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Outsourcing Helps Cities and Towns Provide Better Services for Less
New Report Shows Municipalities across the Bay State Can Reduce Costs by 75% and Increase Productivity by Contracting Services

BOSTON, MA – Cities and towns across Massachusetts are struggling to manage budgets in the midst of a recession, local aid cuts, and ever-growing capital, pension and health insurance liabilities. As a result, many municipalities have been forced to focus on cost-cutting measures in delivering public services. To help them make more informed decisions and avoid pitfalls, Pioneer released its latest publication, [*A Practitioner's Guide to Outsourcing: An Opportunity to Improve Cost and Service Quality?*](#)

In the paper, author Stephen Lisauskas, Pioneer's Senior Fellow on Urban Revitalization, explores the benefits and challenges of outsourcing, or contracting with a third party for a service that would otherwise be provided by an organization's employees. Outsourcing can involve contracting services to the private sector, to another government or a regional government, and to non-profit agencies.

"Especially in a resource limited environment, it is time for local officials to reexamine the methods by which they deliver services and consider if they are getting the best bang for their taxpayer buck," said Josh Archambault, Pioneer's Director of Health Care Policy and Middle Cities Initiative.

Cities and towns generally opt for outsourcing when the service is easily defined and measured, reduces costs, requires specialized skills, or calls for a temporary increase in manpower. The paper finds that Massachusetts' cities and towns such as Springfield have realized savings of over 75% and increased productivity through outsourcing grounds maintenance, processing workers' compensation claims, and street sweeping.

Another benefit is that municipal managers can hold contractors accountable for failure to meet performance expectations, and they can shift responsibility to them for personnel management, capital investment, equipment maintenance, liability, and unemployment benefits - for significant savings to taxpayers. This allows managers to focus on measuring, managing and reporting on results.

Outsourcing also allows communities to benefit from the accrued experience of businesses who have provided the same service in other locations, while boosting the local economy.

However, the author cautions that not all services can be outsourced effectively. Successful outsourcing requires that local officials produce well-drafted procurement and contract documents, and strong contract management skills. It also requires managing potential political fallout, such as the loss of support from employees whose jobs are at stake.

The paper recommends that after municipalities determine the specific service they wish to outsource, they should:

- Establish a pre-outsourcing service baseline for cost and quality,
- Develop bid specifications and use valid performance evaluation techniques,
- Develop a well-drafted procurement document and contract that stipulates expectations, a complaint process, and regular meetings, and
- Maintain ongoing management and direct oversight to identify and resolve problems early.

[*A Practitioner's Guide to Outsourcing*](#) reviews commonly outsourced government functions, including computing systems, solid waste management, tree maintenance, water and wastewater treatment, ambulance services, legal services, and towing and vehicle storage. It includes survey results from 22 Massachusetts communities who outsource some of these services.

Through its Middle Cities Initiative, Pioneer develops and disseminates concrete policy reforms for local and state officials the Commonwealth's older cities facing economic, demographic, and political challenges. Pioneer's research focuses on four core service areas: financial management, education, economic development and public safety. Recent Pioneer publications related to the Middle Cities Initiative include: [*Agenda for Leadership 2010: Hit the Ground Running: Pioneer Institute's Agenda for Leadership for 2010 and Beyond*](#); [*Municipal Benchmarks for Massachusetts Middle Cities: A Look at Financial Management \(August 2010\)*](#); [*Municipal Benchmarks for Massachusetts Middle Cities: A Look at Economic Growth \(May 2010\)*](#); and, [*Municipal Benchmarks for Massachusetts Middle Cities: A Look at Educational Achievement \(April 2010\)*](#).

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