

Contracts as  
Reinvented  
Institutions in the  
Public Sector:  
A Cross-Cultural  
Comparison



Contracts as  
Reinvented  
Institutions in the  
Public Sector:  
A Cross-Cultural  
Comparison

Carsten Greve and Niels Ejersbo

---

PRAEGER

Westport, Connecticut  
London

**Library of Congress Cataloging-in-Publication Data**

Greve, Carsten.

Contracts as reinvented institutions in the public sector : a cross-cultural comparison / Carsten Greve and Niels Ejersbo.

p. cm.

Includes bibliographical references and index.

ISBN 1-56720-528-3 (alk. paper)

1. Public contracts. 2. Public contracts—Cross-cultural studies. 3. Contracting out.  
4. Contracting out—Cross-cultural studies. I. Ejersbo, Niels. II. Title.

HD3860.G74 2005

352.5'3—dc22

2004011895

British Library Cataloguing in Publication Data is available.

Copyright © 2005 by Carsten Greve and Niels Ejersbo

All rights reserved. No portion of this book may be reproduced, by any process or technique, without the express written consent of the publisher.

Library of Congress Catalog Card Number: 2004011895

ISBN: 1-56720-528-3

First published in 2005

Praeger Publishers, 88 Post Road West, Westport, CT 06881

An imprint of Greenwood Publishing Group, Inc.

[www.praeger.com](http://www.praeger.com)

Printed in the United States of America



The paper used in this book complies with the Permanent Paper Standard issued by the National Information Standards Organization (Z39.48-1984).

10 9 8 7 6 5 4 3 2 1

# Contents

Tables and Figures	vii
Preface and Acknowledgments	ix
1 Introduction: Contracting on the Policy Agenda	1
2 Theories of Contracts	15
3 Contractual Governance	31
4 Policy Change and Learning in Contracting Out	45
5 Contractual Governance in the United States and Scandinavia	61
6 Case Studies of Contractual Governance: Dane County, Wisconsin, and Odense, Denmark	87
7 Performance-Based Contracting in Local Government	101
8 When Contractual Governance Fails	115
9 Conclusion: Contractual Governance in a Cross-Cultural Perspective	129
Bibliography	141
Index	147



# Tables and Figures

## TABLES

2.1	Hard and Soft Contracts	20
2.2	Behavioral Assumptions in Contracting	21
4.1	Issues in the Policy Debate on Contracting Out Public Services in 1995–2000	50
4.2	Groups of Actors in the Policy Debate on Contracting Out	51
4.3	Public Services Mentioned in the Contracting Out Policy Debate	52
4.4	Types of Technical Information on Contracting Out	53
4.5	Profile of the Policy Debate: Number of Articles	54
4.6	Profile of the Policy Debate: Participation Percentages from Different Coalitions	54
4.7	The Coalitions' Attitudes toward Contracting Out	54
6.1	Contracting Out in Dane County, Wisconsin, and Odense, Denmark	98
7.1	The Relationship between the Size of the Local Government and the Use of Internal Contracting (in percentages)	106
7.2	The Correlation between Use of Management Tools and Internal Contracting (in percentages)	107
7.3	The Correlation between Formulation of Objectives and Internal Contracting (in percentages)	107

7.4 Motives for Internal Contracting	108
7.5 The Use of Internal Contracting by Area (in percentages)	109
7.6 Who Influences the Specifications and Demands Put into the Contract?	111
7.7 What Characterizes the Content of the Contract?	111
9.1 The Contractual Governance Model Revisited	134
9.2 Contractual Governance in a Cross-Cultural Perspective	136
9.3 The Contract Culture in the United States and Scandinavia	136

## **FIGURES**

3.1 Analyzing the Process of Contracting	34
7.1 Introduction of Internal Contracting, by Year	105

# Preface and Acknowledgments

Contracting has become a worldwide phenomenon. We wanted to write a book about how contracting is practiced and understood in different parts of the world. This book is the central publication from our four-year research project on “the public sector on contract.” Studying it from a public governance and management perspective has been an immensely interesting and satisfying process.

We deliberately chose the term “contracting” instead of “privatization” or “contracting out.” Both those terms have come to mean so much to so many people. Instead we wanted to look at the contracting process and the institutions that surround that process. Contracting, in our understanding, involves both contracting inside the public sector and contracting between public purchasers and private providers of public services. Understanding the contracting process in two different institutional settings such as the United States and Scandinavia has been a huge challenge to us. Whether the effort brings new insights to the contracting process is up to you, the readers, to decide.

Several of the book’s chapters have been presented as papers for scientific conferences around the world. We have presented our work at conferences by the European Group of Public Administration (EGPA), the International Research Symposium on Public Management (IRSPM), and the American Society for Public Administration (ASPA)

and at the Nordic Local Government Research Conference and would like to thank all participants in our sessions for their comments and criticisms.

In writing this book we have incurred many debts, and we will try to extend our thanks to the people and organizations that helped make the book and the research project come to life. We would like to thank Lawrence Martin, Gavin Drewry, Thierry Tanqurel, Karin Bryntse, Graeme Hodge, Seok Hwan Lee and Oliver James, who helped with suggestions and comments in various ways, Donald F. Kettl for providing an opportunity for a research stay at the University of Wisconsin-Madison, Local Government Denmark ("Kommunernes Landsforening") for cooperation on the survey of Danish local governments, the people we interviewed in Madison, Wisconsin, and Odense, Denmark, our research assistants Mette Bjørn-Andersen, Mette Fogh, and Katrine Pondal, the students from our graduate courses on contracts in the public sector, colleagues at the University of Southern Denmark and University of Copenhagen, and the Danish Social Science Research Council for providing the research grant in 2000.

Praeger has been supportive and incredibly patient with us all the way through: Hillary Claggett, who took on the project; Nick Phillipson, who continued the process; his assistant Brien McDonald; and everybody else at Praeger who has helped with the manuscript.

Finally, we want to extend our deepest and heartfelt thanks to both our families, who were there for us all the time. You wondered what your husbands and daddies were working on long way from home at conferences in faraway places, and this book is the answer. Thanks for all your patience and support.

Niels Ejersbo and Carsten Greve

# Introduction: Contracting on the Policy Agenda

Contracting can be understood as “the design and implementation of contractual relations between purchasers and suppliers” (Domberger 1998, 12). A contract can be defined as “an agreement between two or more persons intended to create a legal obligation between them and to be legally enforceable” (Drewry 2000, 257). “Contracting out will be used to refer to a situation where publicly funded services are purchased from private organizations” (Boston 1995, 82). “To hire an external organization to provide goods or services rather than provide it in-house” (Domberger 1998, 210). “Privatization is the transfer of assets and/or service functions from public to private hands. It includes therefore activities that range from selling State Owned Enterprises to contracting out public services with private contractors” (Hodge 2000, 14, quoting from Leiberman 1993).

In recent years contracting has been used both within the limits of the public sector and between a public purchaser and a private provider. When a public purchaser buys a product or a service from a private provider, the matter is referred to as “contracting out.” In recent years, public sector organizations have also taken up contracts as governing and management tools to boost their own performances. When a public body “buys” a product or a service in-house from a public body provider, we refer to the matter as “performance contracting” (also known in some places as “internal contracting,” as opposed to “external contracting”). A performance contract within the borders of the public sector will typically not create any legal obligation.

In today's public sector contracting has caught on as a governance mechanism for sharing power between the public and the private sectors (Kettl 1993). Behn and Kant (1999, 479) note that "contracting out is in. All sorts of governments are contracting for all kinds of goods and services." Contracting for public services is part of a wider privatization movement that has swept the world during the last twenty-five years (Savas 2000). Contracting has been an integrated part of the New Public Management movement that has influenced public sector reform in most OECD countries (Hood 1991; Fortin and van Hassel, eds., 2000). Privatization is a term that also encompasses the sale of government enterprises, voucher schemes, and other measures. In this book, we will use the term *contracting*, as specified above, instead of the wider term "privatization."

Contracting out is also going on in the private sector, where it is more commonly known as "outsourcing," but the decision of whether "to make or buy" is essentially the same (Domberger 1998). The private sector has been outsourcing its IT-functions for a long time, and other support services have followed. Organizations, public or private, are told to concentrate on their core services.

Contracting is not just taking place at the fringes of government, but touching almost every aspect of government. Contracting takes place between different levels of government. A government department can sign a performance contract with a government agency. The British Next Steps agencies (James 1995) have been copied throughout the world (Greve 2000). These are special purpose organizations in the U.K. central government that have a framework agreement where specific performance targets are set. Contracting takes places between different sectors. Departments and agencies can also make contracts within themselves so that sub-units or offices are governed by contracts. Governments contract with private for-profit providers and nonprofit providers for the delivery of public services. Contracting takes places between governments and citizens, a trend currently sweeping through the public sectors in Scandinavia. Local governments sign contracts with citizens in order for them to receive welfare benefits. Contracting takes place in various policy areas. Traditionally, contracting has been used for "technical" services like snow removal, building and construction work, cleaning, and road maintenance. In recent years, the trend has been to contract for human services as well (DeHoog 1984; Johnson & Waltzer, eds. 2000; Romzek and Johnston 2002).

## **CONTRACTING AS A BREAK WITH HIERARCHY? DEFINING CONTRACTUAL GOVERNANCE**

Contracting is seen by many as a break with a hierarchical mode of governance and a trend toward an interorganizational network mode of

governance (Milward and Provan 1993, 2000). Contracting creates new types of relationships between organizations in the public sector and in the private sector. In order to function in this new relationship, governments must learn how to be “smart buyers” that can enable and manage an array of providers in networks (Kettl 1993). When governments contract extensively with private for-profit and/or nonprofit providers, the government risks being “hollowed out” (Milward and Provan 1993), but it also has the opportunity to become an “enabling” government (Walsh 1995). Contracting raises new demands for public managers, as they must manage contracts and providers in addition to managing and motivating their own staff and mastering their own resources. The result is a mode of governance that differs from the traditional governmental model associated with Wilson and Weber’s focus on hierarchy and order. In this book, we use the term “contractual governance” to cover the mode of governance that occurs when the public provider buys services and products from providers through a contractual agreement. As we shall see later, contractual governance implies three steps for governments (Kettl 1993). First, the governments must find out “what to buy.” This involves the creation of performance targets and indicators. Next, the governments must find out “whom to buy from.” This means that the governments must scan the market to find suitable providers. If there are no available providers, the governments must consider if they have the capacity to create new markets. Third, the governments must find out “what has been bought.” This involves monitoring, evaluating, and controlling to see that the output is consistent with the performance measures set out in the contract.

## GLOBAL CONTRACTING

Contracting is not a mode of governance that is confined to a few countries. As part of the wider privatization movement, contracting has been taking place on a global scale (Hodge 2000). In this section, we briefly consider the main experiences. In the United States, contracting has been known for a long time. As Kettl (1993) remarked, almost all types of services have been contracted out somewhere in the world. Contracting picked up in the United States in the early 1970s. E. S. Savas (2000), an early proponent, claims almost to have originated the practice with his proposal to contract out snow plowing in New York City. According to Savas, the term “privatization” was coined by management guru Peter Drucker in the 1960s. In the United States, contracting takes place in the federal government through the implementation of circular A-76. President George W. Bush has put contracting on the top of his management agenda, although some contracting schemes have been reconsidered as a

result of the 9-11 terror attacks. The Aviation and Transportation Security Act, signed by the president, states that airport security is the responsibility of government employees and cannot be contracted out to private firms. At the local level, contracting has been a trend throughout the 1990s in U.S. local governments, where more and more services were contracted out to private companies and nonprofit organizations (Martin ICMA 1999; Johnson and Waltzer 2000). Contracting is also a long-time feature in Britain, where former prime minister Margaret Thatcher initiated the policy in the 1980s. Britain introduced its compulsory competitive tendering scheme under the Thatcher government. When the Blair government came to power, the compulsory competitive tendering was superseded by a new scheme called "Best Value" (Vincent-Jones 1999). Contracting out through competitive tendering was no longer compulsory, but local governments were encouraged to put their services out to a public tender. The Best Value scheme gave local governments tools to pursue the policy actively. The latest information from Britain shows that Best Value has not lived up to its intentions, and the Blair government is considering how to reintroduce a tougher stance to induce local governments to increase contracting out.

Perhaps the most widely quoted examples are from Australia and New Zealand, where contracting out has been a feature of the New Public Management movement since the 1980s (Domberger and Hall 1996). By now, both countries have a rich experience of contracting for public services. Although their various governments have pushed contracting relentlessly, the evidence is still mixed at best (Boston 1999). Contracting has put performance measurement on the map and helped governments get their priorities in order, but it has not solved all their problems. There are still problems with finding professional providers in certain policy areas, and there are still problems in getting agents to do what their principals tell them. In Europe, contracting has been a dominant feature in many governments and local governments (Wegener 1998; Bryntse 2000; Almquist 2001). Contracting is used both as contracting out and as performance contracting in Europe, as we shall see later.

## **DOES CONTRACTING INFLUENCE PERFORMANCE?**

A long-standing debate in the literature on contracting is whether contracting influences performance. While we do not want to explore that question in this book, a brief comment on the debate may put the discussions in this book into proper context. One of the chief aims of contracting out is to influence performance and to get a better output. Perhaps the most-cited reason for contracting public services is to reduce costs and to spare the taxpayers money. Proponents of contracting out have consis-

tently argued that contracting out produces savings of around 20 percent. Leading privatization author E. S. Savas (2000) quotes the 20 percent in his seminal work on privatization. Domberger (1998) refers to an early study he conducted in the 1980s of garbage collection in the United Kingdom. In this study, Domberger and his colleague found savings of around 20 percent. Other studies have been more skeptical. Boyne (1998) has examined service improvement and cost savings in local governments in the United States. He found little evidence for the 20 percent savings claim and calls the evidence sketchy at best.

Australian professor Graeme Hodge (2000) has made the most thorough study of contracting out. Hodge has conducted a meta-analysis of all empirical studies in the English language of contracting out. Hodge finds that the "20%" rule of thumb so often mentioned in contracting out discussions comes from the aforementioned study by Domberger and colleague in the 1980s. That figure has been propelled into folk wisdom, without much critical examination. Hodge's own studies show a more sophisticated result. He finds that cost savings are connected to contracting out, but they are less than the acclaimed 20 percent. If you look for an average figure, it lies between 7 percent and 12 percent, but an average figure is difficult to obtain because studies vary a great deal from policy area to policy area. Most savings are connected to cleaning and garbage collection, which is also where most of the studies have been conducted. Another well-examined policy area is education. U.S. and U.K. studies are overrepresented in Hodge's material, whose data dates back to the 1980s and ends in the mid-1990s. Hodge not only measures the financial results of contracting out but also looks at its social and political impacts. He finds that a greater portion of women than men have been made redundant by contracting out policy decisions.

The empirical studies by Boyne and Hodge are among the most reliable, and they bring a healthy dose of scientific evidence to counter the exaggerated claims that some privatization proponents tend to make from time to time. The studies also tell us that we must be careful when assessing contracting out policies. Many factors may influence the results, including constitutional, political, economic, organizational, and social factors.

## **ARE THERE LIMITS TO THE NEW CONTRACTUALISM?**

In a review of the New Zealand experience, Professor Anne Yeatman (1995) spoke about "the New Contractualism," indicating that contracting for public services is more than a governance mode; it also introduces a new language into the public sector. The traditional public sector has been

characterized by hierarchy, loyalty to the state, impartiality, and equal rights for citizens. The new contractualism redefines much of the language and many of the practices of the public sector. A client is no longer a client, but a customer (Fountain 2001). A government minister who might wish to direct policy in a certain way also has to consider the contractual obligations that already exist. Likewise, citizens may find that the way services are provided to them has been settled in contractual terms. The advent of the new contractualism prompts the question of whether there are limits to the policy areas in which contractual governance can be applied. The answer is by no means straightforward. Prison contracting is thought by many to push the limits of what can be contractualized, yet there are private prisons in the United States, the United Kingdom, and Australia. In Denmark, the possibility of prisons run by private companies was mentioned by the government in relation to public-private partnerships. As Kettl (1993) notes, almost all kinds of public services and tasks have been contracted out somewhere at some point. Human services are currently being put on contract in many places in the United States and in the rest of the world as well. While there are plenty of stories about how contracting does not work, there are equally many stories about how contracting can provide better service, sometimes at lower costs. Proponents of contracting, like E. S. Savas (2000), see a huge potential in government contracting, while others remain more skeptical. Domberger (1998, 205), however, makes the point that there is a long way to go before all the possibilities for government contracting have been explored. If there are limits, they have not been reached yet. The only thing that is certain is that the limits are being pushed all the time by various governments as well as by current and potential providers in search of new markets.

## **THE CONTINUOUS PRESENCE OF CONTRACTING ON THE POLICY AGENDA**

Despite having debated contracting out for more than twenty-five years, there are few signs that governments keep on marketing the policy toward voters and subnational governments. From one point of view, the continuous presence of contracting out on governments' policy agenda is not surprising. The limits of contracting have not yet been reached in earnest, and although there are stories that can damage contracting out, other areas and newly elected governments around the world are willing to include it in their political platforms (Denmark being a recent example). From another point of view, the presence of contracting out is a riddle. If empirical studies continue to show that the real impact of contracting out is not as great as expected and that the governments do not save nearly so much money as promised, then why should contracting be attractive to

the governments? Like a rubber duck in a bathtub, the contracting out question continues to pop up and refuses to be drowned or forgotten.

In this book, we examine how governments will not allow the question of contracting out to go away. Our examination draws on inspiration of the advocacy coalition framework developed by Sabatier and Jenkins-Smith (1993, 1999). In this framework, coalitions debate and battle over policies while producing and drawing upon a base of “technical knowledge” of the subject in question. Providing “evidence” valid enough to be taken seriously by decision makers can encourage various coalitions to continue to influence the policy process. The advocacy coalition framework opens up the possibility that at some point the coalitions might agree on a mutual policy because the evidence has proved strong enough from a professional point of view. This is in contrast to most interest group theories that assume that resources and political strategies will pave the way for “victory” for one side of the battle.

## **THE NEED FOR GETTING THE CONTRACTING PROCESS RIGHT**

Why do governments want to contract out services, and what are the main hindrances they encounter? According to specialist Simon Domberger (1998, 51), the benefits of contracting are specialization (the government concentrates on specifying and controlling performance measures), market discipline (transactions take place under contracts), flexibility (the governments can use a wide range of public and private providers), and cost savings (the governments can purchase services at the same level of quality, but at a lower price—this point is debatable and discussed in the literature). In Domberger’s assessment, the costs of contracting are “hollowed out governments,” loss of skills, loss of corporate memory, weakened innovative capacity, and transition costs (when employees are fired, but may have to be employed again if the government regains the service production responsibility in the future). How can costs and benefits be compared to decide whether contracting is a good idea or not?

To let the benefits outweigh the costs, the contractual governance process must be examined. According to Domberger (1998, 71), the question is “whether contracts can be designed and implemented so that the benefits exceed the costs.” For Domberger, the answer is positive, because the contracting process can be constructed to avoid, or at least minimize, costs. For others, like Hodge (2000), there is less certainty as to whether the costs can be minimized. As Domberger writes (1998, 71) “For successful contracting to occur organizations need to identify the market conditions which generate potential benefits, and they must be able to appropriate

them at a reasonable cost. Their contractual arrangements need to combine control with flexibility.”

From this point of view, whether contracting works out or not is dependent on how well the contract is written and how well the contractual governance process is planned. Contracting is then not inherently “good” or “bad,” but a tool and a process that can be managed and governed—in short, the process can be influenced by political and other actors.

A number of studies have looked into how the contractual governance process is structured (Wallin 1997; Brown and Potoski 2003). They identify several variables, among which are the following: Policy design must be well prepared; politicians and top management must back the process fully; employees must be consulted before major restructurings; there must be enough competition in the marketplace; the performances of the providers must be easy to measure and evaluate; citizens, as customers, must be able to state their preferences clearly.

The big question is whether the contractual governance process can be nurtured and polished so that smooth contractual governance will occur. Kettl (1993) argues that there will be inherent challenges in a public marketplace, one reason being that full or perfect competition is not likely for many public services.

## **THE PROFILE OF THE CONTRACT STATE**

Christopher Pollitt (2001) has characterized the profile of the new public management version of the public sector as a lean state that contracts for public services through a variety of external providers from the for-profit and nonprofit private sector. Similar profiles can be found in the works of Milward and Provan (2000), Kettl (1993), Domberger (1998), and Savas (2000). Responsible politicians will act more as “purchasers” of services, and to aid them in this respect a new breed of contract specialists and managers needs to be trained. Many of the profiles of the imagined contract state resemble the features of the “competition model” described by DeHoog (1990). However, what many of the authors mentioned here also note is how difficult it is to get from the present state of affairs to the contract state. The likely result is to end somewhere in-between, which raises new issues for the management and governance of public purchasing organizations.

## **THE PURPOSE AND QUESTIONS OF THIS BOOK**

The purpose of this book is to examine the contractual governance process and to determine which factors influence it. The contractual governance process is our dependent variable. Already, as we have seen, con-

siderable evidence exists concerning the contractual governance process. Most studies on contractual governance examine only one institutional setting. Romzek and Johnston's (2002) influential studies discuss contracting in local governments in Kansas. Milward and Provan's (2000) well-known studies on contracting in interorganizational networks study contracts in Arizona. Thereby, the institutional variable is held constant as other variables (political pressure, transaction costs, number of providers on the market) are explored as independent variables.

The book is written from a public management perspective in political science and public administration. Contracting has been studied in other disciplines, most notably the new economics of organizations (Moe 1984; Williamson 1975, 1985, 1996), from a sociolegal perspective (Campbell and Vincent Jones, eds., 1996), and of course in public and private law. Our perspective is public management, and we are especially interested in what we here refer to as "contractual governance," the contract implementation and management process that takes place when contracting for public services.

What is missing in the public management literature is a genuinely comparative assessment of the contractual governance process. In other words, what is the impact of the institutional setting on the contractual governance process? A number of studies draw on examples from around the world, but only a select few employ a comparative framework. Hodge (2000) studies empirical studies on contracting out and samples evidence (reported in English) from around the world. His studies assess the impact of contracting out, but his meta-analysis does not allow him to discuss the institutional setting at length. Savas (2000) draws on examples from around the world in his seminal study on contracting out, but he does not examine the cases in a systematic way. Christensen and Lægreid's edited volume on *New Public Management* (2001) is a comparative study on public management in Sweden, Norway, Australia, and New Zealand, but the authors pay only limited attention to contracting out and give more attention to privatization as sale of assets. Bryntse (2000) studied contracting out in local governments in Sweden, Germany, and Britain and came up with empirical results concerning the contracting process. Wegener (2000) is perhaps the study closest to this book. Wegener has compared contracting out in the United States and Germany. His findings are important but, unfortunately for non-Germans, only reported in the German language.

A point long established in the literature on the new institutionalism is that "institutions matter" (Scott 1995). In the present study, we take this thesis as our point of departure, as we want to examine how contractual institutions influence the contractual governance process. To do this, we compare the experience of contracting for public services in local governments in the United States with contracting for public services in local

governments in Scandinavia. Before we explain our reasons for comparing the United States and Scandinavia, let us elaborate on the institutional argument.

Institutions can be understood as regulative, normative, and cognitive structures that shape and guide human action (Scott 1995). For local governments that contract for public services, this means to care for contract regulations, the norms and values that guide public service provision, and the interpretations and cognitive maps the actors have of contracts in the public sector and the private sector. For example, a Scandinavian local government cannot contract out a public service task worth more than a certain level of euros without taking into account the European Union rules for contracting out. The structure of a European Union tender is of tremendous importance to how a government thinks about performance measures and how contracting out is actually implemented. Another example would be a rural local government that might consider contracting out care for its elderly. The rural area may have a long tradition of not engaging private for-profit companies in the delivery of public services. Therefore, contracting out to a nationwide (or even global) company will break the norms and values of that community. Although the government may be ideologically committed to contracting out, the norms and values of the community may oppose a decision to contract out. A third example would be a local government in the United States whose public sector is heavily unionized. The cognitive mind-set of employees is likely to be disposed against contracting out, and therefore the contracting process will suffer blows along the way.

In this book, we prefer to use the term “the contract culture” to describe the regulative, normative, and cognitive structures that guide the actions of local governments in contractual governance. The contract culture has turned out to be important in studies of individual nations, as Cooper (2003) so convincingly has demonstrated for the United States. By going into a nation’s historical experience with contracting out, we can examine how the regulative, normative, and cognitive structures influence how contracting out is implemented in today’s societies.

Why compare the United States and Scandinavia? While there are many studies on contracting out in the United States, there is not a great deal of “policy transfer” or “knowledge transfer” to Europe and Scandinavia. Many Europeans assume that local governments in the United States have privatized almost everything and that the public sector is small and lean. Of course, this is not so. Many U.S. local governments face the same challenges as everybody else, and public workers are proud of their jobs and of their local government. For a European, the extraordinary factor to discover is that contracting out is precisely as controversial in a U.S. local government as in a European local government if it has not been introduced before. Therefore, it is useful to adapt and compare experiences