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# Groundbreaking report details economic consequence of shifting public services to private providers

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COLORADO SPRINGS, Colo. – State and local governments, the traditional providers of public services, are sometimes now mere funders as they increasingly choose to contract with private corporations. Attempting to get costs down is the most common reason, although that often doesn't happen. But the focus on fiscal impact has hidden the full consequences of these decisions.



Daphne Greenwood

A report released March 11 by the Colorado Center for Policy Studies based at the University of Colorado Colorado Springs sheds light on the full extent of the social and economic

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impact from outsourcing public services. This includes reduced accountability and transparency as control of key public decisions is removed from citizens and their elected officials. Quality also often suffers.

The study found that contracting with private corporations generally reduces worker wages and benefits, which leads to a host of negative effects for the community at large:

- Reduced spending in local communities and declining retail sales
- Risks to public health and safety with less experienced employees and more bureaucracy
- Fewer opportunities for middle-class jobs and upward mobility
- Higher wage gaps between men and women and blacks and whites
- More workers and retirees on public assistance, especially in female-headed households
- Larger share of "at risk" children in low-income families

To help leaders assess the full impacts of outsourcing decisions on their own communities, the report includes a guide for calculating the social and economic consequences to a state or community. Examples of statutes that address broader economic and social issues are included.

Daphne T. Greenwood, professor, Department of Economics, UCCS and center director said:

"There is a wealth of evidence that outsourcing public jobs often diminishes quality without substantial cost reduction.

Unfortunately, few states and cities have a serious oversight process to let citizens evaluate what is happening.”

As author of the study, Greenwood focused on some new topics: how local economic development, middle-class jobs, and upward mobility are being affected by contracting out.

“Elected officials often talk about wanting to boost the economy and create opportunity,” said Greenwood “But many don’t realize how the decisions they control can contribute to the problem... or be part of the solution.”

“The Decision to Contract Out: Understanding the Full Economic and Social Impacts” study was funded by the Jobs with Justice Education Fund, Washington, D.C. and is available at [www.uccs.edu/~ccps](http://www.uccs.edu/~ccps).

### About UCCS

The University of Colorado Colorado Springs, located on Austin Bluffs Parkway in Colorado Springs, is one of the fastest growing universities in the nation. The University offers 37 bachelor’s degrees, 19 master’s and five doctoral degrees. UCCS enrolls about 10,500 students on campus annually and another 2,000 in online programs. For more information, visit [www.uccs.edu](http://www.uccs.edu).



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