
FROM PUBLIC SERVANTS TO CORPORATE EMPLOYEES

The BC Government's Alternative Service Delivery Plan in Practice



By Penny Gurstein
and Stuart Murray

with Anisha Datta
and Marika Albert

OCTOBER 2007



CCPA
CANADIAN CENTRE
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BC Office

AN ECONOMIC SECURITY PROJECT REPORT

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The BC Government's Alternative Service Delivery Plan in Practice**

By Penny Gurstein and Stuart Murray with Anisha Datta and Marika Albert

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Summary

Ultimately I fear that one form of privatization does entail another – that as we move public provision into the private sector, we move from the realm of the open and visible into a domain that is more closed to scrutiny and access. And in the process, whether or not intending to change, we are likely to narrow our involvements, interests, and vision of a good society and a good life.

— Pulitzer-Prize winning author Paul Starr

Since its election in 2001, the current British Columbia government has implemented widespread neo-liberal socioeconomic restructuring. Part of this process has been the establishment of an Alternative Service Delivery (ASD) plan to “contract-out” or “outsource” some public service delivery to private, for-profit companies.

This study finds that, contrary to the government’s claim that “this is alternative service delivery, not privatization,” ASD is a euphemism, and does indeed represent a form of privatization.

The global market for outsourced government services is growing faster than outsourcing in any commercial sector. British Columbia, in particular, has been aggressively pursuing this avenue of privatization.

This paper looks at how outsourcing has impacted government services and affected the economic security of the workers involved by focusing on two case studies:

- Outsourcing of “back office” work at BC Hydro to Accenture, including customer services, IT services, human resources, financial systems, purchasing, and buildings services; and
- Outsourcing of administration of the Medical Services Plan and PharmaCare to Maximus.

In both cases, work previously done by public sector employees is now administered by a multinational for-profit corporation.

These case studies reveal a large gap between the virtues attributed to ASD and the reality of what ASD looks like on the ground. ASD is being brought in with promises of innovation, technological improvements, intelligent reorganization and re-engineering – all of which are purportedly saving the government money while still allowing the contractor to make a profit. Yet when we look at these privatization schemes in more detail, we learn that their main tools for “innovation” are cost minimization, de-skilling staff, surveillance, increased hierarchical control, and a unilateral push by the employer to make people work harder – hardly what most would view as “innovative.”

This paper further finds that outsourcing has far-reaching repercussions in terms of working conditions, the delivery of public services, government transparency, the culture of public service and the personal privacy of the people of British Columbia.

This study finds that the economic security of the workers involved has been affected as follows:

- Their bargaining power has been undermined (as workers are no longer part of a large public-sector workforce, but rather constitute relatively small bargaining units negotiating with large multinationals);
- In the case of the Accenture workers, there is a fear of future job loss, as workers operate under the underlying threat that their jobs could be further outsourced to offshore low-wage jurisdictions; and
- Workers are no longer able to “inside” bid on BC Hydro, MSP or other government jobs in the public service, and this has had an overall limiting effect on workers’ upward mobility.

I don't trust my company.
[Why not?] Well, they're in a different business. They're an outsourcing company. We were in the business of customer service, and now we're in an outsourcing business. Well, they buy and sell employees without really knowing what the employees do.
— Accenture worker

Key Findings

Quality of Working Life

Both workplaces suffered a loss of job security for the employees. At Accenture there was a perceived threat of offshoring the work. At Maximus, while there was not the same threat of offshoring (due to privacy issues), there was the separation of the bargaining unit from the larger public sector workforce, reducing employees' ability to compete for other jobs and move within the civil service.

While important differences between the two cases emerged, some common themes were evident. Additional impacts on the quality of working life include:

- *Not Valued as Workers*
In both outsourcing initiatives, employees indicated a sense of being valued less as a result of the outsourcing.
- *Constant Monitoring and Surveillance*
In the name of efficiency, there is increased employee monitoring and surveillance, which adds to job stress.
- *Rigid and Hierarchical Workplace*
In both workplaces, respondents reported that the hierarchy is more rigid and the work environment has become tense. And contrary to what one would expect, there is more bureaucratic paperwork and reporting, not less.
- *Lack of Training*
There is a trend towards reduced training, which is completely at odds with the notion that ASD is about innovation and making improvements.
- *Constantly Changing Technology*
Participants reported there was no accommodation for the need for workers to adjust to new technology at Maximus. This was coupled with a feeling of a lack of control over work.
- *Lack of Consultation*
There was the sense that employee knowledge at Maximus was being ignored – including worker knowledge about programs and regulations. This tendency to ignore worker knowledge also undermines an employee's sense of the value of their work. As a result, the institutional memory of an organization is being eroded. Compounding the problem was a frequent turnover in upper management (respondents from Maximum complained they were on their third local CEO since the outsourcing).
- *Low Morale*
An "employee engagement" survey at Accenture covering the financial years 2005 and 2006 showed that employee engagement was chronically low with respect to morale and job satisfaction.

Most workers at Maximus reported no longer feeling the ownership in their work they had before. This, coupled with the stress induced by their employers' changing expectations, has resulted in a very demoralized workforce.

- *Trust and Social Cohesion*

The necessary trust between employers and employees has been undermined by the corporate practices introduced by the for-profit companies.

I don't trust my company. [Why not?] Well, they're in a different business. They're an outsourcing company. We were in the business of customer service, and now we're in an outsourcing business. Well, they buy and sell employees without really knowing what the employees do. — Accenture worker

Impact on Customer Service

All of the workers interviewed had concerns that the level of customer service has deteriorated.

Workers at both Maximus and Accenture reported that while the response time may be fairly quick, if information beyond “the basics” is needed, customers frequently cannot get access to the people who can actually help them.

Study interviewees felt *quality* was suffering at the expense of *quantity*, with performance measures such as volume of calls handled trumping the quality and accuracy of the information provided to the public.

An Accenture worker said that the philosophy of the company has changed from one of service to the community to one of service to the client (the “client” being BC Hydro).

Their attitude is everything should be for the company. This company is all about giving money to its shareholders, which is just totally foreign to us. Our shareholders are the citizens of the province. — Maximus worker

The Cultural Shift in the Model of Public Service Delivery

The workers and their union representatives regard the cultural shift with grave concern, as they witness the core values of public service undermined by outsourcing.

Their attitude is everything should be for the company. This company is all about giving money to its shareholders, which is just totally foreign to us. Our shareholders are the citizens of the province. — Maximus worker

Privatization leads to an erosion of the “intrinsic satisfaction” that public employees used to get from public service delivery. The lack of long term stability that results from ongoing contract renewals and the realities of corporate culture such as corporate take-overs creates uncertainty in the continuity and quality of service for both workers and the public.

THE PAPER CONCLUDES THAT THE RESULTS OF OUTSOURCING APPEAR TO BE ONGOING operational problems, reduced employee engagement, and a decline in worker morale. Outsourcing changes the culture of these workplaces in subtle but important ways, with consequences both for the workers and for the quality of public customer service.

These case studies demonstrate that ASD is not a panacea to address accountability and fiscal responsibility in governments. Rather, it is an ideologically-driven approach intended to restructure government services to serve the imperatives of ill-conceived notions of efficiency and productivity. We need to examine whether there are other alternatives to enhancing government services and performance.

Introduction

We don't sell widgets, you know! You can't make a profit on a public service. And the plan, their whole thing – their whole idea is the bottom line. And they're trying to get to that bottom line on the backs of the staff. — former public servant

Since the election of the BC Liberals in 2001, the government of British Columbia has undergone major organizational restructuring as part of broader neo-liberal socioeconomic and political reforms.¹ Glor (2001) notes that these types of reforms reflect New Public Management strategies² that include, but are not limited to, privatization, an increase in contracting out of services, managerial flexibility, and decentralization. Part of the restructuring process in British Columbia has been the establishment of an Alternative Service Delivery (ASD) plan to “contract-out” or “outsource” public service delivery to private, for-profit companies. This has far-reaching repercussions in terms of working conditions, the delivery of public services, government transparency, the culture of public service and, as recently argued by various unions and citizens’ groups, the personal privacy of the people of British Columbia.

This report examines two cases of ASD to assess the impact on customer service and the quality of working life for the outsourced workers in BC. Our findings suggest that, contrary to the government’s claim that “this is alternative service delivery, not privatization,”³ ASD is a form of privatization. ASD allows partnerships to form between the government and companies that specialize in outsourcing, changing the culture and delivery of public services.

“Outsourcing” involves the relocation of “non-core” internal operations or jobs to an external entity (such as a subcontractor) that specializes in that operation. What makes outsourcing different from a conventional contractual relationship between a buyer and seller of services is that there is some form of joint management control, two-way information exchange, integration, and coordination of labour processes and business functions between the “source” (client) and “destination” (provider) of the outsourcing relationship. Facilitating the increasing prevalence of outsourcing are the growing technological capabilities of computers and specialized software that make feasible the delivery of many of these functions over the Internet. Business functions outsourced range from information technology support, human resources and accounting, to customer support and call centre services. This report primarily focuses on the customer support and call centre functions.

Outsourcing is not only a private sector phenomenon – governments are also outsourcing public sector work. In the United States almost every state government has outsourced at least some of its work. A 2002 study, *Outsourcing in Government: A Path to Transformation*, by Accenture Ltd., a management and technology services organization and major provider of outsourced services, estimated that the global market for outsourcing government services is growing faster than outsourcing in any commercial sector.

Neo-liberal political and economic policies within nations and globally is an overarching impetus for governments to institute organizational change. These policies encourage the reduction of government intervention in economic matters through deregulation of enterprises (and the corresponding lessening of workers’ bargaining power), cutting public expenditure for social services, privatizing state-owned enterprises, and replacing “the public good” with “individual responsibility.” In this regulatory climate, contracting-out of services is purportedly seen as a strategy to more efficiently deliver government services and reduce government employment and expenditures. It is part of an “e-Government” strategy used by governments in their effort to maintain a competitive edge in the “new economy” by shifting the delivery of services online and adapting work to new technologies. Our findings bring into question the efficiency and cost-effectiveness of such a strategy and suggest that the ideological agenda underlying the decision to outsource undermines the future delivery of public services.

Our findings bring into question the efficiency and cost-effectiveness of the government’s strategy and suggest that the ideological agenda underlying the decision to outsource undermines the future delivery of public services.

The public sectors in Canada, until recently well-regarded sites for employment and the delivery of services, are being restructured and downsized in response to these new imperatives (Pupo 2007). A growing number of government workers are located in call centres, providing service to the public on issues related to taxation, health, and employment, among other matters. Some of these workplaces are managed directly by the government, while in other cases they are operated by an outside corporation under contract with the government. Most Canadians are unaware of the new structure of their public services and this new “culture” of service delivery.

This report examines the key issues emerging for workers and their unions from the contracting-out of customer service centres to for-profit corporations. It raises questions about how work is reorganized when outsourced to a private company and highlights the impact on the quality of service.

Study Methodology

This project set out to examine two case studies of BC government workers relocating to for-profit outsourcing companies. The research was primarily concerned with identifying:

- The reasons for relocating/outsourcing work;
- The process by which the outsourcing took place;
- The benefits and challenges of outsourcing;
- How success is measured; and
- The effects on employment and customer service.

This study was designed to answer questions about the economic security of the workers who were outsourced and the impact on government services. With significant transformation underway in the delivery and governance of public services in British Columbia the potential for adverse impacts on the economic and social security of vulnerable populations has become a serious concern. This study is intended to identify what, if any, potential risks to economic and social security are posed by outsourcing.

The research was done in two parts.

The first part was a literature review on outsourcing, e-Government, and Alternative Service Delivery (ASD), and a content analysis of documents pertaining to the BC government's ASD strategies – in particular, an analysis of two case studies of ASD negotiated in BC: BC Hydro's contract with Accenture, and the Ministry of Health Services' contract with Maximus for the administration of the Medical Services Plan of BC (MSP) and PharmaCare.

The second part entailed in-depth interviews with workers and a few managers from the two designated case studies. The interview instruments were modified from a case study methodology developed for EMERGENCE Canada. The questions include: general characteristics of the company; motives of management; the process of relocation; organizational structure and corporate culture; enabling technologies; impacts and effects on client and provider enterprises; employment effects; consequences for labour; economic consequences of the outsourcing; impacts on government; and organizational and human resource issues. We also tracked worker relocation patterns. This entailed examining the impact of worker mobility on job retention (i.e., What happened to the workers after they were relocated? Have they moved back into government if given the option? Have they left and gone to new employers? If so, what has been the impact on future employment opportunities?). Augmenting the case studies was data on service delivery statistics, worker wages, retention, etc.

The affected unions, BCGEU (BC Government and Service Employees' Union) for the Medical Services Plan, and COPE 378 (Canadian Office and Professional Employees Union)⁴ for BC Hydro, were approached and agreed to participate in the study by providing randomized lists of union members and background material. The researchers contacted employees at each workplace from the lists provided, and the workers self-selected to be survey participants.

Key informants were from management, workers, and union representatives. The interviews with the union representatives helped to identify the issues that needed to be researched and provided context for our findings. Workers who were union stewards were also interviewed. The issues the unions

identified as being of greatest concern included working conditions, accountability, and effects on organizational structure and service.

Nine interviews were conducted with COPE 378 workers now working for Accenture and 10 interviews were conducted with BCGEU workers now working for Maximus. One interview was conducted with a former manager from Accenture transferred from BC Hydro who had subsequently left, and one interview was conducted with a current manager of an ancillary company of Maximus BC. While it would have been beneficial to have more interviews with management, and with policy makers, that was not possible. When Maximus BC was approached to participate in this study, the company declined and responded, “Unfortunately, Maximus BC is not in a position to participate in the study. Time and other constraints make it impossible to commit resources to support your request.”⁵ Accenture has so far not responded to the same request.

Nine of the 10 Maximus workers were female, and only one had some post-secondary education. Their ages ranged from 36 to 63 with 80 per cent being over 48 years old. Their salaries ranged from \$34,000 to \$50,000 per year, with the majority having salaries below \$41,000. They had worked in the paid workforce from 18 to 35 years, with half working over 30 years. Seventy percent were married, and half were the primary income earners.

Seven of the nine Accenture workers were male and had some post-secondary education. Their ages ranged from 29 to 58 years old, with eight of the nine being over 47 years old. Their salaries range from \$40,000 to \$60,000 per year, with the majority having salaries below \$48,000. They had worked in the paid workforce from 11 to 40 years, with seven of the nine working over 30 years. Four are married, and six are the primary income earners.

The project was designed as a qualitative research study to understand the motives for government outsourcing and the consequences on workers. Hence, the need is for a small but focused sample rather than a large random sample. The study was not designed to provide statistical verification, but rather, the data was analyzed to develop patterns as the primary basis for organizing and reporting results. Quotes from research participants are used extensively in this report to contextualize the findings and ground the research in their lived experiences.

With significant transformation underway in the delivery and governance of public services in British Columbia the potential for adverse impacts on the economic and social security of vulnerable populations has become a serious concern.

The Language of Privatization

Privatization is the transfer of ownership or control of government agencies, assets, or services to the private sector. The new private owner or operator can be a private individual or a corporation. According to Paul Starr, Pulitzer Prize-winning professor of sociology and public affairs at Princeton University, with the rise of conservative governments in the early 1980s in Great Britain, the United States and France, as well as Canada in 1984, privatization has come primarily to mean two things: “(1) any shift of activities or functions from the state to the private sector; and, more specifically,

(2) any shift of the production of goods and services from public to private.”⁶ Narrow definitions of privatization are limited to just the corporate purchase of entire government assets, which would mean that contracting out services to a private operator would not meet the definition of privatization. However, broadly speaking, contracting-out constitutes increased private control of historically government services, and is effectively a form of privatization.

Frank Luntz, an American political consultant with the Republican party whose specialization is testing language to help his clients impact public opinion, notes “...NEVER use the word outsourcing because we will then be asked to defend or end the practice of allowing companies to ship American jobs overseas.”⁷ Luntz also advises Republicans to “BANISH PRIVATIZATION FROM YOUR LEXICON,”⁸ (emphasis in the original) noting that a change of wording to “personalization” would change support for privatizing social security from one-third to two-thirds of Americans. In this context the language

of privatization and outsourcing is a battle in itself, because the popularity of the initiative will rise or fall depending on the labels used and the verbal “frame” of the debate. Hence the government’s preference for the term “Alternative Service Delivery.”

Frank Luntz, an American political consultant with the Republican party, advises Republicans to “BANISH PRIVATIZATION FROM YOUR LEXICON” (emphasis in the original). Hence the preference for the term “Alternative Service Delivery.”

Two types of Alternative Service Delivery – e-Government and Public-Private Partnerships – use positive value judgments in their very definition. The OECD (Organization for Economic Co-operation and Development) (2003) defines e-Government as “the use of information and communication technologies, particularly the Internet, as a tool to achieve better government.” This definition includes an explanation of the technological tools involved, but also the value judgment that it is inherently a good thing.

Public-Private Partnerships, or P3s, an ASD method of building infrastructure, also fall victim to highly debatable definitions. On the website of the Canadian Council for Public Private Partnerships

(an industry lobby), P3s are defined as: “a cooperative venture between the public and private sectors, built on the expertise of each partner, that best meets clearly defined public needs through the appropriate allocation of resources, risks and rewards.”⁹ This definition skirts the fact that a portion of the work traditionally done by the public sector is handed over to the private sector. Later on the same page, the CCPPP notes that it does not apply the term “privatization” to P3s because P3s do not privatize the entire project. This is a contested distinction – whether partial privatization is a form of privatization – that conveniently dovetails with Frank Luntz’s emphasis to never use the term “privatization.”

Using this definition, if an e-Government initiative did not achieve better government it would not meet the above definition of e-Government. And if a P3 were ever created that did not best meet clearly defined public needs, by definition it would not be a P3. This paradox shows the importance of limiting definitions to factual explanations. When we face these types of loaded definitions, we should rightfully question whether the goal is to *inform the public* or to *sell something*. These kinds of definitions blur the line between optimism and fact, and beg the question of whether the initiatives are really a good thing.

According to the BC government, in one of its backgrounders, the outsourcing of public sector jobs and public services to a private contractor is “...not privatization but alternative service delivery.”¹⁰

However, other advocates of ASD, such as the World Bank, do not accept such a narrow definition. In a 2005 report, the World Bank Group notes that ASD “includes privatization, as well as reorganization and re-engineering of mainstream government.”¹¹ The World Bank Group acknowledges that in addition to efforts at innovation, privatization is part of the deal.

While there is some need for innovation, technological upgrading, reorganization and re-engineering, the question is whether such initiatives can be implemented without privatizing or outsourcing government services. This is a political issue that is never addressed directly by proponents of privatization, but it is a question worth asking. Another problem is that privatization initiatives, like the ones we look at in this paper, do not always involve the kind of innovative practices that are commonly attributed to Alternative Service Delivery. Rather, we find that privatization initiatives are attempts to weaken unions, de-skill the workforce, and divert resources towards marketing, with little in the way of actual improvements in service delivery.

Government Outsourcing in Canada: Alternative Service Delivery

Among proponents, Canada is considered a world leader in terms of implementing e-Government¹² and Alternative Service Delivery mechanisms and is considered at the forefront of the “e-Government revolution” (World Bank, 2005). According to a report published by Accenture on “e-Government maturity” in 2005, Canada ranked first out of 22 surveyed countries in its implementation of e-Government strategies.¹³ This ranking was based on a report released by the federal Government On-Line Initiative (now closed), which stated in March 2005 that 130 of the most common government transactions are currently online.¹⁴

Canada’s foray into restructuring and the implementation of e-Government strategies began in the early 1990s. In 1993 the Progressive Conservative government initiated a rigorous restructuring process through the amalgamation of departments and downsizing of cabinet (Aucoin, 1995; Glor, 2001).¹⁵ Provinces also enacted similar changes around this time including New Brunswick, Alberta, Saskatchewan, Manitoba and Ontario (British Columbia would later follow).

Cuts to transfer payments and the restructuring of federal government agencies and ministries also meant that the responsibility for some services previously provided by the federal government was transferred to the provinces and in turn to municipalities. In order to meet expenditure commitments and to maintain fiscal responsibility, governments turned to ASD as a way to reduce costs in service delivery. Examples of this at the municipal level include services for garbage collection, recreational services, and social services.

What makes ASD in Canada unique in the international context is how it is implemented. Canada has enacted legislation giving ASD arrangements a statutory – and relatively permanent – basis, whereas in New Zealand and the United Kingdom ASDs are implemented through executive order, meaning they can be more easily rescinded. Part of the restructuring process in Canada included the creation of specific federal agencies to develop and facilitate the implementation of ASD mechanisms (Glor, 2001). ASDs at the federal level generally report to ministries but are mostly removed from financial

and personnel policies of government. Over the last decade, the government created over 80 new ASD arrangements (Wilkins 2003). It is estimated that approximately 55 per cent of public services currently operate outside of governmental departments.

E-Government, Alternative Service Delivery and Outsourcing in BC

Since the 2001 election, the BC government has undertaken a rigorous restructuring process that has included the implementation of e-Government strategies, the development of ASD models and the outsourcing of some public service delivery. But the implementation of e-Government strategies or the integration of information technology in public service delivery can be traced back to 1995, with the enactment of the Electronic Highway Accord (EHA) (Taylor, 2004). One of the main objectives of the EHA was to increase effectiveness and efficiency of public services through the use of information technology.

To further this, the Ministry of Management Services was created in 2001 and mandated to develop a program to consolidate support services across government (MacDonald, 2003). In 2002, the Ministry of Management Services issued a *Request for Proposals for a Strategy on Alternative Service Delivery for Information Technology and Related Business Processes* that outlined the government's vision for Alternative Service Delivery in BC, with a specific focus on telecommunications, information technology and related business practices. The reorganization of the Ministry of Management Services in 2003 brought external and internal government service delivery channels together in one ministry. The Ministry of Management Services was dissolved as a stand-alone ministry in June 2005. Management services are now assumed under the Ministry of Labour and Citizens' Services.

From 2003 to 2004, the implementation of e-Government practices, including ASD and the outsourcing of public service delivery, became more aggressive. Two policy documents, *e-BC Strategy Resourcing Discussion Paper* (May 2003) and *e-BC Strategic Plan: Legislation, Policies and Standards Report* (May 2003)¹⁶ laid out the framework for government agencies to cut costs through the implementation of business models that streamline government service delivery and make the provincial government's commitment to partnerships with the private sector more explicit. Concurrent with the introduction of these policies was the enactment of the Personal Information and Privacy Act in 2003, the purpose of which was to strike a balance between citizens' rights to personal privacy and the need for non-governmental organizations (read outsourcing firms) to collect, use and disclose personal information (Taylor, 2004). This became a source of public debate when the provincial government entered into a contractual agreement with Maximus, a US-based company, to administer the Medical Services Plan and PharmaCare.¹⁷

In May 2004, the provincial government released its full *e-Government Plan*.¹⁸ This document argues that the only way to "remain competitive in the global economy" is to adopt a corporate model of service delivery, which entails a *cultural shift* within all government structures to a corporate organizational structure. This again reflects overarching efforts to restructure government to reflect organizational structures in the private sector.

Case Studies: BC Hydro and the Medical Services Plan

The BC government has embarked upon an ambitious program to outsource a wide variety of government services through contracts with foreign-owned (primarily US-based) outsourcing companies. Through the BC government's Alternative Service Delivery Secretariat, contracts have been negotiated with companies such as Maximus, Accenture, and IBM subsidiary ISM Canada. While the provincial government maintains that the employment relocations save money and create a new kind of BC business infrastructure that will attract work from other jurisdictions, unions and other public interest groups were concerned about the effects of these employment relocations on service quality and privacy issues. The following is a description of two outsourcing arrangements: one negotiated between Accenture and BC Hydro, and the other between Maximus and Medical Services Plan of BC (MSP)/PharmaCare.

BC Hydro and Accenture

As one of the largest electric utilities in North America, BC Hydro serves more than 1.6 million customers through an integrated hydroelectric system of close to 11,500 megawatts of generating capacity – over 87 per cent of which comes from hydroelectric dams. As its official mandate, BC Hydro seeks to provide an efficient and reliable supply of electricity, as well as support economic development in the province through the benefit of some of the lowest electricity rates in the world.

In October of 2001, the utility initiated a Request for Expressions of Interest (RFEI) process in an attempt to seek out private partnership opportunities. This partner would provide, through a limited partnership, customer services (including the development of a new customer information system), information technology services (at the time provided through another partnership, Westech), human resources services, financial systems, purchasing, buildings and office services, and fleet services. The alleged rationale for the partnership would be an expectation of significant cost reductions and increased operational efficiencies and maintenance.

The RFEI sparked a “Hands Off Hydro” campaign launched by the union representing the affected workers – the Canadian Office and Professional Employees union, Local 378 (COPE 378). This campaign included newspaper ads, a website, media releases and other activities. The newspaper ads included a clip-out coupon to be sent to COPE 378, several thousand of which were returned to the union. COPE 378 broadened its campaign and joined with a number of other citizens’ and advocacy groups concerned about the privatization of BC Hydro to create a new organization called BC Citizens for Public Power. The organization included the International Brotherhood of Electrical Workers (IBEW) Local 258, the BC Federation of Labour, and representatives from the Council of Senior Citizens Organizations (COSCO), the Council of Canadians, the David Suzuki Foundation, academics involved in electricity policy issues, and other concerned individuals.

On April 19, 2002, discussions narrowed to just Accenture¹⁹ as a potential contractor, and BC Hydro announced that the scope of the RFEI had been broadened to include shared services, network computing services, and human resource, financial and business services. On July 18, 2002, Accenture and BC Hydro signed a memorandum of understanding. On February 28, 2003, Accenture and BC Hydro announced a 10-year service contract valued at \$1.45 billion. According to the terms of the agreement, Accenture committed to achieving cost savings for BC Hydro of \$250 million during the life of the 10-year contract.

To further the requirements of the contract with BC Hydro, Accenture created a new BC-based company, Accenture Business Services of British Columbia Limited Partnership (later renamed Accenture Business Services for Utilities), which is responsible for providing the services outlined in the contract. These services were: customer services, IT services, network computer services, human resources, financial systems, purchasing, and buildings and other back office services.²⁰ The new company is based in Vancouver, with operations in Alberta, Ontario, New Brunswick and British Columbia.²¹ This new entity was intended to become the cornerstone of Accenture’s new business service aimed at servicing North American utility companies. Part of the relationship is to include the implementation and management of a new customer information system that Accenture will offer to the utilities market and deliver to the partnership. Clients of Accenture Business Services for Utilities

besides BC Hydro include the City of Calgary, Direct Energy Essential Home Services, Enbridge Gas Distribution, ENMAX, and Terasen Gas.²²

In December 2001, the BC government introduced its Interim Energy Plan, which included measures that would break up, privatize and deregulate parts of BC Hydro. Citing examples from other jurisdictions where such measures have caused an increase in electricity rates, BC Citizens for Public Power launched an opposition campaign.²³ While there were a variety of initiatives launched by BC Citizens for Public Power, in the end, the outsourcing to Accenture went ahead.

The contract officially began on April 1, 2003. Employees of BC Hydro who worked in the areas covered by the contract were transferred to Accenture. The transfer honoured the collective agreement the employees had with their previous employer, BC Hydro. However, the union representing these workers does not know what will happen in the future. It is well known that Accenture has operations in India and the Philippines that could potentially take over much of the work covered by the contract with BC Hydro. There is a constant implicit threat to the workers that their work could be moved overseas.

The business structure of Accenture Business Services for Utilities is a limited liability partnership governed by a board of directors. These directors were chosen in the Spring of 2003 from among executives of BC Hydro and Accenture. The contractual structure of the agreement holds BC Hydro to the agreement for a period of 10 years, with the option of a five-year extension. Further, BC Hydro can terminate the agreement at any time based on non-performance.²⁴

It is well known that Accenture has operations in India and the Philippines that could potentially take over much of the work covered by the contract with BC Hydro. There is a constant implicit threat to the workers that their work could be moved overseas.

BC Hydro will pay \$1.45 billion for services that were otherwise estimated to cost \$1.74 billion over 10 years, resulting in a purported minimum cost savings of \$250 million over the life of the 10-year contract.²⁵ BC Hydro may realize up to an additional \$180 million over the life of the contract if Accenture meets optimal service levels and efficiencies. The government claims that it has already saved \$25 million by outsourcing these services.

Accenture is contractually obligated to not only maintain current service levels but to make service improvements over time. Benchmarks have been set that require service level ratings to reach the first quartile by the end of the third year of the contract. Service level quartiles are measured by assessment of customer²⁶ satisfaction surveys, and various service level metrics systems. Performance penalties may be assessed if service levels are not achieved in the required time limits, potentially leading to termination. BC Hydro can audit Accenture's performance at any time. The results from the 2006 survey of satisfaction levels reveals that levels are below the March 2003 baseline set prior to the transition of BC Hydro Shared Services to Accenture, and lower in all areas from the June 2005 survey *except customer care*, which is still well below the March 2003 baseline.²⁷ The customer satisfaction surveys tell a revealing tale of how dissatisfied the various departments at BC Hydro are with the service they are receiving from Accenture.

The partnership acquired 1,540 staff previously employed by BC Hydro. These staff have a current annual labour cost to BC Hydro of \$155 million. To aid in the changeover, an employee transition plan was put into place. The plan deemed that all transferred employees would be transitioned to the partnership at their current level of remuneration with the current collective agreements intact. Since all of their jobs were transferred to Accenture, the workers' only options were to move or leave. Ten per cent of employees retired or were able to secure employment at BC Hydro. The rest were transferred. The majority of these employees are members of COPE 378.

A former manager for Accenture Business Services of BC, who had previously worked for BC Hydro for 20 years, describes the process of relocation:

What had happened was that Accenture bought a portion of Hydro called Shared Services. And it had a contract to provide the same services that the Shared Services group were providing, but to do it for \$10 million a year less than what it was costing Hydro to provide the services to itself. I worked for Accenture Business Services between the time that they took over, which was April 1, 2003, to September 2003. And that was when I was downsized out of the organization. — former Accenture manager

The former BC Hydro workers did not relocate physically; they remained in their offices. What changed was who paid them: their paycheques came from Accenture, their BC Hydro pensions stopped, and their pension deductions went into the Accenture pension fund.

BC Hydro's alleged motivation was to reduce expenses and to focus on its core business, namely generating electricity.

Shared Services was the part of BC Hydro that was not part of the core services that Hydro provided. So they privatized the Shared Services. Now, Accenture, seeing an opportunity here, thought that they could make money doing this because they saw a \$65 billion market for similar shared services to electrical utilities across North America. So what they thought they could do is buy BC Hydro's Shared Services and use it as the nucleus of a company that would go out and start getting business doing the same sort of thing for all of the other electrical utilities in North America. So they purchased Shared Services, and they installed their guy to be the CEO, and his job was to go out and network like crazy with all the various utilities and start to get business. I think at the very beginning they had maybe four or five customers, mostly within Vancouver and in Alberta...A year and a half to two years later they still had five customers. So obviously the strategy wasn't working, and I think a lot of it had to do with the fact that Accenture was competing against itself. — former Accenture manager

Accenture would be competing against itself because the new Shared Services unit would be bidding on contracts that the mainstream Accenture organization would be bidding on. The former manager goes on to describe the relocation process:

Well, first of all there was a reorganization into Shared Services. So for example, instead of HR reporting directly to the president or instead of IT reporting to whatever, there was a reorganization such that there was a vice-president of Shared Services appointed. And then ...we started doing billing directly to business units...So each department would have to pay a certain amount to Shared Services for our group to provide ...basic services. For example, ...if anybody needed to have a new computer installed I believe that would be billable. So then whoever the technician that did it would just come in and keep track of how long it took to provide that service, and then they'd have to mark that as a billable

service on their time sheet. It became very important to maintain time sheets, and time sheets were due every week, and it had to add up to however many hours each person worked in a week, which for most people was 37.5 hours...

And then the beginning of the actual change process [occurred]. All of the managers were encouraged to read this book called Who Stole My Cheese? It's about these mice who are used to getting the cheese, and one day the cheese disappears. It's a fable...a really dumb fable. But it has to do with the need to change and not to expect that things will keep going on forever in the same way. A lot of this was starting to go on. As well, [there was] just constant reorganization happening, and then switching over into a more project-based organization. — former Accenture manager

The attrition of staff at BC Hydro did not just end at management. Exit statistics by COPE 378²⁸ reveal that at BC Hydro from March 2002 to February 2003 (just prior to the BC Hydro/Accenture contract), total staff exits equalled 26.4 per cent of the total number of members at the beginning of the period. This level of exits was influenced by outsourcing, as many people sought other job opportunities prior to the change. The data then reports on exits since Accenture commenced its contract in April 2003. Total annualized exits equalled 14.1 per cent of members in the last nine months of 2003. The exit rate has risen steadily from this baseline, to 14.4 per cent in 2004, 23.7 per cent in 2005, and 25.9 per cent in 2006. Therefore, according to the most recent data, total exits now rival the rate of terminations at BC Hydro in 2003 when there was a major outsourcing initiative.

While there may have been a variety of reasons for leaving that are unrelated to the outsourcing initiative, as will be shown in the following sections on quality of working life, workers were seeking other employment alternatives after the impact of the work relocation became apparent.

It appears that after the outsourcing, employees stayed in their employment for a year or two, then began to leave in increasing numbers. Thus, the mutual attachment between employees and employer has dropped since the outsourcing initiative started.

COPE 378's data reports 1,039 union members at Accenture as of the end of April 2003. By the end of January 2007, there were 1,197 members, constituting a 15.2 per cent increase in the total number of COPE members at Accenture. However, this number is actually 148 employees lower than the peak level of 1,345 reached in April 2004 when Accenture absorbed Westech from BC Hydro. In general, there were cuts in the staffing headcount going on amidst the addition of a new division transferred from BC Hydro.

A significant issue identified by COPE 378 is that Accenture now stores and handles all BC Hydro data. This is of concern because there has been a serious breach of the privacy laws that resulted in the theft of all 5,000 BC Hydro and Accenture employee payroll records.²⁹ Because of the theft of a computer in Chicago, Illinois, Accenture had to disclose that employee data was being stored outside Canada, in contravention of privacy laws and thus subject to the US Patriot Act.³⁰

Workers were seeking other employment alternatives after the impact of the work relocation became apparent. It appears that after the outsourcing, employees stayed in their employment for a year or two, then began to leave in increasing numbers.

Recent examples from Texas, Wyoming, Florida and Colorado reveal the problematic nature of some of Accenture's business relationships. For example, the Texas Comptroller of Public Accounts, in a 161-page report that reviewed the Integrated Eligibility and Enrollment contract between the Health and Human Services Commission (HHSC) of Texas and Accenture LLP states that:

At this writing, the project is behind schedule and \$100 million over budget, without a revised plan to get the project back on course. Accenture has not met its performance requirements and has not been held accountable for its failure. Clients are still reporting delays and inaccuracies in processing their applications. HHSC has proven it cannot manage Accenture and the contract.

My conclusion is that this project has failed the state and the citizens it was designed to serve. The contract with Accenture must be ended.³¹

Florida,³² Colorado³³ and Wyoming³⁴ have all cancelled contracts with Accenture in the last few years, with the Wyoming Secretary of State negotiating a refund from Accenture of \$3.7 million of the \$3.9 million already paid in the contract. However, thus far the BC government has not indicated any similar concerns with its Accenture contract.

Medical Services Plan/PharmaCare and Maximus

The Medical Services Plan (MSP) insures medically required services provided by physicians and supplementary health care practitioners, laboratory services and diagnostic procedures. These services are covered by MSP premiums that every BC citizen above a certain income threshold must pay, supplemented by general tax revenues. PharmaCare administers a similar system for the provision of prescription pharmaceuticals.

In July 2003, the Ministry of Health Services began a procurement process in search of a private sector partner to administer the Medical Services Plan and PharmaCare services, including MSP beneficiary services (customer services for individuals and employers), provider services (registration and claims processing services to physicians and health care providers), and PharmaCare operations (registration and processing services to pharmacists and the general public under Fair PharmaCare and other PharmaCare services). The government has maintained that this reorganization will "improve the service to the public and improve the protection of privacy and personal information."³⁵

After a year-long process, Maximus³⁶ was selected as the successful partner in March 2004, and a 10-year, \$324 million contract was signed on November 4, 2004, with Maximus BC to administer MSP and PharmaCare services effective April 1, 2005. Health Insurance BC became the new name for the administrative operations of the Medical Services Plan and PharmaCare.

Maximus has a Canadian subsidiary, Maximus Canada, which owns two BC companies located in Victoria. Maximus Canada was incorporated in 2002 when it bought THEMIS Program Management & Consulting Limited, the Victoria-based company that has delivered the Family Maintenance Enforcement Program (FMEP) on behalf of the Ministry of Attorney General since 1988. Maximus BC is the company delivering MSP and PharmaCare services.

The public greeted the new Maximus contract with misgivings. The union representing the affected workers, the BC Government and Service Employees' Union (BCGEU), organized a significant campaign to resist the outsourcing. Polling paid for by the union indicated that a substantial majority of the public (72 per cent) opposed the privatization of the administration of MSP and only 11 per cent rated it positively.³⁷ In 2004 the BCGEU made a submission to the Privacy Commissioner of British Columbia. The union's complaint was that if Maximus fell under US law, MSP would be subject to the US Patriot Act, giving the FBI access to the confidential patient files of BC residents. FBI access to the information was arguably a violation of BC's Freedom of Information and Protection of Privacy Act.

The BCGEU aligned with other concerned groups such as the BC Persons with AIDS Society to raise concerns about patient privacy. In the end, the commissioner's ruling recommended changes to how the provincial and federal governments handle privacy concerns, but ultimately the Maximus contract continued as planned. From a focus on privacy, the union's concerns evolved into unease over Maximus' ability to administer MSP, as a result of escalating complaints about quality of service. The union worked with the Council of Senior Citizens' Organizations of BC to set up a phone line to collect stories from people about their experiences with the service.

BCGEU also launched a court case to seek a judicial review of the decision to contract out that argued, among other things, that the proposed privatization of MSP violated the Canada Health Act and B.C. Medicare Protection Act, and needlessly put privacy rights at risk. The BC Supreme Court turned down the BCGEU's petition to the court in March 2005.

In April 2005, 230 full-time and part-time employees (predominantly female), previously employed by the ministry, were transferred to a call centre operated by Maximus in Victoria. The collective agreement with the government guarantees that the agreement follow the workers. To date, union representatives and workers do not know what will happen after the government's contract with Maximus expires in 2015.

According to a BCGEU representative, the expectations of the BC government regarding the Maximus contract might have been unrealistic:

Maximus may have been sold a bill of goods that they could run operations at existing staffing levels. What every worker at MSP knew, and couldn't share with Maximus, was that Liberal job cuts left MSP seriously short-handed. No-one was surprised when the new outfit ran into serious service level problems. There was a shadowing period in which Maximus staff looked over the shoulders of existing MSP staff in order to get a grasp on day-to-day operations. Side discussions were prohibited so there was no way MSP workers could disclose to Maximus representatives their concern that staff shortages were already compromising service delivery. — BCGEU representative

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Staff levels at Maximus after the transfer have fluctuated, from 261 in April 2005 to a significant increase of 347 in December 2005 (because of adding an afternoon shift to address the work backlog) and back to 254 in February 2007. There has been some staff attrition due to people taking early retirement and others who quit to seek other employment.

A former BC government client services representative who now works for Maximus described the transfer of her position:

The JSRP – Joint Solutions Request for Proposal – started in July of 2003....And then our union raised the issue of privacy through the Patriot Act. That put a slow-down on things while they were searching out who was going to be the appropriate vendor for this. So it was going on for over two and a half years prior to the handover. The union itself didn't have much say in anything. They were kept out of things, even what happened while we were still with the Ministry of Health. There was a lot of things that were promised to us once Maximus was determined to be the successful bidder on the job. I think it was November of 2004. There was great plans that everything was going to be just wonderful, we'd get all these new systems and we'd get all the support that we needed to do the programs, which was exciting for some people. — Maximus worker

We're on our third CEO...
Higher level management has had what I would see as a high turnover rate. So that's created problems, because you just start working with one group, and then you move on. It's almost like Labour Relations 101 again.
— Maximus worker

The actual move to a new location was done very quickly:

There was the pre-transition, the big promises and all of that, and then the actual handover when we actually moved. That was very chaotic. That was done over a weekend. We left the Ministry on Friday, March 31, our last day, and then we started there [the following] Monday.... We moved out of the Ministry of Health building at 1515 Blanchard Street and moved right downtown to 712 Yates Street. It's only about [two or three] blocks...And we were expected to be performing our job and on the phones at 8:00 that morning. And we had no supplies. It was extremely chaotic. — Maximus worker

There have been significant changes with management since the relocation:

*We're on our third CEO. There's been a lot of changes in operations. Higher level management has had what I would see as a high turnover rate. So that's created problems, because you just start working with one group, and then you move on. It's almost like Labour Relations 101 again. We're having to educate the employer in something that has been familiar to us for a long time. And communication is problematic with the staff.
— Maximus worker*

The BCGEU took every effort to ensure the collective agreement was not tampered with. The collective agreement protected the employees:

... because we got successorship with our collective agreement. The employer was obligated to provide the same level of pay and benefits as previous. Pension and health care plans stayed the same. And we were fortunate... [we] got language in our collective agreement that says if something happens, we still belong to the public sector. — Maximus worker

According to an agreement signed with the BC government, the Maximus employees have the right to return to government service if the province cancels the contract with Maximus. The agreement was good for five years from point of signing. This right is also part of the agreement for other BC government ASD contracts.

Maximus has had problems with its contracts in some other jurisdictions, calling into question its claims of accountability and efficiency. The State of Wisconsin encountered problems with Maximus contracts and a Wisconsin legislative audit found that Maximus billed Wisconsin taxpayers for more than \$400,000 in questionable and unallowable expenses and an additional \$1.6 million in expenses that lacked sufficient documentation for reimbursement.³⁸

There were also problems with billing that emerged with the District of Columbia, where Maximus was required to pay a major settlement. According to a letter from Richard Montoni, CEO of the Maximus parent company, dated July 23, 2007:

Maximus also announced that we recently reached an agreement with the U.S. Attorney's Office in the District of Columbia and the Department of Justice to settle issues arising from our contingency-based, Federal claiming work on behalf of the District of Columbia [sic]. Maximus accepts full responsibility for this conduct and has paid a substantial settlement to the government. As part of the settlement, Maximus has also entered into a Corporate Integrity Agreement with the government. The work in D.C. occurred several years ago, during the period 1999 through 2004. The individuals responsible are no longer with the Firm.³⁹

In concert with making this “substantial settlement,” the letter notes that the Maximus board decided to hire an outside consultant to investigate alternatives for improving shareholder value. This includes the possibility of the company being sold. Thus far, the BC government has not expressed concerns of this nature regarding its contract with Maximus.

Workers and Managers Assess the Contracts in Practice

Motives for Outsourcing

I've never got the sense that the primary reason for government outsourcing is to save money. I think it's far more in the area of greater productivity, greater efficiencies, greater flexibility. It's not because you're hiring better people. In many cases, they're the same people. What you're able to do is create a much more focused environment for the particular program that you're running. — manager from subsidiary of Maximus

Governments face conflicting priorities: fiscal pressures and tight competition for labour. Following strategies developed in the private sector, they are seeking labour flexibility. Flexible labour markets with the ability to shift workers from one economic activity to another quickly, smoothly, and without social disruption provide a substantial competitive advantage over markets unable to keep up with the accelerating pace of the economy. A manager of a Maximus subsidiary gives an example of what this flexibility means in terms of service provision:

In 1997, when new legislation was passed by the then Ministry of Human Resources requiring compulsory assignment of single parents to get maintenance orders where that was appropriate, it affected the Ministry of Human Resources, the Ministry of Attorney General, the Family Justice Programs division, and it also affected us. We were able to bring our staff on, have them trained within four months. It took the government almost

a year. So [because of] that kind of flexibility... things get done quicker. And what that translates into is that you're much more adroit at responding to changes, be it changes of environment, changes of program direction, changes of philosophy, depending on what the government of the day is. — manager from a subsidiary of Maximus

The manager also identifies efficiency as a reason to outsource.

One of the other advantages for the government is that you get a lot of private sector efficiency. For example, we can “incentivise” our employees, which government can't do. We can create much more of a close direct culture for the staff than government can. For example, we're unionized, and our union is in fact the British Columbia Government and Service Employees' Union. It's the same union as the government, but we have our own collective agreement, which is much more in tune to our particular program. Also, because it's our employees, who are their own union local, we're dealing with their issues. We have a much better history of labour relations than the government, just because we're smaller and we're focused. So you're able to get those efficiencies and to do things, as I said, in terms of things like “incentivising” staff, rewarding staff, which are things you just can't do in the public sector. — manager from a subsidiary of Maximus

A representative of the BCGEU refutes that a private company can deal with labour relations better than the government:

They are not their own local. They are now in a large and diverse local that includes community colleges and library workers. The relations between government and the union are very good and there are several different problem-solving structures that work quite efficiently.

Cost savings, though touted as a primary benefit by governments, is not as significant an advantage.

Based on my experience, you can certainly probably do it at a little less of a cost in the private sector but depending on the particular program area that may or may not be the case. But the real advantage is you tend to get more for your money. So even if you're spending the same amount of money, you're usually able to get higher productivity, not because the staff are better staff or they work harder, but because you can create the kinds of environments and create the kinds of incentives and get rid of some of the blocks. — manager from a subsidiary of Maximus

The Maximus manager views the relocation of services to the private sector as a logical business move. In contrast, the former manager for Accenture Business Services sees the motivation this way:

I think the decision to privatize was made by the provincial cabinet. It wasn't really a business decision. I think it was more of a political decision... reducing the cost of doing business by reducing the cost of government so that the wealth is transferred from people working for government into people working outside of government. — former Accenture manager

“As soon as they came in, it was just basically very, very bottom-line focused.... The first thing that happened was, “Well, we have to cut 5 percent from the budget, so what do we need to do? We need to get rid of all the training.” So instead of giving each employee 10 days training per year, there's nothing.”
— former Accenture manager

He sees a contradiction between Accenture's mission and its practices.

Accenture's mission—well, there's their stated mission, and there's sort of the real mission based on what they have actually done. The stated mission might have had something to do with employee satisfaction... but obviously that had nothing to do with it. As soon as they came in, it was just basically very, very bottom-line focused.... The first thing that happened was, "Well, we have to cut 5 percent from the budget, so what do we need to do? We need to get rid of all the training." So instead of giving each employee 10 days training per year, there's nothing. There's no budget for training....So anything in the mission related to employees was out the window.Very, very few if any people were happy that Accenture took over. Perhaps the only people that would've been happy about it could've been maybe the management who remained. ... being a private company [makes it] very, very bottom-line focused – very focused on the financials. Very, very focused on reducing expenses any way it could. — former Accenture manager

Working for a private company whose main motive is to cut costs and make profit raises concerns among the Maximus workers that the company does not understand the philosophy behind the Medical Services Plan, and because Maximus is a US company, it doesn't understand that health and medical services can be a state responsibility.

BCGEU maintains that one of the main motives for the outsourcing of MSP/PharmaCare was to have the private sector pay for the cost of implementing a computerized system for records administration. Before the outsourcing there was a slow-moving paper-based system, and updating to a computerized system would have involved a significant financial outlay in terms of technology and training. However, as is shown in the section on quality of working life, some employees find the new system less efficient because of the manner in which it was introduced. Working for a private company whose main motive is to cut costs and make a profit raises concerns among the Maximus workers that the company does not understand the philosophy behind the Medical Services Plan, and because Maximus is a US company, it doesn't understand that health and medical services can be a state responsibility.

The former manager at Accenture sees the benefits for the company, but not for BC Hydro.

It's been probably good for Accenture because they're getting a lot of money for doing this. And they didn't have to put out a lot of money to get started. You know, they don't own any plant. They did very little training of people. Hydro has provided them with a new system. It gave them a foothold in the utilities in British Columbia. So for them it's great. For BC Hydro – I'm not really privy to how much money has been saved and what it's cost BC Hydro, but I know the service has gone down from what it was before. — former Accenture manager

The results from the Maximus contract are similarly not as positive as anticipated.

They didn't know enough about the business to be able to develop a program that would help make things go faster for the public. I think if they had expanded on whatever it was that the ministry was using, that they had taken that and just added their own technology they could've developed a really good system. But I don't think that they knew what they were getting into. ...We didn't get this fabulous new thing that we were supposed to. — Maximus worker

These two cases illustrate the problems in introducing a for-profit system into the delivery of government services. While it is recognized that change is not necessarily a bad thing, that every transition has growing pains, and it is to be expected that there will be some winners and losers in a period of transition, what is documented in this report is that the problems initially encountered by workers who moved to Accenture and Maximus were not just growing pains – the problems persisted. This is discussed further in the sections on quality of working life and impact on customer service.

Quality of Working Life

Outsourcing dramatically alters the lives of workers. The flexible labour process created by outsourcing includes flexible employment patterns in hours worked, pay arrangements, contracts, and hiring and firing of workers, and flexible locations where work is to be performed. This flexibility benefits employers more than employees, creating a contingent labour pool that lacks job security, predictability in terms of the knowledge of both the conditions under which an event will occur and the expected effects, and control over how and when work is performed. Increased workplace stress is the result. While the workers surveyed for this study had much more job security because of their collective agreements than many workers employed with outsourcing companies, they still reported a litany of problems with their new work environment that affected their working life.

Both workplaces suffered a loss of job security for the employees. At Accenture there was a perceived threat of offshoring the work. At Maximus, while there was not the same threat of offshoring, there was the separation of the bargaining unit from the larger public service workforce, thereby reducing employees' ability to compete for other jobs and move within the civil service.

However, across the BC public service generally, the level of employee trust was extremely low, in large part as a result of the sharp reductions in total staff following the 2001 election of the new government.⁴⁰ With this in mind, it may be the case that not all of the decline in morale amongst outsourced employees was entirely attributable to the outsourcing itself.

Not Valued as Workers

An important aspect of a person's quality of life is the sense of accomplishment they gain through meaningful employment. A key question then, is how workers feel about their jobs. In both outsourcing initiatives, employees indicated a sense of being valued less as a result of the outsourcing:

It's a nowhere job. I'm not appreciated because they devalued my position. — Accenture worker

One worker reported feeling treated like a commodity:

Outsourcing companies... buy and sell employees without really knowing what the employees do. — Accenture worker

There was a general feeling that their work is worthless:

*If you're coming to work unhappy and you're going home unhappy it's just not worth it.
— Maximus worker*

And Maximus workers spoke of a lack of respect for the workers exhibited by the company:

The sense of disrespect for the employees, I think that's started to set a sense of unease, even for the people that were hired new into the business. It was causing personal distress for people because it's purely a lack of [respect]. — Maximus worker

There is a sense at Accenture that since the outsourcing, employees are being treated less favourably than their counterparts who remained at BC Hydro:

[When Hydro workers] got their contract their raises were like twice what we got... Also, since they shut us off from the Hydro side, we can't bid on those jobs. We can go through a process as if we're an outside person off the street – there might be some slight little consideration, but because they've split us off, they've lost a lot of talent. — Accenture worker

These workers are feeling demoralized and not respected for the work they do.

Constant Monitoring and Surveillance

In the name of efficiency, there is increased employee monitoring and surveillance. With both employers, there is electronic monitoring through the phone system, which allows the employer to determine whether the assigned quota of calls has been filled. Supervisors can get into a worker's computer system to check what they are doing. A Maximus worker reported that:

*The supervisors can go into your computer and look at exactly what you're doing at any time. If you're writing an email, they can look at the email while you're writing it. They tape conversations. Oh, tons of electronic monitoring. Your phone system monitors you. Your programs on your computers monitor you. Supervisors have to monitor 10 calls per month per employee, or 10 documents that you process, and when they monitor, they tape.
— Maximus worker*

Does increased monitoring result in better job performance?

*What we're finding is it's less efficient now than it was, and they're spending [on] the system... [and] they're spending time on monitoring the productivity. And I guess to be fair they have to analyze and look at peak times so that they can plan appropriate staffing. But the whole focus is on that and not on the system changes to make it work more efficiently.
— Maximus worker*

There are metrics that measure your compliance, that measure your quality, that measure the time that it takes you to handle each call, the number of calls you take... It almost feels like you're a machine, because basically the procedures that they put in place [are not] healthy. A machine can handle it without [becoming] emotional – but a human being gets stressed out from that. — Accenture worker

More monitoring means fewer breaks, and break time is monitored:

If you get up to get a coffee or go to the ladies' washroom, you feel like you're being monitored. — Accenture worker

This constant monitoring adds to job stress.

Push for Quantity Over Quality

There is a general perception that the productivity standards are arbitrary. At Maximus, respondents wanted the issue of quantity over quality as a measure of productivity to be revisited:

They've increased productivity standards unilaterally. The employer [does] have the right to set certain standards, but if it's practical or not, that has to be determined. We don't think that they're practical all the time or, if you want quantity over quality, then you have a problem. — Maximus worker

The productivity quotas can be unrealistic:

We were recently informed that we are to produce anywhere from 20 to 30 per cent more work a day. They seem to be able to do what they want. — Maximus worker

In light of the absence of other types of innovations, one would observe that “working harder” is one of the key innovations that Maximus is bringing to the management of MSP. This raises the question of whether ASD is overly dependent on a presumption that the public sector is less productive than the private sector. What the interviews found, however, and what is supported by other research (Crewson 1997), is that there is a greater organizational commitment in the public sector resulting in a willingness for workers to “go the extra mile.” That commitment was undermined when the work was moved to the private sector.

What the interviews found, and what is supported by other research, is that there is a greater organizational commitment in the public sector resulting in a willingness for workers to “go the extra mile.” That commitment was undermined when the work was moved to the private sector.

A Maximus worker recognizes the difference between working in the public and private sectors and the accommodations that are needed to make what was previously a public sector culture work in the private sector:

So the commitment to those sorts of things is something that, again, we're trying to work with to get them [Maximus] to recognize; that if they work with us, it'll be much better for everybody. We're not trying to create problems...but the fact of the matter is we're here, we're working, you're the employer. We want to make it work for everybody. — Maximus worker

An Accenture worker laments that the philosophy of the company has changed from one of service to the community to one of service to the client.

It's not about serving the people of BC, it's about serving their client, which is BC Hydro or Terasen. So it's changed totally for us. We were serving the people of BC, reading their meters and doing all that work and helping them. And now it's just, our philosophy is to help BC Hydro or Terasen and that's all it is. And it's just to meet our commitments.
— Accenture worker

This change in philosophy, from serving the public to serving the client, has major ramifications for the delivery of public service. This issue is discussed in the section on the cultural shift in the model of public service delivery.

Rigid and Hierarchical Workplace

In both workplaces, respondents reported that the hierarchy is more rigid and the work environment has become tense. Informal communication with co-workers and supervisors/managers, such as workers having lunch with superiors, is discouraged. Survey participants said there have been incidences of workers being reprimanded for expressing criticism, and they felt they cannot vent frustration to co-workers and supervisors:

They're far more rigid than they ever were before. There's no socializing. You can't turn around and say to your co-worker, "Could you help me out?" They have special people assigned to help you out and nobody else. You can't ask your co-worker, "Say, do you remember that blurb that we got out last week? I can't find mine." You have to go and ask this other person. — Accenture worker

Contrary to what one would expect, there is more bureaucracy, not less:

Now, if we want time off or if we're going to be away from our desk, we have to advise far more people. If we're phoning in sick, we have to advise more people. We have to advise our work leader, the billing scheduler and the manager. — Accenture worker

There is arguably too much management intervention:

Managers are over-managing the workers. — Maximus worker

At Maximus, workers said there is a limit imposed by managers on how many personal items a worker can have on their work desk (no more than four items). The CEO also circulated an email to impose a dress code, saying that shorts are not allowed at the workplace.

Well, for instance, for 25 years, the majority of people had worn jeans and runners and sweatshirts and sweaters to work. Upon being taken over by Maximus, we were told that that was no longer ...acceptable, and it was only going to be dress pants and skirts. So, it was, aside from being uncomfortable, it meant everybody dashing out and dropping \$1,000 on dress clothes. Even to the way we were allowed to set up our desks. We'd all sort of had free reign back at the ministry in regards to making our desk our home away from home, and that changed. They've done a lot of things that, to me, are detrimental.
— Maximus worker

This reversion to more formal attire seems at odds with the growing societal tolerance of casual dress including jeans and shorts. Casual dress is a non-compensation benefit to employees because of the cost savings that can be achieved by buying less expensive clothing.

Respondents reported that another non-compensated benefit, the quality of physical workplace, has also seen a decline at Maximus:

The space, compared to what it used to be, is very limited. All hundred employees share two bathrooms and one toilet is constantly broken. The lunch room is very small. The table only can sit five people. And then if we have to take coffee we have to go to the second floor and we have to go up and down. You only have 15 minutes. By the time you go up there, you wait for your water, you line up for the microwave, your lunch and your coffee is pretty much finished. — Maximus worker

While the lack of physical workspace is adversely affecting workers, Maximus is constrained by the cabling and security arrangements that were put into place when the transfer occurred. The space requirements were calculated based on a lower number of employees than they currently find they need to do the contract.

Lack of Training

With both employers, training programs have become a victim of cost-cutting; budget allocations in this area were reduced considerably. The lack of training is affecting the quality of work because there are few opportunities for workers and managers to be informed of innovations and improvements in their fields:

Because of the focus on cost cutting, the training budget has pretty much been eliminated. That's probably a major factor in the information technology area, because it's a field where constant training is an absolute requirement. — former Accenture manager

This trend towards reduced training is completely at odds with the notion that ASD is about innovation and making improvements. Rather, these outsourcing initiatives appear to be more concerned with tightening hierarchical management controls, and reducing spending – even when it impairs innovation.

All of the Maximus respondents complained about a lack of adequate training to manage the new phone system. The new phone system is also causing problems with customer service, they reported, as it limits efficiency and customer satisfaction:

It limits us. I can't transfer a call directly from me to a certain worker. If a client calls in and they want to have a return call, they can't call you directly. They have to go back through the queue, and they get whoever answers, which is not very efficient, in my view. We had a system in government, which was called Content Manager. Our work came through on paper in what used to be known as a mail room. It was scanned and put into work baskets on our computers. So we'd work off the computer to draw our work. They took that and created a new system which is called Maxi-Image, which funnily enough is less efficient than our [old] Content Manager. — Maximus worker

This trend towards reduced training is completely at odds with the notion that ASD is about innovation and making improvements. Rather, these outsourcing initiatives appear to be more concerned with tightening hierarchical management controls, and reducing spending – even when it impairs innovation.

Constantly Changing Technology

The technological infrastructure is constantly changing, while respondents report a lack of consultation. It normally takes time for staff to adjust to changes in computer systems, but participants reported there was no accommodation of this need at Maximus.

They'd come up with a plan on what they wanted to see [changed in] the computer system, and then they'd change their mind, and then they'd come up with a new plan. I think [they're on] about the fifth different way they want to try to change the computer system. But it was all that interference in your day-to-day work [and you would] not be able to get as much done as you would normally get done. And, of course, you'd get the pressure to speed it up, do the work. It's like, how many hours in the day do you want me to work because I can only get so much done? I just felt like I never really accomplished as much as I used to accomplish, and that's very unsatisfactory. I didn't feel like I was getting anywhere.
— Maximus worker

The constantly changing technology infrastructure was coupled with the feeling of a lack of control over work.

Lack of Consultation

In terms of employee involvement in process improvement, there was the sense that employee knowledge at Maximus was being ignored – including worker knowledge about government programs and regulations. This tendency to ignore worker knowledge also undermines an employee's sense of the value of their work.

I didn't feel like we were listened to. Most of us had been there for at least 10 years, and we knew the computer system. We knew all the rules and regulations with regards to how things need to be processed. These are government imposed rules, and they wouldn't take that information from us and realize that we knew what was going on. They would hire these outside people. So you'd feel like you weren't worth very much because we already had what they needed, but that wasn't good enough. — Maximus worker

As a result, the institutional memory of an organization is being eroded.

They're losing the people that know all the rules and regulations from the government, such as how a claim needs to be processed, a person's coverage, when they're allowed to have it, how much they're allowed to have, what premiums they've paid, all those sorts of things. They're losing the really important knowledge workers. Some have already gone and a lot are continually trying to find a new job. And as soon as they do, they're going to be out

of there, and they're going to be left with – I don't know, it's like those are the people that are the glue that hold the place together, and the more glue they lose the more it's going to fall apart, as far as I'm concerned and as far as most people are concerned. — Maximus worker

Low Morale

An “employee engagement” survey at Accenture covering the financial years 2005 and 2006 showed that employee engagement was chronically low with respect to morale and job satisfaction. The overall employee engagement score was 33 per cent for financial year 2006, up slightly from 32 per cent in financial year 2005. However, there was a turn for the worse in the IT division, where engagement declined from 16 to 8 per cent, which put it in the “critical range.”⁴¹ In both years these numbers were well below Accenture’s global benchmark of 51 to 55 per cent in outsourcing divisions. The report later noted a “need to get back to the ‘basics’ of engaging our people.”⁴²

They've had a number of employee engagement surveys and they've been pretty bad since Accenture has taken over. And the last one, there was a 70 per cent participation rate and an 8 per cent employee engagement number. And the upper management right now are kind of upset about it and they're trying to do stuff about it. So there's no doubt that people are unhappy and I think part of it was the [past round of] labour negotiations, and them trying to cut us back. At certain points they've threatened to offshore our jobs. — Accenture worker

It is not unexpected that employees would heavily participate in a survey and report a low level of employee engagement. After all, if there is a threat to their employment, one would expect this threat to weaken any reciprocal loyalty. In Accenture’s case, there is real concern from the workers that their jobs will be targets.

When you start seeing what they've done on a global [basis], they've done quite a few layoffs. They don't tend to replace people. We just went through a set of bargaining where even though they weren't successful they were trying to cut 20 per cent of our benefits. You see that and you go, “Well, hold on, what?” It's not something that makes you encouraged to be there or to feel good about the place. They're always trying to save that extra dollar. [I]n a company that is deliberately not growing, there's always a fear that if they're not actually growing their business by getting new revenue sources in, then they're going to try and grow their business by depleting their expenses. — Accenture worker

They're losing the really important knowledge workers.... It's like those are the people that are the glue that hold the place together, and the more glue they lose the more it's going to fall apart, as far as I'm concerned and as far as most people are concerned. — Maximus worker

Maximus employees didn't report the same sense that their jobs were threatened with offshoring, but the number of union grievances are up, partly to do with an aggressive discipline process. Some workers at Maximus reported no longer feeling the ownership in their work they had before. This

sense of ownership is critical, especially when the job is viewed as a public service such as the health system in Canada.

If there's pressure to do a lot more work a lot faster, we're not checking the work very thoroughly because, of course, there's a lot of pressure to get even the quality assurance checks done quickly and according to the timetables. I think that we're feeling that there isn't any value in doing the quality of work that we should be. Again, it all comes back to the value system. You pay somebody to do the work as opposed to somebody who owns the work. And we felt, I think, a lot of ownership when we actually were the government administering a medical service for the citizens and the residents that we were part of. It was like our own house in a way. Now it's like working in somebody's house as paid staff.
— Maximus worker

The perception is that Maximus would like to have everyone on an auxiliary/on call status in order to maximize their flexibility, and they have been advertising positions “on call, as needed.” However, because they haven't been providing enough hours, auxiliaries aren't staying.

It appears that employees have learned to adapt to change, but in this case it involves leaving their employer. The lack of a feeling of ownership in their jobs coupled with the stress induced by their employers' changing expectations has resulted in a very demoralized workforce.

At Accenture, many workers are looking for other job opportunities, particularly the younger workers. The ones who are close to retirement are trying to “stick it out.” The lower level workers (i.e., meter readers, administrative assistants) seem to have greater frustration than mid-level workers.

From myself, personally, I'm very dissatisfied, so much so that I went back to night school. I figured if I'm going to make a change, I'm going to make a complete change. I just thought at my age, I'm 54, I would've enjoyed looking forward to the last five years of my career enjoying my job that I knew well and that I knew how to do. Instead, I'm looking forward to changing. I'm going to do something else. So, it's changed my entire attitude about the place. I look at it now when I'm working there as this is simply a place to get enough money to pay for my school, to make sure my bills are paid so I can go take another job someplace else. And I'm not the only one. The younger ones are doing the same thing. They're putting themselves

through some of the BC Hydro internal courses. They're paying for it out of their own pockets and applying for jobs in Hydro and moving back to Hydro. They're deserting the ship in great numbers.⁴³ — Accenture worker

It appears that employees have learned to adapt to change, but in this case it involves leaving their employer. The lack of a feeling of ownership in their jobs coupled with the stress induced by their employers' changing expectations has resulted in a very demoralized workforce. This is reflected in the quality of customer service as described below. While some employees think parts of the transition have been successful, the rest of the workers interviewed are dissatisfied about rigid corporate policies and practices, fewer staff, and poor technology infrastructures.

This is rather pronounced at Accenture:

From the employees' point of view, no, it's not successful. The whole atmosphere has changed. They have definitely changed how we do our work. Where before we were problem solvers where we audited and reviewed the bills and solved the problems, now they want us to simply be – we call it 'monkey see, monkey do' – you just do it. And you just constantly release the bills, release the bills, release the bills. The rumoured premise is just send all the bills out and there's only about 10 per cent of the customers who are going to complain, and fix it then. So, that leaves us with less feelings of job satisfaction. We were given a feeling prior to being turned over of being responsible employees who could manage our workday and get our workload done, but with the new company we feel like we've been put under the task master where they walk around and they're constantly cracking the whip.
— Accenture worker

Stress has affected people's health at Accenture:

Our morale is low. There's more stress leave. There are five or six people who are permanent people who've been on stress leave for more than a year that I know of. You know they weren't on stress leave before. — Accenture worker

Workers at Maximus reported constant fear of not meeting quotas, and there was some suspicion that the demands are increasing in order to get people to leave:

People are aware of the situation – people are getting nervous – they start to tense up and then their behaviour becomes a bit strange. The transition has gone smoothly, but... there's still a tension there. You could feel it. Most of us being there for so many years – and we are getting older and older, right? We kind of worry – can we keep up with the standard or are they trying to do that so they can get rid of some people and then hire some other people that are not union so they can pay less wages? And that's another concern, too. You don't know what they think in their mind, right? — Maximus worker

The constant monitoring and tighter controls appear to have had at least some negative impacts on productivity as a result of higher turnover related to worker stress. The relocation to for-profit companies has resulted in more insecurity among the staff, and less attention to the quality of customer service.

Impact on Customer Service

All of the workers had concerns that the level of customer service has deteriorated. Customers are not able to get prompt service. Customers are less satisfied than they were before. Maximus workers in the call centre are not being adequately trained so they are not able to help their clients.

I think the public has a lot of concerns. ...A lot of people figure it should've stayed in the public service because they're not happy. I'm not saying everybody; I'm saying some. [The customers are saying,] "well, how come you guys all you do is sit around and this and this? And ever since this place was privatized, and you can't get through to anybody." I know it's a big push every day of service level, service level, service level. We've got to meet the service level requirements. And in the meantime you want to do that, well, why do you lay off 10 staff? — Maximus worker

Because of the new system of handling work at Maximus, customers are not able to easily get the information they need. The response time may be fairly quick, but the person they reach is often not able to provide actual help.

Well, the funny thing is people wanted to be able to phone the Medical [Services] Plan and get questions answered because there's always difficulties out there and people need assistance. And under our contract, it says everybody has to answer their phone in three minutes. So customers get a person who answers the phone in three minutes, which meets the first objective. However, the people that are answering the phones are not knowledgeable people. They are more or less able to give information that's available on the website. It's a front first line level of, "Yes, you can apply. Yes, I'll send you out a form," or "No, you can't." So in that way customers are better served that they get a live person. The second part, of course, is the fact that that live person has got very shallow information. Anybody who has a more involved question... I don't think that those customers are getting better service and it creates a problem. — Maximus worker

"Yeah, we're meeting the service levels and the company is not getting fined, but the quality of the work that's being done has gone downhill as far as most people are concerned."

— Maximus worker

Besides the impact on customer service this change in the type of information allowed to be provided is a subtle form of de-skilling of the workers, because it limits the type of knowledge required for the job.

While response time may be adequate, Maximus customers are complaining about the time it takes to get to a person who can help them.

The process of getting to where they need to get to is – I guess it's abominable. There's been complaints about wait times to speak to a real person. There's complaints of too many transfers. There's people who will just push any button just to talk to a person regardless of what their question is and usually they're at the wrong department. — Maximus worker

The Accenture workers likewise recognized that customers frequently cannot get access to the people who can help them.

When Accenture took over, they cut back on the number of managers and they really worked them hard. You know, they gave them huge responsibilities, including a lot of very menial sorts of jobs. It's made it more difficult for people to get hold of a responsible person to lodge a complaint. So, the customers really are delivering their complaints mostly to the meter readers because that's who they see most. I don't deal with the customers – the customers don't have access to me unless they call the head office and the head office makes some sort of an order for me to go out and meet a customer. My name and phone number is not in the book... They can't come in and meet a Hydro person, or an Accenture person on site; it isn't there. They can't pay a bill locally. They can't get their house checked for Power Smart the way that we used to do. So the service has definitely gone downhill. But Accenture is skating right along the service levels that were guaranteed with BC Hydro. — Accenture worker

There is a perception of changing priorities at Accenture.

It's not as good anymore. It seems we miss more because they don't seem to have the priority to the customer out in the street. Their priority is to Hydro and Accenture as opposed to the people outside. I think it's worse for BC Hydro customers. — Accenture worker

Generally, those interviewed at Accenture felt the level of customer satisfaction has gone down.

I think the customers are less satisfied than they were before. Their bills aren't being done at the same quality rate that they were before. The volume of phone calls has increased [and they have had to]...increase the call centre staff, although they're increasing it at a lower grouping, [which means] less pay. They had to increase their numbers to cover off the volumes of calls. And with them not being trained at the same level that they were before, they're not always answering the customers appropriately. — Accenture worker

A Maximus employee who was just leaving the company at the time of the interview found the pressure and constant monitoring too stressful.

Yeah, we're meeting the service levels and the company is not getting fined, but the quality of the work that's being done has gone downhill as far as most people are concerned. At this point, most people almost don't care about that because right now they've put into place Performance Management, that's what they call it, and you have to answer this many phone calls within the hour, and you have to process this many documents within the hour, and if you don't do that, they are going to impose penalties upon you. And if you are a person who can't meet those levels over the long term, they're going to 'manage you out.' So, the pressure upon the staff is incredible, and they just do the best they can, but they don't have enough time to do the real work the way it really needs to be done so the quality of the output has really gone down. — Maximus worker

The erosion of customer service is occurring concurrently with the pressure to increase levels of productivity in call volumes. Quality is being forsaken for quantity.

Union Involvement

At the heart of the Alternative Service Delivery debate is whether these initiatives to “improve” workplace practices are simply attempts to weaken or circumvent union power. For example, union activities are discouraged at Accenture.

They definitely are trying to send a message out that union involvement will get you into trouble. So, now we have people drop[ping] little notes on my desk saying, “Could you phone me at home tonight from your house so nobody knows we're talking?” — Accenture worker

One employee at Maximus noted that a unionized workforce is just something the companies have to put up with.

They really don't like having to have a unionized workforce, I don't think. It's just part of the deal that they had to take, and they prefer not to have to deal with it. — Maximus worker

There is concern that Maximus, being a private company, doesn't know how to work with unionized workers.

It's a learning experience for them. To realize the active part that the union plays into it, and that the contract protects the employer and the employee. So I think that they're trying to learn. — Maximus worker

Maximus has likely worked with unions in some of their US operations; however, the company may be facing a steep learning curve with Canadian labour laws.

While both the BCGEU and COPE mounted vigorous campaigns to oppose the transfer of workers, some workers at both companies still express frustration with their current situation.

Well, I don't know if this is a good thing or not to say, but I feel like the union, they did us a disservice by recommending that we go over with the new company. They made it sound like everything was going to be wonderful, and we were going to be treated really well... I suppose they had no choice, but everyone feels like they were let down. — Maximus worker

I don't think they [the union] had a lot of influence either. The government wanted to do this and they went ahead and did it. They didn't care who they stepped on or whatever. — Maximus worker

...basically all Accenture bought really, was the union [workers]. They didn't buy the hardware, they didn't buy the buildings or the power generation and this sort of stuff. They bought the people. They're unionized people...and this is my opinion again, that the political motivation for doing this might have been to put the union within the hands of a private corporation so that the government could beat up on the union a little bit more easily. — Accenture worker

For some workers, the frustration with their working conditions has eroded their trust in their union, and as is shown in the next section, their trust in their employers.

Trust and Social Cohesion

There is a general perception that worker trust in their employers has deteriorated and that social capital within their organizations has been undermined. There was lack of confidence about the company's competence and loyalty to their staff. Workers at Accenture seemed to be more worried about "what will happen to them." Accenture workers seemed to trust their employer less. There is anger over the lack of transparency at Accenture. The privatization of public services is in large part through secret contracts which the public can't easily access.

Now, no-one has ever been able to see the contract between BC Hydro and Accenture. It's sort of one of those hidden documents, not open for public. — Accenture worker

There is such a level of distrust at Accenture that some employees don't trust their pension to be with the company.

Well, for instance the pension [fund]. I took mine out. I didn't trust Accenture, so I took mine out. Now it's run privately. And that was a big thing. That was my retirement. But I certainly wouldn't trust a company like Accenture with [my] assets. — Accenture worker

Workers reported that they don't trust their employer because the mandate is different from what they were previously working under. There is a change of mission at the workplace that has shifted to Accenture, and the responsibility towards employees has been reduced since they started working for a private company.

I don't trust my company. [Why not?] Well, they're in a different business. They're an outsourcing company. We were in the business of customer service, and now we're in an outsourcing business. Well, they buy and sell employees without really knowing what the employees do. — Accenture worker

There is a perception that Accenture is not as accountable to its staff and customers.

I think Accenture is more concerned with the bottom line, the profits to their shareholders, than they are with their accountability to the customers. They don't give the impression that the customer is valued as highly as their profits. On one hand, Accenture is bragging about all the profits they're making, and then they turn around and they say they want people to take a wage cut, give up their holidays, give up their time off. Well, is this how they gain profits? — Accenture worker

A Maximus worker said identification with the company has been eroded:

I think there was an openness to see what would happen and then there's been some activities that have just taken away – the trust, the loyalty. Definitely the identification with this company has been damaged. — Maximus worker

The necessary trust between employers and employees has been undermined by the corporate practices introduced by the for-profit companies. Relationships that are vital for the successful operation of a company have been lost.

At Maximus, after the temporary hiring of workers to deal with service level problems, the auxiliary temporary employees were laid off after the problems were dealt with. There is apprehension at Maximus about what is to come.

The people that didn't get the layoff notices were saying, "How – how can we get all the work done with these missing key people?" — Maximus worker

The low morale and stress at Maximus has resulted in workers feeling devalued.

Well, yeah, definitely it has. When you feel something is an injustice you carry that around with you and it kind of spreads out. I wouldn't say you lose hope, but you're deflated, and depressed. It affected me. Like, it's a nowhere job. I'm not appreciated because they devalued my position, and I feel that the position is very important and there's very few of us. My only hope is I'll probably just take early retirement. I just want to do another year or two or whatever and leave. — Maximus worker

The necessary trust between employers and employees has been undermined by the corporate practices introduced by the for-profit companies. Relationships that are vital for the successful operation of a company have been lost.

The Cultural Shift in the Model of Public Service Delivery

The OECD (2003) calls for a *cultural shift* in government as essential for the successful implementation of e-Government initiatives. After analysis of the interview data with workers, management and union representatives, it became apparent that indeed there is a cultural shift happening within the outsourced divisions of the public service in British Columbia. It also became apparent that the workers and their union representatives regard the cultural shift with grave concern as they witness the core values of public service washed away by outsourcing. The following discussion examines, through the voices of interviewees, the cultural shift taking place within these workplaces.

The notion of “public service” in Canada is derived from the Westminster governance model, where good government is secured through the accepted notion that the public service is staffed on the basis of merit. Over time, this “...led to the conception of public service as a ‘service’ and not merely ‘a collection of job holders’” (Aucoin, 1995). Public sector employees take their responsibilities as public servants very seriously and regard the core values of public service – serving the public interest and providing quality services to citizens – with the utmost importance (Haque, 1996).

The outsourcing of government jobs has created confusion over this changed status.

All the employees that transferred to the private company do the work as if they were still under the auspices of the public agency (they wear the same uniforms and introduce themselves as employees of the public agency), but they are not technically employees of the public agency anymore. — COPE 378 representative

The change in work and organizational culture is affecting public service delivery and the quality of the service. It is a shift from citizens accessing a public service to clients accessing a service. The bigger political and ideological changes at the provincial and federal levels are reflected in this relocation experience. In the Maximus case, the question becomes how can a company based in the US understand the philosophy behind a Canadian social program such as the Medical Services Plan? There are differences in the political cultures of the two countries, and in work and organizational cultures.

There's a huge culture difference because it's a program, not a business. And the culture is different because it's an American company for a Canadian social program.— Maximus worker

The employees were critical of how the Maximus corporate culture is promoted by their employers.

Their attitude is everything should be for the company. This company is all about giving money to its shareholders, which is just totally foreign to us. Our shareholders are the citizens of the province. — Maximus worker

Workers said they feel that Accenture’s corporate culture endorses lavish spending on corporate image building.

All of the elevators in the Accenture parts of the building have great big huge Tiger Woods pictures on it [Woods is a paid celebrity endorser of Accenture]. So, it may mean something to corporate headquarters, but they have to remember this sort of thing has no connection to the average employee. — Accenture worker

Haque (1996) notes that business-oriented ethical standards are incompatible with the goals and objectives of public service. Furthermore, business-oriented ethical standards weaken the core democratic values of public service such as equity, accountability, openness and responsiveness. The deterioration of the traditional, democratic values of public service "...has disturbed the unique sources of employee satisfaction that are imminent in the public service" (Haque, 1996). In 1988, Jabes and Zussman (quoted in Haque, 1996), surveyed a number of public service employees in the United States about their motivations for public service. A majority of the respondents said they were motivated by "...a sense of goodwill and commitment to the public interest." Privatization leads to an erosion of the "intrinsic satisfaction" that public employees used to get from public service delivery. The lack of recognition of the importance of good public service affects the overall morale.

This is illustrated by a Maximus employee's comments:

It almost gets to be the point of, "Why care about making sure the money's spent properly for the right things, for the care of the person, if how fast you do the job and whether or not the for-profit company is making enough money on every transaction and is getting the work done on a certain time schedule." That time schedule crunch is almost at odds with people saying, "Well, I've got to do it properly and carefully." I've got an employer right now that just says, "Do it. We're not spending health insurance BC money. We're not spending Maximus money. We're spending government money." And we're told to do it fast, do it quick, get it done." It's government money that's actually going through our hands and it's not going through our hands carefully enough. — Maximus worker

Privatization leads to an erosion of the "intrinsic satisfaction" that public employees used to get from public service delivery. The lack of recognition of the importance of good public service affects the overall morale.

A union representative for the Accenture workers illustrated how little the private contractor cares about its employees' commitment to public service:

During the last round of bargaining, [the private contractor] delivered ... copies of a coffee table book to its employees worldwide. This book only discussed how great the company was and gave an outline of its history. It did not mention the employees at all, which was very disappointing to the employees. At one local location, a number of the employees gathered all the copies of their books and threw them in their manager's waste basket – this book cost a lot of money to produce but the company keeps saying it has to cut costs. A similar type of book was produced about BC Hydro a few years before. This book included many acknowledgements of the work that the employees did in the spirit of public service. Although this book was not given to the employees, a number of them bought their own copies because they were proud of the work they did and that their hard work and commitment to public service was recognized by their employer. — COPE 378 representative

The cultural shift also affects staff working conditions. Roland Zullo (2002) analyzed four case studies of public sector union responses to the privatization of public service delivery in the United States. Zullo rejects the notion that privatization leads to cost-efficiency⁴⁴ and argues that:

*...economically feasible privatization has less to do with the operational talent of private-sector managers than with the fact that private firms function in a labour market and institutional environment that tolerates higher levels of exploitation.*⁴⁵

Furthermore, Zullo argues that privatization more likely occurs when labour and management relations are adversarial. This is because privatization becomes an attractive tool to discipline and exert power over labour and because there is a tendency for privatization to become politically entrenched and irrevocable. A union representative for the Accenture workers said that:

The private contractor was given money by the government for employee benefits (to offset liabilities) during the transfer process. During the last round of bargaining, the private contractor tried to negotiate the benefits away and keep the cash. — COPE 378 representative

The lack of long term stability that results from ongoing contract renewals and the realities of corporate culture such as corporate take-overs creates uncertainty in the continuity and quality of service for both workers and the public. Regardless of how economically sound or unsound the privatization of public service delivery is, the fact remains that the workers involved in the delivery of public service are being adversely affected by the privatization and outsourcing of their jobs as workers, and as citizens, and the overall quality of public services is being negatively affected.

Conclusion

This study reveals a large gap between the virtues attributed to Alternatives Service Delivery and the reality of what ASD looks like on the ground. ASD is being brought in with promises of innovation, technological improvements, intelligent reorganization and re-engineering. Implicit in these promises is the presumption that the public sector lacks the willingness and ability to innovate and improve public service. Yet when we look at these privatization schemes in more detail, we learn that their main tools for “innovation” are cost minimization, de-skilling staff, surveillance, increased hierarchical control, and a unilateral push by the employer to make people work harder.

Thus far, the results appear to be ongoing operational problems, reduced employee engagement, and a decline in worker morale. Outsourcing changes the culture of these workplaces in subtle but important ways, with consequences both for the workers and for the quality of public customer service. The initiatives undertaken by these two contractors could bear fruit, but this appears unlikely.

A major question needs to be asked: Why did the government need to bring in the private sector to make the kind of changes we have seen to date? These changes are not cutting-edge or insightful in any way. It is hard to see why a profit margin is needed in order to motivate management to eliminate training or simply demand 20 per cent more output. Judging by the results, it seems that the purpose of the ASD exercise is not just to improve productivity. Rather, the threat of outsourcing to a different location, as in the Accenture case, where the workers are potentially non-union or are living in a developing country, appears to be a key tool for management. The threat of relocating elsewhere appears to be a major bargaining tool that makes the employer stronger relative to the union.

These case studies demonstrate that ASD is not a panacea to address accountability and fiscal responsibility in governments. Rather, it is an ideologically-driven approach intended to restructure government services to serve the imperatives of ill-conceived notions of efficiency and productivity. Without a clear understanding of the culture of public service, for-profit corporations are reshaping service delivery in a privatized model. This is occurring at the same time that there is an erosion of public services (such as Medicare). The restructuring that is occurring is largely invisible to the general public, who know that customer service is deteriorating but don't have a full picture as to why. The lack of transparency in the for-profit companies impedes any ability for citizens to understand the full implications of the measures that governments are taking. The concerns raised in 1988 by the Pulitzer-Prize winning author Paul Starr are with us today:

Ultimately I fear that one form of privatization does entail another – that as we move public provision into the private sector, we move from the realm of the open and visible into a domain that is more closed to scrutiny and access. And in the process, whether or not intending to change, we are likely to narrow our involvements, interests, and vision of a good society and a good life.⁴⁶

By these measures governments become less accountable to citizens, increasingly blurring the distinction between public and private delivery of services. Rather than accepting a private sector solution to the need for change in the public sector, we need to be asking how innovation can be introduced into the public sector without private sector intervention.

Notes

- 1 This process did not begin with the current Liberal government in BC; however, the organizational restructuring carried out by the Liberal government has been the most sweeping.
- 2 For more on New Public Management see Aucoin 1995.
- 3 BC Ministry of Health Services, 2004.
- 4 COPE 378 was previously the OPEIU (Office and Professional Employees International Union) Local 378, but became an autonomous Canadian union in 2004, which resulted in a change in name.
- 5 Email communication from Director of Health Insurance BC/Maximus BC Health, Inc.
- 6 Starr, 1988, p. 10.
- 7 Luntz, 2004, p. 2.
- 8 Ibid, p. 1.
- 9 Website of the Canadian Council for Public-Private Partnerships, www.pppcouncil.ca/aboutPPP_definition.asp.
- 10 BC Ministry of Health Services, 2004.
- 11 World Bank Group, 2005.
- 12 E-Government encompasses the use of information technology to exchange information with, and provide services to, citizens, businesses, and other arms of government.
- 13 Accenture, 2005, *Leadership in Customer Service Report: New Expectations, New Experiences*. www.accenture.com/Global/Services/By_Industry/Government_and_Public_Service/LeadershipExperiences.htm
- 14 www.gol-ged.gc.ca.
- 15 Glor (2001) notes that restructuring, particularly in terms of managerialism, began with the Trudeau, Clark and Mulroney governments, but Kim Campbell's government made the most dramatic changes. Also see Aucoin, 1995.
- 16 Both documents were accessed through the Legislative Library online catalogue, May/June 2006.
- 17 As a US-based company, Maximus is subject to the Homeland Security Act. For more information and public reaction to this see the BCGEU website: www.bcgeu.ca.
- 18 BC Ministry of Management Services, www.cio.gov.bc.ca/ebc/egovplan20041215.pdf.

- 19 Accenture, previously known as Andersen Consulting, is one the world's largest management consulting and technology services organizations. It employs more than 75,000 people in 47 countries, and already provides significant finance and accounting support to several energy and utility companies around the world. The company generated net revenues of US\$15.55 billion for the 2005 fiscal year. Accenture has operated in Canada since 1989 and employs 1,200 people across the country.
- 20 BC Hydro and Accenture, 2003.
- 21 Accenture Business Services. www.accenture.com/Countries/Canada/About_Accenture/Newsroom/News_Releases/Y2003/EnmaxServices.htm.
- 22 <http://careers3.accenture.com/Careers/Canada/ExperiencedProfessionals/Services/>.
- 23 BC Citizens for Public Power, 2002.
- 24 BC Hydro and Accenture, 2003.
- 25 Ibid.
- 26 "Customer" in this case is not the general public, but rather various departments within BC Hydro that now rely on Accenture services.
- 27 *Accenture Client Satisfaction Annual Survey Results – May/June 2006*. Accenture Business Services for Utilities/BC Hydro.
- 28 COPE 378 exit data is based on its total headcount, including hires and exits, for the period March 2002 to January 2007. The numbers for exits does not distinguish between quits, layoffs, firings or other reasons for someone leaving work. However, it is useful to look at the total exits in order to assess the level of mutual attachment between employees and their employer.
- 29 This resulted from the theft in Chicago, Illinois of an ABSU laptop containing BC Hydro and Accenture confidential data.
- 30 Subsequently, the BC government has amended the privacy law to allow for the temporary storage of data outside of Canada.
- 31 Excerpted from a report dated October 25, 2006 by Carole Keeton Strayhorn, Texas Comptroller of Public Accounts to Senator Shapleigh, Chairman Uresti and Representative Casteel of the State of Texas.
- 32 The State of Florida's contracts with two outsourcing companies, Accenture and BearingPoint, were cancelled in 2004. The *Florida Auditor General Annual Report, November 1, 2003 – October 31, 2004* states: "The STO contracts with Accenture and BearingPoint lacked certain provisions to adequately protect State resources. Additionally, the contracts provided various price adjustments which made it difficult to determine the total contract cost to the State."
- 33 The State of Colorado announced the cancellation in a press release on December 20, 2005 entitled "State Labor Department And Accenture Mutually Terminate Software Contract."
- 34 The Secretary of State of Wyoming announced this in a media release on April 28, 2006 entitled, "Secretary of State Received \$3.7 Million."
- 35 BC Ministry of Health Services, 2004.

- 36 Maximus Consulting is a US company based in Reston, Virginia, that provides business and information technology services to governments worldwide. Its services and products focus on government program management and operations, consulting, and systems management. This global corporation has 5,500 employees, located in more than 280 offices.
- 37 BCGEU press release, December 20, 2005. "Most British Columbians think Maximus privatization deal was a bad idea, want contract cancelled—poll." www.geu.ca/index.php4?id=3136
- 38 State of Wisconsin Legislative Audit, February 26, 2001. www.legis.state.wi.us/lab/reports/ltrEmpSolutions.pdf.
- 39 Montoni, 2007.
- 40 Office of the Auditor General of British Columbia, 2002/2003. The Auditor General also notes that similar drops in trust and morale occurred during similar but smaller downsizing initiatives during the previous NDP administration.
- 41 Accenture. *Employee Engagement: Connecting With Our People*. Undated PowerPoint presentation covering the financial years 2005 and 2006. p. 7.
- 42 Ibid., p. 16.
- 43 This statement is confirmed by the exit data compiled by COPE.
- 44 Zullo (2002:28) observed that in all four case studies, "each case failed to deliver on cost-efficiency."
- 45 Zullo, 2002, p. 28.
- 46 Starr, 1988, p. 39.

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The project examines how recent provincial policy changes affect the economic well-being of vulnerable people in BC, such as those who rely on social assistance, low-wage earners, recent immigrants, youth and others. It also develops and promotes policy solutions that improve economic security.

The project is funded primarily by a grant from the Social Sciences and Humanities Research Council of Canada (SSHRC) through its Community-University Research Alliance Program.

About EMERGENCE Canada

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The intent of EMERGENCE Canada project is to document developments in outsourcing practices in Canada as they reshape employment patterns domestically and internationally, and to analyze the implications on regions, communities and workers' lives. The trajectory of the work experience is traced through thirteen case studies throughout Canada of outsourcing at various points in the global supply chain. The business functions investigated are: data processing; systems and software development and maintenance; accounting and financial management; telesales; customer services; training and staff development; and editorial and design functions. The research results are directed to academics, Canadian policy makers, industry bodies and other organizations interested in the economic and social implications of the new global economy.

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