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NON-PROFIT CONTRACTING:  
AN OLD PATH TO A NEW FAIRNESS

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ABSTRACT

This article explores the trend of privatization among public, quasi-public, and private institutions. The primary factor that must be resolved is whether a cooperative or a competitive approach is used. Morgan's model of privatization, with greater utilization of the private non-profit sector, coupled with voluntary involvement of dedicated individuals, seems to hold the most promise.

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Leisure needs have always been provided for through a unique blend of public, private and non-profit organizations. Each attempting to serve a distinct segment of our population, and each with a novel blend of management styles, values and ethics. The roles and relationships of the sectors have developed over time with each sector usually occupying a distinctive niche. The agencies have worked competitively as well as cooperatively in providing for the many and diverse leisure needs of the country's citizens. However, the budget crunches of the seventies and eighties has had the nation's leaders looking for new and creative solutions to meeting the never ending demand for recreational resources. This search has raised issues of efficiency and fairness of allocation of our scarce resources.

A TREND TOWARD MORE PRIVATE SECTOR INVOLVEMENT

Attempts by many public agencies to mimic private sector practices to meet leisure demands have brought about a concern about the appropriate role of park and recreation agencies. Dustin, McAvoy and Schultze (3) wrote about a "merchant mentality" (p. 46) that has us forgetting about traditional values and trusts in providing parks and recreation facilities and services to the public. Privatization and

outright sale of government properties has been another solution espoused by many. Jackson (4) was concerned that former President Reagan's proposed sale of "surplus lands" was the:

beginning of a shortsighted and narrow-minded program toward our precious public lands for a short-term monetary gain that can only bankrupt future generations of Americans who will need the public lands for recreation and relaxation (p. 18).

While many factors have fueled the trend toward more private sector involvement in what had traditionally been public service delivery, Poole and Fixler (9) give the following reasons for the continued growth of service delivery by the private sector:

- 1) economic theory and research indicate superiority of the private sector;
- 2) increasing failure by government in the delivery of some services;
- 3) a change in the political culture resulting in a greater acceptance of the market as a means of service delivery;
- 4) increasing decline or weakness of unions (p. 613).

Kuttner (7) adds, at least in theory, that flexibility, innovation, and competition are virtues of private sector service delivery. Proponents base their rationale on classic economic theory that claim economic agents in pursuit of maximum profits, acting rationally and within the law and budgetary constraints, will benefit society.(5) Bowie (1) follows with his belief that it is our private sector system and its competitive forces that:

serves as a meritocratic device allocating scarce resources...and enables efficient high quality production and hence brings the greatest good for the greatest number (p. 69).

#### IS THE TREND TOWARD MORE PRIVATIZATION APPROPRIATE?

Of course, few if any, of the claims of the private sector superiority and the powers of the market go unchallenged. Kolderie (6) points out "if the change is simply from one monopoly supplier to another, then neither the cost nor performance is likely to change" (p.48). Poole and Fixler (9) while acknowledging lower costs of contracting, point to problems of service quality and inadequate service to populations unable to pay. The ability to serve the under-served has been one of the cornerstones to public parks and recreation policy. Hence, while greater efficiency should be a goal of the public sector, Morgan (8) indicates it should not be "to the exclusion of other equally fundamental principles like equity, citizenship and community" (underline added) (p. 985). He also points out "most recognize

imperfections in the operation of a classic market" (p. 981). The most important of these imperfections for this discussion are that "issues of allocation and distribution do not lend themselves well to a market solution" (p. 981). Any discussion about privatization of property held in the public trust would seem inappropriate given the above information.

At the same time we traditionally hold that, "the standard microeconomic model...assigns essentially no role to generosity...social conscience...good will or indignation and ...the economic agent is assumed to be law-abiding but not fair " (underline added) and although it seems the classical economic theory has no room for many of these qualities typically associated with the public sector, there are increased incidence of private sector firms motivated by concerns of fairness. The simple fact is many in the private sector do operate beyond what is legal, rationale and profitable.(5, p. 286).

While everyone is exposed to the news of scandals, kick backs, insider trading and incidence like the Exxon Valdez, there appears to be flip side and a new era developing. DeGeorge (2) describes this new era for private market firms as an era where the corporation "is expected to weigh more factors in their actions than only financial ones" (p. 8). The recent action by Perrier Inc. of pulling its entire American inventory off the shelves because of a possible health hazard is an example of operating beyond the bottom line. This action will certainly cause a monetary loss and a probable loss of market share, but market share became a secondary concern to customer confidence, health and safety. This coupling of market efficiency with a caring attitude may produce a model worthy of duplication in the leisure service industry, a model of action that might enhance the organization, the consumer and the resource base.

#### JUDGEMENTS OF FAIRNESS

Parallel to the concerns of ethics are concerns of fairness. Are the delivery systems and individuals in the leisure service industry fair to the citizens and the environment. Kahneman (5) conducted a study on fairness judgments. He concluded that fair individuals had the following traits:

- 1) they care about being treated fairly and treating others fairly;
- 2) they are willing to resist unfair firms even at a positive cost;
- 3) they have systematic implicit rules that specify which actions of firms are considered unfair (p. 299).

In the study he also states that although:

there is a clear preference for treating apparent indications of fairness as isolated phenomena of little economic significance...Even profit maximizing firms will have an incentive to act in a manner that is perceived as fair if the

individuals with whom they deal are willing to resist unfair transactions and punish unfair firms at some cost to themselves (p. 285).

This seems to place the responsibility of fairness on society, with fairness somewhat dependent on consumer attitude and involvement. Ultimately, it must be the consumer(s) who condemn the actions of an individual or an organization as self-interested, calculating, manipulative, opportunistic, or even morally defective for following practices like "always raising prices to meet increased demand" (11, p. 346). It is up to the involved, educated consumer to establish guidelines, to act for the betterment of community and not tolerate public or private abuses of the resource base. Yet, Morgan (8) states there has not been enough concern in choosing service delivery models that transform passive consumers into actively committed citizens, that many of our recent moves into privatization caused a loss of cohesive community. In fact, he states the two most traditional and popular models, government supplied and contracting to private-for-profit corporations, hold the least little hope for enhanced citizen involvement, because both public and private decision-making is one in isolation from the public. Morgan (8) believes decisions about resources or services will not achieve greater fairness unless the populace is intimately involved.

#### DOWN AN OLD PATH: THE PRIVATE NON-PROFIT SECTOR

Recognizing the factors that caused the shift toward privatization and greater efficiency in the public sector will continue to exist in the nineties and beyond, Morgan (8) does not believe:

The quest for new options and opportunities that privatization initiatives offer should be abandoned, only that each arrangement should be assessed by more than the criterion of efficiency...that a premium be placed on the democratic notion of participation (p. 938).

Instead he calls for an:

increased use of mediating structures in service delivery, with greater reliance on family, neighborhood, church, and voluntary organizations that mediate between the individual and large imposing institutions in society...the use of nonprofit organization volunteers...all providing considerable potential as privatization initiatives to increase citizen participation in service delivery (p. 985).

Morgan's model of privatization, with greater utilization of the private non-profit sector, coupled with voluntary involvement of dedicated individuals, seems to hold the most promise. The leisure service industry has a head start with a rich history of private

non-profit volunteer organizations (e.g. YMCA, JCC, The Nature Conservancy, the Sierra Club, various church athletic leagues, etc.), and as the blurring of traditional roles in service delivery continues, it is time to consider meeting an increased leisure service demand by contracting traditional public-sector-only functions to private non-profit organizations, similar to and including those in the above list. Organizations that are made up of involved and informed individuals dedicated to efficiency and fairness to all and driven by the new era of "beyond the bottom line," seem to hold out the most hope to encourage a fully participating population.

An example of this approach is being developed in California by the Yosemite Restoration Trust. The trust is backed by leaders of the Wilderness Society, the Sierra Club and National Audubon Society and is exactly the type of group advocated by Morgan. The group is attempting to take over the contract to run the hotels, restaurants and concession stands in Yosemite National Park. (10, p. 17)

All the new ventures must encourage: 1.) involvement in the decision-making process, 2.) participation, and 3.) care and concern for what is fair and just. While public-private ventures can help meet the increased demand for services, all decisions on leisure service delivery must allow for efficiency to share its once dominant role with commitment, community and equity.

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