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Competing for Better Government

By Stephen Goldsmith

My first week as mayor of Indianapolis, I visited angry sanitation workers threatening job actions because of my pledge to privatize municipal services. Soon those threats turned to picketing, demonstrations and occasional sabotage by union workers.

Yet just five years later, both the union and I were joint recipients of an award for cooperation. Knowing how we turned this situation around might prove helpful to Michael Bloomberg and New York City's unions as they struggle with declining revenues and an increased need for city services.

Both city officials and union leaders need to recognize that a city cannot grow economically, and public employees cannot succeed, if a city's tax base flees, if poverty becomes more concentrated and if the quality of public services declines.

In Indianapolis, I distributed to city employees unflattering advertisements about our city that had been paid for by economic development officials in neighboring communities. To my surprise, the president of the Indiana state chapter of the American Federation of State, County, and Municipal Employees understood the need for change. He was open to the idea of competition, if not necessarily privatization.

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Simply put, bureaucratic monopolies are bad for taxpayers and bad for public employees. When government insists that competition is off limits, it communicates to public workers that they are inferior. Competition creates the conditions for increased productivity and new partnerships in which the private sector provides some functions while public employees concentrate on what they do best — and where they are most needed.

For example, in many cities and states today, private companies are contracted to do "back-office" work like collecting parking-ticket revenue, processing toll-road payments or operating print shops. This allows more money to go to more visible public workers like police and firefighters. The aim is not to privatize the work for the sake of privatization, but to serve the public better with existing resources.

What the next mayor of New York can learn from Indianapolis.

Of course, this sort of transition may mean some shifts in the work force. Private contractors for public services often hire city workers, but not always all of them. To win support for change, city leaders must pledge to do what they can to minimize immediate forced layoffs.

Demographic trends may make this goal more realistic. As the first baby boomers reach retirement age, the size of the public sector work force will decline. Thus there will be a natural opportunity to put more functions out for bid while also thinning the ranks of the public sector, making it more productive.

This process is not easy. Incentives for early retirement help, as does outplacement assistance. But most important is a commitment from city hall to put as many displaced workers as possible in other public jobs. This requires both union and management leadership to rethink seniority rules, job classifications, pay scales and other issues, for they all affect employee mobility.

This kind of transformation will depend on a motivated work force that is allowed to make its workplace decisions. Rigid job descriptions, layers of unnecessary middle management and lack of authority often prevent workers from being efficient and effective. Pay systems and work rules must be structured to allow for — and to reward — productivity.

Smart unions understand this. In Indianapolis, we asked our garage mechanics to bid against private contractors for city business. They agreed, and their bid included a proposal to thin the ranks of management by 75 percent and to share in any profits of the new arrangement. They won the contract, and as a result they had an incentive to increase productivity — and profits — by absorbing the work of colleagues who were retiring.

None of this can work well unless there is a spirit of trust and cooperation between labor and management. Too often in the public sector, these relationships become little more than a framework for grievances and lawsuits. In Indianapolis, we chose another way. Our labor-management team addressed many issues unrelated to compensation, from race relations in the workplace to equipment safety. Regular meetings between top union and city officials, including the mayor, helped ensure that middle managers understood that we were on the same team.

The private contractor that won the bid to operate our wastewater treatment plant, for example, agreed to work in partnership with the public employees union. Together they produced a remarkable record over five years, increasing pay and minority subcontracts and virtually eliminating grievances and accidents.

New York City, of course, is not Indianapolis. The New York Police Department alone, with almost 50,000 employees, is about seven times the size of the entire Indianapolis municipal work force. But Mr. Bloomberg need not reinvent the entire city government at once. And the principles we applied in Indianapolis are equally valid in New York. □

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