

Privatization And The Defense Worker's Opposition

Sometimes Privatization is a Good Idea...
and Sometimes It's Not

J. MICHAEL BROWER

"Unto every one that hath shall be given, and he shall have abundance; but from him that hath not shall be taken away even that which he hath."

—Matthew 25:29

The well-known "Matthew Effect" has no more ready application than the move toward "privatization" currently in vogue at the Department of Defense. Defense workers and their political representatives fear the tumbrels of downsizing rumbling through the streets of the nation's military depots, heavily laden with formerly good-paying jobs. They fear losing even that little they retain after over six years of constrained budgets.

A key litmus test on privatization is being conducted that will determine the fates of many public and private defense workers. The "60-40" rule under criticism by reformers requires the Pentagon to spend 60 percent of maintenance funds through government sources, with 40 percent going to contractors. The Defense Department's budget for depot maintenance hovers around \$13 billion, with over \$4 billion already slotted for the private sector. Jesse Salcedo, president of the American Federation of Government Employees, warns that unrestrained commercialization will allow

privateers to "rip off the taxpayer" and then move jobs to areas with lower labor costs.

A harsh genre of social selection accompanies the intuitively logical push to privatize government activities. So commonly accepted is it that enterprise is always more economical than government, the privatization impetus is virtually axiomatic. In the case of available depot work, for-profit companies which already possess much will benefit synergistically from the redistribution of the 60-40 split. As the government is sidelined as a viable competitor, the contractor becomes the only game in town. Monopolistically, money will follow money, which could hurl defense workers of all stripes toward a future characterized by temporary work, less pay, forced mobility, and reduced job security. While harboring only the best fiscal intentions, the Defense Department's privatizers laud across-the-board outsourcing and thereby endanger America's military workers who are already countenancing severe government and corporate downsizing. What must be maintained to protect all labor is a balance of power between the private and public sectors.

Privatize! The Bigger Picture

While cuts in service personnel are 90 percent behind us, "downsizing," together with its handmaidens — "privatization" and outsourcing — continue apace. Robert L. Meyer, director of Housing Revitalization and Support, a new DoD agency, is overseeing a move to contract-out housing beginning with test

sites in Corpus Christi, Texas, and Everett, Washington. Soon the experiment will spread to the large Navy family population at Hampton Roads, Virginia. In addition, child care, according to the *European Stars and Stripes* of April 14, will also be the target of increased outsourcing since only "52 percent of the demand for child care" is being met by the Services."

This compulsion toward commercialization may bode bad days for those last quarters of organized labor. We must remember that one of the biggest incentives to out-source has to do with lower labor prices that private concerns can fetch compared to federal, state, or local government. Take, for instance, the recent move in Texas to privatize two Houston golf courses. The city's Public Works and Engineering Department attempted to show that it would make \$3.3 million by managing the Brock and Sharpstown courses, while private industry would raise only \$2.9 million. *Privatization Business*, a McGraw-Hill publication, reports that the main argument the private contractor used to contest Houston Mayor Bob Lanier's decision to block commercialization centered around "personnel costs," also known as "overhead." A councilman supportive of the privatization effort stated that "if you reduce the salaries" of employees and use temporary and part-time workers, privatization is justifiable to the taxpayer. But what are they saying here? While attempting to give a better deal to the "taxpayer," we are making good-paying, middle class, tax-base-creating jobs

Brower is an analyst in the Luevano Outstanding Scholar Program with the Office of the Administrative Assistant to the Secretary of the Army.

a rarity. We are encouraging illegal immigration precisely at a time when we are trying to give the taxpayer relief on over-burdened social services. The same scenario is being played out in some cases within the military community.

With Workers In Mind

Nearly one in three employed persons in the United States relies on government for their paychecks. To correctly assess the human impact of the arguments of well-meaning privatizers, this fact must be borne constantly in mind.

Many in Congress stand against "wholesale" privatization, which they define as work the government should not be performing. In the April edition of *Armed Forces Journal International*, Representative Glenn Browder (D-Ala.), co-chairman of the House Depot Caucus and member of the House National Security Committee, explained why. Browder stated that he was unabashedly "serving my constituency well," by withholding his blessing for *carte blanche* commercialization. According to *Defense News* (April 8-14), Browder joined Representative James Hansen, (R-Utah) in opposing new propositions from DoD to adjust downward the 60-percent share of depot work going to public employees. Browder, like Hansen and Norman Sisisky (D-Va.), also members of the House National Security Committee, emphasize the need to retain a trained, reliable "core" workforce, which owes allegiance to the government not corporate executives. Their actions seek to ensure taxpayers really do get a better deal during the outsourcing revolution, and protect defense workers. "Sometimes it makes sense; sometimes it doesn't," reflects Sisisky when considering the track record of base closings and privatization. Sisisky stated in *The Virginia Pilot* of April 1, that "what happened to Norfolk Naval Shipyard in 1993 [is] a great case study of what happens when privatization threatens to go too far."

Privatization: A Bridge Too Far?

Privatization is not isolated to DoD. State, county, and local governments are doing it too. So are countries the world over.



While harboring only the best fiscal intentions, the Defense Department's privatizers laud across-the-board outsourcing and thereby endanger America's military workers who are already countenancing severe government and corporate downsizing.

The Russian Duma is wrestling over land privatization and land rights; Latvia has placed two major state enterprises on its privatization hit list of over 240 targets; Poland is privatizing its most profitable firm, KGHM (copper mining), and Brazil is experimenting with privatizing a large public bank. From Egypt to Canada, outsourcing candidates are being seriously considered by government. In the D.C. area, the University of Maryland is contemplating the privatization of its utility operations while Mayor Marion Barry has outlined over 30 privatization initiatives for fiscal year 1997 in an effort to control the District's burgeoning budget deficit.

March and April 1996 saw the publication of four new reports issued by DoD which came under scrutiny by lawmakers. The Defense Science Board Task Force on Privatization and Outsourcing recommended that nearly all activities except warfighting be open to private bidding. "Depot-Level Maintenance and Repair Workload" makes the case for replacing Section 2466 of Title 10, U.S.C. A call for more outsourcing is also contained in "Policy Regarding Performance of Depot-Level Maintenance and Repair," from Deputy Defense Under Secretary for Logistics John Phillips. And "Improving the Combat Edge Through Outsourcing," released by acting Assistant Secretary for Economic Security John Goodman, highlights "the operations of our nation's most successful companies" as a point of departure in advocating for "outsourcing and competition."

But while the anti-government impulse is strong, privatization doesn't always work. The Department of Energy's first large effort to privatize cleanup in Idaho is not going well. And the nation's boldest move to out-source Washington State's highway system is stalled with billions of dollars at stake. On June 4, 1996, striking machinists at McDonnell Douglas cited outsourcing as their main sticking point – the use of subcontractors and nonunion workers affects private industry as well as the government.

Excess Privatization

In a *St. Louis Post-Dispatch* article by Harry Levins, "Army Means Business; Business, Just Mean" (March 25), we find that outsourcing means making employees more vulnerable to the "excesses of the marketplace." Levins laments executive salaries *vis-a-vis* the more modest compensations afforded the majority of government workers and reminds us that "in the corporate world, executives who march their employees off a cliff get rich." Levins asks a poignant question, "When the last American worker loses his job, who will be able to buy whatever AT&T is selling?"

Former Assistant Secretary of Defense Lawrence Korb, now at the Brookings Institute in Washington, D.C., believes that privatizing "from a taxpayer's point of view and efficiency point of view...makes a great deal of sense." But Wallace Thies, a professor of politics at Catholic University, believes that savings generated from outsourcing are sometimes illusory and points to certain base closures, such as Carswell Air Force Base in Texas, which is now run by the Navy at a cost of nearly \$200 million per year after an equal cost from renovation projects.

The New, Balanced Course

The destruction of the American union has been well documented for all but the obstinately blind to see. Now the security that existed as a result of the com-

petition between public and private sector defense workers is on the wane as "efficiency" is realizable "only" through privatization. The DoD's privatization plan states its goal as "divestiture of virtually all DoD organic depot-level facilities and equipment and movement of all workloads and federal employees to the private sector." Both worker security and national security could be adversely affected by unbridled privatization.

In private industry, with an upsurge in the economy, a firm can hire more workers, and with a lull in demand, lay them off. Workers – and most importantly the *steady paychecks* they spend right on the economy – are protected better in government. Today, both military and civilian employees face the prospect of more work with constant or diminishing resources. Private companies have more flexibility both in terms of borrowing to capitalize on increased demand and in exploiting a skilled reserve labor army – one ever-growing due to automation, quickly employed, and just as quickly let go. As Jeremy Rifkin wrote in *The End of Work* (1995), this is the seminal problem of our age.

Without searching for the yearbook answer, it seems evident that sometimes privatization is a good idea, and sometimes it's not. And if our military past is prologue, we'll require a core of seasoned, dependable government workers who will be less susceptible to the changing

but powerful trade winds blowing in private industry in the midst of universal downsizing. We need these public workers for our national defense. Privatization can also spell the hard times for the very people we rely upon to buy the products and services we all justifiably demand to receive at low costs.

Senator Inhofe of Oklahoma and Representative Hansen, both influential in their respective military affairs committees, have stated that the Clinton Administration's selective endorsement of "privatization in-place" is done for political gain and not for savings' sake (*Washington Times*, April 16). But such arguments barely warrant attention when the first criteria for the long term must be: What is the effect of this policy decision on the worker! The impulse to out-source and privatize in order to save the taxpayer money is a noble goal. But when the majority of taxpayers are the very workers injured in the process, caution and case-by-case consideration is prudent. The trump card held today by the defense worker – public and private – is the vote. And while it may be their only card, it may be all they need.

Editor's Note: Brower welcomes comments concerning this article. He may be contacted as follows:

Internet: browejm@hqda.army.mil
Commercial: (703) 695-2902/3565
Telefax: (703) 614-5520

DSMC KEY PHONE INDEX

Office of the Commandant	(703) 805-3360	Eastern Region	(617) 377-3583
Office of the Provost/Deputy Commandant	(703) 805-3408	DSN: 478-3583	
Executive Institute	(703) 805-4857	Fax: (617) 377-7090	
Faculty Division	(703) 805-2764	Southern Region	(205) 876-2753
Research, Consulting and Information Division	(703) 805-2525	DSN: 746-2730	
School of Program Management Division	(703) 805-5173	Fax: (205) 876-7268	
Division of College Administration and Services	(703) 805-5182	Central Region	(314) 263-1142
Academic Programs Division	(703) 805-5146	DSN: 693-1142	
Human Resources	(703) 805-3363	Fax: (314) 263-1719	
Office of the Registrar	(703) 805-2227	Western Region	(310) 363-1159
DSMC Press	(703) 805-3364	DSN: 833-1159	
DSMC FAX	(703) 805-3185/3857	Fax: (310) 363-5992	

NOTE: Defense Switched Network (DSN) prefix is 655 for numbers listed above.