

Privatization and Human Resources Management: Some Equity Challenges The Case of the City of Tampa

Joan E. Pynes
University of South Florida

Many state and local governments must reduce operating costs. To do so, some are reducing their workforces by privatizing services. In the City of Tampa, the mayor recommended the possible layoff of janitorial and security employees. City council members were concerned that the lowest wage employees comprised mostly of racial minorities would be hardest hit. This case study discusses the challenges when the value of lower cost services collide with social equity and social representation.

The movement of African-Americans, women, persons of color, and immigrants into the middle class was stimulated by the direct intervention of government through equal employment and nondiscrimination policies, as well as through the expansion of government services (Collins 1983, Brown and Erie 1981; Dahl 1961; Eisinger 1982; Freeman, 1976; Lowi 1964; Sanders 2006; Stein 1986; Wirt 1974; Zipp 1994).

In addition to equal employment practices, other attractions of government employment are the standard of living public employment typically provides and perceptions that discrimination and the threat of layoffs occur less often in government, making the public sector an attractive employer for minorities and immigrants (Sanders 2006). Direct public sector employment is the most frequent cited evidence of the government's role in black progress.

State and local governments are in the midst of trying times. Revenues have not kept up with the demands for public services. While the federal government only recently admitted that the United States is in a recession, state economists and retail analysts had already declared so. State and local governments across the country are cutting back services, reducing their operating hours, and in some cases, laying off public employees and contracting out their responsibilities. While all of the decisions are difficult and not made lightly, executing a re-

duction in force (RIF) and outsourcing city services tends to be the most difficult, requiring decision-makers to prioritize competing values. RIFs are difficult in the public sector for a variety of reasons: the need to be responsive to public demands, transparent professional and ethical standards, a commitment to fairness, equal treatment, impartiality, due process, and greater exposure to external scrutiny and criticism than private organizations face (Rainey 2003). There is also a greater diffusion of authority in the public sector. For example, in a local government, the budget is prepared by the executive (either a strong mayor, elected county executive, or appointed city or county manager), but it is approved by the legislative body (city or county commission). Not only is authority more diffused in the public sector, but public sector human resource management professionals have to contend with conflicting demands such as merit and patronage systems, acting in an efficient manner while also being politically responsive, following the leadership priorities of the elected executive, and adhering to the values of social equity and social representation (Elliott 1985).

Most of these conflicts are not found in private sector human resources management. In fact, as the new public management took hold across the country, with local, state and the federal government implementing private sector market strategies, the emphasis on public sector human resources management values have diminished. Reinvention, managerialism and decentralization do not focus on important values such as social equity, nor the motivation for public service (Feldheim, 2007).

Social equity has been defined as the fair, just, and equitable management of all institutions serving the public directly or by contract; the fair, just, and equitable distribution of public services and implementation of public policy; and the commitment to promote fairness, justice, and equity in the formation of public policy (Frederickson 1974; National Academy of Public Administration 2000). An *efficient* personnel system maximizes productivity and minimizes waste and cost in its procedures (Elliott 1985).

This case study provides an example of how an attempt to outsource some of the City of Tampa's security and janitorial services brought to the surface conflicting values between the mayor and city council. The mayor framed her position around efficiency, while a majority of the city council was concerned about social equity.

Background Context

States and local governments across the country are facing difficult times (Fehr 2008; State-line.org 2008). Florida has been hit especially hard. The decline in the housing industry and an increase in property foreclosures have resulted in a significant reduction in property taxes. In Florida, local governments receive most of their revenues from property taxes. Unlike many other states, Florida does not have a state income tax to ensure stable revenue patterns over time. Florida residents are also known for resisting tax increases. When Governor Charlie Crist was running for office, he promised voters that if elected, property taxes would be lowered. During the spring 2007 legislative session, the Governor and the state legislature mandated a reduction in the millage rate. The property tax mandate by the state legislature forced Tampa Mayor Pam Iorio to cut \$20 million from the city's budget. To reduce expenses, the city terminated 121 full-time city employees, eliminated 133 part-time and seasonal jobs, and kept vacant 115 other positions. Thirty-four employees in the Parks and Recreation Department lost

their jobs, 66 vacant positions were eliminated and another 101 part-time and seasonal positions terminated. The Police Department lost 47 positions, eight officers were transferred from desk jobs to patrol and six civilian positions were eliminated. The fire department cut 14 positions that included desk jobs held by firefighters transferred to field positions. Sixty-nine management and professional positions were eliminated. The salaries of seven of the management/administrative positions eliminated ranged from \$120,069 to \$140,110 (Zink 2007a). Despite these cuts the mayor still needed to cut additional dollars from the budget.

Data from 2006 indicates that in the City of Tampa, the median income of households is \$39,602 lower than the median income of \$48,451 across the United States; the number of families living in poverty is 16.4 percent as compared to 9.8 in the United States; and 20 percent of individuals are in poverty compared to 13.3 percent in the United States. Eighty-three percent of the people employed were private wage and salary workers, 12 percent worked for the federal, state or local governments, and five percent were self-employed. The median monthly housing cost for owners with a mortgage was \$1,390, and for renters it was \$773. Fifty-five percent of renters in the City of Tampa spend 30 percent or more of their household income on housing (U.S. Census Bureau, 2006 American Community Survey).

In 2007, 37.3 million people were in poverty. The poverty rate for Blacks is 24.3 percent, Hispanics 21.5 percent; non-Hispanic whites 8.2 percent, and Asians 10.2 percent. For children under 18 years old, the poverty rate is 18.0 percent and the number in poverty is 13.3 million. The number of people in poverty increased for seniors 65 and older from 3.4 million in 2006 to 3.6 million in 2007 (DeNavas-Walt, Proctor, Smith 2008).

Further Reductions in Property Taxes

The loss of revenue was exacerbated on January 29, 2008, when 64 percent of Florida voters voted in favor of Amendment 1. Amendment 1 brought about further tax reductions. It increased Florida's homestead exemption from \$25,000 to \$50,000 exempting the first \$50,000 of one's primary residence from taxation. Other provisions included in Amendment 1 are that homeowners are permitted to transfer the tax benefits on their current home to another home; businesses are permitted to exempt \$25,000 of tangible property, and a 10 percent cap is placed on nonhomestead properties' annual valuation. In addition to Amendment 1, Florida also has another constitutional amendment passed in 1992 titled "Save Our homes," that limits increases to the property taxes on Florida homes to three percent per year regardless of the home's increased value (Gedalius and McCarthy 2007; Zink 2007a 2007b). The millage reduction mandate combined with the provisions of Amendment 1 have further reduced property taxes and the amount of revenue local governments have to provide services. As a result, the City of Tampa and local governments across Florida needed to make some tough decisions concerning the delivery of services.

To reduce costs the Mayor proposed the privatization of janitorial services and security services not already contracted out. By reducing the number of city employees, the city would save money through the elimination of salary increases, health insurance, and retirement benefits for the workers no longer employed by the city. Contracting out the janitorial and security services was expected to save \$3.4 million from the city's \$353 million budget. The mayor promised that the contracts would be carefully monitored to make sure

there was a cost savings. If the Mayor's proposal was implemented, more than 100 city employees whose approximate hourly wage is \$15 plus benefits would be laid off.

The City Council's Response

The possible layoffs of the security and janitorial employees came before the Tampa City Council, because the council possesses the authority to approve city contracts. Council members Tom Scott and John Dingfelder were concerned that the layoffs would affect some of the city's lowest paid workers.

"It will be interesting to see what the makeup of those people are in terms of African-Americans, women and Hispanics." ... "The city is proposing to lay off 100 longtime employees who after many years of dedicated service still earn about \$15 per hour. These folks have worked long and hard to have health insurance for their families and a small pension for their retirement. Shame on the city for picking on those who can afford to lose their jobs and benefits the least" (cited in Zink 2007a).

City council member Charlie Miranda said he was not a big fan of privatizing in general, "I like to do the best I can with what I've got. Those are for-profit companies. I don't know what the advantage is of giving some city services to private companies unless we've not been running the city correctly for a long time" (cited in Zink 2007a).

City Council member Joseph Caetano supported the mayor's plan. "You're going to have competition. Right now we don't have competition. If the city janitors are not doing a good job, then what do you do? Nothing. If it is a private concern you say look you have specifications you have to follow, and if you don't follow them, you're out the door" (cited in Zink 2007a). He also noted that privatizing services needed careful oversight. *The Tampa Tribune*, the city's local newspaper wrote an editorial complimenting the mayor stating "with her plan to change the business of government, Iorio this week demonstrated that she has listened to taxpayers who want city government to be more efficient and less costly. City council members should not only keep an open mind, they also should join the efforts. It's the smart thing to do" (Tampa Tribune 2007a).

Councilman Dingfelder asked the administration to provide him demographic information such as the ages, races and gender, as well as the length of city employment concerning the employees that might be laid off. The city attorney said compiling such a list could put the city at legal risk. So Councilman Dingfelder and his staff compiled the information, spending several days reviewing files to find information on the employees such as their gender and race, how many dependents each had on the city's health care plan and their years of service to the city. Fifty-one security officers and 74 janitors who might lose their jobs were identified. Seventy-three (73) percent of the security officers and 77 percent of the janitors who might be affected by the reduction in force are minorities. Many of the employees live in East Tampa, an area the mayor is trying to redevelop (Gedalius 2007b). Mayor Iorio said her "administration has never and will never make a layoff decision based on race, gender, ethnicity or any other personal information" (Gedalius, 2007b 2007c: Zink 2007c). She also said it would be inappropriate for any council member or member of her

administration to make a decision on layoffs based on personal demographic information.

A later editorial from *The Tampa Tribune* criticized Councilman John Dingfelder. “If only Dingfelder cared as much about taxpayers as he does about government workers. Taxpayers are people too, and they deserve to have their hard earned-dollars spent wisely. If government didn’t dock their paychecks so much, perhaps they could spend more in the local economy and create jobs from the bottom to the top of the ladder.”... “It’s understandable to have sympathy for people who stand to lose their jobs, but Dingfelder’s indifference to taxpayers and government efficiency is puzzling” (Tampa Tribune 2007b).

In May 2008, the city’s department heads prepared lower budgets for the next year. Some of the strategies to reduce costs included not hiring new employees to fill vacancies in their departments, turning full-time positions into part-time positions and privatizing some positions. Part-time workers would be paid less and would not receive fringe benefits saving the city an additional 30 percent per employee (Gedalius 2008a; Gedalius and Salinero 2008). In June 2008, the mayor scaled back her proposal to contract out the security positions. After considering the numbers, the city determined that outsourcing them would save only \$163,937 and the quality of services would be compromised. The mayor still wanted to outsource the janitorial work, a proposed two-year contract with a private contractor would save the city \$392,440 per year but would result in the layoff of 27 employees (Zink 2008). *The Tampa Tribune* supported the mayor’s proposal citing that “It’s unfortunate any jobs must be lost. But government’s mission is to serve the public, not create jobs” (Tampa Tribune 2008). On June 26, 2008, in a 6-1 vote, the council did not approve the contract to outsource the city’s janitorial services. Prior to the vote, several janitorial workers asked the council members to spare their jobs, saying that the cuts would leave them without health insurance and it would be difficult to start a new career. The proposed contract to hire the city employees did not include medical coverage, so the employees would have received between \$7.50 and \$9.50 an hour after paying for health insurance. The majority of the council noted that when the time comes for layoffs, the city should consider spending cuts across the board, rather than targeting the city’s lowest paid employees. City Councilman John Dingfelder noted “if we can’t find \$400,000 out of a half-billion dollar budget, then we don’t deserve to be here” (Gedalius 2008b; Kaplan 2008).

The City of Tampa has a strong mayor form of government. It was the mayor promoting the privatization of security and custodial services, while a majority of the city council members were concerned about the social equity and social representation consequences of her proposal. However, many Florida local governments have a council-manager system, where county, city, or town managers are responsible for the daily operations of their jurisdictions. The need for them to make reductions in their budgets is unlikely to subside any time soon. Will they have councils concerned about social equity and social representation as well?

What Does the Future Hold and What is at Risk?

What happened to the social contract between employers and employees? Kochan (2005, 600-601) notes that the social contract that allowed workers and employers to prosper has broken down and is seen in multiple trends:

- Increased layoffs not as a last resort but as part of organizational restructuring or

movement of work to lower costs locations;

- Increased working hours for individuals and family units;
- Increased inequality of income and stagnant or declining real wages for a majority of the workforce and a break in the historic relationship between profits, productivity, and real wage growth;
- Loss of retirement income and shifts in the pension risk to employees as firms shifted from defined benefits to various forms of defined contribution plans;
- Declining health care coverage and shifts of cost increases to employees; and
- A loss of employee voice at work and in political and social affairs as the labor movement membership and power declined to pre- 1930 levels.

These trends identified by Kochan as affecting private sector organizations are also affecting many public agencies. The social contract between workers and employees has diminished in the public sector as well. The belief that a greater market orientation in the public sector will lead to greater cost-efficiency has been greatly influenced by public choice theories (Savas 2000 2002 2008). Outsourcing public jobs may result in greater cost efficiency, but what about the human costs? A topic often ignored in the discussion about RIFs is the betrayal of employee trust by breaking the social and psychological contract, its impact on the employee's sense of duty to the public interest, and the public service ethic (Feldheim 2007).

The proposal is off the table for now in the City of Tampa, however, many local governments are facing similar dilemmas as the need to make reductions in their budgets is unlikely to subside any time soon.

Questions for human resource management professionals, elected officials, and appointed executives to investigate prior to implementing RIFs include: is reducing the number of government employees an efficient and effective management decision or is it enabling the growth of a lower-wage, reduced benefits work force? Does social equity apply only to the provision of public services or to how we treat public employees as well? In many cases RIFs may be necessary, however the burden of balancing a local government's budget should not fall disproportionately on the backs of the lower wage workforce. What remains to be seen is which public administration values will influence their decisions.

In the course of their deliberations I hope they remember that the movement of women, persons of color, and immigrants into the middle class was stimulated through equal employment and nondiscrimination policies, as well as through the expansion of government employment. Public administrators need to be the guardians of social equity.

Joan E. Pynes is a professor of public administration at the University of South Florida. Her research and teaching interests are public and nonprofit management. She is the author of *Human Resources Management for Public and Nonprofit Organizations: A Strategic Approach* (2009, 3rd edition), published by Jossey-Bass, Inc. She can be contacted at pynes@cas.usf.edu.

References

- Brown, M. K., & Erie, S. P. 1981. Blacks and the legacy of the Great Society: The economic and political impact of federal social policy. *Public Policy* 29: 299-330.
- Collins, S. M. 1983. The making of the black middle class. *Social Problems* 30(4): 369-382.

- Dahl, R. A. 1961. *Who governs?* New Haven: Yale.
- DeNavas-Walt, C., Proctor, B. D., & Smith, J. 2008. *Income, poverty, and health insurance coverage in the United States: 2007*. U. S. Census Bureau, Current Population Reports, P60-233. Washington, DC: U. S. Government Printing Office.
- Elliott, R. H. 1985. *Public personnel administration: A values perspective*. Reston, VA: Reston Publishing Company, Inc.
- Eisinger, P. K. 1982. Black employment in municipal jobs: The impact of black political power. *American Political Science Review* 76: 380-390.
- Feldheim, M. A. 2007. Public sector downsizing and employee trust. *International Journal of Public Administration* 30: 249-270.
- Fehr, S. C. (2008, December 4). Shifting economy keeps states guessing. Available: stateline.org, <http://www.stateline.org/live/printable/stry/?contentId=359928>.
- Frederickson, H. G. 1974. A symposium: Social equity and public administration. *Public Administration Review* 34(1): 1-2.
- Freeman, R. 1976. *Black elite: The new market for highly educated black Americans*. NY: McGraw-Hill.
- Gedalius, E. 2007a. Pay check. *The Tampa Tribune*, September 3, Metro, 1.
- Gedalius, E. 2007b. City's ax aims at minorities: layoffs to hit Hispanics, Blacks, councilman says. *The Tampa Tribune*, December 19, Metro 1, 8.
- Gedalius, E. 2007c, December 21. Council hits privatizing jobs. *The Tampa Tribune*, available <http://www2.tbo.com/content/2007/dec/21/me-council-criticizes-privitizing>.
- Gedalius, E. 2008a, May 6. Tampa gears for budget cuts. *The Tampa Tribune*, May 6, Metro,3.
- Gedalius, E. 2008b. Tampa mayor's bid to privatize janitorial jobs fails. *The Tampa Tribune*, June 26, available: <http://www2.tbo.com/content/2008/jun/26/tampa-mayors-bid-privatize-janitorial-jobs-fails>.
- Gedalius, E., and McCarthy, A. 2007. Tax plan could cost Tampa, Hillsborough \$85 million. *The Tampa Tribune*, November 14, available <http://www2.tbo.com/content/2007/nov/14/me-city-county-face-85-million-hit/?news-breaking>.
- Gedalius, E., and Salinero, M. 2008. City, county hone budget ax as amendment forces cuts. *The Tampa Tribune*, January 31, available <http://www2.tbo.com/content/2008/jan/21/me-city-county-get-out-scalpels-as-amendment-force/?news-breaking>.
- Kaplan, T. 2008. Council rejects cutting jobs. *The St. Petersburg Times*, June 26, available: <http://www.tampabay.com/news/localgovernment/article646514.ece>.
- Kim, C.K. 2006. Minority employment in the largest U. S. municipal governments. *International Journal of Public Administration* 29: 437-451.
- Kochan, T. A. 2005. Social legitimacy of the human resource management profession: A U. S. Perspective. In P. Boxall, J. Purcedss, & Patrick Wright (eds). *Oxford Handbook of Human Resources Management* (pp. 559-619). United Kingdom: Oxford University Press.
- Lowi, T. J. 1964. *At the pleasure of the mayor*. New York: Free Press of Glencoe.
- National Academy of Public Administration. 2000, October. *Standing Panel on Social Equity, Issue Paper and Work Plan*.

- Rainey, H. G. 2003. *Understanding & managing public organizations*. San Francisco: Jossey-Bass, Inc.
- Sanders, J. 2006. Nativity, human capital, and government employment. *Social Science Research* 36: 404-419.
- Savas, E.S. 2000. *Privatization and Public Private Partnerships*. New York: Chatham House.
- Savas, E. S. 2002. Competition and Choice in New York City Social Services. *Public Administration Review* 62(1): 82-91.
- Savas, E. S. 2008, July. Public employees and public-private partnerships. *HR News* 74 (7): 6-7, 10.
- Stateline.org 2008. *The state of the states*. Available: www.stateline.org.
- Stein, L. 1986. Representative local government: Minorities in the municipal work force. *The Journal of Politics* 48 (3): 694-713.
- Tampa Tribune. 2007a. Mayor heeds Tampa taxpayers in making businesslike cuts. *Tampa Tribune*, November 17, Editorial: 12.
- Tampa Tribune. 2007b. Mayor heeds Tampa taxpayers in making businesslike cuts. *Tampa Tribune*, December 19, Editorial, available: <http://www2.tbo.com/content/2007/dec/19/na-dingfelder-plays-emotional-games-with-necessary/?Newa-opinion-editorials>.
- Tampa Tribune. 2008. Reasonable cuts at city hall. *Tampa Tribune*, June 16, Editorial, available: <http://www2.tbo.com/content/2008/jun/26/na-reasonable-cuts-at-city-hall/?news-opinion-editorials>.
- Wirt, F. M. 1974. *Power in the city: Decision making in San Francisco*. Berkeley: University of California.
- U.S. Census Bureau, 2006 American Community Survey. Tampa, available: http://factfinder.census.gov/servlet/NPTable?_bm+y&-qr_name+ACS_2006EST_G00_NP01&-g5. Retrieved 1/7/2008.
- Zink, J. 2007a. Budget layoffs strike hard: Around Tampa's city hall there is a heavy human toll to pay for a leaner government. *The St. Petersburg Times*, June 29, available: http://www.sptimes.com/2007/06/29/news_pf/Hillsborough/Budget_layoffs_strik_eof.shtml.
- Zink, J. 2007b. City will cut 100 more jobs: Property tax reform could bring even bigger budget crunch, Iorio warns. *The St. Petersburg Times*, November 15, 1B, 4B.
- Zink, J. 2007c. Tampa city council members let mayor Iorio know they won't back her privatization plan. *The St. Petersburg Times*, December 21, available: http://www.sptimes.com/2007/12/21/news_pf/Hillsborough/Workers_protest_lay_of.shtml.
- Zink, J. 2008. Mayor amends plan, saving 50 jobs. *The St. Petersburg Times*, June 19, available: <http://www.tampabay.rr.com/news/localgovernment/article634106.ece>.
- Zipp, J. F. 1994. Government employment and black-white earnings inequality, 1980-1990. *Social Problems*, 41 (3), 363-382.