

Has Privatization Been a Positive Development?: the Case of the United States

แนวคิดการแปรรูปรัฐกิจประสบผลสำเร็จหรือไม่ ในสหรัฐอเมริกา?

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เป้าหมายของการสำคัญของการถ่ายโอนสินทรัพย์และการกิจในการจัดสรรบริการสาธารณะจากภาครัฐไปสู่ภาคเอกชนก็คือการเพิ่มประสิทธิภาพในการให้บริการและการลดภาระค่าใช้จ่ายของรัฐบาลโดยเฉพาะในเรื่องขนาดใหญ่ สร้างองค์กรและจำนวนบุคลากรภาครัฐ ในสหรัฐอเมริกาแนวคิดนี้ได้รับความนิยมอย่างสูงตั้งแต่ทศวรรษ 1980 โดยมีการนำไปประยุกต์ใช้ทุกแห่ง รูปแบบในองค์กรภาครัฐทั้งในระดับชาติ ผลกระทบ และท้องถิ่น น่าสนใจว่า ในทางปฏิบัติการถ่ายโอนการกิจในการจัดสรรบริการสาธารณะจากภาครัฐไปสู่ภาคเอกชนทำให้ประชาชนมีความพึงพอใจต่อบริการสาธารณะและการใช้จ่ายงบประมาณของเจ้าหน้าที่รัฐเพิ่มขึ้นหรือไม่ รัฐบาลมีค่าใช้จ่ายโดยรวมเพิ่มขึ้นหรือลดลงเพียงใด จำนวนบุคลากรภาครัฐมีจำนวนลดลงหรือไม่ เพียงใด บทความนื้อหาศัยการวิจัยเอกสารร่วมกับการวิจัยเชิงปริมาณเพื่อตอบคำถาม

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ເທົ່ານີ້ ແລະພບວ່າໃນທາງທຸກໝົງມີໜັກສູານເປັນພລກເກີດຈຳນວນໄມ່ນ້ອຍທີ່ຍືນ
ຍັນພລສໍາເຮົາໃນເຮືອກການເພີ່ມປະລິກິພາພແລະລດຄ່າໃໝ່ຈ່າຍຂອງຮັບປາລຈາກການ
ປະຢຸກຕີໃໝ່ແນວຄິດດັ່ງລ່າວ ໃນຂະແໜ່ງກັນ ຂ້ອສັງເກດແລະຄວາມວິຕກັງວລ ຕ່ອ
ພລກະທບດ້ານລນ ໃນເຮືອກຄຸນກາພກການໃຫ້ບໍລິການ ກາຣຈສອບໂດຍປະຊານ
ແລະກາຄອຮັບປັ້ນກີປາກງູນໃໝ່ທາຍກຣນີກິດຕ້ວຍເຊັ່ນກັນ ຍິ່ງໄປກວ່ານັ້ນ ຈາກການ
ວິເຄຣະທີ່ຂ້ອມຸລພລສໍາຮວຈຄວາມຄິດເຫັນປະຊານໂດຍສຕາບນິຈໍຍກາຣເລືອກຕັ້ງ
ຮະດັບຫາດໃນສຫຮັບປູອເມັກ (American National Election Studies) ແລະຂ້ອມຸລ
ເຊີງປະມານແລະຈຳນວນຂອງບຸດລາກຮ ກາຣຈຂອງຮັບປາລ (ທັງຮະດັບຫາດ ມລຮັບປູ
ແລະທ້ອງຄົນ) ໃນສຫຮັບປູອເມັກ ບທຄວາມນີ້ຍັດນັບເພີ່ມເຕີມອີກວ່າກ່າວ່າສານທົວຮຽນ
ທີ່ແນວຄິດກາຮ່າຍໂອນກາງກິຈໃນກາຮ້າສຽງການການຈັດການເງິນງນປະມານຂອງ
ຖຸກນໍາໄປປົງບັດໃຫ້ອຍ່າງກວ່າງຂວາງແພຣ່ຫລາຍ ຄວາມພິ່ງພອໃຈຂອງຜູ້ຮັບປົງການ
ສຫຮັບປູອເມັກຕ່ອບການສາທາລະນະແລກການບໍລິຫານຈັດການເງິນງນປະມານຂອງ
ເຈົ້າໜ້າທີ່ຮູ້ມີໄດ້ເພີ່ມຂຶ້ນ ຄ່າໃໝ່ຈ່າຍຂອງຮັບປາລ ເນື່ອເທີ່ມກັບສັດສ່ວນຮາຍໄດ້ປະ-
ມຕິມີແນວໃນໜົມຄົງທີ່ ໃນຂະແໜ່ງທີ່ຈຳນວນບຸດລາກຮກາຣຈັກມີໄດ້ລດລອຍ່າງແທ້ຈົງ ເພີ່ງ
ແຕ່ເປັນກາໂຍກຍ້າຍຈາກບຸດລາກຮທີ່ຮັບເງິນເດືອນ/ຄ່າຈຳ້າງຈາກຮັບປາລໄດ້ຕຽງໄປເບີນ
ບຸດລາກຮທີ່ຮັບເງິນເດືອນ/ຄ່າຈຳ້າງຈາກຮັບປາລຜ່ານບໍລິຫ້າກົງສັນຍາເທົ່ານັ້ນ ການ
ນຳແນວຄິດກາຮ່າຍໂອນກາງກິຈໃນກາຮ້າສຽງການຜ່ານບໍລິຫ້າກົງສັນຍາເທົ່ານັ້ນ ການ
ເອກະນາໄໝໃຈ່ງນີ້ໃໝ່ສູ່ຕຽ່ງສໍາເຮົາໃໝ່ທ່ານຮັບປາລໄດ້ອ່າຍ່າງຄຸ້ມຄ່າ ທາກ
ແຕ່ເປົ້າທຳມາຍເທົ່ານີ້ຈະບຣລຸພລໄດ້ຈະດັ່ງອາຫຍ້ວັນການເຂົ້າໃຈແລະຄວາມເຂົ້າໃຈ
ໃສ່ດູແລຂອງບຸດລາກຮກາຣຈັກໃນກາຮ້າເຄີ່ອນດ້ວຍ

ຄໍາສຳຄັນ: ກາຣແປງປົງປັງກິຈ ກາຮ່າຍໂອນກາງກິຈຂອງຮັບປູອປົງການເອກະນາ ກາເພີ່ມ
ປະລິກິພາບໍລິຫານສາທາລະນະ ສຫຮັບປູອເມັກ

Abstract

Privatization advocates argue that reducing the number of public employees is the key to reducing government costs and improving efficiency. In this respect, if privatization has been a positive development, we should see evidence that after privatizing, government agencies provide services more efficiently, spend less money, and have fewer employees. This paper examines whether the trend of privatization in the public sector has been a positive development. Focusing on the ongoing theoretical debate among scholars on the effects of privatization on public employees, this paper argues that privatization has not been a positive development in all cases. Relying on a method of examination which consists of both qualitative analysis and quantitative data gathered from secondary sources, the paper finds evidence suggesting that even though public agencies implement privatization, citizens still receive inefficient services, government spending is still increasing, and the number of public employees has not been significantly reduced. This study is important because it provides a clearer picture regarding the development of privatization than many previous studies, particularly those that base their argument on case studies at the local or state level. It also suggests the importance of public personnel management in helping and shaping privatization to function in the way in which privatizers expect.

Keywords: *Privatization, Government contracting, Public services improvement, United States*

Introduction

Privatization is a global phenomenon. In recent years, all levels of government around the world, seeking to reduce costs, have begun turning to the private sector to provide some of the services that are ordinarily provided by the government (Giersch, 1997; Farazmand 2001; Stiglitz, 2008). In the United States, the spread of the privatization movement is grounded in the fundamental belief that market competition in the private sector is a more efficient way to provide these services and allows for greater citizen choice (Berman, 2003; Rosa, 1997; Savas, 1987). However, in practice, concerns about corruption, accountability, quality of services, and employment conditions raise skepticism about privatization (Holzer, 1995; Henry, 2001; Greene, 2002; Jomo 2008). Has privatization been a positive development? To answer this question, this paper suggests that we should examine the theoretical debates among scholars as well as collect some quantitative data in order to test the premise of the advantages of privatization.

This paper examines whether the trend of privatization in the public sector has been a positive development. Focusing on an ongoing theoretical debate among scholars on the effects of privatization on public employees, this paper argues that privatization has not been a positive development in all cases: there are scholars who claim either advantages or disadvantages of privatization's outcomes. Relying on a method of examination which consists mostly of quantitative data gathered from several secondary sources, the paper finds evidence suggesting that while privatization has grown rapidly since the 1980s, citizens still

receive inefficient services, government spending is still increasing, and the number of public employees has not been significantly reduced. By paying attention to the impacts of privatization in the United States at the macro level (national level), this study and its findings provide a better understanding of the development of privatization than many previous studies, particularly those that base their argument on case studies at the local or state level. Further, based on this clearer picture, the final part of this paper suggests the importance of public personnel management in helping and shaping privatization to function in a positive (or an expected) way.

Concepts and Debatable Approaches to Public Personnel Management

Privatization, in a very broad sense, is the transfer of assets or service delivery from the government to the private sector (Kettl and Fosler, 2005; Levine, 1990; Savas, 1987; 2000; 2005). In this sense, privatization is not a new idea, as we have seen the implications of government contracting, the most common form of privatization in the United States, for many decades. However, “privatization” is a new word. As Savas (1987) points out, it first appeared in the dictionary in 1983 and was defined narrowly as “to make private, especially to change from public to private control or ownership.” Becoming a popular idea as a central component of the new public management reforms (Fernandez and Smith, 2005),’ the word has already acquired a broader meaning; it has come to symbolize a new way of looking at society’s needs, and rethinking of the role of

the government in fulfilling these needs (Savas, 1987). Thus, privatization is associated with increasing the private sector's role in providing public services and transferring many traditional government functions to the private sector (Greene, 2002).

One of the major explanations for the recent popularity of privatization is the ability of the conservative movement to successfully argue that while the government ought to make sure that certain services are provided, there is no need for the government to actually provide these services (Ingraham and Eisenberg, 1995). This elaborate argument is based on three ideas (Henig et al., 1988). First, the government is a monopoly provider of goods and services, and like all monopolists it overcharges for its services and under-produces. Second, government regulations are designed to benefit the regulated and as such hurt consumers (Posner, 1974). Third, while it is understood that "public goods" are difficult to provide in an optimal way because of "free rider" problems, it is essential for the government, through its taxing power, to become involved in the financing of these public goods. Their delivery, however, should be left to the more efficient private sector.

One additional reason why privatization has become so popular is the emergence of the large budget deficit (Ingraham and Eisenberg, 1995). Selling government assets reduces the size of the deficit and at the same time, increases government efficiency. However, because the concept has been widely used at several levels of government in various political contexts, privatization comes in many forms, which include simple contractual arrangements with private businesses and nonprofit organizations (Greene, 2002). The purest version involves getting the

government completely out of both the production and delivery of a wide range of services. Privatization also encompasses a much broader range of activities, such as deregulation, tax reduction, voucher systems, and public divestiture of government properties (Levine, 1990; Savas, 2000; Savas, 2005).

As the trends toward privatization of many government services gain momentum, the implication is that the individuals staffing private firms are performing, and can perform, many of the myriad functions formerly entrusted solely to public employees, and in a more proficient manner. In this regard, a number of arguments have been advanced by advocates of privatization: cost reduction and greater efficiency.

For many of its proponents, the greatest advantage of privatization is saving money (Kettl and Fesler, 2005; Sakda, 2008). Small jurisdictions often find that large capital investments are needed to offer many services and that they can contract at a lower price with private firms or other jurisdictions for the services (Cayer, 2004). For example, according to several studies on public and private garbage collection, scholars have found the same pattern: that contracting with private firms is the cheapest when compared to private-franchise, private competitive or public collection (Donahue, 1989). In addition, a comprehensive survey of many different studies examining public versus private services conducted by John Hilke (1993) indicates that contracting helps the government to reduce cost in several service areas, such as maintenance support for air force bases, cleaning services, prisons, railroads, security services, and so on. For this reason, privatization of public services is frequently applied as a strategy for reducing costs in municipal waste collection, janitorial

services, park maintenance, fleet operations, security, snow removal, and employee training.

In addition to lower cost, privatization advocates argue that transferring work from government bureaucrats to the private sector promotes efficiency. Grounded on the premise that competition among suppliers is expected to produce better service performance, the privatization movement emerged in order to avoid the self-serving behavior of bureaucrats, which many advocates of privatization see it as the core of public sector problems (Kettl, 1997). Privatization, in this aspect, is a principal element of the new public management (Savas, 2005; Sumalee, 2007) that bypasses the bureaucratic syndrome that handicaps large government agencies: the very bureaucratic rules designed to promote fairness, competence, and accountability can prevent quick and effective action on problems (Kettl and Fesler, 2005). For example, contracting out can generate greater flexibility in the provision of services by skipping normal government bureaucratic regulations and red tape, such as in the hiring and firing of the workers (Levine, 1990). Privatization also enables the government to obtain the services of specialists not on their own staff (Ricciucci and Naff, 2008). An agency may not have workers with the needed skills, or those that it has may be fully occupied with their regular duties. In such a case, the most competent specialists may be found outside the government, either because the pay is higher or because they favor the work environment in universities, research institutes, and private companies.

While the dramatic growth in privatization has been quantitatively demonstrated and innumerable success stories have been published, a review of some privatization failures is certainly appropriate in any broad

survey of the subject. Among several opponents, unrealized cost saving is pointed out by many studies. In his study on “*The Limits of Privatization*,” Paul Starr (1987) disputes the notion that contracting services out to private producers will lead to cost savings. In fact, he states, it will merely create new groups with a strong interest in seeing government spending rise. He cites defense production, construction projects, and health care as three areas that have historically been produced privately for the government but at tremendous costs. In some instances, private firms indeed are more efficient providers. However, some firms underbid in order to get public contracts, and then sharply raise prices in subsequent years (Berman, 2003) since the government may no longer have the equipment or workforce to provide the service any more. Additionally, when costs of contracting are considered, some government agencies forgot the hidden costs, such as contract preparation, administration and monitoring of the contractor’s performance, and the use of public facilities and materials (Levine, 1990).

The lack of accountability and public control are other potential problems with privatization. Critics of privatization have asserted that it is more difficult for the public to hold contractors responsible than elected officials or bureaucrats when there are problems with service (Sharkansky, 1980). For example, private trash collectors may be less responsive to citizens than municipal service crews, especially in small towns (Berman, 2003). Another potential problem is that of reduced quality of services. One of the major reasons for low quality lies in the lack of complete specifications or in poor contract administration or monitoring, which often results in poorer services for citizens (Fixler and Poole, 1987). Looking

for ways to reduce their costs and to maximize their profits, contractors frequently cut corners by hiring inexperienced, transient personnel at low wages, by ignoring contractual requirements, or by providing inadequate supervision.

Corruption can also be a problem when contracting out a service. Critics argue that in the absence of adequate competition, relationships can develop between those granting contracts and contractors that are not in the best interest of the general public. Corruption in state and local contracts has a rich history, as contractors have long paid government officials kickbacks and bribes to win contracts, and contractors have colluded among themselves to fix bids and thus share the government's contract bounty (Fixler and Poole, 1987; Kettl and Fesler, 2005).

As we have learned from the above review, theoretical arguments regarding privatization are controversial. Under several concerns about corruption, accountability, and service quality, privatization advocates argue that reducing the number of public employees is the key to reducing government costs and improving efficiency. In this respect, this paper hypothesizes that *if privatization has been a positive development, we should see evidence suggesting that after privatizing, government agencies provide services more efficiently, spend less money, and have fewer employees.*

Data and Method

Data for our analysis came from several sources, almost all of which being quantitative data gathered from secondary sources. In order to examine the efficiency of public services, national survey data

conducted by the American National Election Studies between the late 1950s and 2004 were employed. Using time-series analysis, this data set was graphed in order to compare public opinion on government spending and providing services over the following time periods: before the 1980s, the 1980s-1990s, and the 1990s to current. In order to investigate the amount of the government's expenditure over time, data gathered by research organizations and other scholars were utilized and graphed and are presented in tables. These data are illustrated as the percent of Gross Domestic Product (GDP) in order to compare relative real growth or reduction. Further, in order to emphasize the true size of the government, our argument relies on data reported by the Brookings Institute, which include not only the total number of civil servants but also the total number of contractors, grantees, military personnel, postal services, as well as estimated state and locally-mandated employees.

The Development of Privatization in the United States: How Does It Affect Public Employees?

Government contracting, the most common form of privatization in the United States, predates the Constitution. Historically, the private sector in the United States has always performed many services financed by public funds. Familiar examples are ordinary supplies that most governments buy in the market, many professional services, design and construction of roads and buildings, and production of weapons and other equipment for the military, which in the United States is the largest government contractor of all. Privatization is merely an extension into new areas of what has been going on all along.

Privatization is the term of the day, but it is important to recognize that privatization, as we see today, is not a new phenomenon (Donahue, 1989; Greene, 2002; Levine, 1990). Woodrow Wilson's 1887 essay, "The Science of Administration," called for more business like government. Ever since, the "business model" has been put forth as a way to straighten out public-sector agencies (Holzer, 1995). In the intervening century, the public sector has always contracted for goods and services from the private sector. Defense spending, aside from military personnel, is largely for the procurement of military hardware and research from the private sector. Highways are paid for by public revenues but are built by private contractors. Medicare payments cover the services of private doctors and private hospitals. Public housing is financed with federal aid or municipal bonds and is built by private corporations. Stationery, desks and chairs, lamps, pens and pencils, fire engines, and police cars are all bought from private firms.

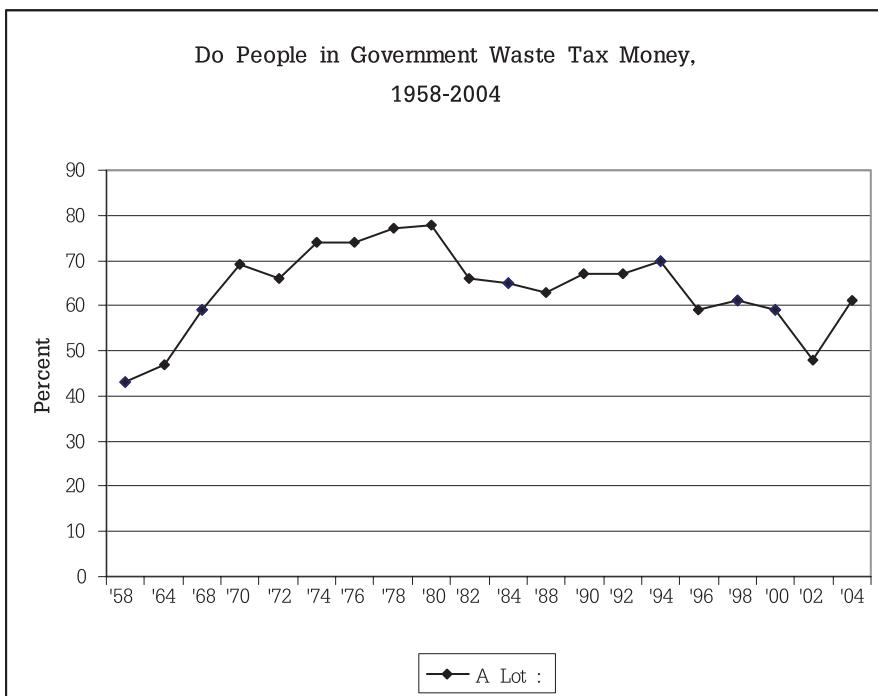
The discussion of privatization then urges even more purchasing of goods and services from the private market. Part of the answer to the question "Why are we focusing so directly on privatization now?" lies in the nature of public spending, and particularly in the introduction and expansion of programs aimed at solving difficult social and technical problems that appeared in the later half of the 1960s. In 1950, and in 1960 as well, federal expenditures on energy, natural resources and the environment, housing, transportation, and community development, and on education, training, and social and health programs came to about 10 percent of the entire federal budget. By 1980, the proportion of these categories reached 25 percent of the federal budget (Levine,

1990). Nevertheless, quantitative increases were not matched by qualitative improvements. Despite the fact that public budgets increased, public services were alleged to be increasingly inadequate. The persistence of social problems and of technical dilemmas such as environmental pollution and hazardous-waste disposal, in the fact of a multiplication of public programs, undermines faith in the ability of the public sector to deal with the outstanding problems (Greene, 2002; Savas, 1987). On the contrary, it promotes a search for other solutions, and a consideration of how the capabilities of the private sector might be effectively utilized in these areas is one result of this process.

At the state and local level, especially since the 1980s, the practice of privatization or contracting out has grown into a major feature of public services and has dramatically expanded during the 1990s (Colman, 1989; Fixler and Poole, 1987; Smith, 1987). Even though governments have long relied on for-profit contractors to build roads and on nonprofit contractors to deliver social services, contracting now extends into nearly every state and local activity, from the administration of prisons to the staffing of libraries (Auger, 1999; Chi, 1993; Siegal, 2000; Savas, 2005). At the federal level, the government also obtains a substantial amount of goods and services for its operation through contracts with private companies, research institutions, and individual consultants (Kettl and Fesler, 2005). For example, as reported by the Federal Procurement Data Center (2002), in fiscal year 2002, the Department of Defense, administered about 66 percent of its entire budget spent by contract, followed by the Department of Energy (8 percent), and the General Services Administration (5 percent). The growth of privatization raises several questions concerning

the government's budget spending, the public services that citizens have received from contracting-out agencies, as well as public work forces: Do government agencies provide efficient services? Have government agencies spent less money during the last three decades? Do government agencies have fewer employees?

Figure 1



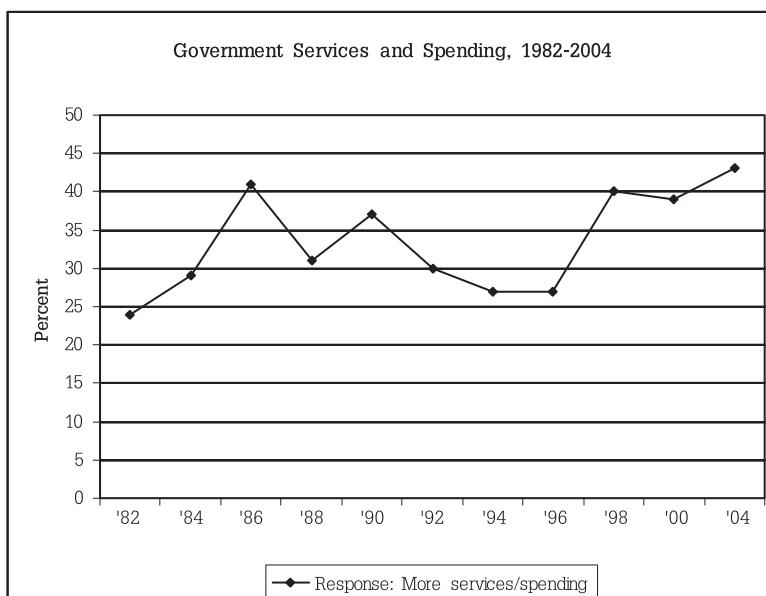
Source: *American National Election Studies*.

(http://www.electionstudies.org/nesguide/toptable/tabc5a_3.htm)

Do government agencies provide efficient services? Public opinion might be the best response. Employing data from national surveys conducted by the American National Election Studies between the late

1950s and 2004, we find that Americans' view on government budget spending was too negative between the late 1950s and the early 1980s, became fantastically positive during the privatization bloom period (1980s-1990s), and moved toward a worse trend again during President George W. Bush's Iraq war period (2002-2004). Furthermore, the data indicate, on the other hand, that people, particularly since the 1990s, have expected the government to provide more services and to increase spending. When pollsters have asked "Do people in the government waste a lot of tax money?" the response has gone from 43 percent in 1958, up to 78 percent in 1980, back down to 48 percent in 2002, and increased again to 61 percent in 2004 (Figure 1).

Figure 2

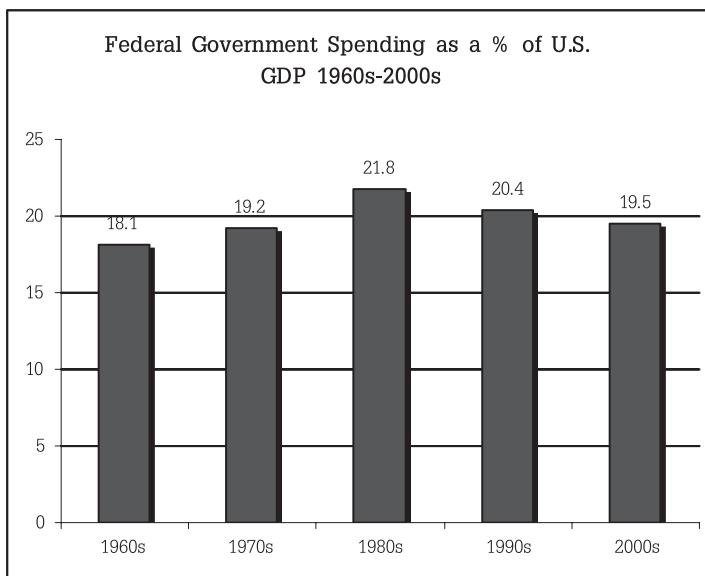


Source: American National Election Studies.

(http://www.electionstudies.org/nesguide/toptable/tabc4a_5.htm)

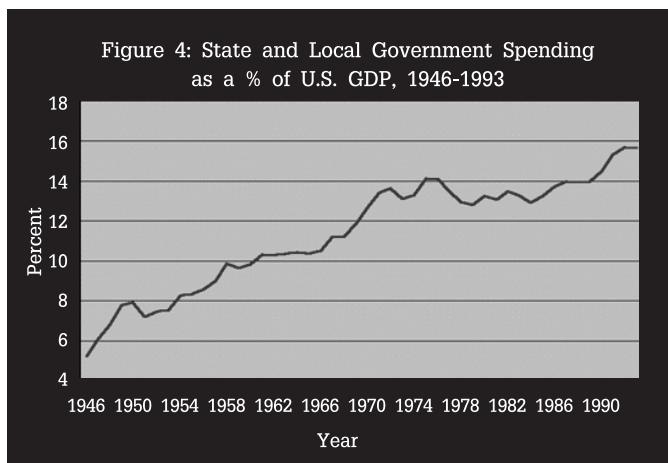
However, despite the ups and downs of public confidence in the role of the government, public demand for government services since the late 1990s has steadily risen. Just about 30 percent of Americans in 1992 believed that the “government should provide more services and increase spending,” those amounts of responses to the same question have increased to 40, 39, and 43 percent in 1998, 2000, and 2004, respectively (Figure 2). Based on these findings, we would argue that as a result of its application, which became much more widespread during the 1980s and expanded during the 1990s, although privatization made American citizens since 1982 have a positive view of government budget-spending, many citizens still think that they receive insufficient services from government agencies.

Figure 3



Source: <http://www.usgovernmentspending.com>.

Did government agencies spend less money during the last three decades? The answer is questionable. Government budget spending in the United States has increased dramatically during the last hundred years. The federal, state, and local governments combined spent \$1.6 billion in 1902, saw that amount rise to \$70.3 billion in 1950, and to \$3 trillion in 2000, where a large part of the government budget, throughout the past decade, has gone to the “big four” areas: pension, education, healthcare, and defense. However, the government’s expenditure for goods and service, especially at the federal level, has actually remained relatively stable since the early 1960s, at about 20 percent of the GDP (Figure 3). Most of the growth in federal government spending is not accounted for by the goods and services that government employees provide but by income transfer programs such as Social Security and Medicare (Kettl, 1989). Administration of these programs actually requires relatively few government employees.



Source: Vedder and Gallaway (1998).

One might object that the results above only relate to the federal government. Perhaps state and local government spending does not conform to the same pattern. As Figure 4 illustrates, state and local spending as a percent of the GDP rose consistently in the postwar era, rising from 5.2 percent in 1946 to 9.9 percent in 1960, to 13.3 percent by 1980, and to 15.7 percent in 1993 (Figure 4). Thus, in less than one half of a century, the proportion tripled, with the state and local government spending 10 percentage points more of the GDP in 1993 than 47 years earlier. Nevertheless, as a result of the dramatic expansion of privatizing public services during the 1990s, particularly at the local level (Greene 2002; Savas 2005), the state and local governments' outlays actually remained relatively stable between 1994 and 2008, at approximately 18.46 percent of the GDP on average (Table 1).

Table 1: State and Local Government Spending as a % of U.S. GDP, 1994-2008

Fiscal Year	Percent of GDP
1994	17.8
1995	18.2
1996	17.8
1997	17.5
1998	17.4
1999	17.5
2000	17.8
2001	18.7
2002	19.6
2003	19.7
2004	19.3
2005	19.1

Table 1: (Continued)

Fiscal Year	Percent of GDP
2005	19.1
2006	18.8
2007	18.7
2008	18.9
Average	18.46

Source: <http://www.usgovernmentspending.com>

Thus, it is not completely true to argue that privatization helps to reduce the government expenditures. Rather, based on the above government spending data, privatizing public services can only stabilize the growth of budget spending by the federal, state, and local government. Do government agencies have fewer employees? The response is debatable. As a senior researcher at the Brookings Institute, Paul C. Light (2003) reports that while the civil service enforcement seems to be getting smaller, the federal contract- and grant-generated workforces are getting bigger. As Table 2 shows, this estimate found that, as of the end of 2002, the total number of civil servants was approximately 1.7 million, reduced by 46,000 positions since 1999. During the same period, military personnel and postal service workers increased by 70,000 and 3,000 jobs, respectively. Moreover, the federal contract-generated workforces went up by 727,000 positions and grant-generated jobs by 333,000 between 1999 and 2002. Based on this information, we would conclude, as Kettl (1997) has suggested, that privatization, especially through outsourcing, does not exactly decrease the government's workforce as privatization advocates expect to see. Instead, it increases the number of people in the private sector with a direct stake in the size of the government budget.

Table 2: The True Size of the Federal Government, 1999-2002

	1999	2002	Change
Total civil servants	1,802,000	1,756,000	-46,000
Total contractors	4,441,000	5,168,000	727,000
Total grantees	2,527,000	2,860,000	333,000
Total military personnel	1,386,000	1,456,000	70,000
Total postal service personnel	872,000	875,000	3,000
Total true size of the government	11,028,0000	12,115,000	1,087,000
State and local mandated employees (1996 estimate)	4,650,000	4,650,000	-
Total true size with mandate employees	15,678,000	16,765,000	1,087,000

Source: *Light* (2003).

Conclusion

This article examines the trend of privatization in the public sector, seeking to explain whether this trend has been a positive development. As we have learned from the foregoing discussion, a number of studies provided competing explanations about the effects of privatization on public performance and employees; these explanations range from positive-efficiency, cost-effectiveness, and government bureaucratic workforce reduction, to negative-waste, inefficiency, and corruption. Relying on quantitative data gathered from several sources, this article discovers in the case of the United States that even though public agencies implement privatization, citizens still receive inefficient services, government spending is still increasing, and the number of public employees has not been significantly reduced.

However, we do not use these findings to suggest that privatization is a bad trend for the public sector. Instead, the evidence we discovered here raises concern about what public agencies should do in order to gain a real benefit from privatization. In our opinion, the public sector should recognize that privatizing public services does not mean that a success in improving the quality of public services will automatically occur. Privatization requires much adaptation and change, particularly for personnel administration (Lawther, 2003). It requires careful assessment of exactly what is being contracted for and expertise in advertising, obtaining and assessing proposal (bids), and drawing up agreements in order to ensure that services will be provided. Then, the contract must be monitored, enforced, and evaluated. As regards the function of personnel, these activities require the recruitment as well as training of employees with requisite expertise.

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