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A Hidden Toll as States Shift to Contract Workers

By MOTOKO RICH NOV. 6, 2011

GRAND RAPIDS, Mich. — Like many states and local governments struggling to cut costs, Michigan hopes to replace some government employees with contract workers who will do the same job for less.

Ginny Townsend, 41, took a job in January as a nursing assistant in the state-run home for veterans here. Technically, she works for a private company that supplies some employees to the veterans home under a state contract. She makes \$10 an hour, about half the wage of the public employees working at the facility.

“I love my job, and I appreciate the opportunity to be here,” Ms. Townsend, a former home health care aide, said on a recent afternoon as she cheerfully delivered fruit and a newspaper to an 85-year-old resident in a sun-drenched solarium.

With the national unemployment rate at roughly 9 percent, Ms. Townsend says she feels lucky just to have a job. But on her low wages, she is barely scraping by. She said she was raising four grandchildren under 11 with her unemployed sister and could not support them without the \$300 in food stamps she collects every month.

Now, the state wants to dismiss 170 nursing assistants on the public payroll at the veterans home and replace them with more contract workers like Ms. Townsend, prompting a legal dispute and much personal anguish.

The legal battle highlights the potential pitfalls in such decisions. Outsourcing, usually intended to ease strained public budgets, tends to most directly affect people like Ms. Townsend and her co-workers. But there can be other drawbacks. The quality of services provided by contract workers, for example, may not be as consistent as that of experienced government employees. And taxpayers can end up paying for the cuts in more indirect ways.

What governments save in salaries and benefits often “ends up on the government books through all sorts of programs,” said Paul C. Light, a professor at the Wagner School of Public Service at New York University, referring to unemployment insurance, Medicaid and other public assistance for workers earning low incomes.

Outsourcing becomes more popular during tough economic times as states and municipalities transfer the operations of facilities like prisons, school cafeterias and sanitation departments to private contractors. Governors or legislatures in Arizona, Louisiana, New Jersey and Pennsylvania have all proposed reviews of state agencies in search of opportunities to privatize operations.

Many local governments like Anaheim, Calif., and Luzerne County, Pa., have contracted out services including park maintenance, graffiti removal and tax claims. Mayor Rahm Emanuel of Chicago recently outsourced recycling collection in parts of the city.

In Michigan, the plan to replace state nursing assistants at the veterans home resulted in a lawsuit contending that some temporary workers employed by the contract company had already jeopardized patient care. In one case, the suit says, a resident fell off his bed and broke his neck after being left unattended by a contract worker. A judge has granted a preliminary injunction that keeps the state employees at work while the lawsuit moves forward.

The injunction also prevents new workers from J2S Healthforce Group, which recently won the contract to replace the state employees, from taking jobs at the facility. The company has provided fill-in nursing assistants at the veterans' home since 2001.

The state has appealed the decision, saying in court documents that the incidents cited were isolated and that state workers had been involved in negligent care as well. It says contract workers can provide quality care to the veterans while saving about \$5.8 million a year.

With state budgets under pressure, Michigan says it can no longer afford the relatively high wages of the public workers, which range from \$15 to \$20 an hour, along with health and retirement benefits. According to Salary.com, certified nursing assistants in private long-term care facilities in the area earn a median salary of just over \$25,000 a year, or about \$12.25 a hour.

The home, opened 125 years ago to provide care to the state's war veterans and their spouses, now serves nearly 600 residents. About 40 percent of its financing comes from the United States Department of Veterans' Affairs, with the rest coming from state funds and fees paid by residents.

Many of the nursing aides have worked here for decades, and the union that represents them says their experience and relationships with their patients cannot easily be replaced.

In 22 years working at the home, Glenn Fiedler has emptied bedpans, helped bathe patients and charted their diets. He regularly buys treats and selects special outfits for their birthdays, and he once served as an interpreter for a veteran who had suffered a stroke and began punctuating every gesture with the same profanity.

"A lot of them looked at me as being their lost son," said Mr. Fiedler, 52, who earns \$20.34 an hour. He said he could not cover his expenses on \$10 an hour.

And like many of his state colleagues, he also worries that lower-paid contract workers will provide inferior care to the veterans. "You get what you pay for," he said.

The lawsuit, filed by Anthony Spallone, a resident, says that fill-in contract workers have, among other things, repeatedly dropped residents and left them in urine-soaked beds, and once fed a resident solid food despite specific instructions not to.

Tim Frain, the chief executive of J2S, declined to comment.

Mr. Spallone, a 64-year-old Vietnam veteran who said he had served “12 months, eight days, four hours and 22 minutes” as an Army engineer, described the state’s caregivers as “like family.” He suggested the government “drop one less bomb overseas and pay these guys’ salaries.”

Some residents say the contract workers are vilified unfairly. “Care is predicated on compassion and empathy,” said Harold Sundberg, a World War II Navy veteran, not “a union label.”

Under the new contract, nursing assistants must have at least 12 months of experience, said Sara Dunne, acting administrator of the Grand Rapids home. She said current state workers could apply for the lower-paying slots.

Union leaders denounce the efforts to roll back years of negotiated wages and benefits. The public sector gave “people a chance to buy a home and send their kids to college,” said Eileen Kirlin, executive vice president of the public services division of the Services Employees International Union. When contractors take over and pay lower wages, “we’re just driving everybody down.”

Leonard Gilroy, director of government reform at the Reason Foundation, a libertarian research organization, said that outsourcing companies simply paid “the market rate,” which “may or may not correspond with whatever the government pay scale might be currently.”

Economists and other academics who study outsourcing are divided about whether it usually saves a government money. Recent data from Arizona shows that privately operated prisons often cost more to operate than state-run facilities. A study by the Project on Government Oversight, a nonprofit Washington group,

found that in 33 of 35 occupations, using contractors cost the federal government billions of dollars more than using government employees.

And some municipalities have brought outsourced services back into the public fold after determining they could perform the work as cost-effectively as private companies.

In June, one of the state workers at the Grand Rapids home, Emilie Perttu, 24, reluctantly left her job and took a nurse's aide position at a hospital for a quarter less than she was making. Ms. Perttu, a single mother of two, started at the veterans' home as a contract worker for J2S before becoming a state worker last year. She said that after Michigan's governor, Rick Snyder, cited the outsourcing plans in his budget for 2012 and 2013, she feared losing her job or having her wages sharply reduced.

The lower wage, she says, has left her strained to cover \$675 a month in rent, along with basics like food and child care. So Ms. Perttu collects \$400 monthly in food stamps and child care assistance, programs administered by the state but largely financed by the federal government. She has not been able to buy winter coats for her children, she said, and often avoids calls from credit card bill collectors.

At the veteran's home, "one check was enough to pay all the bills," she said. Drawing on public assistance, she added, "is not helping our economy."

Correction: November 8, 2011

Because of an editing error, an article on Monday about efforts by state and local governments to save money by using contract workers misstated, in some copies, the financial hardships of one such contract worker, Ginny Townsend. She said she was raising four grandchildren under 11 with her unemployed sister and could not support them without the \$300 in food stamps she collects every month; she did not say that she could support them without the food stamps.

Working for Less: Articles in this series are examining how new workers are being hired at lower pay and benefits.

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