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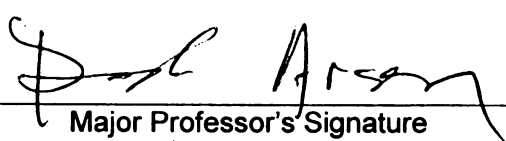
PRIVATIZATION OF SCHOOL SUPPORT SERVICES

presented by

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PRIVATIZATION OF SCHOOL SUPPORT SERVICES

By

DANA MAURICE BRYANT

A DISSERTATION

Submitted to
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ABSTRACT

PRIVATIZATION OF SCHOOL SUPPORT SERVICES

By

Dana Maurice Bryant

Privatization of non-instructional services is viewed as a way to reduce operating costs and increase efficiency of operations in K-12 public schools. This study examined the impact of privatizing non-instructional services in three southeastern Michigan school districts. Examination of data collected from one-on-one interviews suggested that there were both school district and community impacts felt from the school district's decision to privatize. In addition, the analysis of data indicated that a person's perspective could be different from someone from a different community even though the representative group is the same. The findings also illustrated that groups coming from outside the community to provide support to the privatized employee group were not effective in the study.

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CHAPTER 1

INTRODUCTION

To many, privatization represents a shift from government to private ownership or, alternatively, a reduction in government's regulatory role. An increasingly important form of privatization, however, entails competitive bidding among private firms to provide publicly defined services (Feigenbaum, Henig, Hamnett, 1999). This form of privatization—also known as contracting out—has gained considerable momentum in public education, especially in the area of support services. This study will examine the effect on schools and their local communities of contracting out support services.

Within the last twenty or so years the concept of privatization has begun to receive attention from researchers, policy makers, and non-profit organizations. Much of this attention has been focused on the immediate fiscal implications of privatization. The question is whether government entities can save money through privatization? A number of articles and studies portray privatization as a vehicle for helping government entities balance their budgets or improve their operations. While the financial dimension of privatization is important, it may have other important and far reaching implications for government operations and society at large.

Unlike hiring a contractor once every few years to make improvements on the family home over a few days, privatization of government functions typically requires establishing a long-term relationship between the government agency and an outside provider. Because of the complex nature of most public services, privatization contracts are typically written for multi-year periods. As a result, the characteristics of the contractor-agency relationship principally determines service quality and cost savings

(Sclar, 2000). For example, in Michigan's public schools, food service contracts can be awarded for four years and re-bid after the contract expires.

Contracting non-instructional services such as food, transportation, and custodial services in public education has received a growing amount of attention in recent years. School districts, especially in the State of Michigan, are confronting chronic funding crises as they strive to meet rising accountability demands regarding student achievement and high school graduation rates. The public educational system is in many ways operating in an environment equivalent to that of a competitive market in the private sector that produces enormous pressures on local districts to cut costs and increase productivity while maintaining services (Osberg et al, 1995:129).

Fundamental to the rationale for privatization is the belief that external competition either reforms the internal workings of public agencies to make them as efficient as possible or puts them out of business. The catalytic agent in this theory of organizational change is external competition. The power of competition lies in its ability to threaten the jobs of public employees. Absent the threat, according to the theory, public employees have no incentive to produce as efficiently as possible. "Although there is certainly a powerful element of truth that losing one's job may commit one to work as efficiently as possible, it does not comprise a satisfactory theory of organizational change; it is a theory of individual behavior" (Sclar, 2000).

In an effort to shed light on organizational change, the standard market model is the basis for individual theory of organizational change. This model is a theory about the operation of a decentralized system of resource allocation but has nothing to say about the operation of the organization (Demsetz, 1993).

The standard market has a fundamental concept called open market. This concept is limited because contrary to assumptions used in the standard market model, it is not free to use. There are costs in terms of time and money to get relevant information and to use organizational bureaucracies, as well as hierarchies to get things done (Coase, 1937).

In spite of the cost of the information and the possible efficiencies of getting things done, government contracting is common. Most of the tangible goods, supplies, equipment, and facilities used by governments in the United States are purchased from contractors. Local municipal governments' contract with private organizations for "output" services delivered directly to the public, such as refuse collection, ambulance service, street lights maintenance, and a variety of social services (Savas, 2000).

In addition to municipal governments, public school systems have historically used and continue to use private vendors to some degree. The range of activities includes management, bookkeeping, special education, tuition, professional development and a host of others (Education Industry Association, 2008). In a survey that appeared in *American School and University* (Argon, 2001), the following are the ten most common services for which public schools used private vendors:

1. Transportation
2. Vending machines
3. Heating, ventilating and air conditioning (HVAC) maintenance
4. Computer/Technology
5. Office equipment upkeep
6. Food Service
7. Printing

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8. Security
9. Grounds maintenance
10. Custodial service

Each service is considered non-instructional. Among these services; transportation, food service, and custodial services are distinguished by the fact that they have traditionally been provided by local districts and have attracted extensive attention regarding the potential savings of privatizing their provision. These services are commonly used on a daily basis. Employees who deliver them typically possess a minimum level of education and they receive health care and other employee benefits that are similar to school administrators and instructional staff. These benefits costs have escalated within the past 10-15 years and school districts are now forced to undertake aggressive measures to restrain them.

To many people inside and outside the public education arena, from politicians, citizens, school officials, school employees, parents and possibly students, the privatization of non-instructional services has both positive and negative aspects that affect each group differently. In my research, I will look at various aspects of this phenomenon and its impact on the school district and local community.

Purpose of the Research Study

The purpose of this study is to construct an understanding of the impacts that privatizing non-instructional education services has on a school system and the local community. I am interested in the impacts on district finances, non-monetary transaction costs, service quality and school culture and morale. In addition, from the local community's perspective, I will examine the economic and social consequences of

displaced employees and their community involvement and its broader indicators to determine a community's well being.

Previous research on cost savings associated with contracting consists primarily of case studies as noted in the *Cornell Center on Restructuring Local Governance, 2008*. The center reports "Although empirical studies do not provide clear evidence on the costs and benefits of privatization, public perceptions and pressure to improve government efficiency measured by cost reductions will keep privatization on the government agenda" (Privatization-Restructuring Local Government, 2008). My efforts are to inform educators and policymakers about a broader range of effects that private contracting of school support services have on school districts and local communities. Decision makers throughout the community may use this information to work together as a team to create an environment that provides a sound financial, and social economic base for the school district and community. This base will nurture a well rounded environment where students can learn and become productive citizens. Another intended outcome is for different coalitions who have not experienced the impact of privatizing are able to sit down and collaboratively work together for the betterment of all, by being more informed of the impact of this phenomenon on both school and community.

The study's empirical work will be comprised of multiple case studies of Michigan school districts. The case study will have phenomenological tendencies. This approach is designed to discover the essential structures and relationships of the phenomena of the school district's and community's experiences with privatization. The intention of the study is to capture the experiences of the participants who have chosen to be involved with the study.

In order to learn about the experiences of school officials, community organizations, and union leadership current and former employees, it will be necessary to purposely sample individuals in several schools which have implemented contracted services of school/ support functions.

CHAPTER 2

LITERATURE REVIEW

The literature on school support service privatization remains limited and highly partisan. Numerous papers have been produced by pro-privatization and anti-privatization organizations to further their positions without offering compelling, if any, empirical data. Articles appear in trade magazines which enjoy heavy sponsorship by large vendors supporting outsourcing. Many testimonial pieces favoring privatization appear in periodicals, and serve essentially as policy advocacy material (McClure, J.A. 2000). There is very little careful empirical research on non-instructional service contracting. There are, however, helpful conceptual taxonomies of private contracting in other areas of government service.

The current trend away from government and toward other institutions may lead a person to ask, what is the value of government? What is the role of the private institution in our society? Who should do what and for whom? At any given time and place, what is the best allocation of societal responsibilities among these powerful, but very different performers? What should government do?

These questions demonstrate an increasing emphasis on decentralization of decision making and a much greater reliance on the marketplace to provide services to society. The most common method used to place government services back into the private arena is privatization of those services.

The word privatization means different things to different observers. It can be defined broadly as previously stated, as relying more on private institutions to meet society's needs and less on governmental agencies (Savas, 1987).

The action of privatization becomes the movement of reducing the role of government or increasing the role of the other institutions of society, such as private business in producing goods, services and owning assets.

Privatization can also appear in many forms. In some cases government contracts with private firms to collect garbage, maintain public buildings, process claims, or repair military aircraft. Awarding franchises to companies to finance, build, own and operate highways, tunnels, and water works are also considered privatization.

Much of the present debate on privatization implicitly assumes that contracting is identical to organizational reform. In many cases privatization is presented to the public workers with a shape up or ship out setoff choices (Sclar 2000). This basic notion of shape up or ship out and other views are fueled by a variety of factors that have come together to make privatization a burning issue in government and public education. Key among these is the development of a global market, which highlights the impact of government activities on national competitiveness; a perception that the public sector possesses.

These developments demonstrate an increasing emphasis on decentralization of decision-making and a much greater reliance on the marketplace. Private providers have become competitors with government institutions for education and other service levels to society. Also, educational policy is increasingly moving toward decentralized solutions and the marketplace (Levin, 2001).

The welfare state is withering away because it is being undermined by market forces, which are changing the conditions of supply and demand for education, health care, housing, pension, and other components of government services. These are type of

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services that consumers are able to pay for and are the type of goods that private suppliers are increasingly able to provide through market alternatives (Savas, 2000).

Feigenbaum, Henig and Hamlet's, *Shrinking the State* (1999), looks at privatization from three different perspectives: 1) administrative, 2) economic, and 3) political. I find this way of conceptualizing the relevant issues helpful.

First, the administrative perspective entails a series of options available to public officials seeking to make government work better. Privatization represents a toolbox of techniques from which officials may draw the most appropriate tools to meet the task at hand. Among the available tools are contracting out, user fees, vouchers, asset sales, and load shedding (Feigenbaum, Henig and Hamnett, 1999).

This process generally is carried out by bureaucratic units which are somewhat insulated from the push and pull of normal political pressures. Accordingly, by this view, these bureaucratic units can use technical solutions to meet the needs of society in the most cost effective manner. The focus is on the priorities of society and how they might be furthered.

Next, the economic perspective is one that has both a macro and micro elements. The macro argument suggests that there are structural limitations to the relative size and intrusiveness of the public sector, whereas the micro argument explains the irrationality of government capital allocation. Here using both the macro and micro argument, privatization is viewed as a mechanism that takes resources out of the hands of bureaucrats and entrusts those resources to the more efficient, invisible hand of the market (Feigenbaum, Henig and Hamnett, 1999). It reduces society's dependence on government and allows the market forces to work in the best interest of society.

Lastly, the political perspective views privatization as a strategy to realign institutions and decision-making processes to promote the goals of some groups over the competing aspirations of others (Feigenbaum, Henig and Hamnett, 2001). This perspective differs from administrative and economic approaches because of the motivation of the political actors. Where the latter's focus is on better use of resources for all society, the former's focus is on a particular segment of society.

These three different perspectives of privatization provide different lenses to view this phenomenon. Each lens has a unique manner of framing the need and/or use of privatization.

As resources for public education began to dry up, and the efficiency of school operations increasingly came into question, many people felt that market forces could make public education more accountable and efficient. Groups began to form, supporting different methods of creating accountability, cost efficiency and containment. Viewing the call for more accountability and efficient use of public resources through the three perspectives provides a foundation for the current privatization movement.

This foundation assists in viewing the privatization phenomenon of school support services in a manner that allows me to structure my analysis around two symbiotic social pillars. The first area I will address is the impact that privatizing support services have within a school system. Within this area, I will be a look at financial, administrative transition costs, service quality and school culture and morale.

Next, I will look at how the community is impacted by privatization of school support services. The focus here will be on the economics and social consequences of

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privatizing and the community involvement. Each major area will have questions to help regulate the analysis.

Impacts within the School System

I. Financial

What are the financial implications of privatizing non-instructional services for public school districts? This questions and questions like it are commanding most of the public attention. Everyone seems to want to know how much can be saved if school support services are privatized. A number of school districts are finding creative ways to reduce costs while still providing their respective community the same level of instructional and non-instructional services. As the cost of employees' total compensation and other operating expenses continue to increase, district administrators and school boards are looking at every aspect of their operations to find cost savings. Contracting out has been widely proposed as a way for districts to save money, increase efficiency and improve service quality.

This process begins when a school district signs a contract with a non-profit or for-profit firm to provide services that the district once provided in house. These contracts should be written to precisely outline the contractor's responsibilities, the length of the contract and all other financial matters.

However, cost savings through contracting are not assured. Mathis and Jimerson, (2008) site examples where contracting out did not work for the school district. In one example, a large international food service provider caused a district to lose more than \$900,000. In this example, the contract language was not clear as who was going to absorb the severance pay, as well as, other transitional expenses, which caused the district

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to incur unexpected costs. Throughout their investigations Mathis and Jimerson discovered other instances where the contractor did not live up to the cost saving aspect of the contract. In most cases this was caused by contractual language and the district's inability to monitor vendor operations.

John Lewis, (2008), Accounting Specialist for Muskegon Heights Public Schools, notes that there are numerous cases where operating costs have gone down due to the outsourcing of food service. These reductions were based on services that were bid out to a number of service providers. Once a provider was identified and entered into a contractual agreement, the school district began to immediately save money on wages and other employee compensation costs.

It appears that many variables condition the potential cost savings associated with contracting including the type of service, local market conditions, and contractual language. These conditioning factors must be considered and understood in any evaluation of contracting non-instructional services in public schools. Not all school districts achieve their goal of reducing or eliminating operating costs. Nor do they necessarily have the capacity to discover and resolve problems that arise within a contracting relationship in a timely manner.

II. Administrative Transaction Cost

What are the administrative implications of privatizing non-instructional services? These costs tend to be invisible to the public and indeed district decision makers, but are nonetheless real. They include things such as, changes in the demands on administrators' time or changes in the need for clerical or legal services. When looking at privatization from a purely financial dimension, there appears to be a tendency not to overlook the

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costs associated with establishing, monitoring and enforcing contracting relationships. Proponents of privatization view themselves as champions of a policy change that they confidently believe will lead to a quantum drop in public service costs and perhaps, even lower taxes (Cox and Love, 1990). They contend that this will happen because competitive market economics will be permitted to trump politics and eliminate or incorporate market economics into the competitive cost structure of any agreement. Yet such a determination must include some include some assessment of transaction costs.

Consider the organizational processes through which the transaction from in-house personnel management system to a contract management system takes place. During this transitional process, the relationships of both employees and contractors with the school district change. Administrators are required to manage both sets of relationships. From a personnel management perspective they must deal with performance issues, disputes with employees and union grievances. From a contract management perspective they must prepare the request for proposal (RFP), prepare the contractual agreement, monitor the contractor's performance, and enforce the contractual language. These demands on district administrators' time are hard to quantify, but they are costs nonetheless. They could vary from district to district depending on the in-house expertise and availability of qualified and ethical vendors. Thus, administrative transaction costs will remain that invisible, subjective cost that school districts need to consider carefully, if they truly want to know what they are or are not saving.

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III. Service Quality

What are the implications of privatization on service quality? Service quality is an area that is subjective. Without specific standards or measures, one could get very different answers. Privatization is like dismantling a bomb; it must be done very carefully for wrong decisions can have nasty consequences. There are obstacles to be overcome, arguments to be rebutted, proponents to be mobilized and opponents to be thwarted (Savas 2000). As one of the many aspects of something going wrong, if the service quality is poor and all other aspects of the contract are operating as intended, the whole project could blow up.

Ensuring quality of service is a major concern and responsibility of the school district. Mathis and Jimerson found numerous examples of districts finding the quality of services provided by outside contractors was disappointing. For example:

- At Western Oaks Middle School, located in Oklahoma City, a contractor left meals in food warmers over a winter break, resulting in students becoming ill.
- In Richmond, Virginia, parents and students complained about food quality after a private vendor took over. One meal consisted of a pretzel, vegetable, and fruit.

There are other areas where service quality is impacted by contracting out. The level of vendor quality could have a negative or positive effect on the district's ability to provide quality services to the many groups receiving these services. The school district needs to know if the contractor has poor personnel practices(i.e., training, screening) to the type of cleaning materials they may be using (i.e., prohibited by law).

After many discussions with my Middle Cities Education Association colleagues, it appears that there are wide differences in their subjective assessments of the quality of

services their districts obtain from contractors. Assessments of service quality by various parties may also be influenced by the highly politicized environment in which contracting decisions typically take place. Given the very limited available research on the impact of contracting on service quality, however, such subjective assessments come into play.

IV. School Culture and Morale

What impact does privatization have on employee morale and school culture? For years the neighborhood school has been a fixture in the communities all across the nation. Most schools have personnel who are local residents who serve in non-instructional support positions. These employees serve a viable role in a school's culture and morale. In some cases, private contracting can entail job loss for long-term school employees. The displacement of co-workers and friends can impact the school culture and the morale of other personnel and students. The available literature on privatization offers no insights concerning its impact on the school culture and morale. This section of the literature review will include information from other industries and my professional experiences.

Ashford, et al. (1989) examine aspects of job security that affect employee morale. They divided job insecurity into five components: importance of job feature, likelihood of losing job feature, importance of job loss, likelihood of job loss, and perceived powerlessness. Using this model Ashford developed a Job Insecurity Scale. He reported that as job insecurity increases employee commitment, trust in the organization, and job satisfaction decrease.

This study is relevant here because it suggest a relationship between an organization's change and the measure of employee security and behavior. In tying this

example to privatizing non-instructional services, I believe that one must look at the key factors. These factors are: employment, employee behavior, and organizational change. As pointed out in the study, job insecurity caused declines in employee commitment, trust in the organization and job satisfaction. All of these behaviors have been identified in public schools in response to staff reductions including outsourcing of jobs to contractors.

Carrol Wilson (2008), Muskegon Heights Public Schools' Executive Director of Human Resources indicated that her district's morale was low when administration privatized the food service operations. The move to privatization not only affected the specific employee group, but also affected the overall morale of the district, including other non-instructional groups as well as instructional staff. In her view, employees felt that if the district would do that to the dedicated food service employees, some of whom had been working for the district for over 20 years, the administration would do it to any labor group to save money, regardless of the past sacrifices the employees had made to help the school district.

One of the main reasons why people resist the organization change associated with contracting is that the proposed change may break the continuity of a working environment and create a climate of uncertainty and ambiguity. Under modern change initiatives it is not uncommon for old established relationships to be redefined, for familiar structures to be redesigned and modified, and for traditional methods of work to be replaced or modified (Wagner,1999). Understandably, some employees may seek to maintain the status quo and resist these changes. Typically, resistance has been identified as resulting from one, or a combination of the following factors:

- Substantive change in job (change in skill requirements)
- Reduction in economic security or job displacement (threat to employment)
- Psychological threat (whether perceived or actual)
- Disruption of social arrangement (new work arrangements), and;
- Lowering of status (redefinition of authority relationships).

A change in the nature of the work and the skill required to perform certain functions is likely to engender distrust and resistance, particularly in situations where employees are not informed of the change prior to implementation. Even if these threats reflect an individual's perception of change rather than an actual threat, employee resistance is likely to result (Dawson, 2003).

Bederian (1984) suggests that parochial self-interest, misunderstanding, and lack of trust are common causes of resistance to organization change. In addition, he notes that individuals differ in the way they perceive and evaluate change and that some employees may have a lower tolerance for change.

In examining other reasons why employees resist change through the lens of who, Eccles (1994) identifies thirteen possible causes, these are as follows:

1. Failure to understand the problem
2. The solution is disliked because an alternative is preferred
3. A feeling that the proposed solution will not work
4. The change has an unacceptable personal cost
5. Rewards are not sufficient
6. Fear of being able to cope with new situations

7. The change threatens to destroy existing social arrangements
8. Sources of influence and control will be eroded
9. New values and practices are repellent
10. The willingness to change is low
11. Management motives for change are considered suspicious
12. Other interests are more highly valued than the new proposals
13. The change will reduce power and opportunities

The preceding discussion suggests that an organizational change such as private contracting can potentially have complex and significant impact on an organization's culture and employee morale. In school settings where employees often view themselves and coworkers as members of a team or even a family, the changes associated with contracting can have ripple effects on the family structure, i.e., building morale and culture.

Impacts within the Community

I. Economic and Social Consequences of Displaced Employees

Former school employees displaced by privatization may experience unemployment or underemployment that produces downward mobility, which can adversely affect their well being as well as that of their families and community. Given uncertainty about the extent of dislocation in employment and compensation, this study hopes to get a better understanding of the nature and extent of the problem. I will draw on previous literature linking employment dislocation with a range of social, psychological and health problems.

What are the employment and earning implications within a community when non-instructional services are privatized? The pressure caused by loss or reduction in wages could be devastating to the family and affect the quality of life for others in the community. I have been unable to uncover studies that can be directly tied to the community impact of privatization. However, I am going to hypothesize that privatizing non-instructional services in a school district affects more than the employees themselves who have been displaced. Thus, if contracting has an impact on an individual household there may also be impact on the wider community.

Major changes have occurred in the United States and particularly Michigan's labor market over the past few decades. The auto industry has been losing market share and cutting back on employment opportunities throughout the state. These changes have affected large and small communities and their ability to support the local school.

While the decline in real earnings growth and increase in inequality are well documented, less is known about the consequences of employment change in public education for local communities. This section is intended to provide a review of literature that will assist in the analysis of the effects of privatizing non-instructional public education services on the surrounding local community.

For most individuals, basic life requirements are met through employment. However, work does more than supply the means for meeting physical needs; it can also satisfy creative urges, promote self-esteem, and provide an avenue for achievement and self realization. Conversely, unemployment might be expected to increase anxiety and depression, lead to lower self-esteem, and produce adverse physical health consequences,

particularly when efforts to locate work are met with failure over a long period of time (Linn, Sanifer, and Stein, 1985).

Unemployment and underemployment occurred in the lives of many people in this country during the past decade. In Michigan, the slumping auto industry has affected the entire state economy. Many counties in Southeastern Michigan such as Calhoun and Jackson have experienced a dramatic decrease in employment opportunities. Discussions with county and other school officials suggest that employment picture has caused families to leave the area taking their children with them. This exodus has caused school districts to lose state funding. In Michigan, a school district's funding is tied directly to its student head count on particular dates in September and February. This reduction in funding places enormous financial pressure on the local school district to reduce operating costs while maintaining instructional services.

The financial strain has caused districts to seek ways of reducing their operating cost. Thus, the emergence of privatization in public education has begun. The areas of non-instructional operations are the ones that receive the most attention when budget cuts are discussed. These groups are food service, transportation and custodial services. In most cases these employees are a district's least educated personnel, but who nevertheless earn enough wages to have a reasonable standard of living. Often they are long term employees, and in some districts, they are mostly local residents.

What are the implications of loss employee benefits within a community when a school district's non-instructional services are privatized? In a country where health care has become a major concern for all Americans and more emphasize has been placed on individuals to manage their own retirement program, many employers in all

segments of the economy have been increasingly limiting the number of benefits they provide to their workforce (Wikibooks, 2008).

Given the depressed state of the national and local economies, inequalities in wealth, income, and high unemployment have been shown to be linked to negative social effects, such as high crime rates in these areas. The lack of money to spend on healthcare and health goods and living, means that those who are unemployed or underemployed often lead less healthy lifestyles and have less support if something goes wrong. Also, children from unemployed and underemployed households often have poorer education and hold fewer skills than the average person entering the workforce, meaning that high unemployment and or underemployment levels can be self-perpetuating through time. Adequate health care coverage increases a family's well-being.

Children who are not covered by health insurance are more likely than children with health insurance to receive late or no care for health problems, putting them at greater risk for hospitalization. A lack of health insurance can also influence children's school attendance and participation in extracurricular activities and has even been shown to increase parental and emotional stress (KIDS COUNT in Delaware, 2005).

Carrol Wilson, Executive Director of Human Resources (2008), stated that a number of district food service employees came to her office seeking help in keeping their existing healthcare and retirement packages. Since their work was being outsourced, they would be unable to provide the same level of health insurance for their family as they did while employed by the school district. In a number of cases these

employees were providing health care coverage to their own children and/or to other relatives.

In addition to the loss of health insurance, former employees suffered losses in their state retirement benefits. Mrs. Wilson went on to say that these employees know they are not the most educated and have limited skills outside their current positions, so the chances of them having enough money when they reach retirement age has been taken away. Unless they are able to find equivalent retirement benefits with other employers an unlikely prospect at best—their primary source of retirement money will be social security, because their wages were only enough to live on they were unable to accumulate no personal savings.

Also, unanticipated consequence of the employee loss of health coverage is an increased chance of bankruptcy due to uncovered health care expenses. It is estimated that up to 75% of personal bankruptcy cases were instigated by a person's inability to pay for major medical episodes (Employee Benefit News, 2008).

A family's worsening economic situation caused by unemployment or underemployment has led not only to financial hardship but to psychological trauma that extends beyond those who are experiencing unemployment and poverty to those Americans who fear the possibility of job loss and declining economic status. Though often overlooked, earlier research has clearly linked increases in stress as a result of declining socioeconomic status and diminished economic opportunities to health related problems and criminal aggression (Brenner 1984; Brenner and Mooney, 1983).

There have been a number of studies documenting the impact of job loss and unemployment on health and mental health (Dooley, Catalano, 1988; Kasl, Rodriguez

and Lasch, 1998). Among the adverse outcomes associated with job loss, unemployment, or underemployment, depression emerges as a prominent mental health outcome (Dooley and Catalano, 1988). In addition to elevated symptoms of depression, the increased likelihood of major depressive episodes has been demonstrated for the unemployed in large scale psychiatric epidemiological studies (Catalano, 1991).

A variety of hypotheses have been offered to explain why job loss may lead to poor mental health. For example, Johoda (1979) argued that unemployment produces profound changes in the life of working adults, including loss of structured time experience, valued relationships, status and identity, and meaningful life goals and purposes, all of which have a negative influence on a person's psychological well-being. Similarly, Warr (1987) argued that employment provides a variety of features, including the opportunity for control, use of skills, interpersonal contact, and provisions of economic resources that are responsible for psychological well-being and are adversely influenced by job loss and unemployment.

Also, there is evidence from several converging sources suggesting that financial strain, as well as its consequences in the form of secondary stressors such as insufficient food, shelter, heat, and the inability to pay bills and family distress, is the critical mediator in the relationship between unemployment and depression (Dooley & Catalano, 1984). Kessler et al. (1987) evaluated several competing hypotheses concerning the relationship between unemployment and poor mental health in three community samples of unemployed, steadily employed, and previously unemployed workers. He found that, among the hypothesized relationship between unemployment status and poor mental health, which included marital conflict, loss of work relationships, and financial strain.

Finances account for 90% of the explainable variance in mental health problems. An additional line of evidence is provided by Vinokur and Schul (1997), who demonstrated that in a sample of unemployed workers, financial strain mediated the relationship between unemployment status and depression, and that subsequent reemployment reduced financial strain and depression.

This body of research strongly suggests that there are relationships between changes in employment status and depression as mediated by financial hardship and strain.

For those who have lost their job with employee benefits or received lower wages see the potential of falling into poverty and downward social mobility as a possible reality. Those who remain employed, stress can occur because there is a more pronounced threat of unemployment, more pressure at work for those companies or sectors, such as education experiencing financial distress, greater strain on social relationships as workers compete to retain jobs (Brenner, 1984).

Research has shown a relationship between employment, wages, and crime rates and a relationship between the economic health of a community and incarceration rates (Justice Policy Institute, 2007). The impact on a community of short term economic and financial decisions may have a far reaching affect on a community's well-being. Many people assume that contracting out public services is more cost-effective and efficient than having public employees and public organizations provide these services (Donahue 1989, Osborne and Gaebler 1992; Peters, 1996). The perceived advantages are particularly strong in some school districts where school boards are sensitive to pressures to get more bang for the taxpayer buck. However, the bang could be the implosion of the

community they were elected to serve, as well as an increase in hidden costs in other areas of public expenditures such as Medicaid or other social services.

Social stress, due to inadequate finances or other such problems in a family may further increase tension (Gelles, 1997). Families and couples in poverty may be more likely to experience domestic violence, due to increased stress and conflicts about finances and other aspects (Jewkes, 2002). Some speculate that poverty may hinder a man's ability to live up to his idea of "successful manhood", thus he fears losing honor and respect. Social theory suggests that when he is unable to economically provide for his wife and maintain control, he may turn to misogyny, substance abuse, or crime as a way to express masculinity (Jewkes, 2002).

Again, discussions with my colleagues across the state indicate that they noticed that most district employees in the three major service areas (food service, custodial, transportation) lived in the local community. If so, the social costs of employment loss associated with district contracting is likely to be experienced in some degree within the surrounding local community. However, this probably varies across communities and is more likely to be the case in urban and rural districts than high income suburbs.

II. Community Involvement

What are the implications on community involvement and support of local school districts when non-instructional services are privatized? Employment is a means for people to connect and become involved with communal activities. In turn, community involvement directly or indirectly brings the individual a sense of belonging, self-worth and respect, identity, recognition, reputation, and status, all of which are ingredients of one's quality of life and satisfaction (Akerlof, 2000).

During a conversation with Malcolm Stevens, retired Human Resources Director of a public school system, I asked why a number of the school district's former food service workers were not attending any of the school district's sporting and social events. He said, "Although they indirectly work for the district through a private contractor, they just don't feel the same about the school district and chose not to participate in any events. He also, stated that they have redirected more of their time to church and family.

The pain of downsizing extends far beyond laid off workers and people who depend on their paychecks, according to a UCLA-University of Michigan study. Even a single involuntary displacement has a lasting impact on a worker's inclination to volunteer and participate in a whole range of social and community groups and organizations (Social Forces, 2008). These social activities range from joining book clubs to participating in the PTA and supporting charities.

The researchers found that exodus from community involvement continued not just through the state of involuntary unemployment, but for the rest of the workers' lives. The study pointed out that social engagement often involves an element of social trust and a sense that things are reciprocal that you give some support if you get some support, and you benefit from society if society benefits from you. When workers are displaced, the tendency is to feel as though the social contract has been violated, and they are less likely to reciprocate (Brand, 2008).

In further conversations with my professional colleagues, we concluded that participation of all community members is important for the effective functioning of neighborhoods, schools, communities, and democracy. Without some form of community involvement, the school district loses in the short run and definitely long-term when it

comes to supporting other aspects of the district such as millage elections, volunteerism and other, activities.

CHAPTER 3

METHODS

Qualitative research embodies a cross-section of disciplines, fields and subject matters. It is an activity that locates the observer in the world and consists of a set of interpretive, material practices that make the world visible (Denzin, Lincoln, 2000). This implies that qualitative research is a study of things in their natural settings, attempting to make sense of, or to interpret phenomena in terms of meaning people bring to them.

A qualitative study is one that is inherently multi-method in focus (Flick, 1998). These methods, or triangulation, reflect an attempt to secure an in-depth understanding of the phenomenon. They are not intended to serve as validation, but are used as an alternative to validation (Flick, 1998).

There are three generic interconnected activities that define the qualitative process. They go by different labels, including theory, method analysis, ontology, epistemology, and methodology. Behind these terms stand the personal biography of researchers, who speaks from a particular class, gender, racial, cultural, and ethnic community perspective. The gender, multiculturally, situated researcher approaches the world with a set of ideas, a framework (theory, ontology) that specifies a set of questions (epistemology) that he or she then examines in specific ways (methodology, analysis). That is, the researcher collects empirical materials bearing on questions and analyzes and writes about them. Every researcher speaks from within a distinct interpretive community that configures, in its special way, the multicultural, gendered components of the research act (Denzin and Lincoln, 2000).

Conducting research requires a researcher to assume a particular philosophical assumption. According to Cresswell (1998) “Qualitative researchers approaches their studies with a certain paradigm or worldview, a basic set of beliefs or assumptions that guide their inquiry.” Lincoln and Guba (1985) suggest that all paradigms must confront seven basic, critical issues: axiology (ethics and values), accommodation and commensurability (can paradigms be fitted into one another?), action (what the researcher does in the world), control (who initiates the inquiry, who asks the questions), foundation of truth (foundationalism versus anti and non-foundationalism), validity (traditional positivist models versus poststructuralist-constructionist criteria), and voice, reflexivity, and postmodern represent action (single-voice versus multi-voiced representative action).

Lincoln and Guba believe that each paradigm takes a different stance when viewed through the lens of these topics while using the positivist and post-positivists paradigms as a back drop in which these paradigms and perspectives operate. Through their analysis of these two traditions they found them to be an adequate building block approach to knowledge which emphasized objectivity through logical and deductive processes.

However, subsequent stages of qualitative research as noted by Denzin and Lincoln (2000), were characterized by a shift away from the positivism, and in many cases towards, post-modernist, subjectivist, feminist, and critical race theories, which placed less emphasis on terms like reliability, validity, objectivity and generalizability. These new paradigms are also sets of beliefs that guide action and feeling about the world and how it should be understood and studied. Some beliefs may be taken for granted, invisible, only assumed, where as others are highly problematic and controversial. Each

interpretive paradigm makes particular demands on the researcher, including the questions and interpretations the researcher brings to them (Guba, 1990).

This study is intended to obtain an understanding of the relationship and discover the essential impact that the phenomena of privatizing support services in public school districts have on the local school district and community they serve. Here, an epistemological perspective refers to the understanding of the relationship of how the phenomenon was experienced by the various stakeholders and in what ways was it beneficial or detrimental to the organization and/or community. In obtaining an understanding and discovering the essential structures, the following questions will provide the framework for the study:

1. Why do districts privatize support services?

- * How does the decision to privatize get initiated?
- * How do various actors influence the process?

2. What are the impacts of privatization on the school district and local community?

- * What are the impacts on district finances, service quality, school district culture, administration and governance?
- * What are the impacts on the broader community and its relationship to the local school?
- * What factors influence the school and community impacts?

In school districts, as well as communities; administrators, teachers and other officials are typically respected leaders. They are assumed to have the competence and knowledge necessary to engage in substantive discussion concerning stakeholders and

their understanding of the impact of privatizing non-instructional services have on a school district and community.

Many of the important problems that plague school districts and communities today are complex, involve multiple actors and have far reaching consequences than those seen by the naked eye. Working with the residual of problems may be more difficult than one can imagine. For example, the effects of change in local employment levels have on school districts and communities. In reference to this study, some of these changes in employment may have been caused by a school district's decision to privatize its non-instructional services and may have impacted the school district and community positively or negatively.

Currently, there are many complex problems that plague public school districts throughout the country. These problems involve multiple actors, and could in part be the result of past actions that were taken to alleviate pressing problems that existed at that time. Working with current problems plaguing school districts, such as finance and non-instructional service quality are much more difficult than it appears. Some of these problems are exacerbated by different funding models used in prior years. In many instances these models created resources that enabled school districts to make available employment opportunities for both instructional and non-instructional personnel. These employment opportunities have been available for a number of years and became a part of the general operations, as well as, the fabric of a school district. Due to reductions in resources and greater accountability, school districts are forced to focus more on its core business of education and less on other services. This redirection of resources and focus has allowed the emergence of a number of winners and losers.

This research project examines privatization in three Michigan school districts. The study will cover two of the three major non-instructional services which have become the primary focus of privatization efforts in the state (i.e., food service and custodial). In this study two districts have privatized food services and custodial services, while the other district privatized only custodial services.

It should be noted that initially the researcher attempted to include in the project, a school district that had privatized transportation services. Contracting transportation services is less common than contracting in either food or custodian services among Michigan school districts. The Mackinac Center for Public Policy (2008), notes that only 4.2 percent of Michigan's school districts privatize transportation in 2006. However, after receiving initial agreement to participate in the study from a district that has privatized transportation services, my numerous phone calls and e-mail messages were not returned. Efforts to secure an alternative district that has contracted transportation were unsuccessful, thus denying me the necessary data for this aspect of the project. This lack of responsiveness and accessibility appeared to center around the local politics surrounding privatization and its impact on members of the local community. This conclusion was reached through conversation with individuals who are familiar with district's operations and community dynamics.

This research project is not intended to determine the winners and losers, its goal is to bring to light the impact that privatization has on a school district and community.

Cross-Case Analytical Framework

A cross-case analytical framework helped the researcher to identify patterns and themes in the data that were common among the school districts. This is an effective way to communicate impacts on school districts and communities by contrasting to the other situations with similar objectives. By analyzing the content relevance and understanding of the participants, the researcher was able to provide a comparative framework for analysis.

The cross case examination of the project with similar profiles, but different social settings allows, for, diverse ways of conceptualizing and operationalizing future initiatives by distilling the lessons learned from different community settings. For example, are there differences in the outcomes associated with income, racial composition or other variables?

The case study approach to qualitative analysis of the open-ended interviews gives the researcher the opportunity to “unpack” the informant’s experiences and the patterns of their shared understanding of what happens in school districts and communities when the phenomenon such as a privatization occurs. How does one really feel when they see the impacts of a decision that affects both the school district and community?

Site and Participation Selection

A considerable amount of time was spent finding school districts that would agree to the study, along with the interviewing of informants and the collection of as many artifacts as possible. In some cases, the informants were hesitant about sharing information and discussing the financial hardships that the decision to privatize had on

people who had been their colleagues. However, the data obtained provides a basis for depth and scope of the analysis of the study's research questions.

Three school districts in Michigan were selected for this study. In an effort to provide background descriptions of the communities, the following data for each district was collected: (a) district enrollment and enrollment growth; (b) school district overview; (c) median household income; (d) racial makeup (e) district financial and enrollment information. For each district's support services, the research documents: the services that are contracted, and date of contract inception.

Data Collection Procedures

The study utilizes face-to-face interviews with questions from an established question protocol and when necessary a follow-up telephone conversation. The face-to-face interviews constitute the main venue used in collecting data. To answer the research questions, it was important to sample a variety of individuals who were familiar with the process and/or the consequences of privatizing support services. The research was structured to ascertain information from individuals who work and live inside the community, as well as, those who work and live outside the community. This was done to determine if there was a difference in perspectives of a person living in the community verses a person living outside the community.

Interviews

The researcher interviewed 21 informants face-to-face and one informant by telephone (see Table 1). These 21 participants consisted of the following: seven school administrators, three school board members, two union officials, three teachers, one displaced worker, the spouse of a displaced worker, two municipal officials and three

contractors. The 21 informants used in this study were not only the only ones interviewed. The researcher interviewed other possible informants in three other districts and determined that the information needed for the study could not be obtained.

Table 1 Informants Interviewed

<u>Number</u>	<u>Interviewee</u>
3	Superintendents
3	School Board Members
3	Teachers
2	Business Manager/Assistant Superintendents of Business/Controller
2	Personnel/Human Resources Directors
2	Union Officials
2	Municipal Officials
2	Displaced Workers/Spouse
3	Contractors (Management Representative)

During the face-to-face interviews the participants answered a series of probing questions. Open-ended interview questions (see Appendix D) were used to get participants to talk about their experiences, feelings, opinions and knowledge related to the privatization process and community.

Three sets of questions gave participants and opportunity to provide depth feelings. The first set was designed specifically to get an understanding of the person being interviewed and their relationship to the school and district and community. The second set of questions was designed to obtain information on the impact on the school district. While some informants could answer this second set of questions, some were not

in a position to do so. Finally, the last set of questions was designed to obtain information about the community impacts of privatization. Again some informants were able to respond while others were not. There were three sets of questions designed for the informants to provide in depth feelings. These sets of questions are included as part of the interview protocol. The first set was designed specifically to get an understanding of the person being interviewed and their relationship to the school district and community. The second set of questions was designed to obtain information on the impact on the school district, 14 informants could answer these questions, but 6 could not. Finally, the last set of questions was designed to obtain information about the community; some informants were able to respond while others were not.

These three sets of questions are presented below.

I. Background Questions

1. How long have you worked in the district?
2. Do you live in the district?
3. Over the last 10 years, which of the following support services has your district contracted out to private providers?
4. How important were the following considerations in your district's decision to contract out the services identified in Question 3?

II. Impacts of Privatization on Local Schools;

1. Did the school district solicit bids from multiple vendors to provide the contracted service(s)? How? How many bids were received?

2. Did the district estimate the difference in cost between contracting out the service(s) and providing them in-house? Were these estimates used in the decision making to contract out?
3. Do you know whether the predicted changes in costs to the district were accurate, that is, have been realized?
4. How do the wages of the contracted employees compare to those of the district employees who previously provided the service?
5. How do the health insurance and pension benefits of the contracted employees compare to those of the district employees who previously provided the service?
6. How do the number of employees used to provide the service by the contractor compare to the former staffing levels under district provision?
7. What portion of the employees used by the contractor were formerly district employees?
8. Is the contracted service(s) contract language standard?
9. Has the contracted language been reviewed by the school district's attorney, for clarity of responsibility and outcomes?

Administrative

1. Since the district has been contracting out for _____, how has the amount of time and attention you devote to that service changed?
2. Has contracting changed the amount of time *you* devote to employee relations in the service area?

Prompt: for example relate to training, evaluations, labor disputes, grievances, negotiations

3. How would you characterize the amount of time you devoted/devote to administrative responsibilities associated with contracting? Prompt: for preparing the RFP, evaluating bids, negotiating the contract, monitoring contractor performance, contract modifications.
4. Overall would you say contracting has made your life easier?

Service Quality

1. Since your district has been contracting out for _____, how has the quality of the service changed? Please explain. Prompt: For food service: food quality, nutritional value and presentation.

For custodial: responsive to teachers' request, cleanliness of building, etc.

For transportation: timeliness of pick-ups and drop-offs, special events.

2. Have you noticed any change in the number of complaints from parents and students about service quality?

School Culture and Morale

1. In your view, has service contracting changed building-level school culture in your district?
2. How has other employee groups (teachers, other support service employees) reacted to the district's contracting support services?
3. Did the decision to contract out make you feel uneasy? Why, or why not?

III. Impact of Privatization on the Local Community

Economic and Social Consequences

1. In your view, how have people whose employment with the district ended with the switch to contracting fared economically since then?
2. Better, worse, about the same, don't know? Prompt: employment status, employee benefits, housing, and leave community?
3. Have former district employees filed unemployment claims? If yes, what portion?
4. Do these former employees generally live within your school district?
5. To your knowledge, has the change in employment status affected the health and well-being of former employees and their families for better or worse?

Any criminal activity among affected parties?

Community Involvement

1. Was the local community generally supportive of the district's decision to contract out these support services? How do you know?
2. Has the district's decision to contract support services had any impact on the local community's support for or involvement in the local schools? Please explain.

All interviews were audio taped, and the researcher had prior informant consent (see Appendix E). More than just increasing the accuracy of data collection, tape recording permitted the researcher to be more attentive to the interviewee and focus on the topic and the dynamics of the interview. Hence, the informants' "words and their tone, pauses and the like are recorded in a permanent form that can be retained and

played again for re-listening” (Kvale, 1996). Tape recorded interviews are the most complete, because they allowed the researcher to review the verbatim transcripts of the interviewees’ responses that provided the basis for the subsequent interpretation of meaning.

Artifacts

The researcher will collect copies of one of each contract area (custodian and food service). In addition, the researcher will obtain where possible copies of employee union/employer contract language that may prohibit the district from functioning effectively and efficiently. Where available copies of the cost/benefit analysis conducted by the business manager or other district officials will be provided.

Data Analysis Procedure

Collecting information, facts and opinions called data is the researcher’s job. From the countless numbers of conversations and items, the researcher shifts, adds, discards, sorts, and organizes the information into a usable form. To insure the validity of this study, the researcher transcribed the interview and then analyzed them for evidence of common themes or examples of experiences. Artifacts collected at the various sites were used to create a better understanding and add rigor, breath, and depth to this study. Triangulation was a critical aspect of the data analysis. In qualitative studies, triangulation occurs when “soliciting data from multiple and different sources as a means of cross-checking and corroborating evidence and illuminating a theme or a theory” (Rudestam, Newton, 2007).

The researcher relied on two forms of data analysis and interpretation in this study. Using these two forms will provide the reader with a detailed description of the study.

The first is categorical aggregation, within each site; seeking a collection of data that emerge to have issue relevance. The other form of data analysis is patterns by site, looking for a correspondence between two or more categories which help answer the research questions.

The intention of the analysis is to illustrate how the data was collected, analyzed and then transformed into or descriptive model. Illustrating the phenomenon of understanding the experience of school district administrators, board of trustee, teachers, union leaders, city officials and displaced workers, who were involved or affected by the school district's decision to privatize non-instructional services.

Ethical Considerations

Pseudonyms are used for the research sites in this study. All data collected is secured in a locked cabinet and consistent use of pseudonyms were used in the data collection, analysis, and writing the finding of the study. Informants were informed that participation in the study was strictly voluntary and that they could reject or withdraw from the study at anytime without penalty. Findings of the study were reported in a way that would be consonant with the informant's right to welfare, dignity and privacy.

CHAPTER 4

CASE STUDIES

The three sites used for this study are located in communities in the lower Southeastern part of Michigan. These sites were chosen because they were willing to participate in the study, because they have experience with the privatization process, and because they know the end result of privatizing service areas in a community. Each school district has experienced declining enrollment during the 10 year period of the study. Each school district has experienced decreases in their operating funds as well. Each of the communities where the school districts operate are relatively small ranging in population from approximately 9,200 to 34, 000; the socioeconomic, educational, and cultural fabric of these communities range from 21% to 75% of students attending public schools are eligible receive free and reduced lunch; from 8% to 41% of the citizens ages 25 and above have a Bachelors degree or higher education and a population White/non-Hispanic of 95% to a population of 42% African American and others.

Table 2

Most Recent Available Social Economic Data, December 2008

<u>Student Characteristics</u>	<u>Barber</u>	<u>Bust</u>	<u>Mercury</u>
Total Enrollment	1,092	6,138	2,351
% Free and Reduced Lunch	75	66	21
% Minorities	58	47	5
Median Household Income ¹	\$30,425	\$45,946	\$41,171
% Single Parent Households ²	52	24	20

Note: 1) Median Household income (based on 2000 census data) (<http://www.census.gov/>)
 2) % of single parent households (based on 2000 census data) (<http://www.census.gov/>)

To gain a better understanding of a district's responses' and cross-case analysis with other school districts, the following sections provide additional descriptive narrative of each school district and community used for this analysis accompanied by interview results. School districts selected, wrote contracts with one or more support services and move freely from in- house service(s) to a contractual relationship.

School District and Community Profile

Barber School District

The Barber School District is located in a small college town where involvement in the public school district and local government is encouraged and supported.

The community represents a relatively diverse population. It has a racial composition of 58% White/non-Hispanic, 33% African American, 4% Hispanic, and 5% from other racial and ethnic groups (see Table 2). The nearest city in Michigan with a population of 50,000 or more is Battle Creek.

The Barber community was once thriving with many employment opportunities, most tied directly to the automotive industry. Factories and foundries had been built and labor had been imported from the southern part of the country. The community supported a hospital which later closed. It also supported a number of restaurants, and small businesses. Over time, as the automotive industry in Michigan began to decline, so did the economic base of Barber.

Currently, the major employment opportunities for local residents include jobs in educational services, manufacturing, and health care. The business district was clean and surprisingly vibrant. A small liberal arts college is near by and may have given the downtown life. Driving through parts of the community a sense of despair and hopelessness, is reflected by the abandoned foundries, factories and boarded up abandoned homes. With the slumping national and state economies and over 50% of the city's children coming from single parent households (see Table 2), the schools may struggle to provide quality education.

The median household income is approximately \$30,000, with seventy-five

(75%) of students eligible to receive free and/or reduced lunch. The education level of citizens 25 years and older is 33% high school graduates or higher and 15% have a Bachelors degree or higher education (see Table 2).

During the 10 years period (1998-9 through 2008-9), the Barber Public School District has seen a drop in enrollment of approximately, 47 percent (see Appendix B). This means a major loss of revenues. To illustrate the impact of a change in enrollment, the district lost 98 students in the 2003-4 school year. Using the foundation allowance (see Term 1) at the time of enrollment loss (see Table 3) of \$6,728 per student, the district lost approximately \$659,300 in that year alone. Changes in enrollment also affect other sources of revenue for public school districts. Programs funded both by federal and state governments are based on enrollment and the eligibility for free and reduced lunches. For example, Barber has a high number of students entitled to receive a free and or reduced lunch, and are, therefore eligible to receive “at risk”(see Term 2) funding from the State and “Title I”(see Term 3) funding from the federal governments. Food service programs receive money from the federal government based on the number of meals served. In addition, there are many smaller funding sources that are directly tied to enrollment as well such as Title IIA, but these sources have less financial impact on the school district. With enrollment declining and total general fund revenues decreasing the district had to make tough and, in some cases, unpopular decisions to ensure that the Barber Public School District remains a going concern.

Table 3 Barber Public Schools Foundation Allowances, 1990-2008

	School Year								
	1999-0	2000-1	2001-2	2002-3	2003-4	2004-5	2005-6	2006-7	2007-8
Per Pupil Foundation	\$5,927	\$6,228	\$6,528	\$6,728	\$6,728	\$6,278	\$6,903	\$7,113	\$8,231

Source:<http://mode.state.mi.us/statusreports/index.asp>

Two reasons were given for loss to the school district's population. First, the main loss had been attributed to economic conditions and the city's declining in population, a second reason given for the decline was a change in Michigan law that governs where a child attends public school (school of choice laws) and the establishment of charter schools. These two changes in legislation and their impact on revenues and enrollment are important factors that added financial stress on the school district.

In an effort to address the loss of revenues, the district began to investigate ways to reduce operational costs. With a 2001/2 ending fund balance of approximately 9% of expenditures, that appeared to be eroding annually, and with enrollment continuing to slide, the district began to look more closely at privatizing custodial and food services.

July 2003, the district entered a three year contractual agreement with a private vendor of food services soon after that, the school district entered in a similar contract with a cleaning service company.

During the process of identifying the private contractors there was continued controversy between the board of education and the district's labor groups, as well as members of the community. Most of the concerns were about the accuracy of savings predictions, the character of contractor's employees, and the loss of jobs.

Description of Participants

Superintendent

Barber's superintendent has many functional responsibilities within his job as superintendent and within the school district. He is both the director of human resources and director of curriculum. Also, he has only been in the position for one and a half years and was not superintendent at the time the decisions were made to privatize food and custodial services. The privatization process of food and custodial services were started and completed under the leadership of the previous superintendent. The current superintendent, however, must monitor and evaluate the contractor in fulfilling the contract specifications.

Board of Education Representative

The interviewee has a thriving professional practice and has been a member of the board of education for six years and active in the school district for approximately 25 years. As president of the school board, he played an important role in the decision-making process that lead to privatizing both food and custodial services. He reviewed cost analyses prepared by the district's administrative team, interviewed private contractors, facilitated public board of education meetings, and acted as a buffer between the district's administration, and the local community.

Teacher

The teacher's classroom was a typical 4th-6th grade school environment, small chairs and games were seen throughout the room. She had been teaching in the district for a little over 23 years and was a proud resident of the community. She had known a number of former school district employees who were displaced by privatization.

Business/Finance

The interview was held at Barber's administrative office building. The interviewee's formal title is comptroller, and she was the most knowledgeable about this district's finances and business operations. She has worked for 25 years for the district and is a long-time community resident. The pride she exhibited for the community and the financial accomplishments made by the school district were evident. She's a member of the administrative team who both initiated and implemented the privatization of services in the district. Also, she works closely with contractors for food service and custodial services. Along with the district's legal counsel she is a part of the negotiating team. During the interview, she mentioned that she and the district's attorney recently completed negotiation of a three-year contract renewal with the cleaning company. She was proud that the contract contained no price increases for the duration of the new contract.

Union Leader

The interview was conducted in a classroom at an elementary school. The interviewee is president of the teachers' union and has taught in the district for over 38 years while at the same building. She and her husband lived in the community for 36 years and recently had to relocate because of limited access to health care.

The union president was very professional and talkative about the school district and the effect that declining enrollment has had on the district's ability to keep good young quality teachers. During the conversation, she indicated that over the years there have been numerous changes in the school district and community demographics. As well as, the minority population has increased along with an inverse in the number of

students eligible for free and reduced breakfast and lunch, employee relations; specifically, contract disputes with various local labor groups. She also, discussed the loss of area jobs which caused families to relocate and the impact that schools of choice has on student enrollment in the district.

Government Official

The interview was conducted on the second floor of City Hall in the office of the city manager. During this initial conversation, it was determined that the interviewee never worked for the school district and has lived in the community for approximately ten years.

The interviewee was a veteran city official who appeared to be well versed in his profession. He indicated that the city is going through a tough economic period. The unemployment level is high. There is no development underway; people are leaving the area as well as the state.

Displaced Worker/Spouse

Initially a displaced worker had agreed to be interviewed but later changed his mind. This last minute change raised concerns about the level of animosity and/or personal difficulty a displaced worker may have in talking about an event that caused him to loss his job. As a secondary choice, the spouse of a displaced worker agreed to participate. The replacement volunteer is a current employee of the school district. The interview was conducted at the central district's administrative offices.

Both the displaced worker and the spouse (volunteer) worked in the district for over 34 years and they currently do not live in the district. During the conversation the volunteer mentioned how difficult it was for family during the transition to private contractors. She

worked and currently works with the district's administrative team as an administrative assistant.

Contractor

A site manager representing the food service management company was interviewed at the central administrative offices. The interviewee had only been working for the management company for two years and was visibly nervous. She was young and did not appear to have much management experience. She did not live in the district, but grew up in the area.

Bust School District

The Bust School District is in a community where involvement in the public school district and local government is encouraged and supported. The community represents a moderately diverse population; with the racial make up of 72 % White/Non Hispanic, 19% African American and 5% from other racial and ethnic groups (see Table 2). The nearest city in Michigan with a population of 50,000 or more is Lansing.

The Bust community is another Michigan community tied to the automotive industry; however, it is more diverse economically than other cities. Its location is in close proximity to a number of highways which could lead to an increase in commerce. In discussion with the school district's superintendent, he felt the city's location allows easy access to and from the community and is one of the reasons for its' economic diversity.

Currently, the majority of employment centers for the citizens of the community include jobs in manufacturing, construction, health care, and food service. The city appeared to be busy, a number of major franchised fast food restaurants line the main

street, with the signs visible from the nearby highways. Bust, unlike Barber's central business district did not have many boarded up storefront windows. Nor were there an abundance of homes for sale. The comparison here is not to make the Bust community appear to be thriving and have no social or economic problems, the purpose is to highlight the difference in the communities and economic bases which may impact the research project results.

The median household income is approximately \$45,000, with sixty-six percent (66%) of the students eligible to receive free and/or reduced lunches. The education level of the citizens 25 years and older is 77% high school graduates or higher, 13% have a Bachelors degree or higher and 3% have graduate or professional degrees (see Table 2).

The city's population has taken a dip which has caused the school district's population to decline. Over a ten year period from 1998 to 2008, Bust Public School District has seen a drop in enrollment of approximately, 18 percent (see Appendix B). Similar to Barber Public Schools, not all the loss experienced by Bust's school system could be attributed to the decline in the overall city population. Bust's superintendent felt some of the student enrollment decline was caused by a change in Michigan law that governs where a child attends public school and the establishment of charter schools.

This loss means a loss of revenues. To illustrate the impact of a change in enrollment, the district loss 137 students in the 2003-4 school year. Using the foundation allowance at the time of enrollment loss (see Table 4) of \$6,752 per student, the district lost approximately \$925,000 in that year alone. Similar to Barber Public Schools, changes in enrollment also affect other sources of revenue for public school districts. Programs funded both by federal and state governments are based on enrollment and the eligibility for free and reduced lunches. For example, Bust has a high number of students entitled to

receive a free and or reduced lunch (see Table 2), and are, therefore eligible to receive “at risk” (see Term 2) funding from the State and “Title I” (see Term 3) funding from the federal governments. Food service programs receive money from the federal government based on the number of meals served. In addition, there are many smaller funding sources that are directly tied to enrollment as well, such as other Title programs, but these sources have less financial impact on the school district. With enrollment declining and total general fund revenues decreasing the district had to make tough and, in some cases, unpopular decisions to ensure that the Bust Public School District remains an ongoing concern.

Table 4 Bust Public Schools Foundation Allowances, 1990-2008

	School Year								
	1999-0	2000-1	2001-2	2002-3	2003-4	2004-5	2005-6	2006-7	2007-8
Per Pupil Foundation	5,925	6,252	6,552	6,752	6,752	6,752	6,927	7,137	7,255

Source:<http://mode.state.mi.us/statusreports/index.asp>

Beginning with the 2001/2002 school year the district’s enrollment slightly increased, however, its fund balance declined to less than 1% of district’s expenditures. This was also the year the district decided to privatize its custodian and maintenance operations in an effort to control operating costs. These two employee groups provided different types of services to the district. The custodians provided cleaning, while maintenance provided repair and mechanical preventive services. Both employee groups were represented by the same bargaining union. So when the district decided to contract out custodial services, it contracted out maintenance services as well. For purposes of this

study, the maintenance service group is considered part of the custodial group and will not be differentiated.

The food service operations had been privatized about 25 years ago and none of the participants could respond to all of the questions regarding food service transition. They did, however, feel that concerns expressed regarding the custodial services transition were probably the same when the decision was made to contract out food service. The area of inquiry they felt comfortable in responding to dealt with food quality and service.

Description of Participants

Superintendent

With student enrollment in excess of 6,000 and an operation budget over 65 million dollars, the superintendent was a busy leader. At the time of his interview, the superintendent had just concluded an administrative meeting.

The superintendent has been working for the district a little over 15 years and has functioned in a number of capacities from teacher to principal and currently central office administrator. He has been providing leadership as superintendent for approximately ten years and is the most tenured superintendent that Bust Public Schools has had in recent history.

Even though the decision to privatize custodial services had been made approximately seven years ago, he still has a level of uneasiness with the decision. He believes it had to be done and in the long run everyone will see it that way.

Board of Education

The representative of the school board has served eleven years in various capacities as a member of the board of education. He is a former president and treasurer of the school board. He has been a community resident for approximately eleven years and was not a supporter of the privatization decision.

The food service program was privatized first about 25 years ago and even though not a member of the community at time, he feels that it was much easier to implement than the custodial service transition.

Teacher/Union

The interviewee has been employed by the district for approximately 14 years as an itinerant teacher going to various school buildings providing teacher support. She does not live in the district, but feels she is very active in the community.

Business/Finance

The deputy superintendent of business and finance has worked for the district for approximately 25 years and also is a community resident. He is a member of the school district's executive management team and played a key role in the decision to privatize custodial services.

Human Resources

The Assistant Superintendent of Human Resources has worked for the district approximately 22 years and has been a teacher, teacher consultant and special education director. He has been the Assistant Superintendent of Human Resources for less than one year. He and his family have been residents of the community for over 17 years.

Government Official

The county government official was able to provide a couple of perspectives of privatization decision. The first, as a former school district employee he could discuss impacts within the school district and the secondly, as a county government official with over 24 years of political service he could discuss impacts with the community. He has lived in the area most of his life and is a strong supporter of the school district.

Displaced Worker

The displaced worker had begun her career with the school district in 1972 and up to the time the custodial service group's jobs were privatized. She and her family are long time residence of the community.

Contractor(s)

The Bust Public School District contracts out both food and custodial services. The food service operations have been privatized over 20 years, while the cleaning service has only been in the district for 5 years.

Both contract service providers had representatives working in the district and each agreed to participate in the project. The interviews were conducted separately, same location, but at different times.

Beginning with food service, the current vendor has been in the district for over 20 years and the site manager is not a resident of the community. He and the company have done everything they can do to become a part of the community. They donate food for various events, as well as sponsor community events.

The cleaning service company has been in the district for five years and the manager does not live in the community. His company tries to be active in the community through sponsoring events and supporting existing programs.

Mercury School District

The Mercury Public School District is located in a small unique community that boasts its own museums, historical sites and a number of well preserved parks. Like the other districts in the research project, involvement in the local government is encouraged and supported. The community has the least diverse population in the study, with a racial composition of 94% White/Non-Hispanic, 3% Hispanic and 3% from other racial and ethnic groups (see Table 2).

The pace of the community appeared to be laidback, very little crime, and everyone knows one another. The local community employment opportunities includes jobs in transportation, equipment manufacturing, educational services, and, health care. There were no reminders of a community affected by the state's economic decline, unlike the previous communities included in the study. The central business district was vibrant and appeared to be supported by its community. There were no abandoned businesses nor were there home for sale signs displayed in yards.

With a 20 percent level of single parent households, median household income is approximately \$41,000, with twenty 20% of students eligible to receive free and/or reduced lunch. The educational level of citizens 25 years and older is 87% high school graduates or higher and 30% have a Bachelors degree or higher and 11% have a graduate or professional degree (see Table 2). In comparison to the other communities'

demographic information included in this study, Mercury would be considered a community that is doing considerably well.

During the 10-year period 1998-9 through 2008-9, the Mercury School District has seen a drop in enrollment of approximately, 11 percent (see Appendix B). However, Mercury's largest percentage drop occurred at the beginning of the 2008-9 school year, the second year of using a private contractor to provide custodial services.

Looking at the 2003-4 school, which is the same year used in the discussion on Barber and Bust School Districts where these two districts had a reduction in student enrollment, Mercury experienced an increase. This increase of 87 students generated \$582,900 in additional revenue from the state of Michigan's Foundation Allowance (see Table 5). As mentioned previously, changes in enrollment affect other sources of revenue for public schools. In the case of Mercury the impact of other revenue sources such as "at risk" and Title I is minimum compared to the other two school districts included in the survey. This minimum impact is caused by the low percentage level of students eligible to receive free and/or reduce lunch.

Table 5 Mercury Public Schools Foundation Allowances, 1990-2009

	School Year								
	1999-0	2000-1	2001-2	2002-3	2003-4	2004-5	2005-6	2006-7	2007-8
Per Pupil Foundation	\$5,700	\$6,000	\$6,300	\$6,700	\$6,700	\$6,700	\$6,875	7,085	\$7,204

Source:<http://mode.state.mi.us/statusreports/index.asp>

For the first eight years enrollment seemed to fluctuate minimally. However, from 2006-7 to 2008-9 the district lost 273 students. Using the district's 2007-8 foundation allowance of \$7,204, the district lost approximately \$1,966,700. This decrease began around the same year that the custodial services were privatized.

In discussion with the superintendent, the community hostility towards the administration and the board of education is why the originally identified research project informants are no longer available for interview.

Description of Participants

Superintendent

The superintendent has been in the district as superintendent for 5 ½ years and has lived in the district the same number of years. While in the district, she indicated there were a few tough moments. However, she was proud of the high academic achievement level of the students in the district.

School Board

The Board of Education representative was the current president and he had been on the school board for 6 years and was a long time resident of the community. He along with his colleagues began investigating privatization in the 2006-07 fiscal year.

Teacher

The teacher was young and had only worked in the district for 5 years. She was not a resident of the community, nor was she sure about the time that the custodial services were contracted out.

Contractor

The cleaning company representative was the regional account manager. He does not live in the district nor do the site managers. The cleaning service company is currently operating in 27 school districts in Michigan and has only been operating in Mercury for about a year and a half.

Description of Analysis

The analysis is to be descriptive of the reality in each school district and its respective community of decisions that affect operations and employment. The analysis process allowed for information to be pieced together to produce aggregate impressions (Stake, 1995). Where appropriate participants mentioned impacts of the decision on various components within a school district and a community. The following findings summarize those aggregate impressions of each school district represented in the study. They are organized around the inquiry protocol, to capture experiences of each participant and to uncover effects of administrative and board of education's decisions on school districts and communities.

The inquiry categories consisted of questions in the following: (1) overview questions and (2) decision to privatize; (3) financial, (4) administrative, (5) service quality and (6) school culture; (7) economic and social consequences and (8) community involvement.

Barber Public School District

Inquiry Number One: Overview

Study participants were asked to share the number of years they worked for the school district, whether they live in the community and if so, the number of years. They also were asked which service was contracted out over the last ten years.

All participants who are employed or represent the school district live in the community, with exception of the displaced worker and union president. The other participants are not residents of the community; they are either employed by the city of Barber or the private contracting company.

Excluding the city official and the contracting company representative, the number of years employed or affiliated with the school district by the participants ranged from two years to 38 years. All participants regardless of where they live expressed loyalty and commitment to the school district and community.

The Michigan Education Association's local president indicated that she and her husband had lived in the community for approximately 38 years and the only reason why they are not currently living in the community is because of limited health care facilities. Her husband became ill a few years ago and routinely needed medical attention. Even though she could retire, she continues to work in the school district because it allows her to give back to the community:

My role as a teacher is to nurture, educate and support the children of this community for as long as I can. I have been in the same elementary building my entire professional career and have taught some of my student's grandparents and parents. This community and school district will always be home to me and my family.

The controller (business manager) has been a long time resident and employee of the school district as well. She worked her way up to a management position and has been an employee for about 25 years:

I have given the school district the best years of my life and have seen it struggle over the last ten years. My family and I are not going to leave, this is our home.

The displaced worker's spouse indicated that there is still some animosity and hard feelings harbored by her and her husband.

However, she has worked for the school district 35 years and her husband had worked 34 years before he was laid off and they both still have a sense of loyalty to the school district. She stated, "the school district gave them a means to support their family and that it will always have a special place in their hearts."

Inquiry Number Two: Key Factors in Decision

The decisions to privatize both food and custodial services occurred around the same time and were both implemented during the 2003-4 school year. According to study informants, the factors in the decision to privatize the two services were the same and had similar affects on both the school district and the community.

The most commonly identified consideration in the decision to privatize was cost savings and it was characterized as "very important". This characterization was based on information received from the school district's staff, administration and governance representative. The city government official and food service contract manager indicated they did not know the reason for the decision.

The union president stated "all that we have heard about the district's finance is that enrollment is going down and they must cut costs some where." Another comment made by the teacher participant was "the district's administration was saying it had to operate within its means and some people would have to be laid off".

The school board president had a slightly different view of what was the most important reason for privatizing. He felt service quality was the most important reason, along with accountability. To illustrate his point, he used an example of a hidden room found in one of the elementary buildings. In this room they found a bed with empty alcohol bottles next to it. They were not able to determine who was responsible for the

appearance of the room, but he and the administrators felt that one of the custodians was involved. He felt that this type of behavior had gone on long enough and if the service was contracted then there would be improvement throughout the operation.

The group of informants felt that the reduction in administrative burden was slightly important, with the exception of the superintendent and the board president. Both felt it was moderately important because of the limited number of central office employees. By contracting food and custodial services they felt the administrative duties in these areas were transferred to contractors which allowed school district administration to focus on teaching and learning. The superintendent used the following examples to illustrate his point of transferring responsibility; filing state and federal food service reports, purchasing equipment and supplies, scheduling equipment maintenance, and working with labor groups. He felt each function was time consuming and required a certain level of knowledge and expertise.

None of the participants felt that there were any other factors considered by the district's board of education in approving the decision to privatize the two non instructional support areas.

Inquiry Number Three: Financial Impacts

Study participants were asked to reflect on a number of areas to determine the financial impact within the school district. These questions ranged from bidding the respective service to changes in staffing, wages and benefits. Out of all the participants only the controller knew the actual number of companies that participated in the bidding process and how the process was conducted:

My role was to ensure the process was properly handled and the district followed all legal requirements of the bidding process. This was such a big deal for the community, I wanted to make sure we did it right.

Both the board president and superintendent were not sure of the number of the proposals received, nor the bidding process procedures. However, they felt that it was done properly and within the boundaries of the law.

With the exception of the government officials and the contractor, each participant felt the school district and board of education did their job of due diligence by estimating the cost saving generated by privatizing. The teacher participant recalled seeing a presentation at the board of education meetings:

On a couple of occasions, I attended meetings of the board and during the discussion they presented an analysis of the difference in costs.

The food service manager did not know what was done at the time her company bided, but she was aware of the company's process in submitting a proposal:

My company does an investigation of the district, by walking through the various schools. We also examine the equipment and review enrollment data. The information obtained during this process is used to help prepare our proposal.

The Board president and controller indicated that it was not a complex process. They compared their historical cost with the bid proposals and had various companies come to board meetings and make a presentation to the full board of education. Based on their presentation and recommendation from the district's administrative team, a decision was made.

Most of the participants did not know whether the actual cost savings that were proposed were realized. They were not provided with an update. The superintendent, board president and controller were all confident that savings were realized. They did not go back or compare the proposed savings to realized savings, but they do know cost have decreased over the life of the contracts and are now more controllable.

All participants felt the wages and benefits were less. Even the city official felt that the total employee compensation paid by the contractors was less than what is paid by the school district:

That is usually where a private contractor has cost advantage when compared to government entity. Government's operating costs are commonly driven by wages and benefits, because a high percentage of costs are personnel related.

The controller knew exactly what the wage and benefits paid to the contractors' employee are, and she stated, "in some cases depending on the job description they were paid fifty percent less":

I know what they are paying wages and benefits are the two areas where most of the savings are realized.

With the exception of the government official (who did not know), all informants felt the contractors used less employees in both food service and custodial service areas. Each felt the contractors' accountability system was more effective. For example, the controller mentioned she had an opportunity to review the custodians' checklist, which had a place for building administrators' signatures. By signing, the administrator acknowledges cleaning duties were actually done when the custodian said they were.

Again with the exception of the government official all participants indicated that a low number of former school district employees work for the contractor. There were different levels from zero to seventy percent. All of the district's former employees who worked for a contractor worked in the food service areas. None of the district custodians were hired by the cleaning company.

The controller indicated that none of the district's custodians applied for positions with the cleaning company; although the board of education and the district's administration encouraged them to apply. She indicated that during the negotiation process, one of the stipulations was that all district employees would be strongly considered for a position. She felt that there were at least five former district employees working for the food service company. This was confirmed by the food service company's on-site manager. It was her belief that the wages and benefits paid by the cleaning company were too low:

Former employees told me point blank that there is no way they could provide for their families with what the contractor was offering. They had worked for the district for a number of years and were able to provide a standard of living that the compensation offered by the contract would not be enough.

The Board president had a somewhat different perspective. He did agree that most of the food service staff went to work for the food service contractor. The custodians were another case, 25 percent went to work for the contractor and a number of them applied and were rejected because they could not pass the required employment test:

During the negotiation process, we agreed that the contractor could test district employees for basic competencies and illegal substance use. A number of our former employees, who applied for positions, could not pass the tests.

Most participants hoped the district utilized its legal counsel in drafting and reviewing contracts with the service providers. Only the board president, superintendent and controller actually knew anything about the contracts.

Each stated that the contract language was standard and that they had been reviewed and approved by the district's attorney.

Inquiry Number Four: Administrative Impacts

Participants, who performed administrative duties related to non-instructional support service, felt the amount of administrative time devoted to the two areas has substantially been reduced. The controller stated, "I do not spend anytime with the day-to-day operation aspect of either food service or custodial service. Prior to the change I spent 25 percent of my time on these two areas."

The superintendent felt that because the food service and custodial service areas were privatized prior to his arrival, he was able to include the responsibilities of the human resource department as part of his duties:

There is no way I could handle the training, evaluations, labor disputes and contract negotiations if these two support services groups were not privatized. We would have to hire a human resource director and clerical support person. Even though we are a small district, there are just things that still need to be done.

He also felt that the political aspect of these two services have been greatly reduced because the employees are not district personnel, but employees of the contracting company. If budget cuts make changes in work schedules or any other employee relations necessary, it is handled by the company and not him or the board of education.

Inquiry Number Five: Service Quality

The participants gave different responses in this area, with the exception of the government official who indicated he did not know.

The teachers, spouse of a displaced worker and union official felt that quality of service had changed in both food service and custodial service. They noticed quality of food has gone down a great deal and that the buildings are not as clean as they once were. They attributed this change in quality to the high turnover in employees. They also felt that the only thing important to the board of education and the administration was the bottom line “saving money”.

The board president, superintendent, controller and contractor all felt that quality has improved and continues to improve. Each service area has its own built in system of accountability that provides feedback to the responsible manager. Service quality was rated very high by this group and from their perspective was an important factor in the decision to privatize. This group of participants also indicated that they have heard from district employees, parents and in some case students that there has been a change in the quality of service in both areas.

The food service manager indicated that they have heard from district employees, parent and in some cases students that there has been a change in the quality of service.

The food service manager indicated that participation in breakfast and lunch has been increasing and she has received reports from her staff that the number of complaints has gone down every year since food service has been privatized.

Inquiry Number Six: School Culture and Moral

The participants who interacted with the displaced workers on a daily basis looked at their respective building in isolation. Their focus was on a family environment and they felt the school culture has changed and employee morale went down. They also felt that other employee groups were not supportive of the decision.

The teacher participant indicated that no one she talked to in her building was supportive of privatizing. They felt the decision makers were not looking at the total picture and the contractors did not have a vested interest in the school or the community.

Each participant felt uneasy about the decision to contract with private companies and lay off members of the community. A number of them indicated that they lost friends and the district was not looking at the people and families being hurt by its decision.

The board president felt that other employee groups supported their decision. However, he was torn because the right decision was made from a fiscal perspective, but he hated what it did to the community.

The superintendent had a somewhat different view. He felt the decision did change the culture of the district and made everyone aware that the school district was changed and that there was another level of accountability for everyone. He felt teachers did not support the decision, but they stayed away and did not get involved. There was

no indication of enduring uneasiness with the district's decision and he was considering privatizing another service area.

Inquiry Number Seven: Economic and Social Consequences

Participants who lived in the community and worked for the school district a number of years had different responses to this area of inquiry. They felt that the laid off workers and their families are worse off now, because of privatization and that these former employees lived in the community.

The school board president indicated that the former employees are worse off now because many of them are still unemployed. He also said, "if they are still unemployed there is no way their family is not suffering as well."

The teacher participant felt that the individuals are worse off and she is aware of a few families who had to relocate because of privatizing. Also, some former employees could not find work and they could not afford to leave, so they retired and are still trying to find work.

The government official felt that former employees were worse off, due to the limited number of employment options. The local hospital closed along with other retail outlets.

The superintendent was the only one of the participants who felt the former employees fared economically about the same. He felt that most were hired back by the private contractor and that the former district employees had to start out with a smaller wage rate. This statement is inconsistent and contradicts what was said earlier and is an example of a disconnect between some administrators and the affected employees. He

also, indicated that he was unaware of changes in the families' state of well-being or criminal activity.

Inquiry Number Eight: Community Involvement

Most of the participants were not sure if the community supported the decision or not. The individuals who opposed the decision were groups who were directly affected, the employees' family members and their friends. Other community members did not attend the board meetings.

The participation in school events could not be determined by most respondents. The board president felt that there was no change in community support. The superintendent felt that the privatization process made the community come together.

The teacher participant felt that there was not a large amount of community involvement anyway, except for major sporting events.

The union president felt that the decision definitely affected the community's involvement with schools. She said, "older homeowners are not as involved with the school district any more." Also, community members who did not know any of the displaced workers did not have a problem with contracting the two support service areas.

Bust Public School District

Inquiry Number One: Overview

Study participants were asked to share the number of years of service in the district. They also were asked which service was conducted over the last ten years.

Participants who live outside the community include representatives from the union, the food service company, and the cleaning service company. The other participants are residents of the community.

Excluding the cleaning service company's representative, the number of years employed or affiliated with the school district by the participants ranged from 11 years to 26 years. Each participant expressed commitment to the district and community.

The board of education representative expressed a deep commitment to the community. He is an active member of the community's clergy and is a pastor of a local church. His church sponsors a number of projects within the community from food drives to adolescent mentoring:

Since I became pastor of the church, we have begun a number of community programs and I have developed some great relationships with the community over the years.

The board of education representative, superintendent and deputy superintendent of business knew the exact year that the two support services were privatized. While the other participants were not clear on the year, they remembered that it created controversy throughout the community,

Inquiry Number Two: Key Factors in Decision

The study participants were asked what factors were important in the district's decision to privatize food and custodial services. Each felt that the factors were the same in both cases. The common theme was that cost savings was the most important factor in the decision. All respondents cited this as the one which they labeled as very important.

Each participant was aware of the impact declining enrollment was having on the district's finances and felt something had to be done to control costs. The board of education representative voted against the privatization of custodian services, even though it was done to reduce operating cost:

I did not support the decision to contract the custodians. We did not explore all of the possible alternatives and it felt like, the board rushed into making the decision.

The superintendent and deputy superintendent felt the improvement in quality of service was moderately important while the other participants felt that service quality was very important in the decision to privatize. The superintendent also felt service quality is something that is very important to him. However, the current financial environment has created a need for the school district to control operating costs. The decision to contract services was made to lower costs.

Only the union leader and the teacher felt that the consideration of reduction in administrative burden was very important in the decision.

All other participants felt that it was either slightly important or not important. All participants did agree that there were no other considerations taken into account by the administration or the board of education.

Inquiry Number Three: Financial

The understanding of the bidding process was apparently limited by the participants. With that being the case, each participant felt that the district did go through a bidding process. Most of the participants knew that there was an existing law that required the school district to solicit bids for any contracts over a specified amount. The majority of the participants felt that the district received about three bids for custodial services. The deputy superintendent indicated that they only received three bids for custodial services and that was it planned that way:

We had specific requirements in our district we only contracted those companies that we felt could actually deliver on those requirements. We did not want to waste anybody's time. Nor, did we want to go through a number of proposals from companies that did not have the capacity to provide the quality of service we were looking for.

All the participants assumed cost differences were estimated, with the exception of the deputy superintendent. He states "no estimates were done; we already knew the savings were there so we focused on the company's ability to provide the service at the quality level we wanted."

When the focus turned to the impact on the displaced workers, the union leader and teacher did not know how they were impacted. All other participants indicated that total compensation was lower and there was a change in the number of people working for the contractor throughout the district.

The displaced worker, felt wages paid by the cleaning company were a great deal less than those paid by the school district. The benefits are also less than those provided by the school district. However, she has retired from the school district and is the only former custodian working for the contractor. All other employees choose not to apply.

The superintendent and deputy superintendent felt the contract with the contractor was about 50 percent standard and 50 percent specific to Bust. The district's legal counsel reviewed all contract language to make sure that the district's interest was protected.

Inquiry Number Four: Administrative

The superintendent, deputy superintendent, and human resource director all felt that privatization made their overall workload lighter. The superintendent, felt that even though his administrative team had to allocate time to prepare requests for proposal, negotiate contracts, the time they saved in other areas of labor relations far exceeded the time involved with contractors. He also felt that other aspects of operations have been reduced because of contracting. For example, preparing reports, purchasing supplies and materials and replacing equipment to name a few.

The human resource director mentioned workers compensation claims and rates have gone down since contracting these services out. He also noticed a reduction in the number of labor disputes between employees' issues and that conflicts are resolved immediately by contractor.

Inquiry Number Five: Service Quality

All participants felt the quality of food and the quality of building cleanliness have improved with the exception of the displaced custodial worker. She felt because she was assigned to her old building and basically is doing the same job, the quality has not changed. She maintains that her work has always been good and will continue to be good. When asked about changes in the number of complaints she said, "I do not talk to anybody, I do my job and go home." She also felt the teachers are very bitter about the privatizing decision; however, they are getting better.

The superintendent and board of education representative indicated that they are pleased with the quality of cleaning. They regularly survey parents and staff to make

sure that quality is monitored, as well as, suggestions for improvement. The surveys have come back with very positive feedback for both food service and cleaning service.

Inquiry Number Six: Culture and Morale

Study participants were asked if contracting changed the building level culture, how have other employee groups reacted to contracting and how did the decision make them feel.

With the exception of both food service and cleaning service contractors who did not know if the district's buildings culture changed because of privatization and the displaced worker, who said that the culture of her building did change and everyone continued to work hard. All other participants felt the culture of the district and the various building had changed because of contracting.

Those participants that felt the culture changed were split between whether the changes were positive or negative. The government official felt the change was positive:

The contractor came in with a different attitude. Their employees took pride in their work and had a high degree of ownership.

The deputy superintendent had a similar view. He thought the district's culture was positively changed and building personnel began to work a little harder.

The superintendent felt that the culture change in buildings was negative because of the lack of support from unions. One group in particular kept making trouble: They would complain about everything from floors not mopped to carpet not vacuumed, the list goes on and on.

The board of education representative felt the culture of some buildings was negatively affected. He believed, if a family member of a displaced worker either worked

for the school district and was assigned to that building or had school, they went out of their way to make the building climate uncomfortable and complain about every little issue.

The union leader felt that a building's culture was negatively affected by the privatization decision. Other employees worked in fear of losing their job and wondered who was going to be the next victim of privatization.

Each participant felt uneasy about the district's decision. For those who lived in the community it was much more difficult because they would see displaced workers in town and at the store.

The board of education representative expressed the most sorrow. He believes in family and as a board member he promoted that concept in the district. He then asked a rhetorical question. "Would you want to be part of a family that does this to you?"

The superintendent also was uncomfortable with the decision. He is still having difficulty with the decision that was made a few years ago. Even now when he is out in the community someone will say something that is offensive about him or his family.

Inquiry Number Seven: Economic and Social Consequences

The participants' response to this inquiry ranged from, they did not know how well people were doing, to whether or not they retired and still live in town or they are not doing well because they have limited skills and education.

The deputy superintendent of business said that a number of former employees are still bitter about the decision. They felt the contracting companies did not treat them fairly with the proposal. Wages and benefits were reduced in both service areas which made it difficult for them to provide for their family.

The displaced worker knew of former colleagues who could not find work. Some were able to find work in other school districts in the area, but most had to settle for employment opportunities that barely paid minimum wage. She felt the loss of a job caused one of her co-worker's death because of the stress of not being able to make ends meet.

When comparing the wages and benefits of the food service contractor to that of the school district, the difference was like night and day. The school district's pay scale began at \$8.50 per hour with a pension and health care package. The wage rate paid by the contractor was a quarter above the minimum wage, no pension or 401k and the health benefits were self insured. The food service manager indicated that the savings came from wages and benefits. If they felt that costs were getting too high, they would reduce the employees' hours.

The board of education representative indicated that he was not aware of any criminal activity among displaced employees. However, he knew a number of former employees whose well being had been diminished because of lack of health care benefits. "Their life has been changed forever."

Inquiry Number Eight: Community Involvement

All of the participants who were a part of the community felt that support for the decision to contract out both services was split within the community. They felt that most people did not show up at the board of education's public meeting to express themselves for unknown reasons. The only groups that showed up were family members and friends of the displaced workers.

The superintendent indicated that board of education members were under a great deal of pressure. The local paper was always writing something about the decision to privatize. There were editorials being written as well, some in support and some in opposition.

All of the participants felt that the community never stopped supporting the school district, because shortly after the custodial services were contracted, the district passed a \$26 million bond millage. The superintendent stated, "the community had a lot of pride in the public schools here in Bust and came out to show their support by passing the millage."

The support was not directed at the contractors. The food service manager stated, "my company has been in the school district for over 20 years and we still do not feel that we are part of the community."

Mercury

Inquiry Number One: Overview

The superintendent and board president have lived in the community for more than 5 years, while the other participants live in other communities. The superintendent expressed pride in the students' academic accomplishments. She did not express any community pride. Other participants expressed pride in the community.

All of the participants were aware that the custodial services were privatized for a year. The superintendent stated the decision to contract custodial services was very controversial with a great deal of negative local media coverage. Everyone in the school district and the community knew the exact date and time the board of education passed the resolution.

Inquiry Number Two: Key Factors in Decision

Participants were asked to identify the most important factors in the decision to privatize support services. All participants felt that cost savings were very important with the exception of the teacher representative who did not think any of the prompted items were very important. She felt cost savings and improvement in quality were moderately important, while reduction of administrative burden was slightly important.

The school board representative felt that cost savings and reduction in administrative burden were both very important, he felt improved service quality was moderately important. He also stated that “custodians did not care about quality of their work and that is why it was privatized”.

The contractor felt that cost was very important, because that is one area that his company focuses on in the bidding process and it is where they have an advantage.

The director of building operations felt that cost and service quality were the two most important factors in the privatization decision. While reduction in administrative burden was slightly important.

Inquiry Number Three: Financial Impacts

Study participants were asked to reflect on a number of areas to determine the financial impact within the district. These questions ranged from bidding the respective service to changes in staffing, wages, benefits, and contract language.

The board of education representative, superintendent, director of operations and the contractor representative were the only participants who had knowledge of the areas covered under this inquiry. Each indicated that the school district did request formal bids. The school board was aware of three contractors that made presentations at the

public meeting. The superintendent and director of operations knew the exact number of bids received. They both were aware the internal analysis prepared and used in the decision to privatize custodian services. The superintendent stated, “there is no way we would have presented this proposal to the board without comparing operating cost to predicated cost savings”. She also indicated that the projected savings were realized and continue to accrue to the district.

The four participants responding to this section felt that wages were comparable and health insurance along with pension benefits was extremely low in comparison to the package provided by the school district. The contractor stated “that the cost savings generated through benefit reductions is substantial and allows the company to invest in equipment and supplies”. The board representative was not concerned about the comparison between wages and other employee benefits. His focus was only on saving money for the district.

The superintendent and board representative indicated that the district encouraged employees to apply for positions with the private contractor, however none applied.

Contractual language was developed specifically for Mercury Public Schools and the superintendent indicated that the district’s attorney reviewed the contract several time prior to final approval by the board.

Inquiry Number Four: Administrative

The superintendent is the only executive administrator still working in the district and the only participant who could respond to this inquiry from an operations perspective. She felt that the amount of time devoted to the custodial services has not changed. However, when asked about time devoted to employee relations she felt that

aspect of time allocation has changed. Matters related to employee training, evaluation and labor disputes have decreased. The superintendent made it very clear that the priority of the board of education and her administration was not to reduce their work load. Her time has significantly increased because of all the detailed information contained in the request for proposal. She felt that contracting has made her life much harder. It has caused a number of key employees to leave the district which has caused their work load to shift to her. The board of education has decided not to fill those vacancies until after the 2008/09 school year at that time. She will retire from the school district.

The board of education representative did not have a comment in this inquiry. As stated earlier his only concern was reducing operating costs. This position is inconsistent with his comments on the importance of reducing the administrative burden in the decision to privatize. During that inquiry he indicated that reducing administrative burden was very important.

Inquiry Number Five: Service Quality

All participants felt the quality of cleaning had improved. This was based on personal observation and comments from other school employees, as well as, from parents. However, the superintendent indicated that her office had received a number of complaints regarding cleaning from teachers. She felt that this was done for political purposes and a way of showing their lack of support for privatization. The board of education representative felt that not only had the quality of cleaning improved the quality of cleaning equipment and supplies had improved as well.

Inquiry Number Six: School Culture and Morale

All participants felt each building and the district's overall culture had changed. The only exception was the manager from the cleaning service. He felt the company had not been in the district long enough to make a determination. The school board representative felt this change was brought on by the unions and employees who were displaced.

The tension was thick in some buildings, I would walk into the office and people would look away so that they would not make eye contact. There was also a lot of peer pressure exhibited in the buildings. Teachers have told me that they agree with what we have done, but they could not publicly support the decision. The decision to privatize did not make him uneasy, because he was doing what was best for the district and that the process was handled properly.

The teacher participants indicated that her building had changed immediately. A new face was in the building and nobody knew anything about the person and there were young children everywhere. She also felt that other labor groups in the building did not approve of the decision and made it known by not attending after school events and not going the extra mile as they have in the past.

The teacher participant also felt before the decision, her building had become a family and everyone got along. They also supported each other in ways that are hard to measure.

The superintendent felt that the culture changed because of political pressure from the community and outside groups. In reviewing a newspaper clipping from the *MEA*

Voice, there was a picture of the Michigan Education Association, president, where she and the MEA Anti-Privatization Task Force picketed the school board meeting in an effort to dissuade them from privatizing custodial services.

Inquiry Number Seven: Economic and Social Consequences

The participants all felt that there were some consequences socially and economically. They felt that most of the affected workers lived in the community and none of the workers applied for employment with the private contacting company.

The superintendent felt that all displaced workers did file for unemployment insurance. Because of a disconnect between the school and the community she was relying on internal records. She stated it has been very hard for her to communicate with the community. "I will be retiring at the conclusion of this school year."

The board representative felt that the displaced workers well being was about the same because they were able to find other employment.

Inquiry Number Eight: Community Involvement

The Board of Education representative felt that the community was supportive of the decision, because of the improvement in quality of cleaning. He also stated, "the community did not come out to the meetings to oppose the decision". Overall the community did not change its level of support for the school district, even though they did not support the school millage. This lack of support for the millage was caused, he felt by local economic factors not the decision to privatize custodial service.

The superintendent felt that the community was more supportive than vocal in the decision to privatize. She did however, feel that the decision affected the community's

support of the school district, because they did not support the millage and they drove her executive administrative team away:

I am the only one left of my administration. Members of this community said negative things about me and my team. They felt the need to relocate their family and start over.

She felt that the community is very close knit and displaced workers were a major part of the community. Generations have worked for the schools in non-instructional support roles and were very proud to be a part of the school district.

CHAPTER 5

DISCUSSION

This qualitative study endeavored to learn about the impacts of privatizing support services in public school districts and the effects it has on the local communities. In some cases decision makers may only consider one or two aspects of their decision to privatize. In this study all decision makers identified cost savings and reduction of administrative burdens as top motivating factors in their decision to privatize support services. With their focus on these prominent areas of operating cost and efficiencies, the study revealed that there were consequences of privatization that affect both the school district and community that are not in the forefront of the privatization debate.

Another intended outcome of this study is to inform school districts and community stakeholders who have not experienced the full impact of privatization to develop an understanding of the consequences of this phenomenon and how it permeates throughout a school district and community. This permeation may create opportunities for private service providers and hardships for the school district's former employees who have been displaced.

The purpose of this chapter is to provide an analysis of the data resulting from personal on-site interviews that took place with stakeholders from three Michigan school districts. Each district in the study was facing financial pressures which caused its leadership to focus on areas where costs savings and operating efficiencies could be realized immediately. These two service areas focused on either custodian services, food services or both. All three districts in the study had representation of its leadership team which consisted of a board of education representative and central office management. These teams felt that there were other non-instructional support services that could be

privatized and yield cost savings and increase operating efficiencies, as well. This other area, transportation is consistent with the current literature that has identified three areas most likely to be privatized. Again, these areas are food service, custodial service and transportation. The leadership teams felt their financial and efficiency objectives could be realized in the privatizing of transportation as well, however, they felt local politics would prohibit obtaining full support from their respective board of education and local community.

Each of the three school districts faced obstacles which divided the school district's administrative leadership from other school district personnel, as well as some community members. This division placed each board of education in the middle of the privatization debate. The respective board of education meetings were held in public and groups that opposed privatization of support services and made it clear that they were not in support of privatization. In each school district, these non-supported groups consisted of instructional staff, non-instructional staff and their family members, other union associations and a small segment of the community. This pressure made some board members uncomfortable and created tension within the governing body which at times, was publicly displayed. In Bust, the board representative in this study indicated that he publicly opposed the decision to privatize. He felt the board of education needed more information and time prior to voting. This public display caused other board members to question his loyalty and commitment to "save the district".

In each district the internal tension among the board of education members was mainly resolved by the respective superintendent's ability to provide relevant information. The superintendents felt the information provided answers to every question

that was asked and in some cases even though the information was clear and comprehensive, it was still not fully understood by the members of the board of education. However, once the majority of the board agreed to move forward, the votes were unanimously cast in support of privatization. The only exception was in Bust where the board member previously identified voted against the recommendation.

Most information provided by management was relatively common, but the focus was not universal to all three school districts. For example, Barber and Bust focused on declining student enrollment and its impact on revenues, while Mercury's focus was on escalating employee compensation levels of non-instructional personnel. As noted in (Appendix B) Barber and Bust's enrollment decline was 47% and 18% from September 1998 through September 2008, respectively. Enrollment decline in Mercury was 11% over the same period of time and showed signs of increasing prior to the privatization debate (Appendix A).

Teachers and other non-leadership groups interviewed in all three school districts felt the reason for the privatization was to reduce operating costs. This cost-reducing method was promoted in each district as a way to maintain existing student instructional levels (i.e., instructional staff). The teacher representative in each district felt with the state emphasizing student achievement and cost containment, the focus of cutting services not related to direct student instruction created an easy target for management to focus on. They felt management should have investigated other options such as elimination of administrative positions or reduction in their compensation. They believe non-instructional support service personnel added overall value to student instruction.

Most of the non-instructional staff in all three districts lived in the community and were respected by the students and parents and served as role models.

Each of the three districts' governing body and management team felt that all areas of cost containment and cost reduction had been reviewed and non-instructional services was the only area that could generate the economic savings that were needed for the school to operate effectively, efficiently and provide state of the art student instruction.

The decision to investigate privatization was initiated in all three districts by members of the board of education and the administration. The investigation process began by reviewing published reports of operating savings generated through privatizing non-instructional services these reports were from within the state, as well as, outside the state. The districts' management team began to review their internal data to determine if it was possible to achieve similar cost saving results that other districts had realized. They contacted vendors who were already working in other school districts to get a better understanding of the process and an overview of the type of services they provide.

After reviewing their respective information, they reported back to their board of education members to obtain authorization to begin the bidding process. With this authorization, each district's administration contacted the employee groups that would be affected by the decision and informed them that the district was investigating the possibility of contracting their service out to a private provider. Once notified the labor groups contacted regional and state union officials. Thus the debate began.

The illustration in Appendix G displays an example of the disparity in cost of the two major non-instructional services in-house compared to private contract provider.

Transportation in-house costs were provided for additional illustration of what a school district may have to pay to provide those services. In this example of the three services only food service and custodial service contract vendor rates will be used. None of the case study districts contracted with a transportation service provider. It should be noted that each private vendor contract may have items specific to a particular school district which could add or reduce the illustrated cost. The information in this illustration was provided to give the reader an overview of the potential economic benefits of privatization. As noted early in the study results, these benefits are the primary reason for privatization of non-instructional services.

Based on the format of the study, quantifying the hidden administrative costs related to employee relations are beyond the scope of the project. However, they do exist and are factored into the private contractor's price. While one of the goals of this study is to uncover unforeseen impacts that the decision to privatize non-instructional support services has on the school district and community. Uncovering these impacts may not be easily quantifiable and others may not be readily identifiable.

This study revealed a consistency between school districts in terms of the overall process. Each district's board of education and administration worked together to implement the change from an in-house non-instructional service to a private contractor relationship. They held public meetings, requested bid proposals and had vendors present at public meetings. Even with this extensive process, the debates between the decision makers and the labor groups were so intense they caused one district to lose a number of key administrators.

Mercury's group of administrators chose not to continue to work in an environment, articulated by the superintendent, where the level of animosity directed at administration from some staff and community members was so high that a good working relationship became impossible. In one instance this district's local MEA affiliate had MEA's Anti-Privatization Task Force team come to the community and lobby the board of education not to privatize custodial services.

The other two districts did not have the MEA's Task Force present, but emotions were just as volatile and explosive at the time the privatization decision was being debated, as well as, made. Labor groups would show up at board meetings lobbying on behalf of the displaced workers. Displaced workers would show up at board meetings with their families and friends.

The veteran teachers in each study district were strong union supporters and appeared to follow the anti-privatization position outlined by the Michigan Education Association (MEA) leadership. The younger teachers interviewed were not as focused on the union's position as they were on quality of service and job security created by the district's decision to privatize. These young teachers did however express concern about new faces in the building and the loss of established relationships with displaced worker who are no longer there.

In all three districts the board of education and the administrators were proud that they were able to negotiate with the various private contractors to consider former district personnel first for employment. However, there was only one former employee who actually applied and was hired by one of the private contractors. This employee participated in this study. In two of the three districts, former district staff did not apply to

work for the private contractor. In each district other union groups got involved and influenced the affected employees and encouraged them not to apply for positions with the private contractors. Management and school board representatives felt this was a form of protesting their decision to privatize. This form of protesting was unsuccessful in derailing the decision; however, the study revealed that the current management and board of education representatives, felt they would not support a decision to privatize another non-instructional service even though operating savings could be generated. They pointed out the emotional stress and tension within the school district and community was more than they bargained for. They were not familiar with the number of people losing homes, moving out of town or unable to work. What they were sure of was people were hurting. The displaced worker that participated in the study who currently works for a cleaning company indicated that one of her former colleagues died because he was so depressed about losing his job. Even though she was a loner and stayed to herself, she heard a number of her former colleagues were depressed about losing their jobs. This event and her perceptions are consistent with research on job loss and its affect on mental health.

All contractors were consistent regardless of the type of service they were providing. In separate interviews board members, administrators, and contractors, each indicated that the contractor would do whatever it took from cost savings to service quality, this included replacing employees or cutting employee's hours. For example in Barber, the administration was able to lock into a 3 year contract with no increase in price. In this example, the contractor indicated they were able to maintain the price because of identified efficiencies.

The three studied school districts and communities were affected by the decision to privatize non-instructional services in different ways. As pointed out in the literature review section of this study, Johoda (1979) argued that unemployment produces profound changes in the life of working adults, including loss of structured time experience, valued relationships, status and identity, and meaningful life goals and purpose, all of which have a negative influence on a person's psychological well-being.

Displaced workers who would participate in the study were hard to find. The displaced worker in this study was hired by a contractor and still displayed pride and self worth during the interview. She had retired from the public school system and was receiving a pension and medical insurance.

A displaced worker in Barber was scheduled for an interview and backed out at the last minute. His spouse who works for the district took his place and was interviewed. During the session, she indicated that her husband worked for the school district for over 30 years and was very disgruntled about losing his job. She felt that over time his attitude had improved, but sometimes he appears to fall back into a state of depression. This scenario is another example of the impact that the loss of a job has on individuals and is consistent with current literature in adult behavior after losing a job.

In Barber the board of education participant's view was one of saving the school from financial disaster. He felt the economic climate caused enrollment to decline and the district had to make some tough financial decisions. He believed the community supported them even though a number of individuals lost their jobs and because each employee was given an opportunity to retire, apply for another district position or apply

for a position with the new service provider. Even though the compensation levels were not comparable he and his colleagues felt better about their decision to privatize.

Bust's board of education participant was not as comfortable with the decision as was Barber's board of education representative. He was the only board member not to support the decision to privatize custodial services; food service was privatized a few years ago and was not as controversial. Even though he had reviewed the data supporting the decision, he felt it was the wrong decision for the school district and community.

During the interview, he stated "things were moving too fast and the board of education, along with the administration, should have spent more time investigating options prior to implementation". He felt strongly that the decision would hurt the school district and community for many years.

In Mercury, the school board member had a very positive view of the decision to privatize custodial services. He felt the buildings were dirty, the custodians did not care about their jobs or the school district and they were not very hard workers. He felt most of the local community had feelings similar to his. He also mentioned that these community members were not out at meetings showing their support because "the school board was going to do the right thing".

Administrators in all three survey groups felt that privatization was bitter sweet for both the school district and the community. They saw other labor groups working harder because of the possibility their jobs could be privatized next. They were able to negotiate contract language that was in the best interest of the school district. For example, in the Barber School District the administrators were able to put together a compensation package for their transportation workers that would allow the school

district to maintain its existing level of service at a reduced rate and not eliminate any of the existing positions. The Barber administrators felt that without showing the various labor groups they were committed to controlling cost through privatization; they would not have been able to negotiate the new compensation package, as well as, change in work rules.

From a different perspective, support staff in each district was a little uncomfortable and tension was high throughout the entire central administrative office. Information became more guarded, people would not share. All information flowing from one office to another was treated in a confidential manner. District personnel had to deal with negative comments in the community made by former employees, their family members and other labor group members.

Some community members would see school administration after hours and wanted to discuss the decision to privatize and ask questions such as “who is going to be next” or “are you sure you had to do that?”

The other representative participants, except for the contractors, felt the impact of privatization was negative for both the school district and the local community. People who have been a part of the school district team for many years are being displaced. In the Barber School District, the union representative stated “non-instructional support staff was also providing students with instruction.” She went on to say the support staff served as role models. They would arrive to work on time, were pleasant to be around and was very supportive of teachers. They were active in the community and their energy will be missed.

One of the major outcomes of the study is to determine how privatization impacts districts' finances, service quality, school district culture, administration, and governance. In response to these outcomes, the study revealed that it depends on which constituent group was asked what question and how they were directly impacted as a group.

In addition to the similar group responses within a school district the study revealed there may be other dynamics within a district and community that may cause one of the constituent group's responses to be different when comparing it to the same constituent group in another school district. The constituent groups are divided into six key groups. These groups are: 1) school board; 2) district management; 3) laborers and teachers; 4) government officials; 5) displaced workers and 6) contractors.

All groups within and across school districts and communities felt the financial impact was positive. District management had more detailed information and went a step further by saying the financial impact of the decision was positive even after unemployment claims and any other type of severance payments.

There was however expressions of concern by all groups for the employees who were displaced and the affect that it may have on their families. Group members inside and across districts and communities were aware of how the financial savings were being generated. This information was shared at board meetings by school district management as well as to groups who were opposed to privatization.

The area of service quality provided different opinions from various constituent groups inside the district and community. Also there were differences among the same constituent groups in other districts and communities.

The groups in Barber felt differently about service quality of the custodial services. Management and the board of education felt that service quality has greatly improved. Response times for addressing building needs have improved, as well as, other aspects of the custodial operations. The teacher and labor representative felt quality of custodial services are at unacceptable levels. Rooms were not being cleaned properly; materials were moved and not replaced to their original place. Response times for clean ups are slow; in some cases the custodian did not clean the room at all.

All groups in Barber felt the quality of food service overall has continued to improve. They felt the nutritional value and food quality had improved because of the private contractor.

The groups in Bust did not agree on the service quality of the custodians. The management and displaced workers felt service quality had not changed or was the same. Management expectations were to maintain their high level of cleanliness in the school district. The displaced workers' initial comment was surprising, but after further inquiry she was the only employee who was hired by the private contractor. She also was assigned to her previous position and stated her "quality of work has always been excellent and will continue to be that way".

The board of education and labor participants felt the service quality had taken a step backwards. They felt the company hired individuals who lived outside the community and really did not care about the quality of work. The board of education representative stated he was only speaking for himself, because he was opposed to privatizing custodial services. In the cross case analysis he was the only board of

education member who thought quality of service did not improve and was the only one who voted against the privatization decision in all three districts.

All groups in Bust felt that the food service quality had improved and the food service company was more responsive to parents and student wants.

In Mercury all constituency groups felt the quality of service had improved. The teacher participant felt that it took a little time to get the right person at her building and once that took place the quality improved. Also the board of education participant felt the quality had improved because the contractor's personally cared about their work and made a commitment to the job and school district.

In all three case studies and appropriate constituent groups, they felt the culture of the school district had changed. New people were in and out of the buildings in both food service and custodial service areas. Each district's board of education and management team asked the workers who were going to be displaced to apply for positions with the private company. There were a few food service workers who were hired by the private contractor and they later resigned or retired. There was only one custodial worker in three case studies that applied for work as a custodian. She did mention that she had retired from the school district and was receiving her retirement benefits through the state of Michigan. She was hired by the private contractor and assigned to her old building and always stayed to herself. So when asked questions about the privatization she was very uncomfortable and did not say much.

The management constituent group in all three case studies felt the biggest change from an administrative perspective was in the area of employee relations. In the past they would have to address job performance, grievances and other disputes according to

existing contracts. Now they just notify the management company and let them resolve the problem.

However they identified other aspects of administration they had to obtain working knowledge of, for example, performance based contracting. They had no prior training in the area and felt they had to devote more time to learn this aspect of operations than they anticipated. In Mercury, the management group felt that the decision to privatize increased operational duties and responsibilities. At the time of the research study, Mercury's administrative team was in a state of transition. Key members had resigned due to political fall out from the decision to privatize custodial services with a company outside the community.

As part of the privatization debate in Mercury, one point of contention was that management was going forward with privatization to reduce its responsibilities and duties. The superintendent was adamant that there never was the intent of privatization to reduce their responsibilities. This point of contention never came up in the other two school districts.

Unlike some school districts in Michigan the decision to privatize non-instructional support did not cause a community recall of board members. However, each constituent group with exception of labor and teachers in all three case studies felt the board of education was more involved in the process than they should have been. Management groups felt the rationale and documentation was openly discussed with all the facts presented and some members of the respective board of education allowed various groups to meet with them privately, thus undermining the decision making process.

From another perspective, the labor and teacher constituency groups in all three school districts felt, the board was elected by the citizens of the community and as such they had a responsibility to hear both sides of the argument. They felt if people wanted to speak with them privately and share their side of the argument that should be acceptable.

In Barber, the concern expressed by labor and teachers was that some board members were using the privatization of non-instructional support staff to set the stage to undermine the teachers' union and get changes in their contract. This belief was publicly discussed and denied by the board of education. Even though this form of controversy increased the level of intensity among board members, they still were able to unanimously pass the resolution to privatize.

The study revealed the impact of privatization on the broader community and its relationship with the local schools depends on what constituent group is viewing the impact. In Barber, management and the board of education felt there was no change in the level of support for the district. They felt sporting events were still popular and could not see a change in overall community support. However, the teacher and labor representatives viewed things a little different. They felt there was a change; community members were not as involved in sporting events like they were prior to privatization. They would volunteer to work at events throughout the year. Now they just showed up for the events. Also the teachers and labor representatives felt the displaced workers were the community members that did a great deal of the voluntary work in the district "now that they are gone many things just aren't being taken care of".

In Bust, each group felt the support of the school district by the community was not affected by privatization. They each referenced the passage of a major bond millage

shortly after the decision to privatize custodial services. Bust is the largest of the three districts included in the study and is the most diversified and has a reputation of being a tough community to work in. The superintendent has been in his current position for approximately ten years and is the longest tenured superintendent in the history of the district. Even with the overall privatization controversy, the community in general has confidence in him and his management team and continues to support the school district.

The study of Mercury revealed a different story. The superintendent was retiring at the end of the 2008/09 school year. She felt the community had caused her management team to resign and look for employment elsewhere. She and her staff became targets of threats from community members. The local teachers union brought in the MEA Anti-Privatization Task Force. The MEA president came and pumped up the community and the custodians with her comments: “know that there are more than 160,000 MEA members who feel your pain.” “We stand beside you, and we will continue to work for you”. “This board is very short sighted”. “It is trying to solve a much longer problem on your backs.”

The union also utilized flyers in newspapers, radio, and TV ads and mass mailings to voters to alert the community of the school board’s intention. The superintendent felt that the MEA has turned the community against her and her administration.

One teacher participant felt the community and the staff were not supportive of the privatization decision. She referenced the defeated bond millage election and enrollment in the district was beginning to decline. She felt, prior to the privatization enrollment was beginning to stabilize and slightly increasing. They had become a school

of choice district and people outside was coming to the district, as well as most local families.

The board of education representative had a different view on the issue. He appeared to have a problem with the custodian group for quite some time. He stated “they were lazy, did not care about the district and needed to be replaced.”

His view of the school district’s relationship with the community was that it was great. He felt the community supported the board’s decision and that enrollment was decreasing because of the economy. The board voted 7-0 to contract the service to a for-profit company and if any of the current employees wanted to continue to work in the district, they had to apply with the private contractor. He also felt the bond millage was defeated because of the economy and the defeat had nothing to do with the privatization.

Privatization of non-instructional support services is a topic that will continue to surface in public education as budgets continue to be tight and school management and board of educations look for ways to maintain their existing instructional levels, non-instructional services will continue to be analyzed for cost efficiency and savings. There are constituent groups that view privatization through different lens. Their views in some cases can differ in a community which may be facing different challenges such as declining enrollment or escalating operation costs. However, in the final analysis the elected school officials make the decisions. In the case of this study each district’s board of education decided in favor of privatization.

Chapter 6

CONCLUSION

The purpose of this study was to examine components of privatizing non-instructional support services and its impact on school districts and communities. This qualitative research adds to the literature on privatization of non-instructional support services by placing the study within three Michigan School districts and communities where privatization was implemented and had perceived impacts on the school district and community based on constituent groups. Furthermore, this study provides data on the impact this decision has on a school district's leadership team and the opposing forces.

This research pointed to the difficulty of having stakeholders step forward with information that could help provide useful solutions to problems plaguing the privatization process and prohibiting meaningful solutions for both the school district and community. The study pointed out how some constituent groups across school districts viewed support services personnel and their value to the district differently.

The research revealed that management in the three study groups believed they provided quality information to the board of education, other district personnel and the community. This is an example of the re-occurring theme of the research, which each constituent group may be looking at the same data and hearing the same information but interpreting it completely different.

The findings of the study demonstrated how little some of the stakeholders understand about the process and how the outcomes of the decision really impacted the school district and community. What the support teams such as the Anti-Privatization

Task Force really added little value to resolving the problems in the districts. They had no solutions or strategies in working with the board leadership or community leadership. In the end the district privatized and the people who they were there to support lost their jobs.

The research findings hammered home the fact that the board of education ultimately makes the decision. Also, in some cases when outsiders come into a community to force a position it appears the reverse happens and the people who were supposed to be helped lose out in the end. The research findings also suggest that leaders of organizations must be willing to sit down and discuss the real issues at hand. All stakeholders are not as informed as they should be and their perspectives in some cases are one-sided depending on who has credibility.

Future Research

There are several opportunities for additional research in the area of privatization of non-instructional services. Additional research in this area is warranted for a few reasons. First, while the study did show there were short-term financial gains, the question then becomes how long the school district continues to benefit financially from its decision to privatize support services? Next is there any correlation between additional resources created by privatization to student achievement. Finally, what happens when a district begins to investigate privatization and they meet with their local union representatives that have complete autonomy from the regional or national union leadership? Would the levels of animosity identified in this study be different? Would the board of education still vote to privatize?

The importance of solving these types of issues is paramount for public education to continue to make a difference in the lives of all children. Solving relationship issues through research could lead to better employee and management relationships throughout many school districts and communities. This improvement could lead to a new focus on instructional quality and the future of our children.

Concluding Thoughts

Financial tension in public education is one of the primary reasons why privatization of non-instructional support services is being used by some school districts to reduce their operating costs. This choice by school districts to provide these services by contracting with private contractors can be viewed by some as a step in the right direction, and for others the beginning of an irrevocable change in the local school district and community's relationship.

Immediate short-term savings often can be realized by contractors paying only minimum wages and limited fringe benefits to their employees. These employees may or may not live in the school district's community. As pointed out in the study most displaced workers who lived in the community chose not to apply for positions with the private contractor. This lack of participation could be due to a number of reasons, one of which could be the level of compensation.

As a former public education business manager and current superintendent who participated in the privatization process, I found displaced workers were unwilling to work for less money than they were making as a school district employee and felt some animosity toward the private contractor and the school district.

The savings in labor costs by the contractor is built into the contract with the district and creates cost savings for the district. This initial savings is one of the advantages realized by the school district and may only last for a few years.

Looking at administrative efficiencies, in my district, we did recognize a reduction in the amount of time devoted to administrative and human resource services in the privatized area. However, our time shifted to other areas of the contracting process. Some of these areas were: performance monitoring, reviewing contracts and other administrative duties. Most contracts are one to three years in duration and after that time period the bidding process begins anew.

We found that the service quality was the same and both district employees and the contractor's employees worked hard to provide quality service.

A number of our former employees are currently unemployed and the few who were hired by the private contractor expressed concerns and dissatisfaction to the district's human resources department regarding wages, benefits and an overall feeling that the private company does not care for its employees. These employees continue to inquire about district employment opportunities.

Privatization of non-instructional educational services is a decision that should be taken very seriously by both the district's administration and the board of education. The long-term impact on the school district and community must be factored into the decision. The role of public education in most communities is continually changing and the demands on a district's leadership to provide a safe environment, access to health care, social work services, counseling, and new employment opportunities has created an environment where the skills needed to administer and govern a school district are

increasingly complex. Due to the additional economic and academic pressures imposed upon school districts in the twenty-first century, district administrative teams and boards of education must continue to improve their skills and understanding of the impact of privatization on the school district, its employees and the surrounding community.

Privatization of non-instructional support services in the view of this researcher does not provide a long-term benefit to the district and/or the community. School districts' administration teams, along with the local labor groups need to analyze the long-term consequences of the current decisions that they make on behalf of employees and the community.

APPENDICES

APPENDIX A

**Enrollment Change
September 1998 through September 2008**

<u>Year</u>	<u>Barber</u>	<u>Bust</u>	<u>Mercury</u>
1998/99	2,064	7,460	2,643
1999/00	2,018	7,325	2,650
2000/01	1,984	7,376	2,510
2001/02	1,909	7,386	2,460
2002/03	1,846	7,313	2,473
2003/04	1,748	7,076	2,560
2004/05	1,615	6,776	2,560
2005/06	1,418	6,761	2,562
2006/07	1,427	6,710	2,624
2007/08	1,305	6,506	2,547
2008/09	1,092	6,138	2,351

Source State Aid Status Reports

APPENDIX B

Changes in District Enrollment and Finances 1998-2008

<u>1998-2008 % Change in</u>	<u>School District</u>		
	<u>Barber</u>	<u>Bust</u>	<u>Mercury</u>
Enrollment	-47.1	-17.7	-11.0
Total General Fund Revenue	-17.4	16.2	28.7
General Fund Revenue per Pupil			
	\$7,343	\$7,366	\$7,316

Notes: [% of change = (x08-x98) X 100]

x98

†General Fund Revenues per pupil are based on 2007/2008 fiscal year end results.

APPENDIX C
Revenues and Expenditures
For the Period Covering September 1998 through September 2008

<u>Year</u>	<u>Barber</u>	<u>Bust</u>	<u>Mercury</u>
1998/99			
Beginning Balance	2,248,000	1,795,000	211,000
Revenues	14,716,000	57,307,000	16,458,000
Expenses Less:	<u>14,208,000</u>	<u>57,584,000</u>	<u>16,810,000</u>
Balance	2,756,000	1,519,000	<141,000>
1999/00			
Beginning Balance	2,756,000	1,519,000	<141,000>
Revenues	15,439,000	59,458,000	17,133,000
Expenses Less:	<u>15,475,000</u>	<u>58,979,000</u>	<u>16,957,000</u>
Balance	2,720,000	1,199,000	35,000
2000/01			
Beginning Balance	2,720,000	1,198,000	35,000
Revenues	16,317,000	63,902,000	18,020,000
Expenses Less:	<u>16,521,000</u>	<u>65,254,000</u>	<u>18,599,000</u>
Balance	2,516,000	646,000	<544,000>
2001/02			
Beginning Balance	2,516,000	646,000	<544,000>
Revenues	16,951,000	67,319,000	18,566,000
Expenses Less:	<u>17,705,000</u>	<u>67,842,000</u>	<u>18,122,000</u>
Balance	1,761,000	123,000	100,000
2002/03			
Beginning Balance	1,761,000	123,000	100,000
Revenues	15,916,000	68,089,000	18,656,000
Expenses Less:	<u>15,325,000</u>	<u>67,815,000</u>	<u>15,375,000</u>
Balance	2,352,000	397,000	180,000
2003/04			
Beginning Balance	2,352,000	397,000	180,000
Revenues	16,007,000	65,107,000	19,677,000
Expenses Less:	<u>15,688,000</u>	<u>64,910,000</u>	<u>19,510,000</u>
Balance	2,671,000	594,000	347,000
2004/05			
Beginning Balance	2,671,000	594,000	347,000
Revenues	14,598,000	64,995,000	19,559,000
Expenses Less:	<u>14,800,000</u>	<u>64,827,000</u>	<u>19,300,000</u>
Balance			
	2,469,000	763,000	606,000
2005/06			
Beginning Balance			
Revenues	2,469,000	763,000	606,000
Expenses Less:	13,876,000	67,165,000	20,475,000

Balance	<u>14,390,000</u>	<u>65,361,000</u>	<u>20,721,000</u>
	1,955,000	2,568,000	360,000
2006/07			
Beginning Balance			
Revenues	1,955,000	2,568,000	360,000
Expenses Less:	13,247,000	65,438,000	21,353,000
Balance	<u>13,164,000</u>	<u>64,834,000</u>	<u>20,815,000</u>
	2,039,000	3,172,000	898,000
2007/08			
Beginning Balance			
Revenues	2,039,000	3,172,000	898,000
Expenses Less:	12,153,000	66,607,000	21,175,000
Balance	<u>12,551,000</u>	<u>65,625,000</u>	<u>20,900,000</u>
	1,640,000	4,154,000	1,173,000

Source: State Aid Status Report

APPENDIX D

Interview Protocol

Name:

School District:

Position:

Interview date and location:

I. Overview

1. How long have you worked in the district?
2. Do you live in the district?
3. Over the last 10 years, which of the following support services has your district contracted out to private providers?

Service:1998-99 1999-00 200-01 2001-02 2002-03 2003-04 2004-05 2005-06 2006-07 2008-09

Custodial

Food

Transportation

4. How important were the following considerations in your district's decision to contract out the services identified in Question 3? Please explain.

<u>Custodial</u>	<u>Very</u> <u>Important</u>	<u>moderately</u> <u>important</u>	<u>slightly</u> <u>important</u>	<u>not</u> <u>important</u>
• Cost savings	1	2	3	4
• Improve service quality	1	2	3	4
• Reduce administrative burden for district personnel	1	2	3	4
• Other factors. Please explain	1	2	3	4
<u>Food</u>	<u>Very</u> <u>Important</u>	<u>moderately</u> <u>important</u>	<u>slightly</u> <u>important</u>	<u>not</u> <u>important</u>
• Cost savings	1	2	3	4
• Improve service quality	1	2	3	4
• Reduce administrative burden for district personnel	1	2	3	4
• Other factors. Please explain	1	2	3	4

<u>Transportation</u>	Very Important	moderately important	slightly important	not important
• Cost savings	1	2	3	4
• Improve service quality	1	2	3	4
• Reduce administrative burden	1	2	3	4
For district personnel	1	2	3	4
• Other factors. Please explain	1	2	3	4

School Impacts

II. Financial Impacts

1. Did the school district solicit bids from multiple vendors to provide the contracted service(s)? How? How many bids were received?
2. Did the district estimate the difference in cost between contracting out the service(s) and providing them in-house? Were these estimates used in the decision making to contract out?
3. Do you know whether the predicted changes in costs to the districts were accurate, that is, have been realized?
4. How do the wages of the contracted employees compare to those of the district employees who previously provided the service?
5. How do the health insurance and pension benefits of the contracted employees compare to those of the district employees who previously provided the service?
6. How do the number of employees used to provide the service by the contractor compare to the former staffing levels under district provision?
7. What portion of the employees used by the contractor were formerly district employees?
8. Is the contracted service(s) contract language standard?
9. Has the contract language been reviewed by the school district's attorney, for clarity of responsibility and outcomes?

III. Administrative

1. Since the district has been contracting out for _____, how has the amount of time and attention you devote to that service changed?
2. Has contracting changed the amount of time *you* devote to employee relations in the service area
3. Prompt: for example related to training, evaluations, labor disputes, grievances, negotiations
4. How would you characterize the amount of time you devoted/devote to administrative responsibilities associated with contracting? Prompt: for preparing the RFP, evaluating bids, negotiating the contract, monitoring contractor performance, contract modifications.
5. Overall would you say contracting has made your work life easier?

IV. Service Quality

1. Since your district has been contracting out for _____, how has the quality of the service changed? Please explain.
2. Prompt: For food service: food quality, nutritional value and presentation.
3. For custodial: responsive to teachers' requests, cleanliness of buildings, etc.
4. For transportation: timeliness of pick-ups and drop-offs, special events.
5. Have you noticed any change in number of complaints from parents and students about service quality?

V. School Culture and Morale

1. In your view, has service contracting changed building-level school culture in your district?
2. How has other employee groups (teachers, other support service employees) reacted to the district's contracting support services?
3. Did the decision to contract out make you feel uneasy? Why, or why not?

Community Impacts

I. Economic and Social Consequences

1. In your view, how have people whose employment with the district ended with the switch to contracting fared economically since then. Better, worse, about the same, don't know? Prompts: employment status, employee benefits, housing, leave community?
2. Have former district employees filed unemployment claims? If yes, what portion.
3. Do these former employees generally live within your school district?
4. To your knowledge, has the change in employment status affected the health and well-being of former employees and their families for better or worse? Any criminal activity among affected parties?

II. Community Involvement

1. Was the local community generally supportive of the district's decision to contract these support services? How do you know?
2. Has the district's decision to contract support services had any impact on the local community's support for or involvement in the local schools? Please explain.
3. We have completed our interview. Do you have any questions? If you think of any questions later, you may contact me at (231) 830-3220.
4. I want to thank you for your time and support in this study.

APPENDIX E

Consent to Participate Form ADULT PARTICIPANT CONSENT FORM FOR PARTICIPATION STUDY

You are being asked to participate in a research study of privatizing non-instructional services in public education. You have been selected as a possible participant in this study because of your background and exposure to the process of privatization.

Researchers are required to provide a consent form to inform you about the study, to convey that participation is voluntary, to explain risks and benefits of participants and to empower you to make an informed decision. You should feel free to ask the researchers any questions you may have.

Study Title: Privatization of School Support Services
Researcher and Title: Dr. David Arsen, Professor
Department and Institution: Education Department of Michigan State University
Address and Contact Information: College of Education, Erickson Hall, MSU,
East Lansing, Michigan 48824

From this study the researchers hope to learn the impact privatizing non-instructional services has on the school district, as well as, the community. Your participation will take approximately **one half to one full hour** for the face-to-face interview.

Participants will not receive incentives throughout the interview. Notes and audio recordings will be used during interviews to ensure accuracy of conversations. You can request to have the tape recorder turned off at any time. You also have the right not to answer any particular question. There are no foreseeable risks associated with participation in this study.

All the data collected will be treated confidentially, your name will not be used in any reports regarding this project, and any identifying characteristics will be disguised. A pseudonym will be used for you as well as the district, location and your privacy will be protected to the maximum extent allowable by law. All **conversations** scribed, from the interview tapes and notes will be kept in a safe location in a locked file in the primary investigator's personal university office. You may reserve the right to stop your participation at any time you feel that the discussion, in terms of this consent form has been breached. **You will be contacted by telephone to a schedule an interview date and time once your consent form is received and you have agreed to participate in the study.**

I agree to allow audio taping of the interview. ☐ Yes ☐ No
I voluntarily agree to participate in this study: ☐ Yes ☐ No

Participant's Name (please print): _____
Participant's Signature: _____ Date: _____

APPENDIX F

Definition of Terms

Term 1. Foundation Allowance:

Since the passage of Proposal A in 1994, the Michigan Legislature has annually calculated a per-pupil funding “allowance” for each local school district and charter school. The “foundation allowance” is the key figure used in the state’s financing of local school districts and charter schools, and it is intended to represent a district’s per pupil revenue for general operating processes. The foundation allowance is not the same for every district and each district’s foundation allowance is comprised of varying levels money from state government and from local property taxes.

Term 2. At-Risk

The state school aid provides funds to eligible school district and eligible public school academies. The amount of additional state funding is based on the number of actual pupils in membership in the district or public school academy who met income eligible criteria for free breakfast, lunch or mild in the immediately preceding state fiscal year.

Term 3. Title I

Established in 1965 under the Title I of elementary and secondary education action was established to ensure that all children have a fair, equal, and significant opportunity to obtain a high quality education. The focus was on meeting the educational needs of low-achieving children in the nation’s highest poverty schools.

APPENDIX G

In-House Service Cost versus Contract Cost

LABOR COMPARISON

IN-HOUSE COSTS		Food Service	Custodial	Transportation
Wage				
	Longevity			
	Adjusted Rate	\$ 10.34	\$15.20	115.48
Benefits				
	Retirement (16.54%)	\$ 1.71	\$2.51	2.56
	FICA (7.65%)	\$ 0.79	\$1.16	1.18
	WC (3.51%)	\$ 0.36	\$ 0.53	0.54
	Adjusted Hourly Cost	\$ 13.20	\$19.41	\$19.77
	Estimated Annual Hours	1,080	1,440	1,440
	Estimated Annual Cost (before Hosp.)	\$ 14,261	\$ 27,951	8,466
	Estimated Monthly Hosp. (based on Family Rate)	\$ 1,150	\$ 1,150	1,150
	Estimated Annual Hosp.	\$ 13,800	\$ 13,800	3,800
	Total Annual Estimated Cost Per Employee	\$ 28,061	\$ 41,751	2,266
	Total Employees used in Estimation	25	12	7
	Total Hourly Employee Annual Cost	\$ 701,513	\$501,012	5,861
	Total Clerical Cost	\$ 50,905	\$ 50,905	0,905
	Total Estimated In-House Costs	\$ 752,418	\$551,917	6,766
CONTRACTED COSTS		Food Service	Custodial	Transportation
	Total Contracted Cost	\$ 505,258	\$391,172	N/A
SAVINGS/(LOSS)		\$ 247,160	\$160,745	N/A

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