

Outsourcing Higher Education Support Services: The Wrong Choice

State funding for higher education has been on the decline for decades. Administrators believe that outsourcing support services will save money while maintaining quality and accountability. They're wrong. Privatization leads to a loss of accountability, fails to save money and lowers the quality of services, while harming workers and the local economy.

Privatization means a loss of accountability

When a public college or university outsources support services, if the institution becomes dissatisfied with services it must resort to expensive and time-consuming legal proceedings to break contracts.

For example, in 2011, Montclair State University sued multinational computer technology corporation Oracle for botching a contract costing over \$20 million to provide software and technical support. Oracle missed key deadlines and caused the school's costs to increase by over \$10 million. When the university took legal action, it had already paid more than \$6 million to the company for work that was mostly unusable.¹ The company responded by countersuing and a settlement was reached two years later.²

Privatization does not save money

Due to hidden costs or poor management, savings from privatization often fall short of projections. Project management company Betchel slashed jobs at the Lawrence Livermore National Laboratory, which was previously managed by the University of California. However, savings did not actually materialize due to high management fees. Outsourcing also resulted in serious security-related issues.³ Furthermore, in 2013, a jury imposed a \$2.7 million judgment against the laboratory for age discrimination and wrongful termination of long-time employees upon privatization.⁴

1 Kanaracus, C. (2011, May 23) Oracle Sued by University for Alleged ERP Failure. *PC World*.

2 Kanaracus, C. (2013, March 11) Oracle, Montclair State University settle lawsuit over PeopleSoft software project. *Computer World*.

3 Weissman, R. (2015, April 7) Privatization Dogma Confronts Reality at Lawrence Livermore Lab. *Huffington Post*.

4 Gwilliam, G. (2013, May 13) Jury Awards \$2.7 M Against Lawrence Livermore Lab For Wrongfully Terminating Long-Time Employees in 2008. *PR Newswire*.

Privatization diminishes the quality of service

Private contractors cut corners to increase profits, but that comes at the expense of quality. In 2011, health inspections at Fordham University revealed that three cafeterias on its Bronx campus, all operated by multinational foods service corporation Sodexo, had evidence of mice. Inspectors also found live roaches and unsanitary food preparation surfaces.⁵

In 2012, Texas A&M outsourced its dining services to food services operator Chartwells. Within a year, 3,500 students signed a petition to protest privatization as service quality had declined dramatically. The company increased meal prices yet had to close cafeterias for at least two days due to cockroach and rat infestation.⁶

Privatization harms workers and the local economy

Privatization replaces decent, middle-class jobs with substandard, poverty-level jobs. Outsourcing leaves workers with only part-time hours, inferior health insurance at higher cost, inadequate retirement benefits and little or no sick leave. Many contract workers need public benefits just to make ends meet. Privatization threatens the stability of the local economy. Moreover, when workers are laid off or if they leave their jobs due to poverty-level wages, higher education institutions lose many experienced workers.

The University of California has at least 45 contracts that cover thousands of workers who perform jobs that include custodial, building maintenance and food services. According to the UC's own Labor Center at UC Berkeley, these workers are predominantly immigrants and people of color and are paid as much as 53 percent less than career workers performing the same jobs.⁷

Furthermore, contractors have been found again and again to engage in wage theft. In 2013, Portland State University awarded a no-bid \$1.5 million contract to Diversified Abilities Inc.⁸ Since the contract was awarded, there have been numerous complaints filed against the company at the state's Bureau of Labor and Industries, including reports of wage theft, paying workers late and bounced checks.

Another example includes janitorial services company BRAVO! Group Services. The company was reported to owe \$20,000 in unpaid wages and damages to George Washington University custodial staff in 2013.⁹

5 Foderaro, Li. (2011, April 19) Student Gripes Have a Point: Campus Dining Fails Exams. *New York Times*.

6 Reed, A. (2013, November 10) Chartwells taking students concerns under Consideration over Meal Plans, Dining Options. *The Eagle, Allen Reed Bryan-College Station, Texas*

7 AFSCME 3299 (2015, May 21) Press Release : AFSCME 3299 & CLF Call on UC to Support Equal Pay for its Sub-contractors

8 Jaquiss, N. (2013 June 26) Janitorial Mess. *Willamette Week*

9 Sojo, G. (2013 September 23) Hired to clean GW Dorms, Workers fight Company to Recover Wages. *The GW Hatchet*.