

TOWARDS A MORE PRODUCTIVE
MUNICIPAL GOVERNMENT SECTOR

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Introduction

Municipal governments are facing a period of trials and tribulations in the 1980s. They will come under mounting pressure to be more efficient. The reasons are clear. All over the United States, citizens are vocally critical of what they consider to be flabby and inefficient municipal governments. Many states have joined the taxpayers' revolt which, in the late 1970s, gave birth to the revenue and taxation limitation movement. By June 1981, 29 states had enacted specific local property tax rates limits, 19 property tax levy limits, 14 overall property tax rates limits, 6 general expenditure limits, and another 6 limits on assessment increases; 5 states had general revenue limits. Additionally, 18 state governments had enacted state limits.¹ California and Massachusetts voted in favor of particularly severe tax limits, and Arizona has as many as five such restrictions.

At the same time federal subsidies, to which local governments had become accustomed, peaked in 1978. We agree with the conclusion of the Advisory Commission on Intergovernmental Relations that, "All indicators now point to a

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¹Significant Features of the Fiscal Federalism, 1980-81 edition, (Washington, D.C.: Advisory Commission on Intergovernmental Relations, December 1981), M-132, p. 30.

continued decline in federal aid flows over the next several years".² Thus, it is clear that municipal governments in the 1980s will feel the money pinch. Rather than mainly cutting back services, I would hope that most will seek to become more productive.

This paper will seek to offer an analytic framework within which strategies to meet the productivity challenge of the 1980s can be evaluated. Specifically, a shirking-monitoring framework will be presented. In applying this framework, some unique production and delivery problems faced by urban governments must be remembered. Urban governments operate under conditions of great interdependence; many of their actions have a host of serious indirect effects outside their own jurisdictions. Thus, externalities abound. The more numerous and consequential the externalities, the greater society's call for government intervention. Moreover, because service delivery is mandated by law, urban governments must serve locations private firms can shun. In other words, they may have to provide services, no matter how difficult the service conditions that must be overcome, and therefore no matter how great the transaction costs.

After presenting a shirking-monitoring framework, the paper will focus on four strategies that can be pursued toward increased municipal productivity. They reflect Adam Smith's venerable observation that:

Public services are never better performed than when their reward comes only in consequence of their being performed, and is proportional to the diligence employed in performing them.

The following thesis underlies our examination: since at present rewards to municipal employees are only loosely tied to performance, the municipal labor force tends to work below capacity. Such behavior has been referred to

²Ibid., p. 8.

as shirking, and it is not necessarily inefficient and socially undesirable. But today, municipal employees tend to trade off work and leisure in such a manner that the level of shirking is higher than the level which would be efficient. To bring shirking to the efficient level requires relatively high monitoring costs, parts of which are monetary and others intangible. This paper will therefore examine a number of possible strategies to change the institutional setting within which municipal employees work, bargain and receive rewards with the purpose of raising productivity.

One strategy focuses directly on the performance of workers. It will be argued that the better we can measure the performance of individual workers, the more readily we can tie their pay to their performance and thus stimulate efficiency. In the 1980s, rapid innovation in electronics and in information handling will offer great opportunities to monitor and measure the performance of workers. In the light of more widespread monitoring we can consider instruments to formalize the linking of rewards with performance. One such instrument is productivity bargaining, and it will be explored.

A second strategy addresses the performance of managers. Our objective is to induce municipal managers to use efficient production and distribution techniques and effectively monitor their workforce.

There exist two further strategies which, however, work in an indirect manner to increase productivity. One relies on increased competition among service suppliers and, therefore, their employees, whether by contracting out or by disintegration. A further strategy involves changes in the legal environment in which municipal employees work. Good examples of laws that can bear on productivity increases are civil service provisions, residency requirement laws and prevailing wage laws.

A Shirking-Monitoring Framework

In 1966, Harvey Leibenstein pointed to a number of cases in which output increased with no observable change in inputs. He asserted that the change came about because inputs were more efficiently used and he called this phenomenon X-efficiency.³ He went on to argue that gains from eliminating X-inefficiency are likely to exceed those from eliminating allocative inefficiency. Insofar as the labor input is concerned, X-inefficiency can be reduced by causing workers to exert themselves to a fuller extent, i.e., to "shirk" less. As Armen Alchian and Harold Demsetz have pointed out, workers trade off income for leisure (shirking) to achieve an efficient equilibrium. Some shirking is desirable, and the individual worker will choose an amount of shirking in line with incentives and constraints.⁴

Let us assume that a work day (k) can be completely divided between working hours (h) and shirking hours (s) and the worker is paid depending on the number of hours he works, i.e., his weekly money income (I) is the wage rate per hour worked (w) times the number of hours worked per week. In this setting, extending a one-hour task to occupy two hours is considered to be equivalent to shirking one hour.

The single worker faces a budget constraint with slope of $-w$ in Figure 1. His decision to shirk at a specified level, reflects his trading off leisure and income. Let us turn to a team of n workers and assume for expositional simplicity that the product of the team is just the sum of the products of the members working separately, although each one is more

³H. Leibenstein, "Allocative Efficiency Versus X-Efficiency," American Economic Review, 56 (June 1966), pp. 392-415.

⁴A. Alchian and H. Demsetz, "Production, Information Costs, and Economic Organization," American Economic Review, 63 (December 1972), pp. 777-795.

productive than he would be working alone and that all workers are identical. We assume also that it is not possible to measure each individual worker's productivity. Each worker receives $1/n$ of the wages paid to the team. However, the wages paid are assumed to reflect the total number of hours worked by all team members. Each team member bears only a portion of the cost of his own shirking. An individual's wage has two parts -- an essentially fixed component equal to his share of the pay for work done by others plus a variable component equal to his share of the pay for the hours he works.

The following example can illustrate some of the issues: Assume 10 workers form a cooperative with the objective of producing 200 widgets per day. These widgets sell for \$1 each, and the proceeds from the sales are distributed among the workers. Thus, if all workers do what is expected of them, each will take home \$20 per day.

Now, suppose one worker values the time spent producing widgets at \$.90/widget. If he produces, say, only 18 widgets, he will enjoy \$1.80 of leisure he would not have otherwise taken. However, the cooperative's output is only 198 widgets, so that each worker receives only \$19.80 in the absence of monitoring. Thus, the shirker benefits fully from the \$1.80 of leisure he took, but only bears \$.20 of the cost, the rest having been distributed among the other workers. Thus, the purpose of monitoring may be seen as incurring costs in order to either avoid shirking or else to make the shirker bear a fuller share of the costs he incurs.

Figure 1 shows both the perceived budget constraint for worker 1 and the effective (group) budget constraint. Worker 1 will maximize his utility by choosing to shirk s^* hours, where his perceived budget constraint line is tangent to his highest indifference curve, i.e., U_1 . If all team members

could agree costlessly to shirk only a certain amount and agree to distribute team income according to total hours worked, and if enforcement were costless, they would pick an equilibrium where indifference curves were tangent to the effective budget constraint line, increasing each person's utility. All workers would then shirk less and receive more income, with worker 1 choosing s^{**} rather than s^* , and each would be on a higher indifference curve, i.e., U_2 . The larger the team size, n , the less steep is the individual's perceived budget constraint line, moving points of tangency with the given indifference curve to the right and increasing the equilibrium number of hours shirked.

Monitoring workers includes measurement of productivity and apportionment of rewards of a contract. Under perfect monitoring, marginal factor rewards are equal to the factor's marginal productivity, and the slope of the team member's perceived budget constraint becomes identical with that of his effective budget constraint line. If each person were then paid the value of his marginal product per hour times hours worked, an equilibrium with s^{**} hours would result (Fig. 1).

We have assumed so far that, while the output of a team can be monitored perfectly, that of individual members cannot be monitored at all and, thus, that the average team productivity is attributed to each team member. A \$1.00 change in productivity of an individual is associated with a $\$(1/n)$ change in his reward. Thus, the slope of his perceived budget constraint line will be $1/n$ times as steep as the effective constraint line, so that he will choose an equilibrium with s^* hours shirked (Fig. 1). Changes in the degree of effectiveness of the monitoring process can be reflected diagrammatically by changes in the slope of the worker's perceived budget constraint line. The more effective the monitoring of the individual, the more closely will rewards be associated with an individual's actual marginal productivity, i.e., the

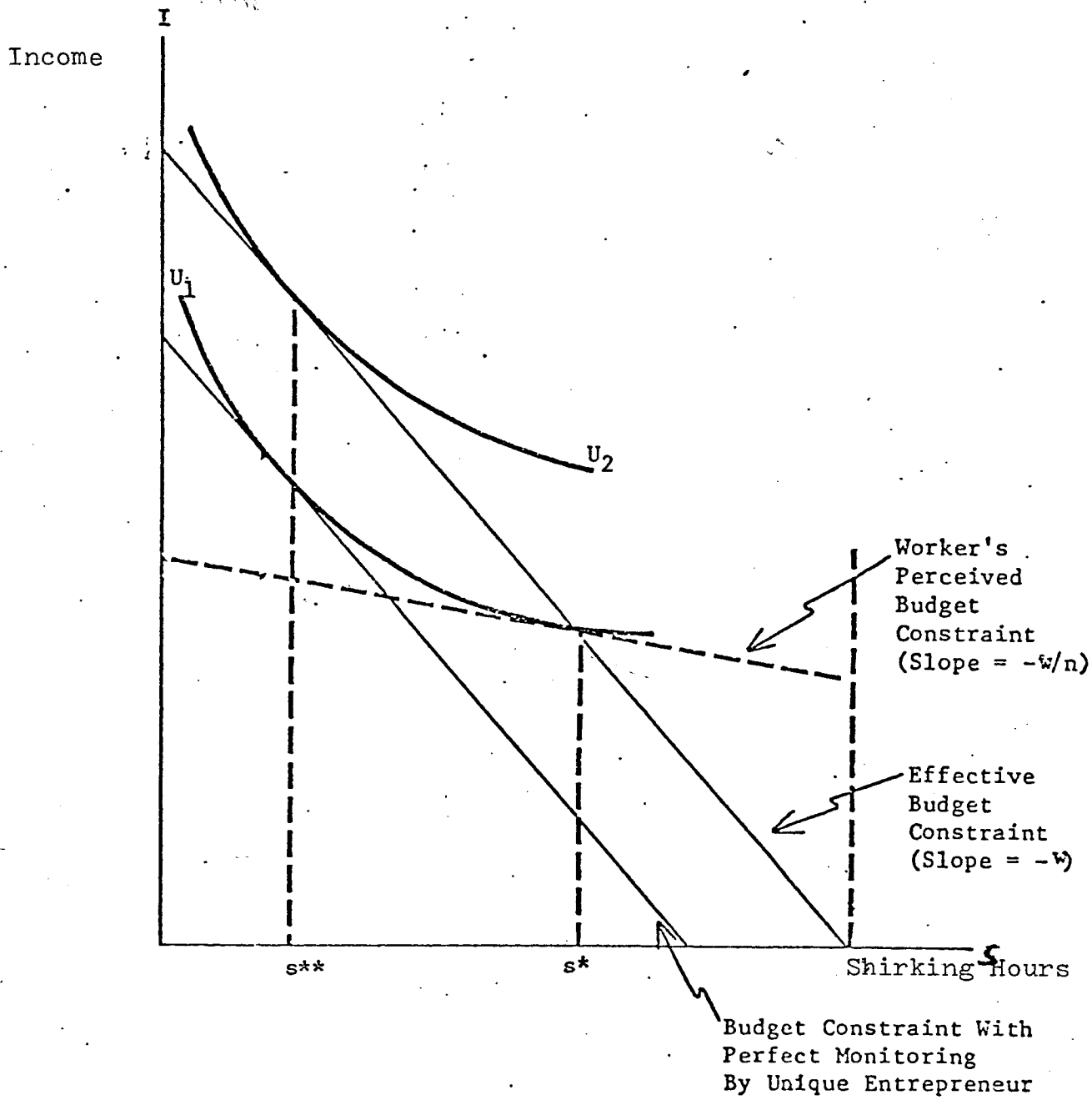


Figure 1

closer will be the slopes of the perceived and effective budget constraint lines. Monitoring of workers, thus, makes a large team appear to be a smaller team in terms of incentives to the individual worker. More monitoring of output leads to an increase in the slope of the perceived budget constraint line, making the worker behave as if he were in a smaller team than is actually the case.⁵

Strategies Directly Focusing on Municipal Workers

When we developed the shirking-monitoring framework, we made a point which deserves repeating -- some shirking, i.e., having some leisure or slack during the working day, is beyond doubt efficient and socially desirable. This in turn will be anticipated in the wage actually paid. The crucial questions are what is the most appropriate shirking level and what are the incentives and constraints which we should impose so as to induce individual workers to move toward socially desirable levels.

It is to the second question that we will apply our shirking-monitoring framework. We will focus on four strategies that can improve the performance of municipal labor. The first strategy counts on society's ability to better monitor and measure the output of workers, and to provide incentives and reward toward greater worker exertion and efficiency. Clearly, performance measures are more readily developed in some (larger blue collar) municipal departments than in others. Where output can be directly measured, as for example in street cleaning, street repair, tree trimming, refuse collection,

⁵For a more detailed exposition of the shirking monitoring framework, see Werner Z. Hirsch and Anthony M. Rufolo, "Shirking, Monitoring Costs and Municipal Labor Productivity," in Economics of Municipal Labor Markets, (Los Angeles: Institute of Industrial Relations, forthcoming).

tax assessment, tax collection, janitorial services, etc., managerial evaluation is not overwhelmingly difficult. Rewards should then seek to reflect the value of the workers' marginal productivity. When workers are rewarded in line with their marginal productivity, the perceived budget constraint line in our shirking-monitoring framework becomes steeper and approaches the effective budget constraint line (see Fig. 1).

In this connection recent great improvements in electronic and computer-based office machines have opened up unique opportunities. They promise to fuel a spurt in white collar productivity, especially in municipal government, for two reasons. Not only will these rapidly breaking technological innovations reduce sharply the cost of monitoring and evaluating employees for a given job assignment, but they will also in general offer great opportunities for using more cost effective methods of performing one or perhaps even more than one task.

The following is an example of how far-reaching the effects of the electronic and computer-based information revolution can be: as computer terminals become less costly, municipal employees engaged in information services may in part work from their homes using computer terminals tied to government offices. Travel time and other work related expenses could thus be eliminated or at least greatly reduced, and government could share in the gains. Or, the government could offer firemen the option to use part of the time they are on call at their fire station to work as electronic data processors. Thus, consoles could be placed in fire stations from which firemen could work, for example, for the office of the Tax Collector, Purchasing Agent, Assessor and Payroll agent. This arrangement could also have a long term salutary side effect. Many cities are heavily burdened by generous retirement programs most of which are largely unfunded. For example,

the Fire and Police Pension System of the City of Los Angeles in 1980 had a \$2.4 billion gap between the system's assets and its projected liabilities, almost twice the City's budget! The City's 1980 contribution to the pension fund was \$117 million which is considerably larger than that year's property tax revenue. What has made pension obligations so onerous is their indexing. However, a number of cities with voter approval have scaled down cost of living adjustments. For example, the City of Los Angeles placed in 1981 a 3% limit on cost of living adjustments to the pensions of newly recruited officers. Thus in our example, it is quite likely that as firemen become accomplished data processors and realize that private firms offer good wages for these skills, many will take early retirement and pursue their new occupation. As a result, the excruciating pension burden of cities should be eased.

Let us turn to the possibility of institutionalizing productivity improvement. Monitoring and performance evaluation can be put to more formal use if management and labor agree to productivity bargaining. In such an arrangement, specific wage and salary increases are based on an agreement by labor to meet certain performance standards. There is merit in labor and management joining forces in developing improved production and distribution methods. With the aid of joint labor-management productivity teams, it is often possible to improve methods for carrying out specified functions and then make sure that both share fairly in the fruits of productivity increases.⁶ Labor benefits can take the form of increased wages, and

⁶The following is an example of the contributions a joint efficiency team might make: most fire departments staff companies uniformly around the clock, although there are great differences in the frequency of alarms and fires during the hours of the day. A study of the city of New York showed that the demand during the early evening peak period is from 4 to 10 times that during

management can gain reduced service costs. Joint efficiency teams could be assisted by a neutral party able to provide additional technical competence. Prior agreements would be reached to ensure the right of public employees to participate in developing and implementing proposals, and to provide a formula for distributing productivity gains. In many cases, no layoffs need result, and the reduced demand for workers could be handled by attrition.

Strategies Focusing on Municipal Managers

Management can enhance the productivity of municipal workers in two major ways -- by selecting and implementing efficient production and distribution methods, and by introducing the monitoring activities which are part of a manager's duty and output. Managers who engage in relatively little shirking make a major effort to carefully monitor their workers, which becomes more feasible in departments with more or less identifiable, quantifiable outputs.

In order to induce managers to exert themselves, we must design and effectively put to use appropriate incentives and reward schemes tied to up-to-date and powerful management evaluation systems.

While management salaries should be closely tied to performance, institutional factors make nonmonetary rewards particularly important for urban government managers. A major reason for this is the fact that salaries of elected officials are low in comparison with those in private industry and can seldom be exceeded by those of appointed managers.

the early morning hours (E.H. Blum, The RAND-New York City Fire Project, (Santa Monica, CA: RAND Corporation, 1968). Over 60% of all fires in New York city in the early 1960s occurred between 2 and 11 p.m. Thus a 2-10 p.m. shift could handle almost 60% of all fire, substantially more than the other two shifts combined. Management alone could not institute such a change to improve productivity, but in cooperation with labor new arrangements might be made.

What are promising incentives for municipal managers? Some relate to professionalization. Specifically, it is important for personnel in the management category to belong to professional organizations and actively participate in their activities. This allows managers to talk to other managers with similar problems and experiences and, more importantly, to compete with their peers throughout the country for professional recognition. Competition can take the form of seeking office in national or state-wide professional organizations as well as presenting professional papers.

No less important can be public and media recognition. Thus, for example, local governments could annually select managers who have exhibited exceptional skill and attained unusual performance levels, to be recognized in public ceremonies.

Horizontal movement of management offers a second important approach. In the past, most management personnel in urban government have been promoted intradepartmentally -- most school superintendents, fire chiefs, police chiefs, and park superintendents have come up through the ranks of the organization they serve. The assumption has been that only those who have been with an organization for a long time know enough about it to be able to manage it. Furthermore, it is often argued that prospects for advancement offer important incentives for people in a given department.

But there are great disadvantages to relying solely on vertical movement of management personnel. Managing in a given department at different levels perpetuates a static, and sometimes outdated, vision. Moreover, friendships are formed and obligations accumulated, all of which can interfere with making tough decisions. But perhaps the most serious shortcoming relates to the length of time that a person holds a given position. The number of management

positions likely to open up in the next few years do not allow frequent moves. As a result, many managers who are allowed to go stale in their jobs thus have a (perverse) incentive to spend much of their time covering up mistakes they made early in their administration. For these reasons, it is useful to transfer management personnel not only upward, but also sideways. This is commonly done in the United Kingdom with its long tradition of appointing broadly educated persons to head up different departments at different times. Except in highly specialized professional areas, the emphasis is on managerial ability rather than knowledge of the subject matter. Thus, this scheme rests on the assumption that it is easier for persons with general managerial ability and experience to acquire knowledge of the area they are to administer, than for persons with great knowledge of a particular subject to acquire managerial ability. The emphasis on horizontal movement of management personnel has a number of implications. For example, in order to be able to have managers with an ability to manage in different departments, it is essential that management classifications be relatively broad and that, therefore, training of managers be general rather than highly specific.

Indirect Strategies that Create Competition

One of the opportunities that is widely discussed today involves steps to provide a more competitive environment for the delivery of urban government services. With this objective in mind, contracting out or privatization is frequently considered. Government elicits bids for providing a service. The resulting competition can reduce monitoring costs, since reliance on the workings of the market reduces the need for monitoring. However, these benefits do not come without costs. In contracting out, the government loses

the ability to monitor inputs; though in some instances, monitoring inputs is the cheapest way to determine output. With trash collection, for example, output can be determined by direct observation; but with public health services, output measurement is difficult, if not impossible. Thus, contracting out for health services is likely to raise monitoring costs, while contracting out for trash services is likely to lower them. In terms of our framework of analysis, contracting out reduces the apparent size of the team by exposing workers to reduced job security and by providing information on the cost that other firms would incur to provide the same service. But contracting out can raise the apparent team size, when it is difficult to determine whether or not the agreed-upon output has actually been provided.

A recent empirical analysis of refuse collection in the City of Minneapolis and 1377 communities in 200 SMSAs, confirm the argument offered above, i.e., that productivity increases result from privatization.⁷ Specifically, the study of 200 SMSAs revealed that for cities of more than 50,000 population, private trash collection in the form of contract collection cost significantly less than municipal collection. The cost per household for municipal collection in these large cities was 29% greater than the corresponding costs of private (contract) collection, on the basis of refuse data in terms of tons, and 37% greater than the corresponding cost of private (contract) collection on the basis of refuse data in terms of cubic yards.⁸

⁷E. S. Savas, "An Empirical Study of Competition in Municipal Service Delivery," Public Administration Review, v. 37 (Nov.-Dec. 1977), pp. 717-24, and "Policy Analysis for Local Government: Public Versus Private Refuse Collection," Policy Analysis, v. 3, #1 (Winter 1977), pp. 1-26.

⁸These results are statistically significant at a 0.01 level of significance.

Contracting out tends to run into strong opposition from labor leaders, particularly leaders of municipal unions who fear a decline in membership. In order to soften this opposition, urban governments can commit themselves to write into contracts with private firms that the latter give city employees right of first refusal at the wage at which the job will be filled. Beyond this assurance, city government might agree to provide jobs for all those who will be laid off because of privatization, though most likely at somewhat lower wages after a retraining effort. In assessing the advantages of contracting out, the costs of such assurances must be added to the price at which the private firm will deliver the service. At least government could place these laid off workers on a priority list.

A further approach takes steps to reduce the existing extent of vertical integration of municipal government, a step which can have effects similar to heightened competition in that it increases the slope of the perceived budget constraint line. For example, government can separate planning and procurement of public services from their production and delivery.⁹ Institutionally, this would mean altering the responsibilities of top officials in major municipal departments from producing outputs to procuring services produced by others. This rearrangement would increase competition within municipal government, which could be further increased if the variety of services to be procured by a single consuming agency were broadened to involve more than one producer. The producers could offer services that are seen as essentially different from the producers' viewpoint, but closely

⁹For example, a large urban school district could be separated into a planning and procurement agency, and a number of agencies for which it might purchase various services. The planning and procurement agency could influence the public school system's behavior by, for instance, proposing to solicit service bids from public and private bodies.

related from the consumers' viewpoint. If several such activities were placed under a single procurement agent, it could stimulate less shirking and more efficient resource use by shifting resources to that producer who most efficiently serves some relevant consumer demand. This strategy would also help reduce the incentives for agencies to spend all their funds in order to assure that budgets will not be cut in the next year due to insufficient "need".

Changing The Legal Environment

Over the years, municipal labor markets have been regulated by a variety of laws, and some of these may have contributed to inefficiency. One law provides municipal workers with great job security and virtually automatic merit awards. I have in mind civil service provisions which have their origin in the turn of the century, when a reform movement sought to protect public employees against excessive political influence.

Civil service provisions generally interfere with the imposition of penalties for shirking and, by specifying seniority raises and promotions, they prevent managers from granting rewards for productive behavior.¹⁰ More emphasis on merit and less on seniority in determining promotions would lower monitoring costs by tying awards more closely to effort. Under a system based on seniority promotions, income is essentially independent of team or worker

¹⁰In Chicago, major institutional revamping has recently taken place: civil service boards have been abolished, and hiring, firing and promoting have been switched back to elected officials. Moreover, Chicago has streamlined procedures for disciplining, hiring and promoting employees and brought them more in line with private industry. It increased the probationary period for newly hired workers from 6 to 12 months, allowed the city to reduce the number of job classifications, and revamped pay policies to reward performance. (Wall Street Journal, September 22, 1975, pp. 1 and 12).

productivity. Any efforts to raise productivity must take into consideration the fact that workers are worse off both when they lose job security and when they are monitored more closely. Thus their compensation should rise somewhat if the workers are to be kept at the same level of utility. As long as the worker's perceived budget constraint is harmonized with his actual productivity, the increased productivity tends to outweigh the increased compensation needed to leave the worker at the same utility level.

Also procedures to implement discipline under civil service protection could be improved. A California manager is quoted to have said recently, "The merit system and collective bargaining law combine to make it almost impossible to fire anyone...It may be easier to ignore him and have his share of the work done by someone else."¹¹ To remedy this state of affairs, which certainly was never contemplated by the reform movement that instituted civil service protection, three procedural steps could be taken. First procedures could be streamlined so adverse action can be taken against municipal employees who perform poorly by forcing managers to show "substantial evidence" rather than the present commonly required "preponderance of evidence" to prove a case. Second, the unbelievably cumbersome appeals process could be streamlined. For example, in California an employee is entitled to an evidentiary hearing, which in case of an adverse decision can be followed by a rehearing, which in turn can then be appealed through the courts. A reasonable change would eliminate automatic hearings for employees appealing minor disciplinary actions. Third, disciplinary procedures for minor adverse actions could be made subject to collective bargaining under the

¹¹California Assembly Office of Research, Government Operations Review: Personnel, (Sacramento, March 1982, p. 103).

State Employer-Employee Relations Act.

Consideration should also be given to the possible repeal of prevailing wage laws, which became so common in the 1960s and 1970s. Prevailing wage laws, whether in the form of charter provisions or ordinances, mandate that government either pay or consider paying wages at least equal to those in private employment. Such laws can bias wage-setting procedures upward by setting the average wage as a floor, and in some cases by allowing the average increase in the private sector to be treated as the minimum increase for the public sector. An empirical study of a selected number of municipal labor markets tested the hypothesis that prevailing wage laws have a significant effect on municipal wages if compared to private firms.¹² The study covered 25 large U.S. cities over the 1978-79 period and 39 cities for 1970-73. Using multiple regression techniques, the presence of a prevailing wage law proved to have pushed wages up significantly.

Next we will turn to residency requirement laws which demand that, as a condition of employment, public employees reside in the city or county in which they work. Such laws have two effects which may offset one another. First, they restrict the pool of potential workers which, with an upward-sloping supply curve, should increase wages. This is a supply effect. A second effect, however, may bring productivity increases from workers' personal commitment to the welfare of the area in which they reside. This externality effect can be placed into a shirking-monitoring framework. Accordingly, municipal employees who serve the community in which they and their families live have strong incentives to exert themselves and work at a

¹²Werner Z. Hirsch and Anthony M. Rufolo, "Effects of Prevailing Wage and Residency Laws on Municipal Government Wages," Journal of Urban Economics (forthcoming).

shirking level well below that which they would otherwise choose.

Clearly, this personal concern for the welfare of a municipality by its employees is likely to be more significant in small communities. In very large ones, no single public employee is likely to have a major effect on the quality, efficiency and continuity of public services. But it is in exactly these small jurisdictions that the potentially positive effect of residency laws, i.e., lower shirking levels, is likely to be more than offset by the supply side effect. Specifically, in a small jurisdiction, by restricting employment to its residents, the supply of potential municipal workers is greatly curtailed. For any given demand, this will mean a shift of the supply function to the left and higher wage levels. However, the personal interest effect may result in a real wage fund offset as productivity rises. However, in large jurisdictions the supply effect is not as likely to be offset by increased productivity of the resident employee.

Finally, we will mention a potentially far-reaching legal development. The courts have recently taken a step that could reduce monitoring costs in the public sector sharply. In 1976, the United States District Court of Northern California ruled -- and its decision has since been upheld on appeal -- that postal employees are legally liable for failure to deliver the mail properly.¹³ To the extent this ruling is precedent setting, it can provide new legal incentives which reduce monitoring costs. Of course, such changes also have their negative effects. If workers in a particular job can be sued for not performing their jobs properly, risk-averse workers would exit this particular labor market. Consequently, there may be a reduced supply of

¹³Sportique Fashions v. William Sullivan, United States District Court, Northern District of California, 1976. The trial court ruling was upheld by the 9th Circuit Court of Appeals on March 21, 1979 (docket #76-3264).

workers and this result would drive up wages. The costs and benefits of such changes have to be weighed, but there seems to be no reason to assume that the current situation is optimal.

Some Concluding Thoughts

Regardless of whether the strategies proposed here have merit, past experience would suggest that chances for their adoption are slim. Past failures to make changes have perhaps been caused not so much by the nature of the proposals for change than by a neglect of, or at least insufficient attention to, the process of implementation. Thus, I would like to suggest also some tactics that might be pursued to implement some of the proposed strategies.

All change is painful and efforts to alter the governance and operation of municipal governments always run into strong opposition. The present serious financial crisis of many urban governments can, however, have a silver lining in that the prospect of great fiscal difficulties can offer city officials unique opportunities. The reduced job security will make income more dependent on worker or team productivity. For example, as soon as a municipal government realizes that it will face serious revenue shortfalls, whether because of the revenue limitation movement or federal retrenchment, or both, elected officials may want to reaffirm their total commitment to providing employees the kind of wages, fringe benefits and working conditions that will attract and retain an able and committed labor force. Having committed themselves to decent remuneration, it becomes clear that for the sake of meeting this commitment at a time of fiscal retrenchment, a reduction in the work force will become a necessity. The city council may even spell out by how much it expects to reduce the work force during the next 2-3 years.

In view of these two statements, it now becomes possible to negotiate arrangements for contracting out services, with municipal unions since this arrangement for a reduction of the municipal labor force is less distasteful to the unions than outright dismissals. Moreover, in an environment in which labor and management have a common stake in making the limited public funds go the maximum distance, productivity bargaining is likely to be initiated and some modifications of civil service rules can be considered. Furthermore, in such an environment joint labor-management teams can be set up, as well as city-wide productivity managers committees and citizens' productivity advisory commissions. Whereas managers committees should be composed of departmental managers, commissions should be composed of productivity experts from the private sector and academia as well as former government officials. They can work with departments, for example, to develop productivity improvement projects, assure use of engineered work standards, establish productivity improvement reporting systems to record progress, identify criteria for departments to use in selecting effective productivity improvement projects and setting priorities for them as well as sponsor project management training for all productivity managers and others responsible for implementing projects.