system composed of "(1) competitive examinations, (2) relative security of tenure, and (3) political neutrality" (Thompson 1991, 8). The passage of the Pendleton Act began a new era of public personnel administration that was squarely in the mainstream of public administration reform, including the scientific management school of thought identified with Frederick Taylor. Taylor (1911) highlighted the need for an efficient government; he argued for the introduction of scientific tools into personnel management, such as position classification. In the ensuing years (1906-1937) the focus of public personnel administration continued to be efficiency, with the addition of professional and technical specialists into the governmental ranks.

In 1905 the New York Bureau of Municipal Research started work on the specialization and professionalization of management. After President Franklin D. Roosevelt's election in 1932, he and others maintained that government lacked sufficient managerial capacity. To deal with this issue, Roosevelt appointed the Committee on Administrative Management, chaired by Louis Brownlow and commonly referred to as the Brownlow Committee.

The report of the Brownlow Committee stressed the need to centralize administrative power in the federal government and enhance the managerial competence of the presidential office. As a means of implementing this general recommendation, the committee urged that personnel management be more closely integrated with general presidential management. (Dresang 1991, 33)

This period of public personnel administration emphasized the need for management and a centralized personnel system.



The Human Relations School's research influenced public personnel administration reform during the fifties and sixties. The Human Relations approach concentrated on the human factor in administration. An important early milestone in the history of this school consisted of the Hawthorne studies (Roethlisberger and Dickson 1939), which concluded that when managers take an interest in their employees, the employees tend to alter their behavior, such as performing at a higher productivity level. Many scholars within this school suggested methods that could be used to motivate employees, such as Abraham Maslow's Hierarchy of Needs (1954) and Douglas McGregor's Theory Y (1960). The impact of the Human Relations School is still being felt today: public personnel administration increasingly is known as Human Resource Management.

In the early to mid 1960s, the civil rights movement introduced a new emphasis in public personnel administration: the broad emphasis on individual rights. The focus of individual rights led to major changes in public personnel administration, according to Thompson:

The civil rights movement rocketed issues of social equity into the center of the personnel-policy sphere. It fueled doubt about whether practices presumed to serve merit ideals in fact did so (written examinations, for example). The upheaval also touched employee rights. (1991, 227)

Most of the reforms that came out of the civil rights movement concerned the procedures for recruitment, hiring, placement, promotion, and dismissal of public employees. In particular, the passage of the Civil Rights Act of 1964 forced public personnel administrators to take seriously social equity issues. Title VII of the Act

made it unlawful for employers to discriminate based on an individual's race, color, religion, sex, or national origin. Title VII also established an enforcement apparatus, the Equal Employment Opportunity Commission (EEOC), with the power to ensure that employers followed the provisions of Title VII.

The civil rights movement caused significant changes in the way that public personnel administration was performed. Public personnel officials had to become extremely familiar with the law (equal employment, affirmative action, etc.) relating to civil rights issues. All personnel policies had to conform to the letter of the law; on a number of personnel fronts the courts became intimately involved in the practice of public personnel administration. The complexity of the public personnel function increased tremendously during this period and, consequently, the literature in the field of public personnel administration began to deal almost exclusively with how to handle the changing nature of the personnel function.

In addition to the civil rights movement, in the last two decades public personnel administration has undergone reform as a result of other external pressures and environmental changes, including demographics, technological change, and privatization. The public work force is changing in terms of its make-up and public personnel administrators have had to learn to deal with the changing faces. There are more women in the work force, which means dealing with issues such as day care and parental leave. Different minority groups also bring various cultural differences to their jobs, which must be dealt with as they relate to the workplace. The changing work force connects to the issue of privatization due to the fact that the new faces are

usually the first to go when privatization occurs. AFSCME voices this argument when arguing against the use of privatization.

Along with the demographic changes of the work force, the technology that is being used on the job is also changing. Computers are being used more and more and they take certain skills to operate, which many public servants do not have. Therefore, they must be trained to utilize the equipment that is at their disposal. However, proponents of privatization argue that the private sector and its employees are currently in a better position to handle the new technology.

By the late eighties and early nineties, societal and scholarly attention shifted toward management as the answer to the call for efficiency in the public service (National Academy Public Administration 1989). The renewed emphasis on management is, in part, due to the tensions created by increasing demands for goods and services and stable or decreasing resources. Also public sentiment turned against government because the increasing demands were perceived as not being met, or at least not being met efficiently, by government. The election of Ronald Reagan indicated a major change in U.S. metapolicy<sup>5</sup>, reflecting a general perception that government had failed and the private sector needed to play a greater role in addressing public services - privatization.

The personnel implications that surround privatization call for reforms, such as retention procedures and training programs (National Academy Public Administration 1989).

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<sup>5</sup>For further information on the term metapolicy, see Dror (1968).

According to Donald Kettl,

Privatization, if anything, requires an even more highly skilled work force, one trained in skills much different from traditional approaches to public administration. The techniques of supervision, motivation, and control that predominate in most public-administration and public-management programs do not begin to deal with the complications that arise when the persons to be supervised, motivated, and controlled work outside a government agency. Moreover, the technical skills that work for entry-level positions do not serve the manager's needs well. With promotions comes the need for retraining in management skills and rethinking the manager's roles and responsibilities. The problem to date is that government has privatized faster than its administrators have been trained to manage. (1991, 262)

Kettl asserts that privatization is a radical change from the traditional way of managing public programs. From this it follows that the public personnel function must change to meet this new environment. Kettl, along with others, lays the groundwork for defining the intersection of privatization and public personnel administration. This study will build on that groundwork and elaborate on the intersection with the help of survey data collected involving the contracting out of residential garbage collection.

**CHAPTER FOUR**  
**ISSUES AT THE INTERSECTION OF PRIVATIZATION**  
**AND PUBLIC PERSONNEL ADMINISTRATION**

With the current budgetary constraints, governments must find new ways to cut expenditures and at the same time keep the same or higher level of service. Personnel costs in most public organizations amount to a substantial percentage of total expenditures. Therefore, some scholars and citizens have argued that the way to save money is to make personnel cuts. According to Fesler and Kettl, "a popular assumption is that budgetary problems could be greatly eased, perhaps even solved, if the number of employees or their compensation were cut back" (1991, 107). While Fesler and Kettl conclude that the argument is not as strong as it first appears to be, the fact remains that personnel costs are the major expenditures in public organizations. Thus, if major reductions in public expenditures are to take place, the personnel area must be addressed.

The "new" personnel *manager* implied by Kettl's analysis will encounter several personnel questions that must be addressed with respect to privatization. The following are some of the major issues and the study's research questions are embedded within this broad listing.

### Status of Existing Employees

What is the effect of privatization on the employment status of public employees? Once the decision has been made to institute a privatized program, decisions must be made about the status of existing public employees. There are four available options: (1) Present personnel can be moved to another location within the public organization; (2) The public employees may be transferred to the private sector company that is involved in the privatized arrangement; (3) The public employees may retire from the public service; or (4) The public employees may have to be displaced.

AFSCME (1983) argues that public employees will be displaced with privatization and this is a strong reason to avoid privatization. Is the role of government to provide employment? On the other side, Poole (1987) argues that "employment should not be substituted for efficiency as a principal management objective" (p. 39).

### Costs of Layoffs

When privatization occurs, and public employees are displaced, what are the costs of these layoffs? According to an AFSCME (n.d., pp. 7-8) report, some of the costs of layoffs may be hidden. The following are many of the costs associated with layoffs and most of these costs will be paid by government and in turn the taxpayers. First, employees who are laid off from their job are entitled to unemployment compensation and some may end up depending on public welfare programs for

assistance in making ends meet. Second, there may be a drop in tax revenues due to the loss of income of the affected workers of a contract. Third, there may be an increase in social problems, such as alcohol and drug abuse, with numerous layoffs within a particular community. Fourth, some governments offer placement programs to laid off employees and these programs can be quite costly. Fifth, those public employees who remain in the organization may experience low morale because they feel sorry for those who lost their jobs and they may fear that their own job is at risk. Although these costs of layoffs are possible, the results from the Dudek studies (1988, 1989) showed that only 5% to 10% of the public employees were displaced by contracting out. These results will be compared with the results of this study in the concluding chapters.

#### Changed Role for Public Employees

What happens to the role of public employees that are involved with a privatized service? The ability to address future issues is not one of the public sector manager's traditional roles or strengths (Allison 1982). However, advanced planning is a necessary activity with privatized services. Before a contract can be signed with a private agent, specific activities must be spelled out. According to Donald Kettl (1988), there must be a co-alignment of goals between the public and private sectors and feedback mechanisms in place to ensure that the goals are being met. The public manager is used to being able to change directions in mid-stream, but with privatization this capability is usually limited or entirely eliminated. The nature of

public management changes. The job of the public manager does not disappear with a privatized arrangement; in most cases, the manager must take on a more active role to insure that the private firm is doing what is expected.

The fourth recommendation in the National Academy of Public Administration's Report emphasizes the importance of the changed public management role in connection with privatized services.

#### Recommendation 4: Training and Personnel

Significant upgrading is needed in the staffing of government agencies administering privatized services. In particular, improvements are needed in training public managers, classifying positions for management personnel responsible for privatized programs, and maintaining skilled technicians and managers within the government to administer privatized activities.

To operate more effectively in an era of third-party government, public managers must be equipped with more than standard program knowledge and public administration and policy analysis skills. They must also be familiar with the management requirements of privatized services and indirect forms of government action. This will require changes in the traditional training programs in the public administration field.

Accompanying the changes in training must be an effort to alter personnel standards for people who manage privatized services. As more of the government's operation has taken the form of contractual relationships with outside providers, the role of the procurement officer has grown in importance and complexity. The panel believes strongly that these positions must be classified at a higher level so that the government can attract and retain high-quality personnel to handle the increasingly difficult job of managing outside contractors and ensuring compliance with governmental goals.

Given the interdependence between government manager and outside contractor, the panel also believes strongly that the [personnel administrator] should equip agencies to retain in-house technical capacity to evaluate the performance of outside contractors. Without careful attention to this facet of contract operations, government can



easily find itself captured by outside suppliers and left without the ability to hold contractors accountable. In general, highly trained, competitively compensated public sector executives must be recruited and retained if privatization in its various guises is to be pursued effectively as a strategy for performing public functions. (1989, 55)

### Wages and Benefits

When privatization occurs, what happens to the wages and benefits of public employees that are hired by the private sector company? The American Federation of State, County and Municipal Employees (1983) argues that wages and benefits in the private sector are lower and that public employees suffer a loss in wages and benefits when the service they are providing is privatized. AFSCME points out that in the private sector, those at the low- to mid-organizational levels tend to acquire a lower rate than their counterparts in the public sector. According to the Dudek studies (1988, 1989), the public employees who took jobs with the private contractors may have suffered a loss in wages, but the loss was usually slight. In terms of benefits, the Dudek studies found the private benefits to be below the amount paid by the public sector. However, the private contractor may offer other advantages to the employees to offset the loss in benefits. In the 1989 Dudek study, 22 former local government employees who worked with the private contractors were interviewed.

With only two exceptions these employees stated that working conditions with the contractor were the same or superior to those of their former government employer. The four most frequently cited advantages of working for the contractor, according to these employees, were: "a more professional atmosphere," "less bureaucratic procedures," better opportunities for career advancement," and "better pay". (p. 34)

### Negative Social Impact

What impact does privatization have on the employment of minorities in the public sector? According to Robert E. Suggs, "government bureaucracies are an important avenue of social and economic mobility for racial minorities, as they had been for several ethnic minorities in the past" (1986, 14).

On the one hand, municipal patronage jobs have been the gateway to the mainstream economy for several waves of immigrants and minorities. City governments still employ disproportionate numbers of women and minorities; and pay them unusually well. Government work offers job security and employee rights that are uncommon in the private sector. To insist that nothing matters in public service delivery but the raw dollar cost is to adopt a needlessly narrow view of government.

On the other hand, it is hard to discern any democratic mandate for redistribution through the municipal payroll. There is also a certain arbitrariness to making worker interests a trump argument in the privatization debate. If street-sweeping should be public so that street-sweepers will be well-paid, why not barbering, or plumbing, or flower arranging? Equally troubling is the fact that city workers are frequently better off than many of the taxpayers who pay their salaries. And even those who endorse the distributional effects of extra municipal employment might lament its inefficiency, since it usually costs taxpayers well over a dollar to deliver an additional dollar into a city worker's pocket. (Donahue 1989, 145-146)

AFSCME (1983) argues that as a group, minorities are the big losers when privatization of a service occurs in government. One principle that tends to have an impact on women and minorities in the public sector is "last hired, first fired." When a contract is signed and this principle is the operating philosophy concerning employees, minorities and women will tend to be the first to go. Typically, minorities are in lower paying jobs, such as sanitation crews, and they have less

seniority. Local governments have tended to privatize lower paying jobs more often, therefore, displacing many minorities (AFSCME 1983).

Suggs (1986), however, "found that displaced minority workers were hired by private service providers in about the same proportion as they had been by city departments" (p. 14). Even though the displaced public employees were hired by the private companies, Suggs discovered that the employees did earn lower wages and benefits than received from the city (1986, 15).

In the abstract, alternative service delivery is not inherently detrimental to minorities. As taxpayers and residents, minorities have the same interest as other citizens in improving service quality and reducing the cost of government. In some instances, alternative service delivery may help achieve these goals. But as long as opportunities for minority economic advancement are heavily concentrated in the public sector, reducing the size of government may curtail an important avenue of social and economic mobility for minorities. (Suggs 1986, 15)

#### Hidden Costs of Contracts

Are all costs of a contract immediately evident? William Timmins (1986) argues that there are five impacts of privatization upon career public employees -- career disruption and dislocation; lowered morale and productivity; relocation and reciprocity; erosion of civil service and merit systems; and undermining of trust and credibility -- and it may be difficult to place dollar amounts on each.

According to AFSCME (n.d., 5-7), additional costs may arise when the parties to a contract attempt to predict all possible conditions that might occur. Private firms will tend to do only what the contract specifies, so government contract writers must spend time and money forecasting all possible circumstances. Private firms tend to

deliberately make a low bid for a contract initially in order to win. Once the private contractors have the government where they want them, which is complete dependence on the private firm, the cost of the contract increases. This technique of private firms is referred to as "lowballing" or "buying in." When the contract is signed, the government probably loses the capacity to perform the service itself. In most cases, the government has no other option than to pay the increased price. A related hidden cost may arise if the contractor defaults on the arrangement or is providing inadequate service. The government must either hire a new contractor or locate a group of capable in-house employees to perform the service. Both options will likely be quite expensive. In some instances, public employees will have to train the contractor's employees and this will mean time away from other responsibilities and the cost of salary or wages.

### Lower Quality of Services

Does the quality of services change with a privatized arrangement? There is a concern that private firms are only worried about the "bottom line" and will cut corners to increase their profits. To increase the "bottom line" firms may hire inexperienced personnel at low wages, ignore contract specifications, or provide inadequate supervision. All of the above actions may in fact lead to a lower quality of service. AFSCME (n.d., 8-9) makes the argument that private firms work hard to win contracts by touting the number of "specialists" they will have working on the contract. However, once the contract is signed, the "specialists" are spread so thin

that most of the work gets done by "generalists," so that a lower quality of service may result.

### Decline in In-House Expertise

What happens to the remaining public employees when privatization occurs? According to AFSCME (n.d.), when government relies heavily on the work of contractors, it spends less on training in-house employees, and morale drops. According to McGregor's Theory Y, most employees are hungry to learn more about their jobs and they usually rely on their employer to provide the funds to get the added training. A second concern is that governments tend to contract out the interesting work while leaving public employees to perform the boring work, which can lead to a decline in morale also. Timmins (1986) echoes the argument made by AFSCME that the morale and productivity of the career public employees will suffer with privatization. A third concern is that the public employees who do remain in the organization become watchdogs or overseers rather than doers. In this context, according to Moe, public managers may become "risk averse" because they will not be getting the credit for new ideas, if the private sector is the producer (1989, 70).

### Accommodating Employment Policies

The opposition of public employees to the concept of privatization is understandable. Government workers whose jobs are affected by contracting out or other forms of privatization face the prospect of significant and possibly painful economic dislocation. This may involve workers being laid off or possibly suffering a decline in their wages, if they move to the private sector. (Dudek 1989, 43)

Both Dudek studies (1988, 1989) make the recommendation that if cities want to avoid interference over the privatization decision from public employees, they should provide protection for the employees. Paul Staudohar (1980) also argues that when considering contracting out, the interests of the public employees must be taken into account. The cities should make every effort to secure jobs for the affected public employees.

This chapter has examined some of the personnel implications of privatization. These issues arise at the intersection between privatization and public personnel administration. The next chapter provides some empirical answers to the questions raised here about the status of existing employees, wages and benefits, negative social impact, and accommodating employment policies.

## CHAPTER FIVE

### RESEARCH DESIGN AND DATA ANALYSIS

This study uses privatization survey data from all 120 Alabama cities with populations between 3,000 and 265,965. Two surveys were developed for gathering the information from the cities. A majority of the questions were based on questions developed by Dudek and Company (1989). The remaining questions were developed through discussions with committee members, Ph.D. students, and Auburn's city manager. Pre-testing was also done to help in the development of the questions. Seven surveys were sent out in late April and four were returned with minor suggestions about the wording of questions. Their suggestions were aimed at removing any confusion about the meaning of the questions. Survey A (see Appendix) was developed for cities that were currently contracting out garbage collection, while Survey B (see Appendix) was for those cities that were performing garbage collection in-house. Initial telephone calls were made to all 120 cities and it was discovered that 65 of the cities collect garbage with public employees and 55 cities contract out the service. This chapter will first review how the data were collected and then present the data with the use of descriptive statistics.

### Research Design

The focus of Survey A was to collect data on the four research questions that deal specifically with employment issues. The questions in Survey B focused on general issues related to contracting out and some specific information on garbage collection.

The surveys, along with a cover letter and prepaid return envelope, were mailed out in early June 1995 and directed to the city clerk or city manager/administrator. The clerk or manager is typically the one person who has an overall view of the workings of his/her city. The cover letter requested that if the clerk or manager knew of someone in the city who would be better able to complete the survey, then it should be passed on to that person.

By the beginning of July, fifty-four surveys had been returned. A follow-up phone call was made to each of the cities that had not returned the survey. This method of follow-up was chosen because of the advantages of personal contact<sup>6</sup> and to speed up the returns. In some cases the contact person still had the survey, while in other cases, a new survey was sent out for completion. After the follow-up phone calls, twenty-two additional surveys were returned. Therefore, the total return rate was seventy-four surveys or sixty-two percent. Cities that contract out garbage collection returned forty-two surveys for a seventy-five percent return rate for Survey A. The return for Survey B was thirty-two surveys, for a fifty percent return rate.

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<sup>6</sup>For more information on mail and telephone surveys, see Don A. Dillman (1978).



SPSS 6.1 for Windows Student Version was used to analyze the survey data. The analysis of the survey data was performed largely through the use of percentages and strength of association measures.

### Data Analysis

This section presents and analyzes the survey data returned from the Alabama cities with populations between 3,000 and 265,965. The presentation is mostly of a descriptive nature and lays the groundwork for further study. Currently, there is very little research that examines the questions posed in this study. Therefore, this dissertation will make a contribution to a body of literature that is so far lacking in descriptive information.

Table 5.1 shows the distribution of garbage collection between public and private arrangements in 120 Alabama cities.

Table 5.1  
Status of Garbage Collection in 120 Alabama Cities

Population	Contract Out Garbage Collection	In-House Garbage Collection	Total
3,000 - 4,999	44% (15)	56% (19)	100% (34)
5,000 - 9,999	56% (23)	44% (18)	100% (41)
10,000 - 29,999	50% (16)	50% (16)	100% (32)
30,000 +	15% (2)	85% (11)	100% (13)
All Cities	47% (56*)	53% (64)	100% (120)

\* One of the cities with a population over 10,000 has its garbage collected by the county; the other 55 cities contract out garbage collection with one of several private companies.

The total return rate was seventy-four surveys or sixty-two percent (See Table 5.2 and 5.3 below). Those cities that contract out garbage collection and received Survey A had a return rate of forty-two surveys or seventy-five percent. Of the forty-two surveys, 72% (13 out of 18) of the cities with a population over 10,000 responded and 76% (29 out of 38) of the cities with a population up to 10,000 responded. Those cities that perform garbage collection in-house and received Survey B had a return rate of thirty-two surveys or fifty percent. Of the thirty-two surveys, 52% (14 out of 27) of the cities with a population over 10,000 responded and 49% (18 out of 37) of the cities with a population up to 10,000 responded. The strength of association measure gamma was computed for the return rate for both surveys based

on city size. Survey A's gamma was  $-.09$  and Survey B's was  $-.1$ . These measures showed that larger jurisdictions are slightly more likely to return the surveys.

One explanation for cities' not responding to Survey A is that many of them have been contracting out garbage collection since their incorporation as cities. Therefore, there was no one around who could answer the survey questions. As for the other group who received Survey B, they appeared to have very little concern for the issues of privatization and that may have accounted for their lower response rate.

Table 5.2  
Return Rate for Survey A by Population

Population	Returned Survey	Total
3,000 - 4,999	67% (10)	15
5,000 - 9,999	83% (19)	23
10,000 - 29,999	69% (11)	16
30,000 +	100% (2)	2

Table 5.3  
Return Rate for Survey B by Population

Population	Returned Survey	Total
3,000 - 4,999	47% (9)	19
5,000 - 9,999	50% (9)	18
10,000 - 29,999	44% (7)	16
30,000 +	64% (7)	11

As will be discussed later in this chapter, there are limits to the analysis of the data in this study. A return rate of 62% may point to a reason why there are so few studies in this area: for many reasons, data are difficult to obtain. Once the surveys were examined it appeared that some of the data are difficult to obtain and there are several possible explanations for this situation. For instance, there may be a lack of records at the local level, a rapid turnover in personnel, and a low level of professionalization.

The analysis is broken down into three sections. The first section reviews the overall picture of the cities surveyed. The second section analyzes the research questions and hypotheses developed in Chapter Two. Finally, the third section examines other data gathered from the two surveys which contribute to the overall picture of the intersection between privatization and public personnel administration.

### *An Overall Picture*

This section looks at the 120 Alabama cities that were surveyed for purposes of this study and specifically examines those cities that responded. The study focuses on Alabama cities because they operate under a common framework of state law and because almost half of them contract out garbage collection. Additionally, garbage collection was chosen as the service to examine since it is one of the primary services that is being contracted out at the local level.

Table 5.1 indicates the direction of the relationship between city size and the decision to privatize services. Fifty-one percent of the smaller cities, those with a

population between 3,000 and 10,000, are contracting out their garbage collection. Only forty percent of the larger cities, those with a population over 10,000, contract out garbage collection. Strength of association measures gamma (.13) and lambda (.09) were computed and they showed a weak relationship between size of city and contracting out. However, these measures of association reveal that larger cities are less likely to contract out. According to Stein (1990), larger cities are contracting out more services than smaller cities. One might assume this is because the larger cities are better able to handle the complexities of a contracting arrangement. The above data show that in this instance the smaller cities chose to contract out garbage collection more than the larger cities. Why is this the case?

Survey A, which was sent to those cities that contract out garbage collection, asked what were the cities' reasons for making the decision to contract out. The respondents were given three options and asked to rate them according to whether the reason was a major factor, minor factor, or not a factor in their decision. Of those who responded, thirty cities (65%) cited budget savings as a major reason, twelve cited improved service delivery as a major reason, and four cities cited labor problems as a major reason for deciding to contract out garbage collection. The literature on local government contracting also cites budget savings as one of the major reasons for cities to privatize a service. It appears that the smaller cities were forced to contract out garbage collection to save money.

If budget savings is the major reason why these cities contracted out garbage collection, how did they become aware of it as an option? Twenty-nine cities cited

discussions with other governments, nineteen cities cited conferences, seminars and literature, and fourteen cities cited being approached by a private sector company.

The cities were asked what company has the contract for garbage collection. Two major companies collect garbage in Alabama - BFI and Waste Management. Twenty-one cities named Waste Management as their contractor, fifteen cities named BFI, two named Alabama Waste Services, and one city named City Environmental. Most contracts are three years in length. The cities were also asked if they talked with more than one company before making the contracting out decision. Thirty-six cities responded that they had talked with more than one company before making the contracting out decision.

Survey B respondents, who currently do not contract out garbage collection, were asked if they had ever considered contracting out residential garbage collection. Fifteen cities responded that they had considered contracting out garbage collection, while seventeen cities responded that they had not considered it as an option. As a follow-up, the cities were asked why they decided against contracting out garbage collection or why they have not considered contracting out garbage collection. Out of the fifteen cities who had considered contracting out, seven responded that they decided against it due to costs. The following table summarizes all responses given by the remaining eight cities.

Table 5.4  
Why the City Decided Against Contracting Out Garbage Collection

Responses	Frequency
costs	46% (7)
satisfied with the current state	20% (3)
problems with past contracts	13% (2)
political reasons	7% (1)
loss of control	7% (1)
public opinion	7% (1)

Money thus emerges as the number one reason for why the cities made the decisions they did concerning garbage collection. Those who contract out garbage collection cited budget savings as a major reason for their decision. The cities that do not currently contract out garbage collection also cited costs as the number one reason for their city's decision.

#### *Analysis of the Research Questions and Hypotheses*

This section of the chapter will examine the data returned from Survey A and how it fits with the research questions and hypotheses proposed in this study. The research questions and hypotheses presented in Chapter Two are as follows.

Question 1: When privatization occurs, do the public employees stay with the public sector; move to the private sector; retire; or are they displaced (become unemployed)?

Hypothesis 1: Public employees are more likely to be displaced (become unemployed) in cities that privatize than in cities that do not.

Question 2: Do public employees suffer a loss in wages and benefits when the service they are performing is contracted out to a private company and they are hired by that company to perform the service?

Hypothesis 2: Public employees hired by a private sector company in the course of privatization suffer a loss in wages and benefits when the service they are performing is privatized.

Question 3: Do gender and ethnicity make a difference in the effects of privatization on public employees?

Hypothesis 3: When privatization takes place, the gender and ethnicity of public employees will affect who is displaced, with women and minorities experiencing relatively high rates of displacement.

Question 4: Does the presence of an accommodating employment policy, which attempts to minimize the potential adverse effects of privatization on public employees, lessen the obstacles to privatization?

Hypothesis 4: Cities that have an accommodating employment policy are less likely to report obstacles to privatization than cities that do not have such a policy.

Question 1 and Hypothesis 1 concerning the status of the public employees after privatization is the primary issue of this study. In order to get at this issue, the cities were asked to provide numbers on how many public employees were collecting garbage before it was contracted out and what happen to these same individuals after the service was contracted. As discussed, some cities had trouble providing these figures because garbage collection has been contracted out for many years. However, a clear picture did emerge from the numbers and responses that were provided.



Over half the public employees either remained with the government in different positions or obtained jobs with the private company. Table 5.5 shows that 203 public employees were cited by 23 cities as collecting garbage prior to contracting out. Sixty-eight or 33% of those public employees were laid off after garbage collection was contracted out. This figure is substantially higher than what was reported by the 1989 Dudek study (5% to 10%).

The figures provided by Survey B respondents, who do not contract garbage collection, were also incomplete. The figure given for the total number of employees performing garbage collection was 563. The cities were then asked what had happened to these employees in the last year. Table 5.6 shows the results.

Table 5.5  
Employment Status of the Public Employees  
in Cities that Contract Out Garbage Collection

Responses	Frequency
transferred to other government job	41% (83)
displaced/laid off	33% (68)
took job with private company	17% (34)
accepted other private sector job	4% (8)
retired	4% (9)
other	1 (1%)
total	100% (203)

Table 5.6  
 Employment Status of the Public Employees  
 in Cities that Do Not Contract Out Garbage Collection

Responses	Frequency
continued in their position	94% (532)
took job with a private sector company	2% (10)
retired	1% (6)
transferred to other government job	1% (6)
other	2% (9)
displaced/laid off	0

From the data received, the displacement rate (the percentage of employees laid off) was higher in the cities that privatized (33%) than in those that did not (0%). The remaining figures of the status of the public employees given by the respondents to Survey A are displayed in Table 5.5. As suggested, the figures provided are somewhat limited because not all cities had the information asked for in the survey. From the figures, it appears that the cities did try to ensure that the public employees would have jobs. Over half of the employees were kept within the government or took jobs with the private contractor. This interpretation may tie in with the resistance the cities encountered to the decision to contract out, which will be discussed later in this section. Lambda was computed to determine the relationship between employment status and city size. The value obtained was 0.0, which suggests a weak relationship.

Research Question 2 and Hypothesis 2 deal with the wages and benefits of the public employees once they are hired by the private company after privatization took place. Hypothesis 2 is based on the argument raised by AFSCME that public employees suffer a loss in wages and benefits when hired by the private company with the contract. Question 14 of Survey A asked the cities how the wages and benefits of those who took jobs with the contractor compared with what they had earned with the city. Table 5.7 displays how the respondents compared the private sector wages and benefits with those of the city. Only 16 cities responded to the question and the results were varied.

Table 5.7  
Private Sector Wages and Benefits Compared with the City

Responses	Frequency
more than what they had with the city	5
equal to what they had in the city	8
less than what they had in the city	3

There was no clear picture from the results of how wages and benefits compared from the public to the private sector. Many of the cities that did not respond to the question commented that they had no information on the wages and benefits that the employees were making with the private company.

The results of the 1989 Dudek study were clearer and somewhat in line with AFSCME's argument.

As in previous studies, we found that employee compensation was lower with private contractors than with the local government. Yet salaries, on average, were about the same as those of government workers. In fact, wages rose in more cases than they fell, as a result of privatization. Fringe benefits offered by contractors, on the other hand, were in most cases less generous than those available in government. These less attractive fringe benefit packages in the private sector tended to bring the entire compensation package provided by private contractors somewhat below the total compensation package of local governments. (p. 43)

In a related article, Perry Moore (1991) compared benefits levels of state and local employees with private employees. Moore discovered that public employees receive more paid leaves, less expensive health benefits, and better pensions. The information cited above raises an interesting question in terms of the level of benefits governments are providing to their employees. This study is not the place to explore the issue, but it is worth noting. AFSCME may be correct in arguing that public employees suffer a loss in benefits with the private sector, but the data obtained from Alabama cities suggest the total private sector package is likely to be at least equal to or better than what employees had received with the city (see Table 5.7).

Research Question 3 and Hypothesis 3 involve the issues of gender and ethnicity in employment decisions. Hypothesis 3 states that when privatization takes place, the gender and ethnicity of the public employees will have an impact on who is displaced. The survey respondents were asked to provide numbers on how many public employees were displaced with privatization. Additionally, the displacement figures were to be broken down according to the gender and ethnicity of the employees. However, once again, the figures were incomplete.

In the Alabama cities virtually all garbage collectors were male Caucasians and male African-Americans. In other words, gender was a constant rather than a variable. The analysis therefore concentrates on the effects of ethnic differences. Table 5.8 displays the data provided on displacement rates according to ethnicity.

Table 5.8  
Displacement Rates According to Ethnicity

	Total Number	Laid Off
Male Caucasians	85	24% (20)
Male African-Americans	86	33% (28)

As the table shows, twenty-four percent of the male Caucasians were laid off, while thirty-three percent of the male African Americans were displaced. Statistically this difference is attributable to chance. A lambda of 0.0 was computed which suggests that ethnicity appears to have no significant impact on job displacement.

As discussed, AFSCME makes the argument that minorities as a group are the big losers with privatization. This may be true in one sense because minority employment appears to be relatively high in the services that are privatized. However, Robert Suggs "found that displaced minority workers were hired by private service providers in about the same proportion as they had been by city departments" (1986, 14). The data from the Alabama cities support Suggs' finding, and disconfirm Hypothesis 3.

Research Question 4 and Hypothesis 4 deals with the presence of an accommodating employment policy. This issue is addressed in the 1988 and 1989 Dudek studies, which concluded that a city that provides accommodating employment policies, such as a no lay-off policy, will face fewer obstacles in making a privatization decision than a city that has no such policy. Survey A asked several questions in order to get at this issue, such as was there resistance to the decision to contract out, was there a no lay-off policy, and did the private company give the public employees first shot at the available jobs. Table 5.9 provides the data on the above questions and other related ones.

Table 5.9  
Resistance to the Contracting Out Decision and Accommodating Employment Policies

Survey Questions	Yes	No
Was there resistance to the contracting out decision?	8	29
Were the public employees unionized?	2	33
Did the city have a no lay-off policy?	6	22
Did public employees get first shot at the available private sector jobs?	27	3
Did the city have a retraining policy to assist the public employees in getting a new job?	5	25
Did the city have an informal policy to assist the public employees in getting a new job?	8	20

Very few cities reported having accommodating employment policies, except for the private company giving public employees first shot at the available jobs. However, one interesting detail that jumps out from these data is that only 8 cities reported resistance to the decision to contract out. The survey asked the cities who responded yes to describe the resistance. The responses were as follows: one city cited that public meetings were held; one city cited that council members were contacted; four cities cited citizen resistance and concern; and one city cited resistance from council members. If accommodating policies make a difference as hypothesized, then the results could have been expected to reveal more resistance because there were so few cities with such policies. An explanation for this might be that the cities had no formal accommodating employment policies, but they did do what they could do to lessen the impact on the public employees. As discussed in this section, most public employees were retained within the government in different positions or hired by the contractor. Another explanation for the lack of resistance may be that some cities have always contracted out garbage collection, therefore, there were no public employees to resist.

A final reason for the lack of resistance is that the public employees were unionized in only two cities. Several studies indicate that the presence of a union makes a major difference in the outcome of a privatization debate. Timothy Chandler and Peter Feuille (1991) surveyed 2,758 public works directors in cities having 10,000 or more population. Their return rate was 56 percent (1,541 responses) and their findings demonstrate that unionization does have an effect.

For example, cities with unionized sanitation employees are less likely to consider seriously the privatization of sanitation service, and less likely to implement privatization when it is seriously contemplated. Their study also shows that success of such union opposition is not dependent on negotiation or provisions of a bargaining contract, but is rooted in the union's ability to exert influence away from the bargaining table. An additional factor is the relationship between the managers and the unions, for privatization is more likely to emerge on the agenda and be implemented in cities where labor-management relationships have been adversarial. Finally, Chandler and Feuille find that union opposition to privatization is rational, since unionization declines where contracting has occurred. (Chandler and Feuille 1991, 15)

The magazine *Public Employee*, published by AFSCME, also provides examples of the work of unions in fighting off privatization. In Portland, Maine, the public employees in the Parks and Public Works Department struggled to discover ways to cut costs and keep their jobs (AFSCME 1993, 4-7). The AFSCME Local 481 found an ingenious plan to deal with the prospect of privatization: they formed a labor-management committee which allowed them to work together to solve the problem. In New Albany, Indiana, the AFSCME Local 1861 fought back after the mayor proposed to contract out sanitation services (AFSCME 1993, 24). The employees' main argument was that the service would suffer with contracting out and they used several tactics to avoid the loss of their jobs. They organized a letters-to-the-editor drive, held three forums on the issue, gathered signatures on a petition, and worked on city council members. New Albany residents decided to keep the service public no matter what the cost.

We started the drive, but it took on a life of its own, said Recording Secretary Deatrack. This was a grass-roots campaign and I think the administration was surprised. They didn't expect us to lie down and



play dead, but they certainly didn't expect us to do what we did either.  
(AFSCME 1993, 24)

A final example of the work of unions appeared in Memphis, Tennessee. The AFSCME Local 1733 worked to defeat a bid to privatize city garbage collection. According to AFSCME Executive Director Ron James, the real issue in this case was politics and the "politicians found that they could look good to their constituents by pretending to save them money at the expense of city workers" (AFSCME 1993, 12). The bid was defeated due to strong community support for the workers. There are other examples similar to the Memphis case in which city and county workers through their unions discovered ways to push back the privateers.

Hypothesis 4 asserts that cities with an accommodating employment policy are less likely to report obstacles than cities that do not have such a policy. Since very little resistance was reported, it is difficult to make any strong conclusions about the power of accommodating employment policies. The following table spells out what policies the cities that faced resistance had in place.

Table 5.10  
Employment Policies in Cities that Faced Resistance

City	Union	No lay-off	First shot	Retraining	Informal
1	No	No	Missing	Missing	Missing
2	No	Missing	Yes	No	No
3	No	No	Yes	No	No
4	No	No	Yes	No	No
5	No	Yes	Missing	Yes	Missing
6	No	No	Yes	No	No
7	No	No	Yes	No	No
8	No	Yes	Yes	No	No

\* See Table 5.9 for an explanation of the above employment policies.

According to Hypothesis 4, these cities should have had very few accommodating employment policies since they faced resistance and that was the case. Only two of the eight cities reported more than one accommodating employment policy, and most of the cities cited yes to allowing public employees to have the first opportunity for private sector employment. At the same time, however, those cities that cited no resistance averaged only one accommodating employment policy. Many of these cities did make sure that public employees got the first shot at the available private sector jobs, which might have accounted for the lack of resistance. Several additional reasons for this occurring were discussed earlier in this section, such as the

lack of unions in Alabama. It is thus difficult to determine the effects of accommodating employment policies in this study.

This data analysis will be used to develop conclusions in the next and final chapter of this study. The next section of this chapter provides some additional data that were obtained from the two surveys. The data that follows deal with the cities' experience with contracting out in general.

### *Additional Findings*

The preceding dealt with the main focus of this study; this section will add to the overall picture by providing some additional data that was gathered from the two surveys. Both sets of respondents were asked about the number of services they contract out, how they would rate their most recent experience with contracting out and why, and their future plans for contracting out services.

Table 5.11 presents the number of services the cities are currently contracting out. In general, these Alabama cities are contracting out very few services and a majority of them responded that there was no need at this time for further contracting. The information was broken down into three categories - no services, one or two additional services, and three or more services.

Table 5.11  
 Number of Services Currently Contracted Out  
 Other than Residential Garbage Collection

	No Services	One or Two Services	Three or More Services
Survey A Cities	25*	10	3
Survey B Cities	16	11	4

\* Survey A cities were asked if they contract out any other services than residential garbage collection. Therefore, this number means that for 25 of those cities garbage collection is their only contracted service.

The cities were also asked to list the services and included streets, recycling, sales tax collection, mowing, and landfill operation. Later in this section the cities' reasons for limited contracting out will be discussed.

Survey A cities were asked to rate their most recent experience with contracting out garbage collection. Twenty-two of the cities cited that they were very satisfied, 14 cities cited somewhat satisfied, and 3 cities cited somewhat unsatisfied. Out of the 39 cities that provided a rating, only 29 provided reasons for their rating. Table 5.12 displays the reasons given for the ratings.

Table 5.12  
Survey A Cities'  
Reasons for Rating of Experience with Contracting Out

Reasons	Frequency
Efficient Service	13
Costs Savings	5
Response Slow/Missed Stops*	9
Costs Increased*	1
City's Loss Of Responsibility*	1

\* These reasons came from cities that were somewhat satisfied or somewhat unsatisfied.

As the table shows, many cities think that they are receiving efficient service from their contractor. Some cities did not provide a reason for their rating, but it appears that most cities are satisfied with their contractor for residential garbage collection.

Survey B cities were asked to rate their most recent experience with contracting out. Table 5.13 displays the cities' responses.

Table 5.13  
Survey B Cities'  
Ratings of Recent Experience with Contracting Out

Rating	Frequency
Very Satisfactory	8
Somewhat Satisfactory	5
Somewhat Unsatisfactory	1
Very Unsatisfactory	3
Does Not Apply	15

Of the cities that are contracting out, 13 are satisfied with their experience. Reasons given for the ratings included efficiency of service, scheduling reliability, and past bad results. As discussed, many of these cities do not currently contract out any services, so the question did not apply to them.

It appears that the cities who are contracting out are satisfied. However of 60 cities, only 4 cities indicated that they had future contracting out plans. The number one reason cited for the lack of future plans for contracting out was that the cities are satisfied with the current state of affairs.

The additional findings provide background for the subject of this study. Besides residential garbage collection, the cities are not contracting out many services. Even though the cities are satisfied with the service they are receiving now from contractors, few of them see the need for more contracting at this time. One explanation for this situation is that the cities are lacking information about the

advantages of privatization or they know the benefits, but just do not want to give up control of their services. This idea will be addressed in more detail in the concluding chapter.

The final chapter will bring the data reported here to bear on the relationship between privatization and public personnel administration. Conclusions are advanced and ideas for further study are developed.

## CHAPTER SIX

### CONCLUSIONS

This study addressed the intersection of privatization and public personnel administration. The specific focus is on what happens to the public employees when privatization takes place. The increasingly powerful presence of privatization suggests that students of public policy should learn as much as possible about how it works and its consequences. The personnel issues examined in this study have been explored in a few other instances, but further study is needed before systematic conclusions can be drawn. The analysis in this study reinforces earlier findings, adds some findings, and serves as a foundation for the further inquiry that is needed.

Chapter Two examined the relationship between the public and private sectors and how privatization occurs within this meshing of two sectors. The research questions and hypotheses follow from this discussion and focus specifically on the intersection between privatization and public personnel administration. To examine this intersection, data were collected from two surveys sent to Alabama cities with populations between 3,000 and 265,965. The data were analyzed in a descriptive manner in Chapter Five in relation to the research questions and hypotheses.

This chapter offers conclusions of the study based on the descriptive data analysis. The hypotheses will be re-examined in light of the literature reviewed in



Chapter Two, Three, and Four. Additionally, issues for further research will be developed.

### Findings

The primary conclusion of this study is that privatization has a substantial impact on the employment status of the public employees. Table 5.6 displays that over half (120) of the public employees were no longer in the public sector after privatization. However, there is little or no evidence that employee wages and benefits decrease, or that minority employees fare any differently from caucasian employees.

As ASFCME might have predicted a number of employees (68 or 33%) were displaced/laid off with the contracting out of residential garbage collection. However, the cities retained 41% of the employees within the government and 21% went to the private sector. The employees may have suffered a loss in wages and benefits, but from the data, it did not seem to be a significant loss. Ethnicity seemed to have no meaningful influence on job displacement.

A further finding is that budget savings were the primary force behind the contracting out decisions. This finding is consistent with the literature on why local governments turn to privatization (Rehfuss 1989). Many of the cities that contract out are smaller cities with tight budgets and limited administrative capacity, so contracting out is a logical step. Thus, contracting out may address issues of management capacity as well as issues of financial capacity. The question does arise, however,

whether the cities are really saving a great deal of money, since they keep so many employees within the government.

Additionally, Alabama's cities do not seem to be embracing privatization as an option for providing goods and services. As reported in Chapter Five, only seven of the Alabama cities are contracting out three or more services. A majority of the cities cited that they had no future plans for contracting out any additional services. The most often cited reason was that they are satisfied with the way things are at this point in time and they see no need for change. Although many of the cities reported that their experience with contracting out is satisfactory, the push for more contracting does not seem to be present. Since many of the cities are smaller cities with populations below 10,000, they seem to be able to handle the needs of their citizens and do not want to give up control.

### Reexamining the Hypotheses

In Chapter Five each of the hypotheses was analyzed in relation to the data collected from the surveys. This section will review those results and expand on them in light of the conclusion that contracting out does impact the employment status of public employees. Where appropriate, literature from earlier chapters will be used to support the results of this study.

Hypothesis 1:                      Public employees are more likely to be displaced in cities that privatize than in cities that do not.

The principal purpose of this study is to look at what happens to public employees when privatization occurs. AFSCME (1983) argues that what happens to public employees is loss of job or loss in wages and benefits. This study examined those issues with Alabama cities who contract out residential garbage collection. Hypothesis 1 examines job displacement. When the displacement rates in the privatized cities (33%) were compared with the rates in cities that do not privatize (0%), the rates were obviously higher in the privatized cities. Additionally, the data showed that all public employees do not necessarily face displacement with privatization. Over half of the public employees either remained with the government in different positions or took a job with the private sector.

Hypothesis 2:                      Public employees hired by a private sector company in the course of privatization suffer a loss in wages and benefits when the service they are performing is privatized.

The data obtained from the Alabama cities did not provide a clear picture one way or the other. Many of the cities responded that they did not know this information, so the data are incomplete. Only 16 cities responded to this issue of wages and benefits and the results were that 13 cities cited that the employees received more than or as much as what they had made with the city. However, in the 1989 Dudek study it was found that public employees did receive less with the private contractor than what they were earning with the local government.

One of the major reasons for a lower compensation package with the private sector is the level of benefits. As discussed, Perry Moore (1991) discovered that



groups. This is an important issue that must be addressed by the public sector and specifically the field of public personnel administration. What is the purpose of government employment? Is it to hire the most able people to provide quality goods and services for the public or is it to provide jobs for immigrants, minorities, and women that may have difficulty finding employment elsewhere? The results from this study indicate that contracting out is not necessarily detrimental to minorities.

Hypothesis 4:                      Cities that have an accommodating employment policy are less likely to report obstacles to privatization than cities that do not have such a policy.

This hypothesis was developed from the 1988 and 1989 Dudek studies. The studies found that cities who had policies in place to protect and assist the public employees faced fewer obstacles to the privatization decision. In this study, the cities cited very few accommodating employment policies. Only eight cities, however, reported resistance to the decision to contract out. Why was this the case?

One possible explanation is that the cities had no formal accommodating employment policies, but did all they could to assist the public employees and lessen the impact of privatization on their lives. It appears that this was the case since many of the employees were moved to other areas of the government rather than being displaced. However, the data do not directly support this explanation since most of the cities cited only having one accommodating employment policy in place.

Another reason for a lack of resistance in these cases is that garbage collection has always been privatized, therefore, there were no employees to resist the decision.

Obviously there could have been other parties who resisted the decision to contract out garbage collection, such as citizens, but the employees are the one group who have a direct and immediate interest in the privatization decision.

A final explanation that was discussed at length in Chapter Five is the influence of unions in resisting a privatization decision. It appears from several sources that cities in which public employees are unionized face resistance when they attempt to privatize the services that are being performed by the unionized employees. In Chapter Five three examples were described where unions stopped privatization attempts by the cities. In the Alabama cities there was only two cities who had unionized employees; the absence of unions may be a major factor for the lack of resistance. This would be an interesting issue for further study and would be of great help to cities who are contemplating a privatization decision.

The review of the hypotheses thus suggests several issues for further research. The next section will discuss these issues and then the chapter will conclude with some final thoughts.

### Issues for Further Research

In the course of completing and writing this study, several issues emerged for further research. This section will list these issues and provide some discussion about how they might be examined.

First, it would be useful to have more information concerning cities' decisions about what to do with the public employees. Survey A asked what criteria were used

if employees were kept within the government. There were only 15 responses to this question. Seven cities cited seniority as the criteria they used in making the decision about who would stay, five cited that the employees were needed in other areas of the government, two cited the skills of the employees, and one cited the existence of vacancies. To probe this issue more the cities should be asked about the decision making process that took place concerning who would stay within the government and what to do with the other public employees. The questions are who was involved, when did it take place, and what were the results? The data reported in this study suggest that the cities were in fact attentive to what happens to the public employees. This issue is important for other cities who are contemplating privatization and want to lessen the resistance from the employees. In order to reduce the obstacles, attention must be paid to what will happen to the public employees affected by a privatization decision. Answers to these questions would have to be developed through more in-depth case studies than were included in the methodology of the present study.

A related consideration is whether the employees transferred to other city departments were really needed within the city or was it just a way to avoid any resistance to the decision to contract out. A follow-up survey could focus on whether the employees were still within the government and active. An advantage to keeping a number of the employees within the city is that if the private company failed, then the city would have personnel able to take over the service again. Where the "competitive" market includes only a few service providers, this is an important issue.

Second, the question of wages and benefits is significant to those who are arguing for or against privatization. As stated earlier, AFSCME uses this subject as the basis for an argument against privatization. In Survey A the cities were asked to compare the wages and benefits between the government and the private company. Only 16 cities responded to the question; their reports suggest wages and benefits do not decline. To get a better handle on this issue one should survey or interview the employees who went with the private company or the company itself. By asking these other parties, a clear picture might emerge concerning the wages and benefits. This issue will also be important for the cities so that they can ease the anxiety of the public employees who will be going with the private company.

Third, the issue of resistance to a privatization decision also needs to be explored in more depth. This question is important for those who are contemplating a privatization decision and those who study privatization. The cities were asked about the resistance to the decision to contract out and only eight cities reported resistance. As examined the amount of resistance was compared with the number of accommodating employment policies in place. The generally accepted view is that the more accommodating employment policies provided, the fewer obstacles a government will face with a privatization decision. The data in this study did not indicate a significant connection between resistance and the number of accommodating employment policies. Most of the cities averaged only one accommodating employment policy and this was the case whether or not they faced resistance. One way of learning more about the resistance that may be encountered is to ask the



employees. In this study it would have been interesting to know why some employees did not apply any resistance to the cities' decisions to contract out garbage collection. It would also be interesting to survey and interview the employees who did resist and learn how the resistance was planned and carried out. In order for cities to lessen the resistance with a privatization decision, they need to know more about why and how it occurs.

Fourth, an important issue that emerged was how things might differ across services, time, and place. Would the displacement rates be the same across services? Would the wages and benefits differ according to the service involved? Would the resistance level differ if the city had unionized public employees? Would the timing of a privatization decision have an impact on the results? These are all interesting questions that can provide some much needed insight into the topic of privatization and specifically what happens to the public employees. In order to get at these questions a more comprehensive study would be necessary, covering multiple states and multiple services.

This above listing of ideas for further research is not exhaustive, but it can only help to paint a clearer picture concerning the issues of this study. The next section will offer concluding remarks.

### Conclusion

Public personnel administration has gone through many changes; privatization is one of the most recent forces for change. All the previous forces for change, such

as the civil rights movement, produced rules and regulations which led to a stable, bureaucratic way of doing business. Privatization is very attractive to public managers because it allows them flexibility to meet the rapidly changing environment that they must face.

David Osborne and Ted Gaebler (1993) in *Reinventing Government* discuss how the bureaucratic model of government is not working in today's society.

Today's environment demands institutions that are extremely flexible and adaptable. It demands institutions that deliver high-quality goods and services, squeezing ever more bang out of every buck. It demands institutions that are responsive to their customers, offering choices of nonstandardized services; that lead by persuasion and incentives rather than commands; that give their employees a sense of meaning and control, even ownership. It demands institutions that *empower* citizens rather than simply *servicing* them. (p. 15; italics in original)

Osborne and Gaebler do not argue that bureaucratic institutions should be thrown out, but they suggest that government must be "reinvented" to meet the ever-changing environment. There are many elements in the private sector, such as competition, that can be combined with elements of the public sector to create working relationships that meet the needs of today's society.

The rigidity of the bureaucratic system may have been functional when it was first created, but times have changed. As Osborne and Gaebler discuss,

During times of intense crisis-the Depression and two world wars-the bureaucratic model worked superbly. In crisis, when goals were clear and widely shared, when tasks were relatively straightforward, and when virtually everyone was willing to pitch in for the cause, the top-down, command-and-control mentality got things done. (1993, 14-15)

Privatization can provide the needed flexibility for meeting today's goals of the public sector by reducing the rigid rules and regulations of a bureaucratic system. As

discussed in Chapter Two, the private sector has greater flexibility in dealing with their employees which allows them to better utilize their employees' efforts. Additionally, private managers can make quicker decisions that permits them to meet whatever environmental changes arise.

The purpose of this study was to examine the intersection between privatization and public personnel administration. Privatization brings together the public and private sectors and that arrangement will impact the field of public personnel administration. In order to better understand that impact, a specific research question was posed: What is the effect of privatization on the employment status of public employees? From that general question four related questions and hypotheses were developed. To examine this intersection some of the relevant literature was reviewed and 120 Alabama cities were surveyed.

As discussed in Chapter One and Chapter Three, privatization is defined in many different ways. To simplify this study privatization was seen as an increased reliance on the private sector in providing, producing, and delivering goods and services for a society. Another complication was the different forms that privatization can take and its personnel implications will most likely vary with the form being implemented. In order to address this problem, local government contracting out was the form chosen. Additionally, residential garbage collection was selected as the service area because many local governments are contracting out this service.

There is a very limited amount of literature that directly addresses this intersection and this study was meant to help advance that existing literature. The

literature that exists has two sides to it. On one side is the argument that public employees are the big losers with privatization; the opposite view is that privatization does not critically injure the job status of public employees. What is the reality?

The reality in the cases examined here is that the public employees were substantially impacted by privatization. Thirty-three percent of the public employees were displaced with the contracting out of residential garbage collection. As stated earlier many of the employees were kept within the government in different positions.

Issues of generalizability enter into this study. Is Alabama a representative case for looking at the intersection between privatization and public personnel administration? There are characteristics of Alabama that must be considered when attempting to generalize the results of this study to other cities. The pay scale of both the public and private sectors tends to be lower in Alabama. Consequently, when the public employees took jobs with the private sector the differences that appeared in their wages and benefits may have been smaller than would have been the case elsewhere.

Professionalism is not a common characteristic used to describe cities in Alabama. Additionally, Alabama's personnel system has a strong political side versus a purely merit-based system. Montjoy and Watson (1993) claim that "our observations of Alabama suggest a strong suspicion of both professional administration and the abstract rules that are necessary for professionalism to serve democracy" (p. 26). The lack of professionalism and a political personnel system may have impacted how the cities dealt with the contracting out of garbage collection

in these cases. For example, the decisions about the employment status of the public employees may have been political in nature rather than based on what was efficient for the city.

Furthermore, the public sector is not monolithic. What conditions in the public sector matter in terms of the intersection between privatization and public personnel administration? The presence of unions and accommodating employment policies appear to make a difference as seen in this study. The state of a government's budget may have an impact on how it deals with the personnel issues of privatization, such as its ability to assist the employees in locating new jobs. The attitudes of management toward labor can influence the decisions made concerning the employment status of the public employees. Subsequent research could provide a more comprehensive listing of conditions that matter.

What lessons can cities take from the analysis in this study? First, cities contemplating the contracting out of a service should learn all they can about its advantages and disadvantages. As seen in this study, the advantages and disadvantages of privatization may vary from city to city. For example, the displacement rate might be higher in one city than in another or the level of resistance may differ. To get this information, cities should examine the relevant literature and discuss the matter with other cities who have considered the same option or are currently contracting the service.

Second, if the city plans to contract out the service, then they should do everything they can to protect or assist the public employees performing the service in

question. According to the Dudek studies, the more cities do to accommodate the employees, the less trouble they will encounter in implementing the contracting out option.

Additionally, the cities should be aware of what will happen to the public employees with privatization. Public managers will have to deal with these various impacts. For example, the employees who are displaced may need assistance in finding other employment and they may be entitled to receive unemployment compensation. The cities may need to retrain those employees who were transferred within the government

AFSCME (1995, 3) proposes a plan for governments in dealing with their budget problems that does not include turning to privatization.

The short-term, quick-fix approaches often proposed to "reinvent" government - layoffs or privatization, for example - do not address the underlying problems. Such approaches treat front-line workers as part of the problem when, in fact, they must be part of any viable solution. Truly redesigning government requires policy makers, and the union and its members, to break with the past and work constructively together to improve the efficiency and effectiveness of public services.

AFSCME argues that the way to provide better services with less money is to forge a working relationship between labor and management. The working relationship should include labor-management committees, quality circles, quality of work life, self-directed teams, total quality management, high performance workplace, and employee empowerment (AFSCME 1995, 8-13). AFSCME wants to see employees directly involved in any plans to redesign government instead of just assuming that they are the problem and turn to the private sector.

In terms of privatization, William Gormley (1994) expresses the sentiment of this study very well - "I treat privatization as a legitimate tool of government, but not the right tool for all occasions" (p. 215). Governments are facing increasing demands from their citizens, and they are unable to meet all these demands. One option that governments have is to turn to the private sector for assistance, but it is not the only alternative. Information on specific types of privatization, in relation to specific services, can assist the decision-making process (Heilman and Johnson 1992).

The present study offers a step toward systematic understanding of the relationship between privatization and public personnel administration.

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**APPENDIX**  
**SURVEYS**

Smith  
1995  
A

ID:

**The Impact of Privatization on  
Public Personnel Administration:  
What Happens to Public Employees?**

Please answer the following questions and return the completed survey as soon as possible in the enclosed, self-addressed envelope. To save you time, you will notice that the background information has already been entered. Please revise the information as appropriate. If you have any questions or problems with the survey, contact Glori Smith at (334) 844-5371.

**BACKGROUND INFORMATION**

City:

Population:

Respondent:

Title:

Telephone Number:

- 1) Does your city contract out residential garbage collection?

Yes \_\_\_\_\_  
No \_\_\_\_\_

If the response is yes, please send a copy of the most recent contract.

- 2) When did your city contract out garbage collection?

(Month/Year) \_\_\_\_\_

**TREATMENT OF AFFECTED GOVERNMENT WORKERS**

- 3) How many public employees were out collecting garbage before it was contracted out?

Total Number	_____
Of the total number, how many were:	
Female Caucasians	_____
Male Caucasians	_____
Female African-Americans	_____
Male African-Americans	_____
Female Other	_____
Male Other	_____

- 4) What happened to the employment status of these public employees once the contract was implemented? How many of these employees fall in the following categories (Please give your best estimates).

	Female Caucasians	Male Caucasians	Female African-Americans	Male African-Americans	Female Other	Male Other	Total #
Laid Off							
Took job with private co.							
Other private sector job							
Transferred other govt. job							
Retired							
Other							

- 5) Was there any resistance to the decision to contract out?

Yes \_\_\_\_\_  
 No \_\_\_\_\_

If yes, what happened? Who was involved and what did they do?

- 6) Were the public employees unionized?

Yes \_\_\_\_\_  
 No \_\_\_\_\_

- 7) Did the city have a no lay-off policy to protect the jobs of the public employees during the contracting phase?

Yes \_\_\_\_\_  
 No \_\_\_\_\_

8) Did the private company give the public employees first shot at the available jobs?

Yes \_\_\_\_\_  
No \_\_\_\_\_

9) Did the city have a retraining policy to assist the public employees in getting a new job?

Yes \_\_\_\_\_  
No \_\_\_\_\_

10) Did the city have an informal policy to assist the public employees in getting a new job?

Yes \_\_\_\_\_  
No \_\_\_\_\_

If yes, please describe the informal policy.

11) If some employees were kept within the city government, what criteria were used to make the decision about who would stay?

12) Did the city ever pay out any unemployment insurance or other government assistance to public employees who lost their jobs as a result of the contract?

Yes \_\_\_\_\_  
No \_\_\_\_\_

13) How did the city handle the affected employees' benefits, such as retirement, sick leave, vacation leave, and savings plans?



- 14) How did the salaries and benefits of those who took jobs with the contractor typically compare with what they had earned with the city?

More than what they had with the city \_\_\_\_\_  
 Equal to what they had with the city \_\_\_\_\_  
 Less than what they had with the city \_\_\_\_\_

**CITY EXPERIENCE WITH CONTRACTING OUT GARBAGE COLLECTION**

- 15) How did your city become aware of contracting out garbage collection? (Please check all that apply)

Discussions with other cities \_\_\_\_\_  
 Approached by a private co. \_\_\_\_\_  
 Conferences, seminars, literature \_\_\_\_\_  
 Other (Please explain) \_\_\_\_\_

- 16) The following question relates to why your city decided to contract out garbage collection. For each proposed reason, please indicate whether it was a major reason, a minor reason, or not a reason why your city decided to contract out.

	Major Reason	Minor Reason	Not a Reason
Budget Savings			
Improve Service Delivery			
Labor Problems			
Other (Please Explain)			

- 17) What is the name of the company that has the contract for garbage collection? What is the length of the contract?

Name of private sector company \_\_\_\_\_  
 Length of the contract (years) \_\_\_\_\_

18) Did your city talk seriously with more than one company before making the decision to contract out?

Yes \_\_\_\_\_  
No \_\_\_\_\_

19) If the answer to question 18 is yes, how many companies did your city talk with before making the decision to contract out?

Number of companies \_\_\_\_\_

20) Did you issue an RFP (Request for Proposals)? If yes, please send a copy.

Yes \_\_\_\_\_  
No \_\_\_\_\_

21) Please give your best estimates on the following items that relate to amount and costs of residential garbage collection (FY 1995).

Amount of garbage (in tons)	_____
Number of employees who collect garbage	_____
Costs of collection (per year)	_____
Number of vehicles used to collect garbage	_____
Road miles for collection	_____

**GENERAL QUESTIONS**

22) How would you rate your city's most recent experience with contracting out garbage collection?

Very Satisfactory \_\_\_\_\_  
Somewhat Satisfactory \_\_\_\_\_  
Somewhat Unsatisfactory \_\_\_\_\_  
Very Unsatisfactory \_\_\_\_\_

23) Please comment on the reasons for your answer to question 22.

24) Does your city currently contract out any other services? If yes, please list the services.

25) Does your city have any future plans for contracting out services?

Yes \_\_\_\_\_  
No \_\_\_\_\_

If the answer is yes, what services are you considering for privatization?

If the answer is no, why have you decided against contracting out services?

THANK YOU FOR YOUR COOPERATION. PLEASE ENCLOSE THE SURVEY IN THE SELF-  
ADDRESSED ENVELOPE AND MAIL TO:

GLORI BURCH SMITH  
PhD PROGRAM  
8030 HALEY CENTER  
AUBURN UNIVERSITY, AL 36849

Smith  
1995  
B

ID:

**The Impact of Privatization on  
Public Personnel Administration:  
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Please answer the following questions and return the completed survey as soon as possible in the enclosed, self-addressed envelope. To save you time, you will notice that the background information has already been entered. Please revise the information as appropriate. If you have any questions or problems with the survey, contact Glori Smith at (334) 844-5371.

**BACKGROUND INFORMATION**

City:

Population:

Respondent:

Title:

Phone Number:

Fax Number:

**GARBAGE COLLECTION QUESTIONS**

1) Have you ever considered contracting out for residential garbage collection?

Yes \_\_\_\_\_  
No \_\_\_\_\_

If the answer is yes, why did your city decide against contracting out garbage collection?

If the answer is no, why have you not considered contracting out garbage collection?

2) How many public employees perform residential garbage collection?

Total Number \_\_\_\_\_  
 Of the total number, how many are:  
 Female Caucasians \_\_\_\_\_  
 Male Caucasians \_\_\_\_\_  
 Female African-Americans \_\_\_\_\_  
 Male African-Americans \_\_\_\_\_  
 Female Other \_\_\_\_\_  
 Male Other \_\_\_\_\_

3) In the last year, what happened to the employment status of the public employees who perform garbage collection? How many of these employees fall in the following categories (Please give your best estimates).

	Female Caucasians	Male Caucasians	Female African-Americans	Male African-Americans	Female Other	Male Other	Total #
Continued in position							
Laid Off							
Took job with private co.							
Other private sector job							
Transferred other govt. job							
Retired							
Other							

- 4) Please give your best estimates on the following items that relate to amount and costs of residential garbage collection (FY 1995).

Amount of garbage (in tons)	_____
Number of employees who collect garbage	_____
Costs of collection (per year)	_____
Number of vehicles used to collect garbage	_____
Road miles for collection	_____

**GENERAL QUESTIONS**

- 5) Does your city currently contract out any services? If yes, please list the services.

- 6) How would you rate your city's most recent experience with contracting out?

Very Satisfactory	_____
Somewhat Satisfactory	_____
Somewhat Unsatisfactory	_____
Very Unsatisfactory	_____
Does Not Apply	_____

- 7) Please comment on the reasons for your answer to question 6.

- 8) Does your city have any future plans for contracting out services?

Yes	_____
No	_____

If the answer is yes, what are the city's future plans?

If the answer is no, why have you decided against contracting out services?

THANK YOU FOR YOUR COOPERATION. PLEASE ENCLOSE THE SURVEY IN THE SELF-  
ADDRESSED ENVELOPE AND MAIL TO:

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