



*A Union of Professionals*

AFT Public Employees



# EXPOSING SHADOW GOVERNMENT

*Protecting Quality Government Services*

## Shadow government is a growing threat to public services and public employees.

***The Colorado state department of transportation spent \$327 million in undocumented overhead costs for highway consultants in 2003.***

***Forty states now “outsource” the work of their food-stamp call centers to foreign countries.***

***In Miami-Dade County (Fla.), bus ridership fell by 31 percent several years ago during an experiment in which half of the area’s bus routes were contracted to a private company. The county lost millions in bus repairs and other costs.***

***Several public authorities in New York state are under investigation for waste, fraud or mismanagement.***

***Texas has petitioned the federal government for permission to have all of the state’s public-benefits eligibility determinations made by private-sector call-center operators.***



## Is it happening where you live?

These are just a few examples of “shadow government,” a rapidly growing trend that AFT Public Employees and our unions are fighting to curb before it further damages public employees and quality public services.

Shadow government is created when public services are provided by people and organizations *other* than public employees. Shadow government can happen at any level: federal, state or local. It takes many forms, including:

- Contracting out (also called “privatization” or “outsourcing”), in which contracts to run public services are given to for-profit companies or private nonprofit organizations.
- Quasi-public “shadow agencies,” such as public authorities, research ventures or public-private partnerships.
- Offshoring (also sometimes called “outsourcing”) of public services or government operational functions to overseas firms and workers.
- Guest worker programs in which foreign workers replace American employees on the job or gain skills that enable foreign companies to bid for U.S. contracts.

## Shadow government hurts public employees...

For public employees, shadow government means:

- **Unfair competition and lost jobs.** Contracting out and offshoring force public employees to compete with low-wage employees of for-profit companies here and abroad -- including foreign employees who make as little as one-twelfth of what American workers earn. That's not a fair playing field. The result is lost jobs, lower wages and worse benefits for public employees and other U.S. workers.
- **Loss of worker rights.** Contracting out, offshoring and guest worker programs usually involve companies that won't honor employees' rights to belong to a union. In fact, shadow government is often a union-busting strategy in thin disguise.
- **Heavier workloads.** Public employees often "pick up the slack" when shadow agencies and contractors don't do the work they've promised to.

## ...and public services.

For the people who count on public services, shadow government means:

- **Lower-quality public services.** Because private companies and shadow agencies often don't have to answer to the public or to elected officials, the quality of "shadow services" can be low. Private contractors often cut costs by using poorly paid, poorly trained workers and badly maintained equipment. In scores of documented cases, contractors have skimmed on services, or failed to provide them at all -- and the public has suffered.
- **Wasted taxpayer money.** Contracting out and offshoring can actually cost taxpayers a bundle. It's expensive for governments to award contracts and to monitor contract performance. Contractors rack up overhead costs for which the public foots the bill. Most of all, contractors and offshore businesses are looking to make a profit, and their top executives are looking to make high salaries and bonuses -- at taxpayers' expense.
- **Privacy violations.** Work that includes handling U.S. citizens' financial and medical data is being offshored to countries that lack our privacy laws.

## Shadow government hurts American communities...

For American communities, shadow government means:

- **Disappearing jobs.** Contracting out takes good jobs away from public employees, and replaces them with low-paying jobs with few benefits, sometimes in other cities or states where contractors have their headquarters. With offshoring, jobs leave this country altogether -- 3.3 million by 2015. Finally, guest worker programs replace U.S. workers with foreign employees right here in this country.
- **Lower salaries and benefits across entire job categories and fields.** When poorly paid contract and guest workers are available in a field or job category, salaries and benefits for all workers in that field or job category are held down.
- **A ripple effect on businesses and communities.** When salaries plunge and good jobs disappear, people stop spending money. This hurts local businesses.
- **Lost government accountability.** Some contractor or shadow government jobs (such as those in the medical, information technology and engineering fields) pay competitive salaries. But even in such cases, outsourcing results in lost government accountability and diminished public oversight of public services.

## ...and it's a growing problem.

Shadow government is growing by leaps and bounds in all of its forms: contracting out, offshoring, shadow agencies and guest worker programs. For example:

- **According to a recent Brookings Institution study, federal civil service jobs fell by about 50,000 between 1999 and 2002.** In the same time period, non-civil-service jobs generated by grants and contracts rose by more than 900,000.
- **States and localities are already contracting out at a rate of \$400 billion a year,** according to a May 2004 article in *Governing* magazine. *Governing* also reports that Texas, South Carolina and Florida are aggressively exploring contracting out a wide range of public employee jobs, a trend that will affect tens of thousands of state and local employees.
- **Offshoring is making new inroads in the public sector.** AFL-CIO data show that 40 states are now offshoring their food-stamp call centers. Several states have offshored other government functions, including software programming and benefits administration.
- **By the end of 2004, the number of foreign workers employed in the U.S. under guest worker programs is expected to grow by 25 percent beyond its 2000 level.**

## You can help fight shadow government and the risks it poses.

AFT Public Employees and our state and local unions are fighting hard against shadow government and the risks it poses. You can join that fight in several ways. For example:

**Know the warning signs of shadow government and report them to your union.** Warning signs at your workplace could include:

- Managers or political leaders suddenly talking about “poor-quality public services” or “wasting taxpayer money.”
- The introduction of new services, or proposals to change, cut or “restructure” existing services.
- The use of more temporary, part-time or “workfare” employees.
- The appearance of vendors, consultants or representatives from outside companies.

**Support your union in the battle against shadow government.** You can join the fight by:

- Coming to union rallies, informational picketing, and other events aimed at raising the public’s and politicians’ awareness of the dark side of shadow government.
- Participating in union efforts (such as labor-management partnerships or task forces) to improve public services. Such efforts blunt privatizers’ criticisms that public employees aren’t responsive to public needs.
- Telling your neighbors and friends about the contributions public employees make. A 1997 Pew Research Center poll showed that the public trusts the public employees in their communities more than the public trusts politicians, by a ratio of five-to-one. We can build on that goodwill to support us in our fight against shadow government.



With your support, AFT Public Employees  
can fight shadow government  
and protect quality public services.

For more information, contact AFT Public Employees.

**Steve Porter, Director**

sporter@aft.org

**Jennifer Porcari, Assistant Director**

jporcari@aft.org

**Karen Schiffhauer, Administrative Secretary**

kschiffh@aft.org

**Nancy Van Meter, Deputy Director**

AFT Center on Accountability and Privatization

nvanmete@aft.org

**AFT Public Employees**  
*Quality Services from Quality People*



*A Union of Professionals*

American Federation of Teachers, AFL-CIO

555 New Jersey Ave. N.W.

Washington, DC 20001

202/879-4400

www.aft.org

Item no. 69-0003 B

6/04

