

**HAS OUTSOURCING/CONTRACTING OUT SAVED MONEY
AND/OR IMPROVED SERVICE QUALITY?**

A VOTE COUNTING-ANALYSIS

by

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(ABSTRACT)

Most privatization literature, of which outsourcing/contracting out is a sub-set, discusses: 1) localized anecdotes of how organizations privatized; 2) privatization's history; 3) its types; and/or 4) its pros and cons. What is missing is a methodologically defensible, comprehensive, macro-view of whether or not outsourcing has saved money and/or improved service quality. Using the vote-counting analytical procedure, this dissertation provides one comprehensive view by analyzing and combining the findings of 40 sources covering 222 outsourced services at all levels of US government.

The author found that contracting out resulted in cost savings 79% of the time, but improved service quality only 48% of the time. The author also found that outsourcing savings and improved service quality declined as the level of government got smaller. This phenomenon could be an artifact of the federal requirement that a private contractor must show savings of at least 10% or \$10 million before any outsourcing occurs. The lower levels of improved service can generally be explained by surveys which show that government managers treat service quality improvement as an afterthought.

The findings of this study are consistent with other authors (e.g., Hodge, Savas, Dehoog, Moore) and led the author to the following insights: 1) Outsourcing continues to grow. 2) The amount of evidence regarding outsourcing effectiveness is minimal, confusing, and highly subjective. 3) Outsourcing saves money, but at the expense of quality or at least without improving it. 4) Contracting out can be a solution, but is not the only solution to government funding and service quality shortfalls. 5) Successful outsourcing has been implemented in certain ways. 6) Outsourcing does not spell the end of public administration.

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