



**Power Tools
to Fight
Privatization**

What's Your **Bid?**



Introduction

Managed competition is sweeping the country as an alleged “quick fix” to the budget crises facing many cities, counties and states. It’s always best to stop privatization rather than get involved in the bidding process, by inoculating elected officials, building community coalitions and getting contractual or legal protections. Building your local’s capacity to fight privatization before it begins is the most useful tool in the box.

As a last resort, though, offering an alternative to privatization keeps you in the game. While there are different approaches to managed competition, all involve a comparison of the in-house costs of providing services with the costs of one or more outside contractors. AFSCME locals across the country have developed teams of union members to prepare in-house bids, often offering cost-savings when compared with privatization. The bids, which are independently reviewed by other city officials for accuracy, are sealed and submitted in direct competition with the bids of private vendors.

Some jurisdictions forego formal bidding and simply develop an in-house cost estimate against which they evaluate private bids. A number of AFSCME collective bargaining agreements give the union itself the right to submit a proposal in response to private sector bids.

Submitting a serious, competitive bid is a lengthy and laborious task. It’s often a last-ditch effort to protect the services that our members provide.

This manual will explain the full-blown competitive bidding process. The guidelines presented are equally applicable to other forms of public-private competition.

LEVEL THE PLAYING FIELD

When competitive bidding can’t be avoided, the union should demand that the process be impartial and fair. Below are ground rules to propose, largely drawn from the experiences of AFSCME locals and councils.

Access to Resources

- **Bids should be jointly prepared by a union-management team**

Frequently, public officials offer the union an opportunity to develop and submit a bid to take over the services that are on the chopping block. Resist this suggestion!

The union is not a business with the resources and capital to take over an operation. In addition, the commitment and backing of management is generally necessary for a bid to be taken seriously. Likewise, the union should resist the suggestion that management will prepare the official in-house proposal without union participation.

The best way to prepare a serious bid is for labor and management to work together as a team. Working independently, neither the union nor management will have the information to create the most cost-effective bid.

In Indianapolis, labor and management each select their own members of the bidding team. The team is assisted by a coordinator who facilitates development of the bid.

Local 1223's agreement with the city of Flint, Mich., provides that the union and management may work together to develop proposals in-house.

If the team cannot reach agreement on a joint bid, an independent union bid should be considered. Reviewers, however, may be skeptical of the union's ability to meet the demands of the contract without management agreement and support.

• In-house bids should be prepared on the employer's time with appropriate technical assistance

Preparing a bid can take weeks or even months of work time. It will require not only the time of affected employees and supervisors, but specialized assistance from other in-house staff or outside consultants. Clerical help will also be required. The employer should make this assistance available.

Massachusetts law requires a state agency seeking to privatize a service to provide the affected union adequate resources to develop an in-house bid.

The District of Columbia includes in all solicitations for contracted services the procedure for District employees to exercise their right to bid on a contract.

• Training should be provided to those submitting bids

The union should request that employees are offered training on the agency's competitive process, including budgeting, cost-analysis and proposal writing. Members must be able to understand the steps in producing the bid, and the internal processes for calculating the costs. Practice in writing and analyzing non-binding bids is also helpful. If the employer is unwilling to provide adequate training, an experienced proposal writer could be assigned to the group submitting the bid.

Council 62's contract with the city of Indianapolis provides for "continuing training on the procedures of responding to competitive opportunities." Such training includes activity-based costing, an accounting method that helps bid teams spot inefficiencies and gives workers the knowledge needed to find ways of reducing costs and the freedom to completely redesign work processes.

San Diego requires that the city auditor assist in preparing data used for estimating costs of in-house services.

Continuing training on the procedures of competitive bidding is provided to both union designees and management participants under the agreement with the city of Flint, Mich.

The city of San Jose provides "competitiveness training" to its employees and unions, which includes cost accounting, preparation of proposals and general business principles.

Responsible Procurement Practices

• **Require contractors to pay fair wages and benefits**

The easiest way to produce a cheap bid is to cut corners. Wages and benefits often comprise the bulk of service costs. Contractors can gain an unfair advantage by paying low wages and providing little to no benefits. Taxpayers often end up paying for those employees' health care costs, or for food stamps, or housing subsidies. Community sustaining jobs are destroyed. In addition, high turnover rates associated with low wages lead to lower quality services. This issue has been addressed in several different ways:

The city of Indianapolis' contract with the private operators of the AFSCME-represented wastewater treatment plant required that employees receive "a total package of compensation and benefits equivalent or better than compensation and benefits provided by the city."

Baltimore, Md., passed a living wage ordinance in 1994 requiring all city contractors to pay a "minimum living wage."

St. Paul, Minn., requires all city contractors or recipients of subsidies over \$100,000 to pay a living wage, which is currently set at 130 percent of the federal poverty level for a family of four. If the contractor provides basic health insurance, the wage is 110 percent of the federal poverty level.

Phoenix Requests for Proposals (RFPs) for sanitation services include a requirement that contractors provide health insurance for their employees.

California prevailing wage laws require that all bidders on state-funded public works contracts must submit bids based on the same cost of labor – i.e., no bidder can use a lower wage rate in an attempt to 'win' a contract.

Rhode Island's law requires contractors to pay the in-state prevailing wage, including benefits, for the type of work being contracted.

Massachusetts' law requires state contractors to pay the public sector entry level wage or the average private sector wage, whichever is lower. It also requires that health insurance be provided.

• **Prohibit corporate criminals from bidding**

Companies can save money and increase profits by ignoring and violating laws. To ensure that lawbreaking companies do not have an advantage over law-abiding ones, and keep the contracting process and decision clean, some jurisdictions bar from bidding, or define as unqualified, contractors who have been convicted of or pleaded no contest to violations of procurement, environmental or labor laws. Potential contractors should be required to document any charges filed against them in these areas. These requirements can be added to the RFP or Statement of Work (SOW), or added to policy through legislative and political action.

The city of Chicago will not contract with a company that has been convicted of bribing a public officer or employee, or collusive bidding.

The city of Flagstaff, Ariz., has a “bad boy” ordinance restricting contracting with a company that has been in trouble with the law.

- **Open the contracting process to public scrutiny**

The growth of government contracting has created, in essence, a “shadow government” of companies that are not elected, and not subject to any of the checks and balances that apply to elected officials. One way to keep taxpayers informed about how their money is spent, and to minimize the potential of corruption in contracting, is to require that information on contracts be available for public inspection.

In addition, contractors can be required to disclose whether any criminal convictions, penalties or assessments have been imposed against the owner or the company; and whether the company has ever been barred from a competitive bid or had a government contract terminated before its expiration date. And as agents of the government, providing public services with public funds, contractors should be subject to the same open meetings and records requirements as public entities. This issue can bring together unlikely allies in the community and the press.

The state of Ohio prohibits political campaign contributors from receiving non-competitive bids from politicians to whom they gave money.

In New York, courts have determined that non-governmental bodies acting on behalf of a government, or performing an essential public service, are subject to the state freedom of information law.

Iowa law prohibits a government from limiting access to public records by contracting out.

- **Restrict contracting to cases of substantial savings**

In the competitive bidding process, a shift from public to private service delivery should occur only when a savings of at least 10 percent can be documented. This margin acknowledges the many risks associated with contracting, the margin of error of many cost comparison studies and the cost of administering and monitoring contracts.

The federal government; the state of Texas; Cincinnati, Ohio; and Washington, DC, have all adopted the 10 percent threshold. The state of Maryland requires a savings of at least 20 percent or \$200,000 – whichever is less – for any service contract over \$100,000.

- **After a series of successful in-house bids, the process should stop**

If one of the goals of competition is to determine whether the public sector is the most efficient provider of services, a series of wins should be sufficient to make the point.

Before contracting out, the city of San Jose requires a “competitive assessment,” in which employees and the union are involved in identifying costs, performance measures and industry standards and developing benchmarks. Services determined to be provided at a competitive cost continue to be delivered in-house.

• Bid teams should have the right to bid on any public work

Competition is a two-way street. If public employees are forced to compete against private contractors, those functions already performed by private contractors should likewise be subject to in-house competition. In-house teams should also have the right to solicit work from other agencies.

The New York City Department of Environmental Protection opened bidding of capital maintenance projects to city workers in 2012. The city workers, and members of Local 1320, won the first bid, coming in 12 percent lower than the private contractor bids.

The Portland, Ore., Bureau of Water Works has a joint labor-management committee, including AFSCME Local 189, charged with developing methods to prepare in-house bids for construction work that has been contracted out.

San Diego saved \$2.7 million per year by accepting the bid of city workers for the operation of the Miramar Landfill in 2012.

• Bid teams should have the right to appeal

The bid team should have the same right to appeal the award of a bid as a private vendor. Of course, private contractors are going to seek the same rights to challenge the in-house bid. While most jurisdictions have an appeal process, modifications may be necessary to cover in-house bids, which technically may not have the same legal status as private vendor bids.

A Safety Net: Just in Case

Even the most experienced competitors can lose, so contractual safety nets are necessary to protect workers who may be displaced. The strongest protection, but the most difficult to obtain, is full employment security. Affected employees can be transferred into vacant positions. If necessary, they can be retrained for other jobs within the jurisdiction. When public work is not available, the contractor can be required to fill positions from among the displaced. In all cases, emphasis should be placed on maintaining existing wage and benefit levels and union recognition.

Successorship, neutrality and other safety net provisions also can be achieved by legislation, administrative rule or regulation. While ideally these conditions should be made part of the general competitive bidding procedure, they can be sought in conjunction with specific privatization efforts.

Washington, DC, requires that any city employee displaced by contracting out be hired by the contractor and be paid wages and benefits comparable to those paid city employees for the same work.

The city of Phoenix has an informal no-layoff policy associated with its competitive bidding program. City workers whose jobs were eliminated by losing a competition have been assigned to other city work.

Indianapolis included in its RFP for the operation of its waste water treatment plant a requirement that the successful bidder recognize and negotiate with the union. As a result, AFSCME now has an agreement with the contractor. AFSCME also negotiated a memorandum of understanding with the city providing employment guarantees.

The federal government's Office of Management and Budget (OMB) Circular A-76 governing federal contracting requires agencies to exert maximum effort to find available in-house positions for affected employees and to pay reasonable costs for training and relocation. Displaced employees also have right of first refusal for contracted jobs for which they are qualified.

Minnesota requires state agencies to certify that they have publicized a contract and made reasonable efforts to determine that no state employee or agency could have effectively performed the work before contracting out professional or technical services.

THE COMPETITIVE BIDDING PROCESS

Once the ground rules for bidding are established, the bidding process itself begins.

Establish the Bidding Team

The bid should be prepared by a team of union and management members directly involved with the service put out for bid. The union should appoint its own members. When possible, the team should include individuals who have experience with preparing bids or proposals.

Review the Current Service

The first step in analyzing what you will need for the bid is to review the way services are currently provided. Through talking with employees, reviewing budget and program reports, and meeting with clients or representatives of agencies who rely on the service, the bidding team should identify:

- Exact services currently provided
- Methods of providing the services
- Cost of providing the services
- Equipment used
- Number, grade and qualifications of the staff currently providing the service

The team should critically assess service delivery to establish what needs are not met and how improvements can be made. Techniques used by other public jurisdictions and private companies that provide similar services can be examined for ideas to lower costs while maintaining quality and employment standards.

This information is the raw material from which the in-house bid will be developed. It can also be used to shape and review the statement of work (SOW).

The bid process itself has four key steps: shaping the statement of work, preparing the in-house bid, calculating the total contracting cost, and comparing in-house costs with the total contracting cost.

Key Dates in the Bidding Process

While time to prepare the bid will vary significantly by project, the following key dates typically govern the process:

- Date of the bidder or pre-bidder conference
- Release date of the request for proposal (RFP)
- Due date for the bid
- Award date for the contract

A missed due date can mean a rejected proposal.

1. Shape the Statement of Work (SOW)

The statement of work (SOW) defines the services to be provided and standards to be met (see page 8). Whomever wins the contract, whether a private contractor or in-house staff, will have to provide the services specified in the SOW as it is ultimately presented in the invitation for bids (IFB) or request for proposals (RFP).

When possible, the union should be involved in drafting the SOW to ensure that it accurately reflects the services provided. Employees currently doing the work targeted for contracting should be consulted to clearly determine the services they now provide. The actual scope of services may be broader than suggested by individual job descriptions.

Contracting can be used as a back door attempt to reduce the cost and quality of services by intentionally narrowing the scope of work. Exposing this may help to fight off the contracting effort altogether. A carefully written SOW will deter fly-by-night contractors from bidding and force contractors to compete on more equal terms with in-house staff. See page 10 for excerpts from a SOW for the collection of solid waste.

• Review the request for proposals (RFP)

Once the SOW is completed it will be combined with information about the employer's contracting rules and procedures in the RFP. The bidding team should obtain a copy of these documents upon release.

The RFP is generally available from the agency seeking to contract out the service, or from the central procurement agency for the employer or jurisdiction. Frequently, the release is advertised in a local newspaper. Some jurisdictions have procurement hotlines or publish a list of their active RFPs online. Numerous AFSCME contracts, as well as state laws, require the employer to provide the union with any requests for proposals or notify them of intent to contract out bargaining work.

• Attend the pre-bid or bidder's conference

The RFP may include the time and location of a pre-bid or bidder's conference. A pre-bid or bidder's conference will offer potential bidders the opportunity to ask questions about the service and bid documents. It may also involve a visit to the worksite. For some contracts, it is mandatory for all potential bidders to attend the conference.

Content of a Typical Statement of Work

- Description of work to be undertaken
- Methods to be employed
- Frequency and time of work to be undertaken
- Outcomes expected, including quality standards to be achieved
- Equipment and materials to be used
- Numbers and qualifications of staff
- Location of work
- Responsibilities of the contracting agency
- Responsibilities of the contractor
- Qualifications of contractor, including any requirements such as: being subject to the state freedom of information law; disclosure of campaign finance records and contributions; and any past contract terminations. This can also include disclosure of whether a contractor was barred from performing certain work, or was been cited for violations of law or regulations.
- Financial arrangements
- Monitoring arrangements, including reporting from the contractor and agency oversight
- Penalties for unsatisfactory performance
- Method for determining how quality of service will be resolved
- Requirements for indemnification of the public agency against liability and property damage by the contractor
- Contract length
- Termination arrangements
- Laws, regulations, and policies to be observed (For example, nondiscrimination laws, prevailing wage and benefit requirements, policies regarding the hiring of displaced employees.)

RFP Statement of Work (Excerpts)

Solid Waste Collection

Specification for Residential Collection

Service Provided – Contractor shall provide curbside or alley way collection service for the collection of residential refuse to each residential unit once per week. Containers, bags and bundles shall be placed at curbside by 7 a.m. on the designated collection days.

Routes of Collection – The contractor may utilize the collection routes established by the city. The contractor may propose changes in routes or days of collection. The city’s approval of such changes will not be unreasonably withheld.

Hours of Operation and Noise Considerations – Collection of refuse shall not start before 7 a.m. or normally continue after 6 p.m. on the same day. The contractor’s hours of operation must also conform to the noise ordinance of the city.

Manner of Service – (After collection) The empty containers shall then be returned to the place from which they have been removed. All containers must be replaced upright at the original point of service.

Collection Equipment – The contractor shall provide an adequate number of vehicles for regular collection services.

Commercial Driver’s License – All drivers and operators of collection vehicles shall be properly licensed drivers.

Liquidation Damages –

- For failure to clean up refuse spilled by contractor – \$50,000 for each instance
- For failure to neglect to collect refuse missed by contractor within 24-hour period – \$10,000 for each failure or neglect

The bidder's conference can also offer a chance to:

- **Identify the competition.** Typically, there is a sign-in sheet. If it is not immediately available as a public record, the union can sign in toward the end of the meeting and note the names of the attendees.
- **Show unity.** The bidding team should attend the bidder's conference as a team. Show a solid front and interest in the work that is opened up for privatization. Introduce your team as just that — the labor-management bidding team.
- **Score off the competition.** Ask insightful and knowledgeable questions as a team. In a few jurisdictions, the highly visible presence of labor and management attending the meeting together was a factor in discouraging firms from bidding.

AFSCME locals have also used the bidding conferences to bring attention to the threat of contracting out, increasing the visibility of the union in the eyes of potential contractors. In one case, potential bidders were forced to pass through a picket line of state workers to get into the conference.

2. Draft the In-House Bid

The in-house bid should represent the union and management's best effort to compete with the private sector. Management and labor should use the bid writing process as an opportunity to examine existing operations for ways to improve quality and efficiency. In all likelihood, the bid will propose changing the way work is done. The advice offered from Tulsa, Okla., Local 1180, captures the brainstorming required to meet this challenge.

During the process, a new compensation system may be developed, including sharing savings from changes in work rules and process. There may also be changes for management. In fact, elimination of excess management was sometimes the key to lowering the cost of the public sector bid. No matter how work or compensation is redesigned (reduction in staff, changes in shifts or hours or gain sharing), the service provided must meet the precise requirements laid out in the statement of work.

As the process unfolds, it is important that the team keep other union members informed continuously. Union team members should be prepared to explain any changes in job design that are necessary to retain the work in-house.

In the heat of the competition, union team members must be careful not to agree to changes in work rules and compensation that conflict with the collective bargaining agreement unless they are authorized to do so.

Advice from Tulsa, Oklahoma — AFSCME Local 1180

In June 2011, the mayor of Tulsa contracted with a national firm to review the efficiency of services provided by city workers, resulting in the implementation of "managed competition" for approximately 200 city services, including fleet maintenance, facilities maintenance and street maintenance. With their backs against the wall, Local 1180 members were forced to make a last ditch effort to stop the privatization of the services they provide. Local 1180 leadership and members prepared an in-house bid, outlining ways to improve services, reduce costs and save the taxpayers money. The in-house proposal eliminated unnecessary expenses, relinquished two rarely used vehicles and upgraded technology.

The changes proposed by the in-house proposal beat out local and national firms, saving the city \$224,000 in a few short months. A “gainsharing” program was added to the proposal, in which workers were rewarded for savings – each worker in the building and maintenance department received a check for \$3,863.53.

Below are a few tips and advice for preparing an in-house bid from Michael Rider, president of Local 1180.

*Your division is facing contracting out, and all other avenues of stopping privatization are exhausted. Bidding is a **last step** in preserving the jobs of the members and the services that we provide.*

The members decide that drafting an in-house bid is a project that your union can actually do. The members are committed to the work and time it takes to prepare the bid. You also have to talk to management, and make sure you have buy-in from your department. Working as a team is crucial.

You must get all necessary cost and performance information needed to calculate the final proposal. You must know all the ins and outs of the program, the department and the work.

This is a numbers crunching exercise. Make sure your numbers are correct. Sit back, take a deep breath, and then take another look at all of those numbers. Double check. Ask yourself, “Is there a better way to do this project so we can lower our costs?”

Check the number of people who are expected to perform the work. Is this correct? Can you reduce the number and not hurt the overall performance? Can our people really do the work at the best price?

Is the equipment mix right? Are there too many vehicles? Are those vehicles the right type? Are they too large? Too small? Are there some pieces of equipment or vehicles that can do double duty? Is there better equipment out there that would mean a cost savings in the long run?

How are you going to bring the materials to the work site? Is it the best way? Would the overall cost of the project be less if the supplier delivered materials directly to the project location?

What hours should the crew work? Should the hours be outside normal work hours? Would four, 10-hour work days work? Overtime and payroll costs may actually be offset by greater productivity.

How does travel and set up time impact productivity? Should the crew report to the new worksite rather than their normal location to increase time on the project?

Meet with the members and the bidding team again. Discuss and chart all ideas. Work through those ideas. Someone may just have the right idea that will help you propose the winning bid.

Use the gathering of ideas as a tool for organizing the workers. This is an ideal organizing opportunity for making your union stronger and empowering the members.

At all times, keep your members informed and engaged.

3. Cost Out the Bid

Since the in-house bid represents a new way of working, the costs associated with the new approach need to be calculated. In many cases the calculations are similar to those used in costing a labor agreement. Old budget or expenditure reports may offer some useful cost information, but should never be presented as the bid.

• **Avoidable costs versus fully allocated costs**

The in-house bid should only include those overhead costs which would be avoided, or “go away,” if the service were contracted out. Otherwise, the bid will overstate the amount of savings resulting from contracting. The allocation of overhead should be examined carefully, and should be kept at the lowest possible level. The total cost of providing the service, including costs which would remain near the same after contracting, is known as the “full cost” or “fully allocated cost.” This measure can be useful in analyzing efficiency.

• **Direct and indirect costs**

The total cost of the in-house bid, which will be compared with the cost of contracting out, is the sum of two types of costs: direct and indirect.

Direct Costs

Direct costs are those items, like wages, benefits, supplies, materials and printing, solely associated with providing the service. Only the wages and benefits of frontline workers and supervisors who provide the service and whose jobs would be eliminated or “avoided” if the service were contracted out should be included.

Significant cost savings have occurred by reducing the number of mid-level supervisors as a result of work redesign. Analyze the ratio of mid-level managers to frontline workers, and address ratios in proposals or recommendations.

- Wages for vacant positions that will not be filled should not be included.
- Benefits should be based on an individual accounting for each employee, rather than a single benefit estimate for all employees.
- Costs for rent or debt service for a building, or heat and building maintenance, should only be included in the bid if they would not continue to be paid by the public after the work is contracted out.

Indirect Costs

Indirect costs, also called overhead costs, are associated with administrative and support services provided to more than one function. These costs are generally allocated among functions by a formula. Following the rule of including only costs that would “go away,” in many instances in-house bids will contain no overhead costs. Examples of indirect costs are payroll services and legal services.

Table 1 compares the “full cost” and “avoidable cost” of providing janitorial services for a building in a large county. The full cost, column A, includes all direct costs and indirect costs associated with the service: salaries and benefits, supplies and equipment,

Table 1

Cost of Janitorial Service (20,000 Square Foot Building)

	FULL COST	AVOIDABLE COST
	(A)	(B)
DIRECT COSTS		
4 Janitors:		
Wages @ \$30,000/year	\$120,000	\$120,000
Benefits @ 21.25 percent of wages	25,500	25,500
Supplies and Equipment	15,000	15,000
Direct Cost Subtotal	\$160,500	\$160,500
INDIRECT COSTS*		
Division overhead @ 57.5 percent	\$69,000	
Branch overhead @ 8.4 percent	\$10,080	
Department overhead @ 22.2 percent	\$26,640	
County-wide overhead @ 13.9 percent	\$16,680	
Indirect Cost Subtotal	\$122,400	\$0
TOTAL	\$282,900	\$160,500

**Calculated as a percent of direct salaries and wages*

and division, branch department and county-wide overhead. Column B includes costs that would be eliminated or avoided if the service was contracted out. Only direct costs would be eliminated, as is frequently the case with small-scale contracting initiatives. The larger the project, the more likely some indirect costs will be eliminated.

Calculate the total contracting cost

In order to determine whether cost savings justify contracting out, the in-house bid should be compared with the total cost of contracting out the service. The total cost of contracting is greater than simply the lowest contractor bid. It is determined by the following formula:

$$\text{Total Contracting Cost} = \text{Contractor Bid} + \text{Administrative Cost} + \text{Conversion Cost} - \text{New Revenue}$$

• The Contractor Bid

The contractor cost is the total cost the contractor proposes to charge for the service. When there are multiple bids the lowest acceptable bid submitted by a qualified contractor will typically win.

• Administrative Cost

The cost of administering and monitoring the contract should be added to the contractor's bid. These costs include contract negotiations, contract award, processing of contractor invoices, and contract monitoring and evaluation. These costs generally range from 10-20 percent of the bid, with the high end applying to small dollar contracts and the low end applying to larger contracts.

• Conversion Costs

One-time costs associated with the transfer from public to private operation should also be added to the contractor's price. These costs include payments to displaced workers, such as unemployment compensation, accrued annual and sick leave, and severance payments. Costs of training employees to take another position in government may also be included. Other conversion costs include fees for terminating leases, the cost of unused equipment and facilities, and the cost of preparing facilities or equipment for transfer to the contractor.

• New Revenues

Any new revenues the agency would receive as a result of contracting out should be deducted from the contractor's cost. Likewise, proceeds from the sale of any equipment or facilities that will no longer be needed could be deducted. These revenues should not be counted unless it is certain that they will be received.

4. Compare the In-House Cost with the Total Contracting Cost

Once the Total Contracting Cost and Total In-House Bid are determined, the cost savings associated with contracting out are calculated by subtracting the contracting cost from the in-house bid:

Cost Savings = Total In-House Bid – Total Contracting Cost

The decision whether to retain work in-house will depend on the employer's policy on mandatory cost savings. In jurisdictions without a minimum savings requirement, contracting can occur whenever there are any cost savings, even if only one dollar. It can even occur if the contract would cost more! In jurisdictions that require a minimum level of cost savings before switching to contractor-provided services, the cost savings must be compared to the in-house costs to see if they meet that level.

EXAMPLE	
In-House Bid	<u>\$1,000,000</u>
Total Contracting Cost	<u>- \$950,000</u>
Cost Savings	<u>= \$50,000</u>
Mandatory Cost Savings = 10 percent or \$100,000	
DECISION: Work Remains In-House	

AFTER THE BIDDING PROCESS

Challenging the Bid

When the in-house bid wins, the next step is simple: Deliver the high quality services promised in the bid. If the in-house bid loses, the team should critique the successful private bid. There may be a possibility of challenging or protesting the bid.

- Does the winning bid meet the requirements presented in the RFP?
- Was the bid submitted on time?
- Does the winning bid provide all of the information required by the RFP?

A successful challenge can result in a bid being set aside or a new round of bidding. The formal procedure for protesting a bid should be available from the office handling the jurisdiction's contracting.

Other Avenues of Scrutiny

In addition, the union should demand public scrutiny of any attempt to award a contract to an unqualified bidder. City council or county board or school board members or state legislators should be asked to make independent inquiries. Facts supporting the challenge can be given to the media as well. Quick action is essential. Once a service is contracted out, even if the process violated the rules, it may be very difficult to get it reversed.

In addition the union must decide whether or not to follow the work into the private sector and organize the contractor. The union must also ensure that any employee protections previously negotiated, such as employment with the contractor or out-placement assistance, are implemented. At the same time, the bidding team needs to decide whether to re-think their approach with an eye toward bringing the work back in-house.

ALTERNATIVES: LABOR - MANAGEMENT QUALITY INITIATIVES

Each time the public sector wins a competition, it provides direct evidence that public employees can provide high quality services more efficiently than the private sector. However, competitive bidding is a risky and disruptive way to achieve cost savings. The best way to save money and achieve innovations in the workplace is to give frontline workers the flexibility, authority and support to make decisions on the job, and to cut the wasteful layers of bureaucracy that separate frontline workers from decision-makers.

One alternative to competitive bidding is for labor and management to work together to improve services and cut costs. Rather than work with management to develop bids in a combative atmosphere, long-lasting gains can be achieved by frontline workers, the union, and managers working together to fundamentally redesign service delivery through joint quality initiatives. In joint initiatives, the union facilitates member and worker participation in activities like job redesign, problem solving, training and work system analysis. The effectiveness of worker input in redesign initiatives is directly related to the strength of the union, and also creates a prime opportunity for internal organizing.

Redesigning public service delivery comes in different shapes and sizes. As with competitive bidding, it is important that the union is involved in all stages to ensure that the workers' voices are heard.

Competitive bidding is not an alternative to fighting contracting out.

It is a fallback position when contracting out cannot be stopped.

RESOURCES

Government Finance Officers Association (GFOA)	“Managed Competition as a Service Delivery Option” www.gfoa.org/index.php?option=comcontent&task=view&id=1557
City of Indianapolis.	“The Indianapolis Experience: A Small Government Prescription for Big City Problems.” Includes case studies and details on technical issues. Contact Enterprise Development Office, City-County Building, Suite 2460, 200 E. Washington St., Indianapolis, IN 46204.
Rubin, Irene S.	“The Politics of Public Budgeting: Getting and Spending, Borrowing and Balancing.” CQ Press; 5th edition. October 6, 2005. ISBN—10: 1933116064
Michel, R. Gregory	“Cost Analysis and Activity—Based Costing for Government” (GFOA Budgeting Series)
City of San Diego, Calif.	Managed Competition Guide, 2010. www.afscme.org/document/city-of-san-diego-managed-competition-guide.pdf
City of San Jose, Calif.	Service Delivery Evaluation. Policy 0-41 www3.sanjoseca.gov/clerk/cp_manual/CPM_0_41.pdf
City of San Jose, Calif.	Public Private Competition, Policy 0-29 www3.sanjoseca.gov/clerk/cp_manual/CPM_0_29.pdf

Related AFSCME Publications:

“How to Prevent Privatization: An Activist’s Guide.” AFSCME’s manual on fighting contracting out. www.afscme.org/privatization

“Stop Bad Contracts & Protect Public Services.” Sample legislative provisions.
www.afscme.org/privatization

AFSCME Online Privatization Update. www.afscmeinfocenter.org/privatizationupdate/

AFSCME Online Power Tools for Fighting Privatization.
www.afscme.org/issues/privatization/resources/power-tools-for-fighting-privatization

Research on specific companies, assistance in analyzing RFPs or bids or general help in fighting privatization is available from the AFSCME Department of Research and Collective Bargaining Services at (202) 429-1215.

