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Pittsburgh's Garbage Employees: Top of the Heap?

In a recent debate, the Mayor stated that since City garbage workers won a bid against two private hauling companies and the Borough of Wilkinsburg is now paying the City to collect its garbage, the debate is over as to whether there should be privatization of this service. He noted that "we found that City government workers did better than the private sector".

Not exactly: while the City was awarded a competitive bid against two private sector haulers in a bid for the City's southern neighborhoods, the game was not played according to the rules. Under Act 47, a directive PW-04 called "Managed Competition of Solid Waste Services", envisioned a two-step evaluation. In stage one, only private haulers would be permitted to bid in order to allow for "an opportunity to evaluate contracted services". This would be followed by stage two, encompassing a larger service area, and "the City workforce shall be included among the bidders in competition with private contractors".

For whatever the reason, this plan did not come to pass. Instead, there was a combined bid that eliminated the separate private competition and private-public competition. With no opportunity to see how well contracted residential service would work in the City, the in-house union bid won the competition.

It is true that after being served by Waste Management that Wilkinsburg Borough instead opted to go with then City, saving about \$250,000. But the City had to hire eight additional workers to haul the trash. In addition, a private hauler is still handling dwellings over 5 units, commercial pickup, and the borough is handling recycling. It is not the all-encompassing picture the Mayor paints.

There may be more at work than the City's garbage collectors putting up their level of service and competing against and beating all-comers. They might not be the efficient and competitive division the Mayor is portraying them to be. And that might mean City taxpayers are not getting the amount of benefits they could be from their taxes.

First, as the City's public works director pointed out in a newspaper article when the City's bid won out over private haulers in the Act 47 competition, the City is cheaper because it does not pay taxes or have to make a profit. When these factors come into play, there is more of an emphasis on the bottom line. Remove the incentive to study the bottom line and that creates a different operation.

Second, a 2001 study found that Pittsburgh was "less efficient than the two largest Allegheny County municipalities with refuse collected by municipal crews", with Pittsburgh's 617 households per employee rate lower than the rates in West Mifflin (792) and Monroeville (750).

Third, the department racks up a lot of workers' compensation costs—costs that the City did not have to include in its bid (the bid mentions “direct costs of service delivery as well as the indirect costs of management/overhead including senior DPW administrative and extra-department support”). A 2004 study performed for the oversight board found that while environmental services comprised 5.8 percent of the workforce, they were responsible for 52 percent of claims. The report noted there was “a significant incidence of injuries within the Environmental Services Department as 52.2% of that departmental workforce is alleged to be involved in a work related event that results in injury and over a third of those injuries result in an alteration of duty status...the noted incidence is alarmingly high and mandates ongoing scrutiny with respect to assessing the validity of a claim as well as aggressive claims investigation. In addition, safety programs should be developed that are specific to this department.”

Workers' compensation costs the City more than \$20 million a year—an amount the study labeled “excessively high and disproportionate to what one would expect based upon national averages and/or comparisons with either Allegheny County or the City of Philadelphia”—and attributing half of that amount would make any union bid uncompetitive.

Here is the question: does the City's garbage division really exhibit cost-efficiency as its key characteristic? There is plenty of evidence to the contrary. As soon as it was revealed the City's bids were cheaper than the private haulers under the Act 47 directive, the union immediately lobbied for a wage increase, especially since the contract had been expired for two years at that time.

Consider too that the division was ready to walkout on a strike during the July 2006 All-Star game. At the time, the head of the garbage union said the threat of a possible strike on the eve of the All-Star Game gave the union some leverage. “I think we used it to our advantage,” he said. So much like their union brethren in mass transit and public schools, the union used the specter of dire consequences—here it was piles of garbage in the middle of summer—as a way to try to prove their economic worth. The contract was signed, strike and black spot on the City's image averted.

A lot of cities and towns—including many in Western Pennsylvania—have saved money, increased efficiency, and lowered workers' compensation costs by allowing for competition in garbage collection. Pittsburgh should not be immune from this trend. Just because the union has beat back a little bit of competition does not mean they should be anointed as efficient and that the discussion on contracting out this service should be over. Indeed, we have not yet seen an audit of how the City's contract with the union is actually working. The City must do better and Mayoral rhetoric should better reflect the facts.

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