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## Contracting out library and information services

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**CONTRACTING OUT  
LIBRARY AND INFORMATION SERVICES**

by

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A Master's Dissertation, submitted in partial fulfilment  
of the requirements for the award of the  
Master of Science degree  
of the Loughborough University of Technology

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## ABSTRACT

### CONTRACTING OUT LIBRARY AND INFORMATION SERVICES

The growing interest in, and pressure to contract out library and information services is discussed. The research involved interviewing library and information professionals at organisations which are contracting out, and is presented in descriptive case studies. The case studies report on contracting out in two commercial libraries, one public library authority, one academic library and one government library.

The political and organizational impetus to contract out in public, government, academic, special libraries in the U.K. and federal libraries in the U.S. is summarised from the literature

Drawing on the case studies the reasons for contracting<sup>as</sup> out, to save money and achieve flexibility are examined; and the issues of how to contract<sup>as</sup>—out, service specification, legal considerations, staff management and personnel issues are discussed.

The report concludes that contracting out will grow as external pressures on libraries will require them to consider this option. But currently a major problem is the lack of supply organisations. Contracting out can save money and offer flexibility but to be successful must be done with consideration of cost effectiveness and systems integration.

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On his return from the first manned space flight a reporter asked John Glenn what was the biggest danger in space travel. Supposedly Glenn answered it was being hundreds of miles above earth in a ship made up of 50,000 component parts, each purchased from the lowest bidder.

(Ascher, K. The politics of privatisation:  
contracting out public services.

Basingstoke : Macmillan, 1987. p 261)

## 1. INTRODUCTION

Information services have long depended on external bodies to produce elements of their service. The British Library Document Supply Centre, distribution agents, cataloguing services, information brokers and many others are used by libraries as an efficient and effective means of backing up the in-house service provision.

This buying-in is usually in response to a particular need, rather than a management strategy. It is the managerial decisions behind contracting out which this dissertation will explore. Increasingly information managers are looking to go beyond the buying-in of packaged services to contracting out significant proportions of the library<sup>sup.</sup> service. The impetus for contracting out comes from political and organisational pressures, financial cuts, or a need to improve the quality of service. The contracted out services range from a whole library, to support and library house-keeping functions. Contracting out is not yet widespread, but is increasingly being considered, and there is a great deal of interest in it as a means of service provision.

The subject of this dissertation was suggested by Task Force Pro Libra Ltd. (TFPL) who identified it as a timely and topical subject of study. Contracting out is controversial means of library service provision. It is new, and information professionals have little experience on which to base opinions of its value. The main issues are whether it is cheaper to contract out, whether it is organisationally advantageous<sup>in terms of staff & cost</sup>, and whether it can be cost effective or will quality of service provision suffer?



## OBJECTIVES

The aims of this dissertation are:

1. To examine the extent of contracting out library and information services.
2. To report actual experiences and examples of contracting out.
3. To draw on empirical and theoretical knowledge to examine the processes, considerations and issues involved in contracting out.

The original intention was to study contracting out solely in commercial libraries, but as only a few examples were initially found the scope of the study was widened to include public, academic and government libraries.

Contracting out involves broad and varied issues. The length of this study prevents a high degree of detail being explored. It is by necessity quite generalised, drawing on the major issues. Because a wide base of experience has not yet built up, in many cases it has only been possible to raise theoretical questions without being able to provide answers based on practical experience.

The study is further constrained by the need of the organisations interviewed to maintain strict confidentiality. Contracting out is a commercial undertaking, the individuals and company representatives involved with this study were necessarily wary of making any comments which might affect business activities. Financial details, contract provisions, confidentiality agreements and indeed any sensitive issues of this nature could not be discussed. In some cases the need to protect confidentiality prevented examples of contracting out from being studied at all.

## METHOD

TFPL initially provided a list of contacts who were approached by letter and telephone. Further contacts were identified from the literature survey or suggested by others. Many approaches were speculative, a great deal of interest was expressed in the project, but few actually had direct experience.

As little is known in the profession about the extent of contracting out, it was not possible to easily or quickly identify potential case studies. It was a long process involving a chain of suggested contacts, who would further suggest others worth approaching. For this reason towards the end of the study a number of organisations, other than those reported here, were identified who are intending to contract out, or are contracting out. It was not possible to include these due to time constraints even though they would have been able to offer very useful experiences.

Arrangements were made to interview individuals who had experience in this area. The interviewees were representatives from 3 suppliers of contract services, 9 librarians and information managers of buying companies, 3 information consultants who had been involved in contracting out services, and 4 members of contract staff. Many other information professionals informally discussed points and offered information or opinions.

The interviews were semi-structured discussions in person or over the telephone. They were based around a list of issues and questions which are shown in Appendices III and IV. No other approach was feasible as each experience and knowledge base was different.

From transcriptions of the interviews descriptive case studies were prepared. These were returned to the

organisations to be verified and corrected for inclusion in this dissertation. Corrections where points had been wrongly interpreted, and deletions of commercially or operationally sensitive material were made. Revised drafts were resubmitted for approval and clearance.

The case study approach was dictated by the need for confidentiality. No other method of reporting could practically have been approved and edited by the interviewees within the time limit. This has constrained the discussion of the examples in the rest of the study. Only the approved wording from the case studies could be repeated, and conjecture and theorising on specific examples was limited for fear of making erroneous implications.

The identity of all organisations is protected in the case studies. The type of organisation is stated to provide background information but the name is denoted by a letter. This can make it harder to grasp details and to remember which study is being discussed. However, without having agreed to try to maintain confidentiality and give editorial control to the interviewees, it would not have been possible to gain the level of cooperation which was obtained for this study.

The report first looks at the background to contracting out, drawing on relevant literature and setting contracting out in its wider context. Next the reasons for contracting out are discussed, their validity is examined referring to the case studies where possible. The report goes on to deal with the mechanics of contracting out, and expands upon factors requiring particular consideration. The case studies provide practical examples.

The case studies are in Appendix I, they report the experiences of contracting out in various organisations, as follows:

Case Study A - Company A is a division of a multi-national industrial organisation. Library house-keeping functions and records management are contracted out.

Case Study B - Company B is a division of a multi-national chemical company. Library support and supply were out-sourced.

Case Study C - Company C was the supplier of library service to Company B.

Case Study D - Government Department D's library service was assessed for its suitability for contracting out. Also bought-in services are examined.

Case Study E - Local Authority E contracts a Polytechnic to provide a basic business enquiry service.

Case Study F - College F contracts out all academic services, including the library, to University G.

## 2. DEFINITIONS OF TERMS

There are no hard and fast definitions of the different types of arrangements made for the external provision of services. The following tries to establish clear definitions but in some cases conflicts with the terminology used by others.

Contracting out describes the situation where one organisation forms a contract with another to obtain goods or services at a specified price, where these were previously provided in-house. The buyer specifies in detail the service to be provided and the supplier is responsible for day-to-day provision of the service in line with the policy dictated by the buyer.

The terms buying-in or out-sourcing can be interchangeable with contracting out. But distinctions between these terms do exist, buying-in usually relates to the purchase under contract of a finished product or package of services which are defined by the supplier. Out-sourcing is a more rarely used term for contracting out, but tends to imply an element of off-the-premises provision. These distinctions are finely drawn, in practice the terms can mean different things to different people. However these are the definitions as they shall be used in this study.

Joint ventures are services which are provided in collaboration between two bodies, usually the public and private sectors. The public authority contracts the private body to provide a service, but both sides retain involvement in the day-to-day running and the overall service direction. In this way it differs from contracting out, but again distinctions can become blurred.

### 3. THE STATE OF THE ART

The original aim of this project was to study the contracting out of complete library and information services. However few actual examples were found. Far more prevalent is the buying-in of services or joint venture agreements.

Buying-in is well established and comprises an integral part of very many library services, to the extent that it is fully taken for granted. The following list, adapted from one by Herbert Landau<sup>(1)</sup> details a range of goods and services, which can be bought-in or contracted out by libraries. This project will not specifically explore these individual contributors to library and information provision, but many of the reasons and considerations behind buying-in these services are precisely the reasons for contracting out on a larger scale.

#### 1. Management consulting, analytical and research services

- a. Systems and structure evaluations and design
- b. User surveys
- c. Feasibility and cost-benefit studies
- d. Personnel evaluation and recruiting
- e. Facilities design and planning

#### 2. Document provision, preparation and access

- a. Document acquisition and servicing
- b. Cataloguing
- c. Indexing
- d. Abstracting
- e. Current awareness services
- f. Cuttings services

3. Automated information storage and retrieval

- a. On-line database access
- b. Database design and provision
- c. Computerised data retrieval

4. Data processing and computer services

- a. Software design and implementation
- b. Software leasing or purchasing
- c. Hardware selection
- d. Data input, catalogue conversions
- e. Computer rental and time sharing services

5. Literature searching and reference services

- a. Enquiry services
- b. Literature reviews
- c. Literature searching
- d. 'Value added' information provision

6. Translation services

7. Preparation of publications

- a. Book catalogue production
- b. Directories
- c. Printing
- d. Binding
- e. Distribution

8. Stock maintenance and preservation

- a. Binding
- b. Conservation

There are undoubtedly many other services which this list does not cover, but it serves to show the extent of external provision of library services and the lack of complete self-sufficiency of most libraries. In this light contracting-out of a large element of library service provision does not appear such a novel proposal.

The following sections, as a means of scene setting, look beyond the buying-in of a distinct individual service and explore the extent of contracting-out and the environments in which it is occurring.



## CONTRACTING OUT IN PUBLIC LIBRARIES

In the U.K. there is a great deal of interaction between the public and private sectors. Many libraries are striking up joint venture agreements in order to provide a new service or enhance an existing one. These are quite well documented:

In 1985 the Working Party on the Roles and Relationships of the Public and Private Sectors in the Provision of Library and Information Services (PUPLIS) was set up, funded by the Office of Arts and Libraries and the British Library Research and Development Department (BLR&DD). Their report Joint enterprise : roles and relationships of the public and private sectors in the provision of library and information services<sup>(2)</sup> looks at many examples of interaction between public and private sectors to provide information services. Using case studies, the report argues that the involvement of the private sector can result in the most effective means of utilising public information resources. Examples are given of private involvement to produce added-value information packages, the utilisation of public library stock by brokers, joint publishing ventures, and the sponsoring of information services to disadvantaged groups. Also public bodies use their resources to provide information services commercially, such as press cuttings or fee based information services. The report recommends further initiatives utilising the three assets of public libraries: information resources, professional staff and buildings.

The Working Party initiated two research projects on this area. One examined how public library publishing could be made more effective, possibly through interaction with the

private sector. The other explored the utilisation of information resources in the public sector to see how they could be made more widely or efficiently available. The Report of the findings Publishing and information services in the public and private sectors<sup>(3)</sup> presents many case studies. These reveal a county-wide enthusiasm for joint ventures and a recognition of the benefits they can offer to both sides and to the customer.

A publication by Capital Planning Information (CPI) Moving to contract<sup>(4)</sup> looks at the issue of standardising contracts for book supply and formalising the arrangements in the interests of improving service. Papers are included on the experiences of contracting for services of two local authority library services. In response to a decision by council members the City of Westminster attempted in 1988 to contract out its public library bibliographic services. These included acquisitions, cataloguing, inter-lending, stock selection and editing. At the time of the report Westminster had advertised once for tenderers for this function but no bids were received. They subsequently re-advertised but again received no bids. Informal feed back from the library suppliers suggested two reasons for this : there was little scope for profit and the specification was prohibitively tight. The CPI publication also details the efforts of the Royal Borough of Kensington and Chelsea to establish a partnership with an external supplier for videos. This was successfully achieved.

Seemingly some public libraries have long known the benefits of working with the private sector, but this is now becoming a more pressing issue under the impetus provided by central Government. The Green Paper Financing our public library service : four subjects for debate<sup>(5)</sup>, issued in 1988, details the Government's aims for the public library service. It wishes to maintain a

free basic service funded by the tax payer as laid down in the Public Libraries and Museums Act 1964. This would comprise reference services for all, and the lending of books and other printed material to those living, working, or in education within the local authority area. The Act permits charging for other services in particular circumstances, and the Green Paper proposes widening these powers to charge. It also outlines methods which local authorities could use to increase their income: joint ventures with the private sector, charging for specialised services, and contracting out. The aim is to protect the increasingly pressurised basic service by using these methods to increase income and value for money, and to expand the range of service provision.

Contracting out elements of the public library service is an extension of the present Government's policy on financing Local Government. Since 1979 the Government has striven for more economic and effective provision of Local Authority services. The two main thrusts of this drive have been to set up the Audit Commission to advise local authorities on value for money; and to promote efficiency by requiring local authorities to put services out to competitive tender.

The 1980 Local Government Planning and Land Act required that Local Authority Direct Labour Organisations should be required to compete with private companies. The sectors affected were Local Authority building and maintenance. The 1980 Act did not introduce compulsory competitive tendering for services, and left local authorities with a great deal of control. It had little nationwide impact.

Following this, the principal area of governmental concern with contracting out was the NHS. In September 1983 Health Authorities were required to put domestic catering and laundry services out to tender.

The perceived looseness and deficiencies of the 1980 Act, together with the lack of adoption of competitive tendering in local authorities prompted stricter measures. The Local Government Act 1988 (the Act) identified 7 specific Local Authority activities (school meals, other catering, refuse collection, street cleaning, building cleaning, grounds maintenance and vehicle maintenance) which were required to be exposed to competition in the tendering and allocation of contracts.

Principal councils were advised that compulsory competitive tendering would be phased in over 3 years commencing in August 1989 with each authority having to put out to tender an additional service every 6 months. Local authorities were notified that services will be added to the initial seven, these would include sport and leisure management. 40 other possibilities were also listed, one of which was libraries.

In line with these new obligations on local authorities the Green Paper states "The Government would like to explore the scope for increasing library authority accountability by the discipline of competitive tendering" (s 4.3). While recognising the history public libraries have of contracting out support services, the Green Paper stresses the need to go beyond this and contract out direct services. It suggests the possible contracting-out of library services to old peoples homes, provision of video-tape lending services and the running of branch library services (s4.4). Private companies, public sector bodies such as the British Library, regional library bureaux and new or existing co-operatives, are suggested as possible contractors. The Green Paper heavily hints that these suggestions will be followed through "The Government intends...to give serious consideration to moving gradually towards encouraging library authorities in England and Wales to put out to competitive tender and

contract elements of their public library service"(s 4.8).

Active encouragement from the Government to improve public library effectiveness and promote co-operation between the public and private sectors is provided under the Public Library Development Incentive Scheme. First announced in the Green Paper this is now in its fourth year. The Progress Report 1989/90<sup>(6)</sup> states that 31 awards have been granted, and many successful projects between the public and private sectors have been implemented as a direct result of the scheme.

The Green Paper provoked attacks from library organisations. The Library and Information Services Committee (LISC)<sup>(7)</sup> agreed that housekeeping services should be contracted out wherever this was beneficial, yet direct services should be treated more cautiously. Contracting out a service which was integral to the public library could only result in a fundamental change in the character and scope of a service which depends on the support and backup of the public library staff and stock. LISC fear a lessening of commitment if services are contracted out. Also, should the service become less profitable and the contractor lose interest, re-absorption into the Local Authority would be problematic. LISC state that contracted out services should also be specified in such a way as to make performance levels comparable nationally.

The Welsh Library Association<sup>(8)</sup> echoes the distrust associated with contracting out direct library services, and does not regard any service involving interchange between professionals and the public as viable for contracting out. It further doubts that economies of scale could result, or that the suggested services would appeal to private suppliers. The report suggests contracting out library services for health authorities,

prisons or schools, but asserts that standards must be maintained and a great deal more research is required.

The Library Association<sup>(9)</sup> also emphasises the wide extent of contracting out already practised, and recognises the need for maintaining standards. It offers the Government assistance in drawing up specifications should the initiatives be pursued further.

On July 10th 1991, when questioned on this issue in Parliament Lord Hesketh, Minister at the Department of Environment answered that the Government would not support any Local Authority plans to transfer public libraries to private enterprise. He stated that "In the Public Libraries and Museums Act 1964 this issue is sacrosanct". However he added "The reality is that if there is a possibility of competitive tendering to increase efficiency and provide more funds elsewhere, the Government support it"<sup>(10)</sup>. This rather contradictory statement shows that contracting out remains a very pertinent issue for public libraries.

## CONTRACTING OUT IN ACADEMIC LIBRARIES

Academic libraries are under pressure from reduced funding and are increasingly seeing the potential their stock offers for income generation. As self-governing institutions now freed from Local Authority control, Polytechnics are well placed to explore new means of income generation in entrepreneurial ventures. But the current financial squeeze provides impetus to all academic libraries to look at ways of increasing income.

New demands for increased accountability and departmental budgeting is requiring that academic libraries justify their resource allocation or supplement it. Increasingly the trend in academic department's financial administration is for each department to become self supporting, and this philosophy is affecting libraries. As departments forge strong links with industry, high level research information is demanded from the library. Meeting this demands requires libraries to find ways of increasing resources. Contracting out, with one exception illustrated below, is not common as a means of saving money, but increasingly academic libraries are involved in joint ventures with public libraries, as in Case Study E, or the provision of information services on a commercial, self-financing basis.

Case study F presents the only example found of contracting out a complete academic library. In this instance all academic services, including the library, of a College of military education have been contracted out to a University. The College is now run as a faculty of the University, on premises still owned by the Ministry of Defence who also dictate which courses are to run.

Case Study E describes a public library authority contracting a Polytechnic library to supply a free basic business information service to the public library users. The public library authority finances the costs of this basic service, which covers the provision of free enquiries for a maximum of 30 minutes, and is closely involved in the on-going evaluation and direction of the service. The Polytechnic provides a charged service for enquiries lasting over half an hour, value added information and on-line search services.

This is one of many initiatives in the field of business information provision which involve academic libraries providing services commercially. Other examples include the Warwick Statistical Service based at Warwick University, Manchester Business School Centre for Business Research, and the London Business School Information Service. The Warwick Statistical Service is completely self-contained and self financing, all overheads such as staff salaries are funded by the service.



## CONTRACTING OUT IN GOVERNMENT LIBRARIES

Since 1979 there has been a central Government policy to encourage departments to contract out work. The original aim was to reduce Civil Service numbers, and mainly manual services were affected. A Government report in 1986 Using private enterprise in Government<sup>(11)</sup> shifted the reason to using contracting out as a means of promoting efficiency.

This report recommended that departments should assess the suitability for contracting out all of their areas of responsibility, but should retain in-house those activities requiring a high level of trust, confidentiality and responsibility for decision-taking on the Minister's behalf. The report advised that competitive tendering should be systematically planned. A prescribed list of areas for consideration was given, but proposed areas for consideration include libraries. The report stated that if competitive tendering was systematically considered by departments the prescribed list would not be added to.

In 1985 the Library and Information Service in Case Study D underwent an efficiency scrutiny. Contracting out was considered. At the Department of Education and Science an internal review in 1990 identified the storage and servicing of the book collection as a possible area for contracting out. The University of London Institute of Education was recognized as a possible contractor. A consultancy firm studied potential suppliers, costs and savings, and evaluated the desirability of contracting out all or part of the library service to the Institute of Education.<sup>(12)</sup> The consultant's report is currently under active consideration.

## CONTRACTING OUT IN SPECIAL LIBRARIES

Very little has been written on the extent of contracting out of special libraries except for the Study of the trends in supply of library and information service<sup>(13)</sup>. This publication looks at buying in and contracting out of services in all types of libraries in the U.K., but finds very few examples of contracting out. The only cited example is that of ICI Mond Division who contracted a company 'RIBIS, to supply and service all library materials. The contribution contracting out (with specific reference to RIBIS) can make towards promoting cost effectiveness and job satisfaction is discussed in a paper by N. Leigh Privatisation of services<sup>(14)</sup>.

Research for this dissertation revealed that special libraries are increasingly having to contemplate the spectre of contracting out as it becomes a frequently used and preferred method of supplying a wide range of business services. Some companies, such as Marks and Spencers plc contract out all their production, but other companies are being forced by recession to explore methods of cost cutting. One of these is to concentrate on the essential area of the business which the company knows best, and to contract out all non-core areas, or to 'stick to the knitting' as this is referred to in the corporate sector.

In The future of work<sup>(15)</sup> Charles Handy relates this to the long established practice in Japan of large corporations relying on small contractors. 50% of all Japanese manufacturing output is produced by small contractors. This enables the large corporations to concentrate on design, marketing and final assembly. The contractors provide flexibility as they absorb the

fluctuations in demand and need for labour and can concentrate on manufacturing. Costs are reduced as the smaller businesses do not have union controls and therefore can demand longer hours for less pay.

Skilled, white collar workers can cost up to three times their basic salary in office space, fringe benefits and other overheads<sup>(14)</sup>. To make these savings in 1982 Rank Xerox sold terminals and gave contracts to 20 employees to work from home. ICI have helped employees establish their own business, with ICI becoming the customer and initially guaranteeing their income.

Peter Drucker, an expert in corporate economics states "in another 10 years it may well be the rule, especially in larger organisations, to farm out all activities that do not offer the people working in them opportunities for advancement into senior management."<sup>(17)</sup>

This drive has prompted an enormous growth in the service sector. There are contract companies to handle a wide variety of services, including waste disposal, security, catering, plant hire, transport, telecommunications and information systems, travel and skills training. The Oxford Forecasting Unit calculated the total business support service market in Britain to be worth 5% of the gross domestic product, and this is expected to double by the year 2000<sup>(18)</sup>.

Libraries are included in the services which come under scrutiny when it is decided to concentrate on the core business. This trend accounts for the situation in Case Study A. A multi-national corporation has reviewed its internal service structure, and, in the interests of efficiency and flexibility is contracting out many non-central areas, including the library. Case study B examines the contracting out of a commercial library as a

means of reducing staff numbers.

In recessions funding for overheads is usually the first to be cut, and as libraries do not usually quantify their contribution to production they are regarded as another overhead. However this is possibly the worst time to cut any contributor to research and development as these are the areas which can develop products and ideas to pull a company out of recession.

This attitude to corporate libraries is an extension of the attitude many individuals have to information. The preferred sources of information for most people are other people, with libraries low down the list. Allen found that workers would only go a maximum of 25 yards to find out information<sup>(19)</sup>. A study of 20 engineers by Allen and Gerstberger<sup>(20)</sup> found they selected the source of information to use by its accessibility ahead of its known value as a source. The library therefore is not a highly valued resource, rendering it an area ripe to be contracted out.

Contracting out is closely associated with charging for information services and decentralization of information provision. As individual departments become responsible for paying for the actual services they use impetus is given to find the cheapest way to provide services and remove overheads.

## CONTRACTING OUT IN U.S. LIBRARIES

In the U.S. it is the libraries of Federal Government Agencies which are most affected by contracting out. As in the U.K. American libraries have a long tradition of buying-in, but wholesale contracting out of libraries is occurring in Federal Government libraries. Brenda White explored this in a study tour in 1984, which was reported with case studies in Contracting out in federal libraries : the U.S. experience.<sup>(21)</sup>

In 1983 the Office of Management and Budgets (OMB) issued a revised circular A-76. This stated that Federal Governments should use the private sector to provide products and services wherever possible, but functions which could be justified as 'inherently governmental' would not be subject to contracting out. The reasons behind this policy were to save money (the Grace Commission in 1983 found that \$28.4 billion could be saved by privatisation), and to reduce the size of the Federal Government which had taken on many commercial activities over the years. A suggested list of possible areas for contracting out included library services. The most contentious manifestation of this policy, in the literature at least, is the proposed privatization of the Department of Commerce's National Technical Information Service (NTIS).

Although privatisation is not new in U.S. Government, the areas it is being expanded to embrace, such as information, are new. In Government for sale : the privatization of federal information services<sup>(22)</sup> Levin provides an overview of federal contracting out, and the implications for information services. He questions whether efficiency and economy should take priority over

serving the public interest. Levin points out that, more than ever, federal officials require reliable information. Contracting out places libraries in a position of dual accountability, under threat of cost cutting in the interests of making a profit, reduced commitment to planning, and threatens the integrity of the information service. He concludes that the proposed benefits of privatisation are unsubstantiated, and are outweighed by the risks it poses to disseminating information solely in the public interest.

These issues are focused in the matter of privatising NTIS. NTIS collects, archives, exchanges and disseminates scientific and technical information, and it plays a vital role in research and development. An untried method of privatisation is to be used, which requires the contractor to fund an employee stock ownership plan. As outlined by Wood in Federal information policy and its impact on competitiveness : a viewpoint<sup>(23)</sup> opponents to the scheme argue that the role of NTIS is inherently governmental, and, as NTIS is self funding and already competes successfully with the private sector no savings will accrue from contracting it out. Wood criticizes the claims that privatization is cost effective, indicating that a privatised NTIS would in fact cost the Government money. Furthermore the Government's claims for a more effective service under private ownership are shown to have little foundation. Levin and others echo Wood's doubts, fearing privatization threatens open and free exchange of public knowledge. The profit motive is likely to change priorities, and potential increases in NTIS charges could hamper research and information sharing with far reaching consequences.

H. White in the article What price salami? : the federal process of contracting out libraries<sup>(24)</sup> discusses contracting out with reference to his experience as

executive director of the library at NASA. This was contracted out in the early 1960's in order to achieve greater flexibility of staff control and increase innovation, as the contractor was rewarded for improving on working methods. The article presents an excellent overview of many of the considerations in contracting out, stressing that the ultimate criteria must always be quality of service.

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#### 4. WHY CONTRACT OUT ?

The decision to contract out can be rephrased as a decision whether to make or buy. As already explored, differing sectors are under pressure to buy rather than make for various political or organisational reasons. The theory underpinning the advantages of contracting out will be looked at in this chapter.

There is a dearth of literature on actual contracting out in libraries, or in commercial organisations. But journal articles abound on Local Authority contracting out in the U.K. and U.S. As the bulk of contracting out in this sector is still comprised of unskilled or semi-skilled tasks, its applicability to contracting out of library services is limited. However the basic premises and theories behind contracting out can be validly applied to most situations.

The main reasons for contracting out any function are :

1. to save money;
2. to achieve greater flexibility of operation;
3. to reduce staff numbers.

Further advantages can grow from these basic reasons :

- contractors can be very innovative;
- can supply the latest technology;
- can relieve management involvement in staff disputes;
- can reduce managerial concerns;
- contracting out can promote improved service delivery.

## **COST SAVINGS**

Cost savings can arise from reduced overheads; economies of scale and, conversely, avoiding diseconomies of scale; lower staff costs; and tighter work practices. All these are promoted by the competition of the market place.

### **a. Staff Costs.**

The costs of directly employing a member of staff include their basic salary, additional payments, perks, and overheads such as wages administration, heating, lighting and space. Added to the basic salary national insurance, pension, holidays, and sick pay can increase the employers costs of employing an individual staff member earning a basic salary of £15,000 to £19,362. A large commercial employer will often offer substantial perks, further adding to staff costs (see appendix II.)

A contractor may cut these costs, either by paying a lower basic salary, or by employing staff on a part-time or casual basis so pensions and national insurance do not have to be paid. The savings made by Civil Service contractors for ancillary staff can be up to 25%, pensions being the single largest saving<sup>(1)</sup>.

### **b. Overheads**

By contracting out a company can dispense with the additional costs of staff to handle the wages and personnel function.

Expenses such as heating and lighting may be harder to calculate, as they are rarely attributed to one operation but rather totalled as overhead costs. These expenses will be incurred if the contract service is still performed on the employers premises. But they will be

saved if the function is out-sourced, although the contractor will want to recoup these expenses in the contract fee. Savings in the cost of office space can be made by out-sourcing an activity from expensive city offices to cheaper out-of-town premises with lower rents and business rates.

#### **c. Economies of scale**

Contractors can reduce costs through specialising in an activity and serving a number of different clients, achieving economies of scale. This can be particularly advantageous if there is expensive equipment to purchase or maintain. Large contractors can obtain discounts on bulk purchases. Also a contractor can deploy equipment over a number of contracts to avoid it standing idle, while the company employing the contractor need only pay for actual usage of equipment and associated depreciation cost. Fluctuations in demand for a service can be absorbed by contractors, saving a company from paying peak costs to cover times of low demand. Contractors will be specialists in their field and will be able to contribute a high level of expertise.

#### **d. Diseconomies of scale**

Contractors may also avoid the diseconomies of scale which accompany large organisations involved in many support tasks. In any large organisation, notoriously local government or the civil service, the burden of bureaucracy can become unwieldy. Administrative control can dictate uniform rules and methods of operation throughout the organisation, yet these may not be equally suited to all activities. This can slow the responsiveness of an organisation. Procedures can become over burdensome, with rules dictating standard courses of action and inordinate checks. Contractors can avoid this by

specialising in one activity, and using the most appropriate management methods to fit that operation. As Handy indicates, it can be hard to see how a small profit making company can operate more efficiently than a large non-profit making body. But small concerns can work more efficiently and be run more tightly, without the bureaucratic burden of a large public body. "In larger systems the highest common factor, not the lowest prevails. In production systems, large is cheaper. In service systems small is efficient." (2)

#### e. Work practices.

In general the main strength of contractors appears to be the tight control they exercise over work practices, methods and management. This is particularly noticeable between the public and private sectors. A U.S. study in 1984 revealed that private contractors, compared to public employers require more work from employees, offering less vacation and leave for the same salary; use the least qualified personnel able to perform each task; use part-time labour wherever possible; require that managers be responsible for equipment availability as well as labour availability; allow first line supervisors hiring and firing authority and use less labour intensive means of producing the services (3). These methods reduce bureaucratic control, increase responsiveness, reduce staff costs, and promote higher productivity. The protective control exercised by unions in the public sector can prevent these working practices, as can the need for large companies to protect their reputation as 'good employers'.

Livingstone quoting Savas, a main proponent of contracting out, says "The advantages of privatization are not due to pay or the issue of union versus non-union. The key is better management which results in more capital

and better supervision of work" (4). A study by the Institute for Fiscal Studies on contracting out in 305 local councils for 1983-1985 found average cost savings of 22%, and concluded that the bulk of the savings were due to improvements in the physical productivity of labour and vehicles (5).

#### **f. Competition**

Market competition theory dictates that private, competing companies must operate efficiently and effectively to ensure a profit and hold their position in the market place. They are therefore motivated to be constantly seeking means of innovating to provide a competitive edge, and are under pressure to utilise up to date technology and equipment.

#### **FLEXIBILITY**

In addition to cutting costs, contracting out can offer greater flexibility. By reducing to the core a company need only alter the contract specification each year, as requirements alter, or put the service out to tender again. Management are relieved of running services, saving on management time and freeing managerial staff to concentrate on 'core' tasks.

Additionally, by contracting out company management is rid of the concerns of recruiting, training and motivating a wide range of staff in disciplines they may have little knowledge of and which, under a contracted out service are the responsibility of the contractor. Contracting out can also relieve the threat of industrial disputes as the company employing a contractor is removed from directly managing staff problems.

Contracting out can increase financial flexibility. Capital resources which may be tied up in the repeated renewal of assets such as equipment will be released by contracting out. Also the company is able to control costs more easily as it will know a year in advance the costs associated with an individual contracted out operation.

## **REDUCING NUMBERS**

Contracting out reduces staff numbers, and this alone can provide sufficient reason to contract out. Companies very often operate under head count ceilings. The number of staff is tightly controlled, and it can be easier to obtain resources for a contract service than a new staff member as staff incur on-going costs. By using contracting out to reduce staff numbers the organisation becomes smaller, more flexible, and cheaper to run with less on-going costs or 'baggage' to impede company policy and take up management time. The assumption is that over time companies become fat, inefficient, and acquire unnecessary numbers of staff. During recessions cutting excess numbers reduces costs and promotes efficiency.

## **DISADVANTAGES**

Contracting out can also present many problems and disadvantages. Contractor's efforts to reduce costs can be a perfect recipe for employee exploitation and poor quality of service provision. If there are few competing suppliers in the market the competition motive will not operate so many advantages of contracting out will be lost. Economies of scale advantages can become disadvantages as contractors grow into unwieldy monopolies in their own right. Contracting out can reduce the control over service provision, and not all forms of services should necessarily be tied to profit motives.



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## 5. THE COSTS OF CONTRACTING OUT

Although on the surface contracting out has potential to save money there are many hidden costs associated with it. These can depend on how costs are calculated, the costs incurred in the contracting out procedure, the costs of administering the contract, and the possible costs of returning to in-house provision.

Four of the cases studied cited saving money as a reason behind contracting out. All the organisations interviewed were unwilling to provide any financial details of their contracted out service. Therefore this section will necessarily be quite generalised, but will draw on the case studies where possible.

### **COST SAVINGS**

The buyer and supplier will have the same categories of costs in the provision of any service, but the contractor can reduce these as discussed previously. However a contractor will also have to make a profit. The contractor must ensure the total costs are reduced, so that even with a profit margin the buying company can still save money by contracting out. Some savings such as economies of scale will not affect the quality of service provision, however substantial savings in staff costs or work practices can affect quality. If no adverse impact is felt the implication is that the service was either over staffed or inefficiently organised before being contracted out. Additionally, if in-house staff are transferred to become contract staff in order to maintain continuity and retain their expertise, they will require that their pay is not cut, which will limit the scope contractors have for saving money.

At Company A where library support functions are contracted out money is being saved as contract staff are paid less than the in-house staff received. Savings are also made by off-site storage of records. At College F savings are made because staff numbers were cut and more efficient work methods imposed. In this case the Librarian stated that the in-house service had been badly organised and inefficient. Local Authority E saves money as the joint venture has saved them from developing an enhanced business information service. Also, only the direct costs of funding the service ie. staff costs, facilities use, materials purchase and upkeep, and premises costs are paid to the contractors. Management fees are not included. At Company B on the surface savings were made but there were hidden costs due to loss of control of library records and inefficiencies.

#### CALCULATION OF COSTS

The accounting procedures can affect whether contracting out saves money. Costs may be broken down as follows :

1. Direct costs, these include many variable costs associated with directly running a service such as salaries, heating, lighting and consumables.
2. Indirect costs are central functions provided for each department such as finance, purchasing, personnel.
3. Capital costs which include buildings, assets etc.

The accounting methods and which costs are included can affect the competitiveness of any bid. Time scale is also a factor. If the purchase of machinery is involved, early

in the life of a major asset it may be cheaper to keep the service in-house, but as it depreciates or needs replacing then an external provider may be cheaper.

How calculating costs can affect competitiveness is an issue which the Council of Civil Service Unions brings up in connection with contracting out in Government. It is contended that the methods of making cost comparisons are biased towards contracting out. Some of the issues are: VAT, N.I. and income tax are inconsistently treated; continuing accommodation and equipment costs are excluded once a service is contracted out; departments use total costs and contractors use marginal costs to calculate expenses; and the savings are calculated to accrue over 50 years while 10 years would be more realistic<sup>(1)</sup>.

Calculating costs also presents problems for the supplier. It can be difficult for them to assess and fairly allocate indirect costs in a tender until it is known how many contracts will be won. The allocation will affect the competitiveness of a tender.

## TENDERING COSTS

Only in the case of Company A and College F has competition had a direct affect on costs. At College F a proper competitive tendering process was undergone, in which the lowest bidder who fulfilled the set criteria won; and two tenders were evaluated at Company A. But the very procedure of putting a service out to tender incurs costs.

Involved in this process can be library management, company management, accountants, lawyers, and consultants. The management time and specialists fees required in drawing up the specification, advertising, inviting tenders, considering tenders, negotiating and awarding the

contract involves added costs which are not always attributed to the final calculation of whether contracting out saves money. In all the case studies the interviewees said that although these costs were significant they did not actually affect the savings made by contracting out.

Tendering is also expensive and time consuming for suppliers, who lack the assurance of any result. Park, when discussing engineering contracting, says that the cost of estimating varies widely but can be expected to range between 0.5 and 2.00% of the total project costs<sup>(2)</sup>.

## COMPETITION

In practice competition did not have a great influence on reducing costs in the case studies. A reason for there being few examples of competitive tendering is that there were few or no alternative suppliers.

Having employed a contractor and the contract staff become familiar with the work to then change suppliers incurs hidden costs as the staff expertise and knowledge base is lost. A market with few suppliers can make buyers unduly reliant on one, and forced to pay a high charge for the service.

## CONTRACT ADMINISTRATION

There are also costs associated with the running of the contract. In theory contracting out can save management time. With a tightly defined specification for the contractor a manager need not have much involvement in the running of the contract service, and only be involved as a contract administrator. However at Company A this has not happened. The Librarian says that contracting out has not reduced her work load, and she now has the added

responsibility for negotiating and administering the contract. Contracting out has in fact brought in another tier of management: the suppliers, and extra time is now taken up liaising with them.

Increased staff costs are incurred with contracted out services if overtime is required. In the private companies interviewed, when the services were provided in-house increases in work requirements could be absorbed. Under a contracted service any increases in work load must be re-negotiated or overtime paid if additional working hours are required.

#### RETURNING TO IN-HOUSE PROVISION

Having contracted out a service it may in the future be returned to in-house provision. In which case the company will have the costs of hiring staff, of re-assessing management functions, of purchasing any contracted out equipment, and reorganising working practices. Although these costs cannot be quantified or even necessarily considered when contracting out, they may have relevance later.

Contracting out can save money, and is reported to have done in the examples given. But it is not necessarily straight forward and many costs have to be considered in the calculation. The main consideration however is cost-effectiveness. A cheap library fulfils only accountancy criteria, and the main objective of a library is not cheapness, but the provision of high quality service.

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## 6. SYSTEMS ISSUES

### ORGANISATIONAL FLEXIBILITY

The other main reason for contracting out presented in the case studies was to achieve more flexibility of operation. Company A found this was achieved in the contracting out of their records management. This service, which included responsibility for departmental filing was contracted out for a year. Then the entire service was changed and responsibility for filing was devolved back to the individual departments. The records management function was refined into a consultancy service. Contracting out permitted an easy means of reducing staff numbers from nine to two, and provided a framework which allowed a complete alteration of the service in line with changing requirements. Under a contracted out service it is possible to dictate change without the responsibility of having to manage that change.

There is a supply organisation which provides part-time staff for tasks involving low value maintenance functions for basically self-service libraries. The suppliers back this up with access to their full time enquiry and research service. The suppliers admit this is probably more expensive than hiring an in-house part-time librarian, but the advantage is increased flexibility, the costs are completely contained, there is no problem with hiring and firing or altering hours or service levels.

At another company buying in is used to assess the demand for a service without committing on-going costs for staff, and to see whether an in-house member of staff to provide the service can be justified.



## WHAT CAN BE CONTRACTED OUT ?

Whether the above flexibility of operation can be achieved depends on the suitability of any service to be contracted out. Contracting out affects the running of a library as a completely integrated system as it enforces boundaries to staff duties and responsibilities. The systems operated in a library can dictate if it is practical to contract out part of the service.

The factors which can affect the ease of contracting out a task are:

- site dependency,
- ease of specification,
- inter-relatedness with other functions,
- confidentiality,
- organisational background knowledge required,
- type of interaction with other people it involves,
- value and volume of personal judgement required,
- whether a supplier exists.

The services contracted out in the case studies are :

- Low value support and house keeping functions.
- Discrete tasks such as catalogue conversion.
- Basic business enquiry service.
- Library servicing, supply and routine maintenance.
- Records management and storage.

The other study relates to the contracting out of the library with its entire parent organisation. Apart from this case, all the above services require little strategic knowledge or involvement, and can be fairly clearly delineated from other professional tasks.

Any library service has professional and clerical tasks and the routine tasks have to be attended to before professional tasks. A library service or task which is unitized into distinct areas of responsibility or stages of completion can be viable for contracting out. For example a large library with a top managerial tier; subject librarians; function librarians (such as responsible for cataloguing, reader services); separate departments such as cataloguing, finance, periodicals, acquisitions, enquiries and circulation; has very clear task descriptions, strict levels and boundaries of responsibility, and a high degree of clerical routine tasks requiring only basic library skills. These could be encapsulated into distinct or complete contracts, e.g. for a cataloguing team; administrative staff for day to day running of periodicals, acquisitions, or finance and clerical functions. Monitoring, and tasks requiring important strategic decisions such as planning, policy setting, budgeting, liaison, and public relations should be kept in-house to maintain control, but even some strategic areas of responsibility can be specified in a contract.

Many tasks require in-depth knowledge of the parent organisation or are confidential and therefore not viable for contracting out. Abstracting, enquiries, current awareness services, on-line searches and report writing may all involve details of company interests or strategic direction. These may be sensitive or confidential and unsuitable for contracting out. However, in commercial organisations external enquiry services are used at times in preference to in-house services precisely to maintain confidentiality. Also, a contractor's future depends on being confidential and it is unlikely they would jeopardise their reputation by ignoring this responsibility. High value tasks requiring professional judgement and company specialist knowledge should be kept

in-house to guarantee control and continuity. Accordingly, the Welsh Library Association are wary of contracting out any task which involves interchange between staff and the public(1).

If a service is not site-dependant it may be contracted-out and space saved. One company has found off-site storage of records to be a principal cost saver.

If a service or task cannot be easily divorced from other elements of service provision, for example one which requires the close involvement of central backup services and staff, such as a branch library, it would be difficult to contract out that service. It would be hard to quantify this involvement to separate and calculate costs.

The lack of suppliers of contract library services is a major impediment to contracting out. Recruitment agencies can supply staff, and companies specialise in distinct bought in services. But no suppliers exist for a complete library service. One information manager contacted, who is under pressure to contract out, anticipates the lack of a supplier of a full service will prevent this. One company recommended the best method was to locate a creative vendor which provides services in a related area who will work in partnership to develop the necessary service. Kensington and Chelsea Libraries were only able to contract out their video lending service to a so-called (hybrid) organisation, who were obviously prepared to invest a great deal of time to negotiate a mutually satisfactory service agreement(2). The availability of suppliers will obviously affect whether a service can be contracted out.

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## 7. HOW TO CONTRACT OUT

There are some official regulations governing contracting out procedures in different sectors. The Civil Service has strict procedures. The Government's Public Procurement Policy Guidelines refer specifically to procuring equipment, but are recommended by the Government to be applied to contracting out<sup>(1)</sup>.

The Local Government Act 1988 sets strict rules to be followed for local authority tendering<sup>(2)</sup>. European Economic Community legislation also governs public purchasing procedures<sup>(3)</sup>. The Institute of Purchasing and Supply give detailed guidelines on how to contract out<sup>(4)</sup>.

Most commercial organisations have internal purchasing procedures and regulations. These will usually be followed when contracting out in a commercial library.

### THE PROCEDURE IN PRACTICE

In the case studies there were few straightforward tendering procedures. Company A considered two tenders. Negotiation was important and the proposed specification was discussed closely with suppliers. College F underwent a very strict competitive tendering process, the University which met the criteria and submitted the lowest bid won the contract. For Company B and Local Authority E contracting out was decided upon because a particular supplier could fit their requirements and no formalised tendering process was needed. A significant reason for the lack of structured tendering procedures appears to be insufficient suppliers in the market to support an

official tendering procedure. If more suppliers of contract library services existed then a process of inviting and evaluating different bids for a service would have a genuine value; competition would reduce prices, and the process would provide a structured means of assessing the rival bids.

A difficulty expressed was the lack of a trade publication in which to advertise for tenders for services. This is also a problem for potential suppliers who have to scan speculatively for possible tenders. The lack of literature to offer guidance on how to contract out was also a common problem.

## THE PROCEDURE IN THEORY

There are distinct procedures in contracting out, sometimes these will overlap or may not all be relevant. Ascher gives a clear breakdown of the process in local authority contracting out, the following includes many of her points<sup>(5)</sup>.

### 1. The pre-tender stage.

This stage involves deciding what is to be contracted out and identifying responsibilities, policies and objectives. Potential suppliers are often identified. Even at this early stage staff consultation is important.

### 2. Contract preparation

The contract documents usually comprise :

- the conditions of tender, which are the general rules which will govern the tendering procedure.

- the contract, this states the conditions of the agreement, and lists the responsibilities and liabilities of those involved.

- the specification, this describes what, when and where the work is to be done. It is the most important element and will be discussed in the next chapter.

### **3. Tender procedure**

For public library book supply it is common at this stage to issue a pre-qualification questionnaire to potential suppliers. Suppliers complain that these are unnecessarily detailed, too structured to enable suppliers to expand on their abilities, and lack sufficient reassurance as to the confidentiality of financial or commercial information given<sup>(4)</sup>.

The procedure adopted can either be open tender, whereby an invitation to tender is advertised; or selective invitation, whereby the market is assessed and specific companies are invited to bid for the contract.

### **4. Adjudication**

This involves evaluating tenders and suppliers. It may involve a good deal of negotiation with potential suppliers. Suppliers will be assessed on the basis of capability, technical ability, financial status.

The tenders will be evaluated on pre-determined criteria, but cost effectiveness will usually be the overriding factor. If different accounting systems are used it may be hard to compare bids.

## **5. Contract implementation**

This involves ending in-house provision and beginning contract provision. This can be an emotional and time consuming procedure as arrangements are finalised for staff redeployment, employment with the contractor or redundancy.

Commencing private provision can also be very disruptive often with unavoidable teething problems for the suppliers. It is important that the suppliers are given sufficient time to hire and train staff and become familiar with the necessary routines and standards. Ascher states that "a certain amount of chaos during the transitional period appears to be universal" (7).

## **6. Monitoring**

This will ensure contractors are performing to standard and give important management information on the running of the contract service.



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(6) CAPITAL PLANNING INFORMATION Public library procurement specifications and contract arrangements British National Bibliography Research Fund Report 42.

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## 8. SERVICE SPECIFICATION

The specification of the service to be performed is the most important aspect of contracting out. On this are based costs; the chances for success or failure; the likelihood of attracting suitable suppliers; and the ease of administering the contract.

The specification has two purposes. It states what the company expects the contractor to do, and it supplies the contractor with the information needed to know the quality and quantities expected. It therefore will have two elements, descriptions of tasks and duties to be performed (technical specification), and statements of the levels and standards to be achieved (performance specification).

The specification of library tasks is complex. The statement of what is to be done (the technical specification) is straightforward enough, but the quality issue is harder. Getz, quoted by King, takes a negative view. "the quality of library services is too difficult to define precisely in a contract specification...unless service quality is adequately specified, a contractor facing competition pressures will seek to reduce quality in order to lower the cost." (1)

Levin cites a salutary tale of National Oceanic and Atmospheric Administrations experience of trying to contract out its Central Library. The contract solicitation had to be re-written over ten times, and they were still unable to devise an accurate statement of the library's work. Even after several years of contract preparation and study the finally-accepted bid was based on the dubious assumption that volunteers would help the staff, and it failed to include collection development

costs. Levin uses this case to demonstrate that poor contracting can risk the quality of information output, as private firms will readily cut corners to increase profit margins at the expense of service levels<sup>(2)</sup>.

## SPECIFICATION IN PRACTICE

In the case studies the issues which came out of discussing service specification were as follows :

### 1. Specification of different levels of service provision.

Stating the tasks to be performed was not a problem in any case. Difficulties arose in one instance when it was intended that the suppliers would go beyond this to provide an element of management assistance, this was found to be hard to specify. In this instance the specification also does not go in to detail of standards and performance levels of staff or their management. Without tackling this issue it seems that the issue of management control cannot be dealt with.

This highlights an important issue in contracting out. An in-house member of staff who has had long experience of service provision, and has been internally promoted will have a knowledge base on which to found managerial decisions. However, not all promotions to management level are internal, and it is not generally viewed as a problem to advertise and externally appoint a library manager. A contractor is just as able to provide suitable staff in theory, but trust and confidence in an individual's managerial abilities cannot be put into a specification. For this reason any strategic task is unlikely to be contracted out.

2. The importance and difficulties of setting quality standards and quality control procedures for work to be performed.

In only some of the case studies were performance and quality levels spelt out, despite the centrality of this to successful contracting out.

Performance standards, both input and output must be set, and these must be capable of being monitored. Suppliers should be given the standards to be fulfilled, and the freedom to devise the methods to meet them.

If quality standards are omitted the contractor will be free to sacrifice quality to efficiency and profit. White demonstrates the importance and pitfalls of specification with the following example :

"A number of years ago one of the military services put out a request for proposals for a large quantity of dictionaries. It specified only cost and number of terms included, and it was revised only after it was pointed out what was being demanded was simply a cheap dictionary, not necessarily a useful dictionary. In fact the specification as written virtually guaranteed that the winning bid would be for a poor dictionary"<sup>(3)</sup>.

3. The difficulties of wording the specification in the appropriate legal jargon.

A description must be precisely worded, otherwise the contractor could claim to have been misled, or a bid will not accurately reflect the service to be provided, and additional costs may be charged. Also, it cannot be assumed that terminology will be interpreted consistently.

For example it could be assumed that anyone with experience of libraries will know what is meant by "professional qualifications". However even an issue as supposedly straightforward as qualifications, as stressed by Brenda White, cannot be so simply specified. She illustrates this point clearly by comparing two federal library's specifications for supervisors. One states :

"Supervisory....resumes submitted shall demonstrate supervisory/management and performance work statement experience through work experience, education and/or training"

In contrast the other specifies :

"Project Manager -

Master of Library Science degree.

At least five years experience and increasing responsibility in library/information centre management with demonstrated ability to plan and coordinate operations for a large scale facility comparable in size and scope to the HUD Library and Information Centre.

At least three of the these years shall have been spent in top-level management ranks.

Demonstrated record of public service orientation and commitment to meet the needs of the organization's primary clientele.

Background knowledge and experience in automation, computerized information retrieval, and library systems operations, and familiarity with new methods and state-of-the-art technology." '4'

4. Other safeguards are necessary and possible, not just those encompassed in a description of performance standards.

For example all organisations required the right of veto on staff provided by the contractor. Even the most accurate, detailed specification cannot cover issues such as personality which can be best assessed personally.

5. The general lack of written specifications prior to considering contracting out.

Most of the organisations studied did not have a work statement or service specification before tackling the issue of contracting out. This is apparently something that is not seen to have value until it is necessary to complete. Analysing current service provision in terms of how another organisation should provide it gives very valuable management information. Being forced to think about service provision and levels would give the librarian a useful tool in service planning, evaluation and justification.

6. The value of output oriented service definition leaving scope for the contractor to meet objectives without being constrained by a strict methodology.

If certain methods of service provision are necessary to control quality then these must be stipulated, but otherwise the service should be defined in terms of the required output or outcome. This enables the supplier to be innovative and use work methods which will be profitable. Setting performance levels will prevent cost cutting at expense of quality of output. The City of Westminster's lack of success in obtaining contractors was that the specification was too tight and therefore impracticable and offered little opportunity for profit.

5

The contracts for Company A and the cataloguing contract at Government Department D do not lay down strict methodologies. At Company A the suppliers were told the tasks to be accomplished and the services required. Information was provided on the current staffing levels, but it was left open to the suppliers how many staff they wished to provide to attain the required levels of service. At Government Department D the final task specification was presented as a description of the final result expected which was a bibliographic database, and the suppliers were to propose the methodology to achieve this.

The following considerations when drawing up a specification were learnt by Westminster in their attempts to contract out bibliographic services<sup>(5)</sup>.

1. The method of payment. This can be fixed price, management fee, or unit priced. The method affects costs, motivation, and methods of performance monitoring.
2. Location issues: Suppliers access, health and safety, premises maintenance and rights of occupancy or disposal all have to be specified.
3. Future plans for services, the integration of new developments with a contracted out operation has to be considered.
4. Who is likely to tender? The wording of a specification is likely to reflect the presumed capabilities of theoretical suppliers. Having too narrow a target group can restrict the numbers of potential tenderers.

## SPECIFICATION IN THEORY

There are no strict rules for what a service specification has to contain, but there are guidelines for different organisations.

Guidelines for contracting out federal libraries are given in The Office of Federal Procurement Policy pamphlet no.4 A guide for writing and administering performance statements of work for service contracts (Office of Federal Procurement Policy, 1980)<sup>(6)</sup>. This describes the development, writing, and administration involved in performance work statements (PWS), and quality assurance plans for operating commercially. There are three procedures involved in contracting out a federal library :

1. The Management Effectiveness Study (MES) : a detailed analysis of functions and activities, inputs and outputs.
2. The PWS : a statement of the library's activities and performance standards to be attained. Against this the future operation of the library will be measured. This is the specification element.
3. Detailed cost comparison : this sets the cost standard for maintaining an effective and efficient service, and bids for running the service are measured against this.

In the Purchase of Service Contracting, which deals with contracts for social services in the U.S., Kettner and Martin spell out what a work statement (or specification) should contain<sup>(7)</sup> :

- service definition
- definitions of terminology
- enumeration of standards
- technical specification



- performance specification
- definition of units of service
- definition of contract objectives
- administration and reporting requirements.

This can be used as a useful checklist and guide to apply to library specifications.

To formulate this Kettner and Martin suggest the following method :

1. Identify the service to be provided. Whose expectations must be met for the service provision to be considered satisfactory?
2. Identify the population to be served. What requirements or limitations does the population dictate ?
3. Develop the service definition.
4. Identify the tasks to be included. What are the applicable standards, or units of service.
5. Identify the acceptable methodologies. Should any limitations be placed on the way the tasks are to be carried out?
6. Establish criteria for staffing, facilities, equipment, resources.
7. Define a service completion. Are there applicable standards and units ? What constitutes a completion of one episode of service ?
8. Define outcome or result. What results are expected?
9. Identify terms that need to be defined. Give all potentially ambiguous terms specific operational definitions.
10. Develop the contract objectives
11. List data collection, recording, and reporting requirements.

## PERFORMANCE MEASUREMENT

It can be hard to look objectively at service provision, but employing contractors forces management to do just that. It is necessary that performance levels are stipulated to control and measure work output. This can be the hardest element to put into a contract, but will be very valuable.

The above methodology places emphasis on using standards wherever relevant. This can make specification easier, but is problematic in libraries; standards do exist, but these usually relate to acceptable minimum input levels, such as volumes per head. There is copious literature on performance indicators and their use in planning, directing and monitoring library services. The literature is full of examples of methods. But inputs and processes remain the predominate criteria for measurement. It appears that Getz's view is easily adopted and a fog still surrounds the problems of defining quality of output. BS5750 certification and quality assurance programmes are a means of tackling standards and performance if quality criteria are used. Incorporating a 'quality assured' orientation or requiring supplied services to carry certification would greatly assist in the problems of defining and drawing up a service specification.

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## 9. STAFF MANAGEMENT AND PERSONNEL ISSUES

In a situation where all or part of the library function is contracted out there is potential for many difficulties for the staff. They are a vital element in any organisation, and require as careful handling and consideration when contracting out as any other resource. Adopting the right attitude and strategy towards staff can motivate them to increase output and high quality work, promote enjoyment, loyalty and a good working atmosphere. Ascher states that "local authority contracts that have been awarded without disruption have generally been characterized by careful and continuous communication with staff interests"<sup>1</sup>. Working for a contractor on a temporary contract, usually on the premises of another company, and having little contact with their direct employers can cause many problems of staff which may affect their work. Therefore in terms of personnel and work management these issues require attention.

Contract staff were interviewed but the sample size was necessarily small. Four staff from three suppliers were interviewed and the issues were discussed with employers. The answers revealed common problems.

The staff on annual renewable contracts at one company said the position appealed to them because it was temporary. They felt the contract situation enabled them to leave without feeling that they would be letting the employers down. No long term obligations were felt towards the buying company or the suppliers. Company A management said it takes approximately 3 months for new staff members to reach a useful standard of proficiency. Although professionally trained staff comprise the contract team they had little work experience and training

was needed. This investment in contract staff is more likely to be wasted as staff do not feel a sense of long term obligation to the company. There could be a higher staff turnover and consequently increased investment in training new staff.

Management at Company A felt that only staff seeking temporary employment would be attracted to working for a contractor. They found that library professionals were wary of an employment contract which was only guaranteed for a year and so only a limited number would apply for such a position. They proposed that an attitude shift away from this was required to reap the full benefits of contracting out. So-called job security was seen as rather a myth as all employees, whether contractors or permanent, usually work under a months notice to terminate employment. A years experience of information work in a prestigious organisation was regarded as secure and valuable employment conditions and experience. In fact, at one company where many functions are in the process of being considered for contracting out, a member of the contract staff commented that they felt more secure than the permanent staff.

For staff the other side of the coin to having the freedom offered by a temporary contract is that there is little scope for career development. This could affect motivation and the effort staff contribute to their work.

Contract staff working at Company A do not get some of the perks given to permanent Company A staff. These include use of a leisure centre, re-location help and expenses. This is resented. One member of a contract team has been working at Company A for 3 years, and so feels as permanent as any direct employee. Contract staff argued that they had to incur the same re-location expenses as direct employees. Staff are content with the suppliers

terms and conditions of employment, but they feel entitled to the additional perks.

Social stratification is also sensed among the contract staff working at Company A. The permanent staff do not mix socially or informally with the contract staff. They are regarded as taking an unfriendly, 'us and them' attitude to the contract staff. Likely explanations are that direct employees are wary of investing social effort in others who may not stay long at the company, or the direct employees identify so closely with their employers that there is a feeling of superiority or difference from contract staff. Within the company a corporate identity is fostered. Contracting out non-core activities emphasises feelings of importance and a sense of 'otherness' amongst permanent staff, which is obviously valuable to Company A but causes problems for the contract staff working on the premises.

One contract member of staff expressed a desire to be more involved in matters concerning the running of the library. The contract staff are not consulted on issues relating to direction or planning. This may be because this grade would not be consulted on such matters whether they were directly-employed or not. Or it may be because this involvement has not been built into their job specification. The staff member said they did contribute as much as possible, but acknowledged that there was a danger that they could stop trying to invest this extra effort. In this way a consequence of contracting out would be to have a very disjointed team who did not contribute to the wider objectives of the library. However in a system which is completely contracted out, such as at College F the staff feel a strong sense of identity with the aims of the College. They actively promote and work towards the fulfilment and furtherance of the wider objectives of the library.

Contract staff working at the premises of the buying company can have difficulties with divided loyalties. The contract situation can leave little scope for structured staff development, and there can be a blurring of the roles of the employers. Their direct employer may rarely see them, or observe their quality of work. They will originally hire the staff and pay their wages, but beyond this may have little to do with them. In contrast the manager at the buying company will have very close involvement with the contract staff and will build a relationship as if they were their direct employer. Staff development and motivation require careful handling, this can be done on a daily basis, and/or generally assessed in an annual staff reporting procedure. Contract staff, unless some facility is built into the contract, may miss out on an official procedure for staff development, as their direct employer may have little knowledge or experience of their work.

Contract staff may feel out on a limb, having little long term loyalty to, or investment from the buying company, but having nothing to do with their direct employers. This was borne out in the interviews with staff at Company A. The staff interviewed only had contact with the suppliers over issues of pay and conditions. They felt that this was insufficient. These staff regarded the librarian at Company A as their boss in practice and would always go to her first if there were any problems. At College F it was reported that library staff generally felt a very strong sense of commitment and identity with College F. Although they were direct employees of University G, most staff felt as if they were in fact College F employees. The staff at Company A were unsure of contract procedures for structured staff reporting and development, although they had access to their supplier's training courses.

This situation can be helped if the contract team includes a team manager. The manager will act as a focal point for the suppliers, the buying company and the members of the contract team. They will give the staff a day to day manager who will also have responsibilities to the suppliers to be concerned with overall staff development and motivation. Administration of the contract will be made easier for in-house management who will have a contact on the staff, and the suppliers will have an on-site view of how the contract is working out. At Government Department D the contract cataloguing team includes a supervisor, and this has been very useful. But, including a manager can be expensive, and the difficulties of specifying managerial duties has already been discussed.

When a function is contracted out the hand-over can be helped if the in-house staff are taken on by the supplier. In this way a valuable resource, staff experience and expertise is not lost. Although the suppliers and management may be new to the contract situation the staff will be able to provide continuity. However it can be difficult for the staff to adapt to having a new employer. Contracting out a function is very disruptive and unsettling. It will make staff re-consider their future, and many will leave. One company contacted is intending to contract out non-strategic elements of the library service, and two staff have already left, even though no final decision on the contracting out has been taken.

In order to reduce costs it is likely that pay and conditions of service under a contractor will be worse than staff have been used to. Work methods and routines may change, and permanent security will be replaced by annual contracts. All this can be quite a shock. If a function is out-sourced the staff will have the added problem of getting used to a new work location. The



problem of getting used to a new work location. The manager of Company C was obliged to take on library staff when their duties were out-sourced. They found it difficult adapting from being employees of a large multinational, to being employed by a small supply organisation. Such a shift can influence staff feelings of status and worth and affect motivation.

If a supply organisation is obliged to take on company staff it will gain expertise and continuity. But on the other hand many staff will leave, and it will often be the best staff who find alternative employment. The contractor may well be left with staff they would not normally choose to employ. The manager at Company C said that being unable to choose a staff, and having to un-train staff who transferred was a great problem. He said that in future he would refuse to be obliged to take on all transferred staff, unless he could hand-pick them. Not being able to guarantee in-house staff a job once the contract begins will make the period of change extremely disruptive and very difficult for both staff and management.

The management of change is a vital consideration when contracting out a function. At all companies interviewed it was felt that this had been quite poorly handled, with staff having little knowledge of what was going on, and consequently fearful of their futures. At College F the temporary staff working in the library before the hand-over did not know that they would not have a job the next week when the contract started. Rumours and doubts spread quickly, and it is very important that staff are made aware about any changes. Communication is vital and will promote a smooth change, staff goodwill and security.

The success of any operation stands or falls on the quality and dedication of the staff involved. When

contracting out it is crucial that great attention is paid to staffing issues. Various measures promote ease of staff management. Employing a staff manager as part of the contract team will give all involved a focus for communication, problem solving, and feedback. Communication throughout the contracting out procedure will also give staff the chance to make decisions on their own future based on accurate information rather than feelings of insecurity and rumour. As in any employment situation investing time and money in considering staff problems will save in the long run. But a contracted out situation has added complications and therefore staffing issues require even closer consideration.

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## 10. LEGAL ISSUES

A contract is a legally binding agreement, but it is not intended to go into details on the ins and outs of contract law here, a legal textbook or solicitor would be far more reliable. However there are legally based issues in contracting out which require discussion.

### INTELLECTUAL PROPERTY

Such issues are governed by the Copyright, Designs and Patents Act 1988. Intellectual property will usually be the preserve of the buying company, this will be dictated in the contract terms. However, this could become a complex issue. For example if a contractor were to have their own database and offer this service to the buying company, and in the course of the contract to contribute to this database, who then would have copyright ? Other issues such as design right or copyright of computer programmes, may be significant elements in the contract agreement.

### LIABILITY FOR INFORMATION PROVISION

This is a very topical issue in current literature, but so far there have been no cases in the U.K. of an information professional being sued for negligence. Information professionals do have a duty of care, and can be sued under contract law for breach if they negligently provide wrong information. The Sale of Goods and Services Act 1982 states that the supplier must carry out the service with reasonable skill and care. Reasonable refers to the skill and care which is normally expected from a member of the profession. This is relevant when a service is contracted out. As indicated by Gray <sup>(1)</sup> the failure of

an in-house librarian to perform satisfactorily may breach the duty of care inherent in the employment relationship, as the clients are the employers. In this case an employer can, under common law, take action against the employee for damages suffered due to their negligence. If a service is contracted out the negligent employee would be liable to the buying company, and their employer, the supplier; the supplier would also be liable to the buyer for damages resulting from breach of contract.

A supplier could incorporate an exclusion clause into a contract. This is a statement saying that the supplier accepts no responsibility for certain types of errors or failures of performance. Under Section 2(2) of the Unfair Contract Terms Act 1977 exclusion clauses must be reasonable and so cannot be relied upon to exempt from responsibility<sup>(2)</sup>. Furthermore, a claim to professional status is that expert judgement and skill will be exercised. An all-embracing exclusion clause denying responsibility for information provided rather negates professionalism.

A means of lessening the risk of financial loss resulting from an action for liability is to take out professional indemnity insurance, and this is increasingly common amongst professionals who supply information for a fee.

## CONFIDENTIALITY

Confidentiality has not been a principal issue for the contractors in the case studies, other than in so far as it also affects anyone working for the buying company. In some cases the contract staff had to sign the buying company's standard confidentiality agreement. The contract staff in the case studies are not dealing with

confidential information, other than at College F where the Reports Section of the library holds confidential MoD information.

This issue of confidentiality influences whether a service is contracted out in the first place, as has already been discussed. It could also become an issue if a supplier were to provide staff to rival companies, the companies involved could see this as a risk. However in practice it is unlikely that a supplier will jeopardise his business by not regarding strict codes of confidentiality. It has been suggested that a professional code of ethics be drawn up for information professionals<sup>(3)</sup>. This could not be enforceable by a professional body as it is not necessary to belong to a professional body to practice information work. However, if such a code were drawn up and conformity to it controlled, it would set a standard, give suppliers adhering to it added credence, and offer reassurance to clients.

The need for confidentiality will be addressed in the contract terms, and any breach will be dealt with as laid down in the contract.

## CONTINGENCY MEASURES

A supplier could fail to produce the services for which they are contracted. A contractor could go bankrupt, cease operating, or be involved in a staff dispute, all of which will halt service provision. Some contingency measures seem necessary in the event of a supplier failing to comply with the terms of the contract. However, the organisations studied did not report having contingency measures in place. Depending on the nature of the contract it could be very impractical to support an in-house backup arrangement. In this area, as in so many others, trust in the supplier's responsible attitude

towards service provision is a common feature. This can be insured by strict default and penalty clauses defined in the contract. Performance monitoring is also essential to recognise areas of omission by the contractors. At the adjudication stage it is also important to be sure of the suppliers financial stability and history of industrial relations.

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## 11. RESULTS OF CONTRACTING OUT

With the exception of Company B who brought the contracted out service back in-house all other services studied are still being contracted out. In all these cases it appears that the contracting out is being successful, although lessons are being learnt.

Company B found that contracting out led to loss of control of records. Inefficiency and duplicate expenditure were said to have resulted. This can be partly attributed to a lack of service monitoring. This is vital in maintaining control and assessing contractor performance.

At College F two committees handle matters of library performance, and active user-feedback on the service is encouraged. These are the principal performance monitors, but no facility for monitoring was built into the contract. In case study E the local authority has laid down monitoring procedures for the joint venture business information service provided by the Polytechnic. An enquiry monitoring form is completed for each enquiry, and an Advisory Committee also discusses performance. These are the only official procedures for service monitoring reported in the case studies.

Effects on service provision of contracting out cannot be properly assessed without having some method of performance monitoring. A library manager will undoubtedly feel whether the service provision has improved or worsened. The information provided by objective performance monitoring is necessary for library management to make a case to continue or alter contract service provision.

Cost effectiveness is central to the issue of contracting out.

"It is this focus on what is to be done, rather than the question of whether internal or external staffing is to be used, that is at issue...it is likely that good libraries, when run by an in-house staff or by a competent and professionally monitored contractor, are more expensive than poor libraries. If dollars are all that we measure, then we almost inevitably drift toward lower quality." (1)

Cost effectiveness analysis combines quantitative measures (cost) with qualitative measures (effectiveness). The libraries studied were unable to provide cost information for the case studies, but in most cases gave a general evaluative comment on performance, which was good. Information on both these categories is necessary before cost effectiveness can be assessed in detail. It seems that as long as cost savings are tempered with maintaining a quality service, and performance levels are set and monitored then cost effectiveness can be attained.

The objective of a library is not to save money or to provide a means of keeping staff numbers down. Local Authority E wanted an improved business information service, and a joint venture was the best means to achieve this. The impetus was quality of service. Similarly at College F contracting out was a golden opportunity to completely overhaul service provision. However if the impetus is purely cost or number reduction then quality could suffer, as at Company B. This may be minimised or not happen at all if the area to be contracted out is carefully selected and specified, performance levels are set and the contractors performance monitored. Contractors can provide a high level of service, and may



be able to do this more cheaply or with other advantages than could be done in-house. For many tasks it doesn't matter who performs them so long as they are completed to an acceptable standard. But service quality has to be a prime objective. The greater the extent to which quality is subordinated to cost cutting or number reduction the greater become the dangers that it will suffer.

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## 12. CONCLUSION

The essence of contracting out a service is that it is produced by an organisation which is only connected by a legal contract to the organisation ultimately responsible for the provision of that service. Consequently, all aspects of providing a service (controls, responsibilities, future developments, rewards, punishments, performance and tasks) which, when a service is provided in-house, are decided in-house (governed by in-house policy, day to day decisions, or initiatives based on knowledge of service objectives) have instead to be dictated in a written agreement.

Any omission or vagueness in the details of the contract could result in the service not being suitable or up to standard. Only that which is specified is provided. Therefore it must be considered what cannot be governed or encapsulated by a written contract, and what safeguards are necessary or possible to control how the contract is put into practice.

For an organisation intending to contract out there are four main considerations :

1) What can be gained by contracting out (cheaper service, more flexibility, reduced headcount, better service) should be assessed for its importance to fulfilling the objectives of the service (cost effectiveness, quality). It may be that contracting out fulfils organisational goals at the expense of service objectives, in which case inexperienced contracting out may threaten the fulfilment of service objectives. It may be that the objectives of the service are more highly

prioritised than the advantages contracting out offers, in which case contracting out will not be pursued.

2) The factors which cannot be governed, written in a contract or satisfactorily controlled by a contract (policy, service direction, confidentiality, personal control, service ethic, exceptional personal skills) must be assessed for their value to the service. If any one of these is integral to service provision contracting out is probably not a good option.

3) Additionally the problems and disadvantages associated with contracting out (hidden costs, loss of staff involvement, distancing from direct service control, lack of suppliers and competition) must be assessed for their importance in the whole equation.

4) If the service provision does not contain to a prohibitive extent the elements which cannot be governed by contract, and if the advantages outweigh the disadvantages with constant reference to cost effectiveness then contracting out is a very viable option.

External pressures on libraries are forcing them to consider the option of contracting out, and research has shown that there is a place for it in the provision of library services. Most support tasks, and tasks requiring specifiable professional skills could be effectively provided by contractors. Having assessed cost effectiveness, contracting out becomes a systems issue. A library service may be broken down into definable roles. Where these are discrete and not requiring organisation-specific experience or involvement a contractor can step in.

Contracting out necessitates well thought out descriptions of roles and responsibilities; assessment and definitions of service objectives and levels; establishment and enactment of procedures to control quality. In this way it can also contribute to an improvement in methods of service management.

Contracting out has implications for staff. The absence of long term corporate identity can affect attitudes to work and has social repercussions. The suppliers have an important role to play in providing support for their staff. This can be done by promoting an identity for the staff as professional members of the supply organisation, and regular communication. A manager who is part of the contract team can act as a go-between for the buyers and suppliers and provide a focus and motivation for the staff.

From the point of view of suppliers it is important to take a flexible attitude towards the needs of the buyer. Communication is vital. Suppliers can play a role in assisting companies devise specifications, and contribute a partnership attitude in helping set up the contract. The reputation for responsible, professional service provision from the suppliers, and trust from the buyers play a large part in contracting out and combating feelings of wariness and loss of direct control of the service.

#### THE FUTURE FOR CONTRACTING OUT

Contracting out has a future in libraries. The impetus and belief in its advantages is growing. The biggest problem seems to be the lack of suppliers. But suppliers depend on buyers, and at the moment there is rather a

"chicken-and-egg" situation. Suppliers need a wide client base to be profitable and economical, and to build up expertise.

However, indications are that the motivations for contracting out are sufficiently strong for organisations to find a way round this problem. Either compromises will be made and the specification made to suit the supplier, or a partnership approach taken with suppliers to develop a supply package to suit the specification. Suppliers must adopt a flexible and innovative approach, first by recognizing the potential which does exist in contracting out, and then by being responsive and creative in meeting needs. Experience in contracting out is growing, and dedicated suppliers should develop.

Contracting out on its present model offers great potential for the information profession. As it becomes recognized that support and clerical library tasks can be performed by external suppliers these become distinct from professional duties. For too long librarians have had to dedicate their professional abilities to routine house-keeping tasks. Contracting out these tasks gives the librarian their true status, that of a valued, skilled, professional and central contributor to organisational objectives. They are removed from the routine tasks which are responsible for the general image of the librarian as a clerical worker.

#### RECOMMENDATIONS FOR FURTHER RESEARCH

This study has skimmed the surface and provided an overview of many issues involved in contracting out. In many ways it has come too early. A sufficient body of experience has not yet been built up from which to draw

detailed or reliable conclusions. Also, in the course of the research, organisations were identified who are looking to contract out but have not yet done so. Some organisations are intending to contract out much more than they have done already. In Government and public libraries too, contracting out is set to become far more common. It would be beneficial for detailed studies to be made into contracting out in each sector, and for an in-depth analysis to be made of the effects and issues involved in contracting out in a specific organisation.

It is an area where library professionals are acting rather in the dark at the moment, and are only recently beginning to communicate amongst themselves about it. Indications are that contracting out will grow, and research could play an important and much needed role in facilitating this.

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APPENDIX I

THE CASE STUDIES

## CASE STUDY A

Company A is a division of a multi-national industrial organisation. As part of its information service it provides an on-site library and records management function. It supplies public-domain knowledge to staff on site, in Head Office and overseas offices, and to project workers in the field.

The library services provided include enquiries, loans, literature searches, translations, journal circulation and current awareness bulletins. The library stocks books, journal articles, conference and non-conference papers, comprising a total of around 60,000 items. Items are retrievable via a bibliographical database.

Currently the library is staffed by 2 librarians and 3 contract staff. The librarians manage the service and handle high level enquiries such as requests for literature searches, while the contract staff are responsible for work of a lower value such as the support house-keeping functions and routine tasks and enquiries. The contract has been running for over a year.

The contracting out can be seen in the context of a general trend towards the de-centralization of the library function. The parent company is multi-site and multi-function, and a central library did exist serving all sites and functions. However each business area gradually developed its own more specialized library and information service. All library services are now decentralized and each division has its own library and information unit, although one member of library staff still maintains an information service in head office.

The contracting out of the library was a result of a company wide drive to cut back to core concerns. The entire parent company was assessed for methods of re-organizing in order to save money and operate more flexibly. Core areas of company interest and operation were identified, while other elements of service provision were assessed for their suitability for contracting out. The library function in Company A, as part of the internal information technology service was identified as not being a core activity.

It was decided that routine library tasks were to be contracted out, but it was hoped that suppliers would assist in the input of ideas to enable a certain amount of management assistance to be built into the service specification. However difficulties were encountered in this regard and specification was a problem.

Management identified potential suppliers and 2 were invited to tender. The tender stated the tasks to be accomplished and the services required. It provided information on the current staffing levels, but it was left open to the suppliers how many staff they wished to provide to attain the required levels of service. Management were fully aware that they were moving in a new area of library service provision and encountered difficulty finding guidelines and literature to assist with the process. It had been hoped that suppliers would be able to offer guidance, but suppliers were as equally inexperienced and wary of this new idea. There was a certain amount of communication difficulty as this was such a new idea, much time was spent discussing with suppliers exactly what was required, and some opposition to the idea was met.

No organisation was found to be in the business of providing an entire library service to specification. The



service could to an extent be broken up and provided piecemeal, but an entire service provider was not available.

Management realise that a further problem for the suppliers was the size of the operation. The provision of 3 staff would not provide sufficient incentive for the suppliers, it offered very low potential profit margins to permit the absorption of the management overheads associated.

Other alternatives to contracting out the library were explored, for example contracting with an off-site library to provide a service, but again the small scale of the operation was seen as prohibitive, as was the potential loss of control of service provision and the problem of finding a suitable supplier.

Following close negotiations with the suppliers a contract for the provision of support library staff was agreed. The management assistance hoped for was difficult to specify in the contract and not pursued at this stage. The final contract describes the services the staff will provide but does not go into any detail about standards and performance levels of either the contract staff or their management. It is intended to rectify this when the contract is re-negotiated.

The issue of legal liability and confidentiality is not regarded as a great threat given the contract arrangement. Contract staff are required to sign the Company's standard confidentiality agreement. The contract staff handle only public domain knowledge and they have little access to confidential policy information. Nor is it likely that they would be able to make any evaluation of possible corporate strategy and direction from the type of information they are dealing with. Furthermore, the

information service is provided only to Company employees, so liability to third parties is not an issue. The contract specifies that all intellectual property rights belong to Company A, but this again is unlikely to be an issue as the service provided does not cover work involving copyright ownerships. Contracts cannot guarantee against breaches occurring, merely provide remedies after occurrence, therefore such unlikely issues as the potential for malicious damage of databases can only be guarded against. The main method for this is the selection of reliable and responsible staff, and this was ensured by Company A's stipulation that they interview all proposed contract staff. The supplier short-listed the staff but the final selection rested with Company A.

The problem was encountered of staff attitudes to the contract arrangement. It was felt that library professionals were wary of an employment contract which was only guaranteed for a year. The work was regarded as being of a temporary nature, and the administrative policies of the supplier dictated that employees who were interested in so-called "permanent" work were not put forward for these positions. Information managers in Company A proposed that an attitude shift in the profession as a whole was required to reap the full benefits of contracting out as a method of service provision. All Company A staff work under a months notice to terminate employment. A years experience of information work in a prestigious organisation, with the good likelihood that the contract would be renewed is regarded by Company A management as secure and valuable employment conditions and experience.

Professionally trained staff were specified and selected. However a good deal of time and effort was still invested in training and developing staff as they had little work experience. Management work under the assumption that it

takes at least 3 months to develop staff to a useful level of experience, this further adds to the price of contracting out. Staff training involves a high level of time and resource input, and this puts pressure on the Company to keep the contract running and hold onto staff. Given this consideration, it is unlikely that management would negate this investment and lightly terminate the staff's employment.

Contract staff are generally treated as other Company A staff, having access to all staff facilities within Company A. However, unlike Company A's direct employees, they do not have free access to a leisure centre, nor did they receive relocation expenses when the company moved site. They have an additional bonus as contract staff, if overtime is worked they can receive overtime pay. However, because the suppliers need to make a profit from the contract arrangement the salaries paid to staff and other non-statutory entitlements are lower than those previously awarded to Company A's library staff.

The supply organisation has responsibilities to the contract staff as their direct employers. However, in the event of a problem arising for the staff, the practicalities of day to day work mean that the Company A Librarian will usually handle it as if she were the direct employer. The Librarian works closely with all the staff and is likely to be aware of any personnel problems. The staff are free to discuss any problems with either the suppliers or the Librarian. If there are problems with the amount of work required or difficulties in coping with the work load, this then becomes a matter for the Librarian to discuss with the suppliers in terms of what is required under the contract agreement.

Administration and organisation of the contract is time consuming, the Librarian finds that having contract staff

has not reduced her work load. She now has the added responsibility for negotiating and administering the contract. Problems of administration are exacerbated because a contract arrangement involves an additional administrative tier, and day-to-day problems such as being able to get hold of the suppliers on the telephone increase the managerial resources involved in the running of the contract. It is hoped that as the contract is developed and managerial needs are more clearly specified in the contract agreement savings in management time will accrue.

The advantages which contract arrangements offer in terms of providing greater flexibility whilst also increasing continuity has been most strongly felt in the area of records management. Prior to contracting out the service, temporary agency staff had been used, principally as filing clerks, and often employed on a weekly basis. There was a very high staff turnover, very few stayed longer than 3 months so constant re-training was required and little value for the money invested in staff development was ever realised. Under the contract agreement responsibility for the tasks was given to one organisation who also supervised the whole operation. Thus stability was achieved, the contractor could offer staff a years contract, and most staff did in fact stay for the full year. Management time and involvement was drastically reduced as the supervisor now had this responsibility. Flexibility was attained as, after the initial year, the entire service was changed and responsibility for filing devolved back to the individual departments. The records management function was then refined into a consultancy service. In this way contracting out has permitted an easy means of reducing staff numbers from nine to two, and has provided a framework which allows a complete alteration of the service in line with changing requirements.

## CASE STUDY B

Company B is a division of a multi-national chemical company. It contracted out its library function in 1981. The reason behind this was a company-wide drive to reduce staff numbers. Pressure was brought heavily to bear to cut the numbers of staff employed in any feasible way. This was the objective and priority, and under these circumstances contracting out was an ideal solution.

Impetus was provided by an existing staff member who seized on this situation as an opportunity to branch out, and the move was made to establish a company off-site (Company C). This would employ former library staff, and would have the responsibility for administering, running and resourcing the library. The library itself remained on-site as a self-service organisation to which the contract company supplied part-time staff to physically maintain the stock.

Opposition was expressed, and a threat was perceived throughout the libraries in other divisions of the parent organisation that they too could be out-sourced in this way. Doubt existed as to how the operation could be profitable. However the plan met the organisational objectives and reduced staff numbers by 6, and was therefore pursued with the full backing of Company B management. In retrospect it is also felt that the quality of service provided in-house was a factor in the decision to contract-out. If it had been perceived as an excellent, first rate service there would not have been the motivation to alter the existing arrangement.

Stock selection remained the preserve of an in-house information scientist, but all administrative and library

support functions became the preserve of the contract company. This involved management of all records pertaining to stock, such as supplier details, invoices, orders placed, and existing purchase agreements. In this way an attempt was made to separate the administration of the library from the provision of a library service. However, it was found that by doing this what was achieved was the exporting of the control of the library operation. An essential key to control of the library service is the records of transactions and stock, and this was lost from Company B.

The newly established contractor was set up in offices 12 miles from Company B. The majority of Company B library staff joined the contractor and all but the one who had provided the initial drive subsequently left. Thus, initially, continuity of operation was maintained, however this experience was later lost as staff retired or moved to other jobs.

The service was provided by Company C at cost plus a management fee. In order for Company C to be profitable it was agreed that they would act as a subscription agent to Company B. Book and journal orders were placed with Company C, who then ordered direct from the publisher and the discount from the publisher contributed to Company C's income. Furthermore, Company C was also given preferred status as a temporary-staff supply agency, this provided further income. Company B guaranteed a contract for 5 years on the understanding that Company C would in this time seek other business to reduce their dependence on the business provided by Company B.

The procedure involved in the contracting out arrangement was one of negotiation. No tenders were issued to see if other organisations could provide this service, as the contract arrangement was intimately linked with the

particular set of circumstances that existed in Company B. The entire process of setting up Company C and contracting out to them took about 9 months to complete. This involved a great deal of resources and time, involving not just the library but also lawyers, purchasing department, accounts department, management and estates staff.

The contract specified the service which Company C was to provide in terms of responsibilities and tasks to be fulfilled. Provision was included for the monitoring of performance, however in practice this was not followed up. The in-house service had not been closely monitored in terms of performance and this attitude was carried over towards the service provided by Company C. Furthermore, financial control was lacking, no adequately documented audit trail existed to maintain an overview of the operation.

The operation of Company C as a subscription agent to Company B was not wholly successful. They were unable to compete adequately with the large library supply agencies, and ordering direct from book publishers caused long delays, sometimes of four to six months. This is attributable to the comparatively small size of Company C as they lacked the influence of large subscription agents.

This factor impeded the diversification of their business to other parts of the parent organisation of Company B. Another division was approached, but the manager refused to take on Company C because it was vital to the highly competitive nature of their business that current journals and up to date research were instantly available. Furthermore this manager felt her area of responsibility involved more interaction between company staff and the library, so having a central function of the library off-site was completely impracticable.

Company C had, for the duration of the contract which was

extended to 6.5 years, no competition for the business of Company B. By not being exposed to competition there was no external motivation to promote efficiency of operation and financial savings. In retrospect it was suggested by Company B management that Company C continued to regard itself as too integral to Company B, rather than a separate business enterprise. By the time the contract was terminated, 90% of Company C's business was still confined to Company B. The protective practice engaged in was not beneficial as competition was not permitted to act as a motivator to the supplier.

The contract arrangement was beneficial for Company B as it fulfilled the operational objectives, and did provide flexibility of resourcing in terms of staff. On the surface it appeared that Company B were saving money from the contract arrangement, overheads were reduced as staff costs were cut. However no space savings were made, and the arrangement did not reduce other overheads such as the numbers of personnel or accounts staff. Furthermore, if services additional to those stipulated in the contract were required they had to be paid for over and above the contract fee. Hidden costs also accrued due to the loss of control of quality of records. On re-absorption it was found that the catalogue records were incomplete, duplicated and uncanceled orders were found to exist. This was costly to rectify. Under the contract arrangement the effectiveness and value of library service provision was not an issue, as the library itself was in fact bypassed. Orders were authorised, but no qualitative link existed between this and the administration of the order.

After 6.5 years of the contract arrangement, Company B centralised the provision of library services. Previously four divisions had each managed their own library and information services. These divisions were amalgamated and the managerial structure reduced by operating the



library service as a single organisation, with regional libraries at each location. Company C was regarded as inappropriate to resource this new arrangement. The service provided by Company C was gradually run down and the contract terminated. Re-absorbing the service resulted in financial savings, for example the discount which could be negotiated with suppliers could now benefit Company B rather than Company C.

The contract arrangement was successful in that it fulfilled the organisational objectives at the time. However, in retrospect the arrangement caused many problems. The loss of control over internal records was inefficient and wasteful. Many difficulties resulted from having handed over responsibilities without fully monitoring service provision. Company B management are aware that contracting out can work, but in this instance it was inexpertly done and for the wrong reasons, the quality of the library service was subordinated to organisational goals, and suffered as a result.

## CASE STUDY C

Company C is the supplier of the contracted out library service to Company B. This case study will present the point of view of the supplier, and will not repeat the details of the contract arrangement which are given in case study B.

For many years the now-head of Company C had held the philosophy that contracting out services is beneficial to the effectiveness and efficiency of a company. Tasks which are not strategic and which do not require a skill element that is so rare or valued it should be kept in house should be contracted out to save money and promote flexibility. Company B's drive to reduce staff numbers presented an ideal opportunity to put the theory into practice. As the motivation for Company B was to cut numbers, it was preferable to them to reduce clerical rather than professional numbers. After much discussion, the suggestion to set up Company C to supply and service the library of Company B was implemented.

The manager of Company C found that there was a great deal of opposition to this decision amongst heads of other libraries within Company B. This was interpreted as being due to individuals feeling personally threatened by the out-sourcing of the library. It brought into question their potential future, and this naturally coloured their view as to whether it was the right strategic decision for the company.

A five year contract was awarded. The length of the contract was to protect Company C in its first years of trading. It was also stipulated that Company C should provide and protect the jobs of the 5 library staff who

chose to transfer to Company C for these 5 years.

Being obliged to take on ex-Company B staff was found to be a problem. Their experience was valuable and provided continuity, but adapting to new working patterns was hard for them. It was necessary to un-train them out of old work habits and attitudes. This is seen to have impeded the success of the company. Under the same circumstances the Manager of Company C says he would refuse to take on all staff and would prefer to hand pick staff to suit the job. Finding the right staff for the job is seen as crucial. The work Company C undertook was principally clerical in nature, using trained library professionals for these tasks is seen as a waste of resources and abilities. Staff are professionally unfulfilled and consequently unmotivated. However, by choosing staff who are content to undertake repetitive clerical routines, expectations are lowered and therefore easier to meet, motivation and output are consequently improved.

As part of the contract, Company B supported Company C and helped them develop information systems which then could be sold for profit. Company B were taking a very long term attitude to the contract and investing funds to promote its success. The benefit to Company B was that they would have free use of the developed technology. Company B provided only one microcomputer and Company C financed and developed the first software package to automate British Library inter-library loans, and a system to automate the purchase and supply of books and journals. These and other developments are the bases of Company C's network of customers which have been built up since severing its links with Company B.

No justification is seen for the suggestions that Company C was inefficient at record keeping or slow to deliver services. Statistical evidence volunteered to Company C

from another division of Company B, show that documents supplied by Company C are obtained more quickly than those from the divisions usual suppliers. Management information was always given as routine, and back-up regularly provided. Company C see that they made a mistake by trying to be too exclusive and serve only Company B, who were very demanding.

The termination of the contract coincided with a profits boom for Company B and a policy to recruit more people. This left Company C quite vulnerable, although it has rebuilt a firm customer base, and is in its tenth successive year as supplier to another multi-national of parallel services to those supplied to Company B. A problem now for Company C is that as they were established initially to serve Company B they are not in an ideal location to obtain work from other companies.

Company C is grateful to Company B for giving the opportunity to set up in business. Company B obtained their objective of cutting staff, and Company C gave a cheaper service. They are still used by Company B to provide temporary staff and help in the production of reports.

## CASE STUDY D

Government Department D was studied in the context of Government initiatives to contract out departmental functions.

Government Department D has a very large library and information service. There are two principal library and information centres, plus a centralised administrative and support service. In addition there are three Divisional libraries in Government Department D. A library service is also provided to one other Department of State and six official bodies. These bodies are charged at cost for the following services :

Information Technology services  
Finance and procurement services  
Cataloguing and indexing services.

Staff are seconded from Government Department D to these organisations, who pay for their salaries and other costs, supply the accommodation for the libraries, and provide their acquisitions budgets.

Commencing in the early 1980's 'Rayner' efficiency scrutinies of various functions in Whitehall were undertaken. In 1985 the Library and Information Service of Government Department D was scrutinised for cost effectiveness. Contracting out was explored as a possible option.

Three contracting out options were examined :

1. Completely disbanding the library and information service and buying in information

services from contractors.

2. Selling current stock to a contractor and buying back an information service.

3. Leasing the stock to a contractor and buying back an information service.

Options 2 and 3 were mooted as providing scope for employee or management buy-outs.

Contracting out presented the opportunity to thoroughly examine and assess Departmental information service and provision. There would be financial savings, and the possibility of achieving a higher level of service provision.

On the other hand, there seemed to be few potential suppliers. It was likely that a supplier, if found, would have little experience of this type of arrangement. Given the lack of competition the Department would then be obliged to maintain the contract with the single supplier however unsatisfactory they were found to be. Thus, service quality and commitment to Departmental objectives might be hampered by the need to save money.

Employee or management buy-outs were seen as attractive because it would be a means of retaining staff expertise and would therefore promote good service quality. However the staff's inexperience of working to profit targets caused doubts as to their likely efficiency if such a buy-out were to take place.

The report decided against contracting out, but recommended regular market testing to ensure the service was competitively priced compared with privately available services. These tests were performed annually. The difficulty with this exercise was that a completely equivalent commercially available service did not exist.

Therefore a single service element was chosen as a representative sample of the competitiveness of the entire service. The enquiry service was assessed against a comparable externally available service, and repeatedly found to be competitive.

The Department D library service is in effect contracted in by the other bodies to which it provides library services. This is a situation which has gradually evolved, and the other Divisions do not specify that the library service perform to a pre-determined service level. However this is expected to change due to the current climate which is increasingly requiring that such relationships become more formalised and are based on well defined contractual bases.

This case study also illustrates the more commonly found experiences of buying in: of individual functions which can be easily specified, have clear goals, and for which well established suppliers exist. Buying in is currently used as an option when the task cannot be performed internally. It is also an option when the resources can be justified. Examples of current contracting out are as follows :

1. Casual staff are employed on a contract basis to fill temporary vacancies. The choice of supply agency is based on value for money and the quality of staff being provided.

2. A retrospective catalogue conversion is currently being undertaken. This contract was awarded by competitive tender. Drawing up the specification involved evaluating the tasks to be performed in light of the required result which was a fully comprehensive, up to date bibliographic database. Standards of performance were set in terms of rules to be followed, ie. AACR2, U.K. MARC, DDC. Civil

Service tendering guidelines lay down that departments are obliged to ensure that the procedure and successful bid is competitive. There is no obligation to approach all suitable suppliers but all candidates included in the tendering process should be viable service suppliers. The final task specification was presented as a description of the final result expected, and the suppliers were to propose the methodology to achieve this. The controlling factor was the limited time available to perform the conversion, this was dictated by a forthcoming move of the library. Interviews with prospective suppliers ensued and one was selected.

Staff management issues are the concern of the supplying company who provided a team supervisor for this purpose, this has been found to be a very useful and successful decision. C.V. 's for the proposed team were provided at tender stage and the suppliers are aware of the importance of maintaining continuity of staff provision. This has been successfully achieved.

3. Free-lance indexers have been employed in the past, and this remains an option. The monetary value of the contract would determine whether a tendering procedure is involved.

4. The Directories Section of the Department provides internal directories and places advertisements in external directories. The latter task is contracted to an agency who are specialists in the field. A named contact exists at the agency with whom all communication is conducted, this continuity is vital to the success of administering this contract. This contract was subject to competitive tender.



## CASE STUDY E

Local Authority E provides business information services as a joint venture with the nearby Polytechnic, governed by contract. The arrangement has been in force since March 1990, and serves the County's small and medium sized businesses, individuals and organisations.

The arrangement came into being following a review of the business information service in the county. The need for this was identified when a review of Policies for Employment and the Economy revealed the significance of library and information services for business and industry. The service as it existed provided a central Business Library housing a comprehensive collection of business information sources, together with smaller collections housed in libraries throughout the county, linked to the Central Library by telephone, electronic mail, fax. Three additional network and cooperative ventures further supported business information provision. In line with the expressed wishes of the business community a need was identified to further develop and enhance the information service, but cost was a prime concern. The options proposed included maintaining current service levels either with or without charges, developing a more effective service either with or without charges, developing a more effective service as a joint venture with the private sector, or contracting out the entire service.

The advantages of contracting out were presented as saving money and thereby permitting the development of other library services. However the disadvantages were that there was little experience of contracting out, monitoring and evaluating the service would require large inputs of

time and money, and breaking the service into contractable elements would be difficult.

The advantages the joint venture presented were financial savings, enhanced service provision, the existence of a willing supplier in the Polytechnic, and the elimination of existing service duplication between the Library service and the Polytechnic service. Set against the disadvantages of requiring planning, negotiation and support and the need to introduce elements of charging, this option was recommended and was selected by council members.

The joint venture arrangement involves working together to enhance and provide the service. It differs from full contracting out as it retains liaison, involvement and negotiation between the parties, and permits more informality of dealings between them. The issue of retaining control through this means rather than a detailed contractual specification was a factor in opting for this arrangement. This method avoids the need to closely specify targets and standards which was viewed as a very great problem at the time when there was little experience of contracting out.

Essentially the contract involves paying the Polytechnic to provide the basic service to business as it existed in Local Authority E libraries at the time the contract was agreed. It also hands over responsibility to the Polytechnic to provide a complete enhanced business enquiry service to clients of Local Authority E :

1. Stock and materials above the basic level held by Local Authority E.
2. Replies to enquiries involving detailed staff research.
3. Value added information services.
4. Specific on-line search services.

Essential stock to be held by the Polytechnic is specified in the contract. Local Authority E's libraries exist as a point of first contact and quick reference provision, beyond this all business enquiries are passed to the Polytechnic. The service is required to be conducted in accordance with county council policies.

The contract fee is paid to cover the free business use of the Polytechnic facilities for half an hour, after which the client pay the Polytechnic based on a scale of charges. The contract fee is calculated on the basis of the actual costs of its four composite elements, namely: staff costs, facilities use, materials purchase and upkeep, premises costs. Management costs are not included, these include the time of the Senior Manager of County Services and the Head of the Information Centre at the Polytechnic. Research has shown that business enquirers feel that by paying a fee they are obtaining a better service. No profit fee is built in for the Polytechnic who are able to generate profits from the value added service, subscription rates and charges. The Polytechnic is free to develop the business information service as long as the core free service is maintained and any enhanced service is self funding.

The service specification lays down the core service to be provided, and procedures for monitoring. No service specification as such had existed, but the original review had involved a close analysis of the service and it was not found difficult to build on this to identify what exactly the existing service provision was. The main problem encountered in this area was the translation of the service description into legal jargon and the need to ensure that the final document did specify that which it was intended to. No precedents existed to aid this process.

Service monitoring is also specified, an enquiry monitoring form is completed for each enquiry and this is used to analyse need and provision. The contract also required the establishment of an Advisory Committee comprising representatives from the Polytechnic, the Local Authority, the business community and from service customers. It lays down the terms of reference and frequency of meetings. Liaison meetings are held four times per annum, between service staff of the local authority and the Polytechnic.

The Local Authority retains further control in that it is free at any time to audit the accounts relating to the contracted service. The joint venture arrangement has improved service monitoring, as previously it had been carried out just on a sample of enquiries because the Local Authority were unable to justify staff time to monitor the service more fully. It is now carried out for every enquiry which enables a full analysis of the service.

Liability for the information provided resides with the Polytechnic, this is clearly specified in the contract. The Polytechnic in turn contracts with its customers and liability is an issue only between these parties.

The principal difficulty with the joint venture arrangement was found to be the problems of managing change. Some staff were initially hostile to the arrangement as they resented losing responsibility for business enquiries, a role they had enjoyed. Staff were also fearful of the future of their jobs and were unsure of the implications of the joint venture. Many staff meetings were held to allay fears. An attitude shift was also required by enquirers, difficulties were anticipated in having to refer enquirers to another source, but this has not been found to be a great problem and is helped by

the existence of a dedicated telephone line from the Information Centre to the Polytechnic Business Information Service. The re-siting of the focus of business information provision from a central city location to the Polytechnic caused some initial reaction from enquirers. The access to limited parking facilities at the Polytechnic made up for the move out of the town centre for the majority of enquirers. In fact very positive feedback is being received on the service.

The driving force behind the venture was the need to provide an enhanced service to the business enquirers, but the funds were lacking within the Authority to do this. The service users have therefore gained as they now receive a high level service in line with their requirements. The advantages of the joint venture for the Polytechnic are that they had identified a need to develop their information service to business and were seeking methods of income generation. The joint venture fulfilled both these aims and provides a regular income for the Polytechnic from the Local Authority. The Local Authority benefits as a large user group is provided with a satisfactory service, and the joint venture has enabled other services to be developed which would not have been, had the Authority funded an enhanced business service.

## CASE STUDY F

College F is the higher educational establishment of the Army. It provides BSc, BEng, MSc, MPhil and Phd courses to the Services and civilians; short courses; and the Military Technology section of the Army Staff Course for Officers. Approximately 30% of students are from the British Army, 60% are civilians and 10% from other UK and overseas forces. The College currently has about 6,000 students each year, but about 70% of these are attending the short courses.

The college originated from a society set up in 1772, and first offered degrees in 1946. Staff were either military personnel or Ministry of Defence (MoD) civil servants. In 1984 all the teaching was contracted out to University G. This included library services which previously had not been part of the academic structure. As such College F is now an autonomous faculty of University G.

The reasons for contracting out were to save money and cut civil service numbers. As part of the MoD cutbacks in 1981 at College F it was proposed to cut one department and degree course, and reduce other research and teaching activities. The Commandant of the College recognised that this would drastically reduce the College's ability to meet the needs of the Army. Contracting out was proposed as an alternative.

The criteria were that contractors should be degree awarding bodies, able to provide the teaching and academic support for the specified courses. Additionally, significant financial savings and a reduction of staff numbers were required. The competition procedure was strictly conducted under the Government competition

regulations. The contract was awarded to the lowest bidder who fulfilled these criteria, University G.

The advantages for College F were that the savings would be achieved without any courses being axed. This method of management also offered the College the potential to develop as an academic institution and took advantage of prevailing ideology for privatisation. It also ensured the Army could dictate the service whilst offering the flexibility to change suppliers.

The library service was included in the contract arrangement as it was seen as an ideal opportunity to improve the service. It was regarded as being very poor and library management was of a low standard.

Most staff regarded contracting out as a chance to be free from cumbersome bureaucracy and, specifically for the library, to provide a framework for a more constructive attitude to service development. However some College staff were sceptical and feared the loss of privileges and familiar work patterns.

University G is modern and forward thinking. At the time it was seeking to expand and improve its reputation. Having charity status as a university no profit motive was involved. In undertaking the contract University G was aware of the unique step it was taking and that it was shouldering a large risk element.

The decision on the tender was only announced 9 months before the date the contract came into effect. This lack of time to establish working practices and structures caused many details to be overlooked and subsequent refinements to the contract have been necessary. The contract is reviewed annually.

Staff numbers were cut by approximately 25%. For the library this meant a reduction from 15 to nine staff, only four of the previous library staff were taken on and a new librarian and deputy were appointed. Before taking over the contract, new staff were hired into the Library to try to attain continuity. Staff disruption was eased because, as civil servants, most staff had the option of alternative civil service positions. This also avoided large redundancy costs. However, communication was poorly handled, temporary library staff did not know that the following week, when the contract came into force, they would no longer have a job.

The librarian of University G assessed the initial direction of the library at the tendering stage, budget, staffing levels, and services were recommend. The new librarian successfully argued in favour of an autonomous service geared totally towards the needs of College F. The contract does not specify the service levels to be attained but merely states which services are to be provided. No facility for service monitoring was built into the contract, and the contract does not define the criteria for success. The only provision for performance monitoring addressed in the contract is through the management structure. This involves a Library Users Committee and a Policy and Resources Committee, where library performance is handled. The librarian has set standards in accordance with the UGC recommendations and undertakes performance measurement but this is not part of the contract. The other monitor of performance is day to day feedback from the clients which is actively encouraged. This is attributable more to the attitudes of staff, who have a strong commitment to making the contract work, than to strict procedures laid down in the contract.



The librarian is directly responsible to the Principal and this offers a high degree of autonomy to develop the services. The contract does not guard against misuse of this responsibility, but all professional staff were initially on a 3 year probation, and the service orientation of College G would ensure that a ineffective librarian would probably be replaced.

College G is implicitly and explicitly required to conform with and promote the Services ethos. Students, even undergraduates, will often be officers who have seen active service. The Army ethic is all pervasive, student are required to act with courtesy, dress smartly etc. Their status is reflected in staff attitudes, student complaints are taken very seriously and staff have a strong commitment to student needs, as the controllers of the service are also the customers. In the library this is reflected in such day to day services as providing all students with their own textbooks, and free photocopying. The library also maintains a Reports Section which is a unique collection of military documents of varying degrees of confidentiality. In order to compare the cost effectiveness of the service against other university library services this service element must be taken into account, rendering comparisons difficult. This has implications for the contract negotiators when trying to set costs of the service and for performance monitoring as there is no similar service to compare performance against.

Contracting out has offered freedoms to staff to develop their own departments. Each manager is able to use time specified in the contract to do private work. 10% of the income gained is payable to the MoD, the rest remains where it is earned. However the library is questioning this method of allocation as library services contribute to the earned income of departments but receive no

proportion of it. Entrepreneurial activities in the library itself have included selling the library service to industry, running another library under contract, selling library publications commercially and running a bookshop. The income has permitted the hiring of a full time research assistant. The MoD do control the extent to which private work is undertaken to ensure it is not at the expense of the contract service. This freedom was a prime reason for the support for contracting out had throughout College F. Most staff welcomed the opportunity to control and increase their own budgets and develop their departments. As civil servants no incentive was offered to bring in extra work or for using initiative to look for ways of improving effectiveness.

The principal difficulty of the contract arrangement is negotiating the finance. The contract itself is between University G and Army Training, but the MoD Contracts Branch control the finance and have the right of veto on the amounts to be spent. The Army set the course programme on which contract supply is based. The objective of Contracts Branch is to achieve value for money rather than high quality service provision which is the objective of the Army and College F staff. The negotiations require detailed justification of costs and expenses and is very time consuming. All stock belongs to the MoD to ensure it is not incorporated into University G's collections. Therefore there is a protected acquisitions sum. However the contract does not permit the authorisation of extra capital sums above that necessary to supply the courses. The library has been requesting funding for automation for about 7 years, and is completely dependant upon the MoD granting this capital, this is regarded as a deficiency of the contract as it stands.

The contract is for 5 years but guaranteed for each 3

years in order to protect the 3 year long undergraduate courses. This enables planning ahead to a large degree. However to protect long term investments the University G demanded a rolling contract, but a non-competitive renewal was authorised. This does not guarantee renewal after the next five years so University G is disinclined to make long term investments. A threat is felt that when the contract next comes up for renewal, which may be by competitive tender, other educational establishments will have caught up with University G's forward thinking ideas and be in a position to successfully contest the tender. However this is an inevitable consequence of contracting out.

Another difficulty presented by contracting out is the lack of security offered to staff who, although permanent employees of University G, would probably be made redundant should the contract be lost. It was perceived that the contract arrangement could threaten ambitions for career progression through the library ranks of University G. However most library staff, it was reported, tend to see themselves as employees of College F rather than University G. The length of the contract only has implications for strategic decisions, it is not regarded as having bearing on day to day service provision or job commitment.

Confidentiality is vital, all staff are required to sign the standard MoD confidentiality agreement. There is no debate over this, the contract and all staff must simply comply with all MoD requirements. This was only an issue in staff recruitment as obtaining clearance was time consuming.

Contracting out has been a great success as reflected in the annual increases in student numbers and courses offered, together with the significant reduction of costs

for all courses. The library is now highly valued as demonstrated by a recent approval of increase in staff numbers. A high quality service, staff commitment and financial savings have all been achieved. The contracting out of the entire organisation has to be the significant feature, allowing it to remain a fully integrated system. Additionally staff attitude is the other outstanding feature. All staff have an interest in making the contract work, the managers because they can develop their departments, they also actively recognise the importance of staff development and motivation, this priority is reflected in staff commitment. The identification of staff with the aims of both parties to the contract is a crucial factor in solving problems and looking for ways to promote success.

## APPENDIX II

### SALARY CALCULATION

The calculation is as follows :

Quoted salary	:	£15,000
National Insurance	:	£ 1,163
Pension (7.5%)	:	£ 1,125
		-----
		£17,288
		-----

Total working days p.a. (52 x 5 ) - 8 Bank Holidays  
= 252.

Say 22.5 days holiday,  
therefore actual working days = 229.5.

Say 4.5 days sick,  
therefore days worked = 225

Total cost to employer =  $\frac{252}{225} \times 17,288 = £19,362$

This is 12% more than the quoted salary.

Other possible costs :

Perks e.g. Company car (usually given in lieu of hard cash)

Shopping vouchers

Luncheon vouchers

Discounts on company products

Subsidised canteen

Subsidised sports or social clubs

Christmas party

Company performance bonus (e.g. 3% of gross salary)

Relocation expenses / temporary accommodation.

## APPENDIX III

### INTERVIEW PLAN

#### 1. General overview of organisation's experience

What is contracted out ?

What do contractors do ?

How many staff/what resources are involved in this?

#### 2. Why contract out ?

What factors were involved in / influenced the decision ?

Financial / organisational reasons

#### 3. How did organisation go about contracting out ?

Supplier / organisation led ?

Procedure - tender ?

What level of resources involved in this-time/money?

Who was involved ?

What were their roles ?

Attitudes of those involved ?

Problems experienced ?

Considerations influencing choice of contractors ?

#### 4. Role of contractors

Service specification - how closely defined is this?

Is there any facility / provision for -

quality guarantees

performance monitoring ?

What contingency measures exist to cover event of contractor failing to meet terms of contract ?

5. Management issues -

Administration of contract - problems / issues

Mechanism for coping with changes/development of service

Procedure for handling problems / communicating with contractors

6. Effects on service provision

Has service provision changed since contracting out  
how / why ?

Attitudes of clients to new arrangements

7. Staff management and personnel issues

Who has control / responsibility for staff ?

Effects / implications of this

8. Legal issues

Intellectual property rights

Liability for information provision by contract staff

Confidentiality

9. Provision for renewal / termination of contract

Length of contract - reasons, effects

Consideration of returning to in-house provision

10. How is it going - failures

successes

- on what criteria ?

- from whose point of view ?

Problems - foreseen / unforeseen

Lessons learnt - analysis so far

## APPENDIX IV

### STAFF INTERVIEW PLAN

1. What is your job ?
2. How long have you been working here ?
3. What qualifications / experience of library work do you have ?
4. What attracted you to this job ?
5. Were you put off by the contract arrangement ?
6. Do you enjoy this job ?
7. How long do you intend to stay in this position ?
8. Does the treatment towards you differ from that given towards Company staff (perks etc.) ?
9. If so does this bother you ?
10. What do you think of your terms and conditions of employment?
  - Fair
  - Generous
  - PoorWould you mind expanding on this ?
11. Who do you go to if you have a problem in terms of
  - a) work management
  - b) personnel / personal work related problem ?



12. Who do you regard as your boss in practice ?  
Company librarian or supplier
13. What contact do you have with the supply organisation?
14. Who do you strive most to impress with your work  
performance ? Company librarian / suppliers
15. What do you like about the contract arrangement ?
16. What do you dislike about the contract arrangement ?
17. What do you feel you are gaining most from this work  
experience ?
18. Can you think of any way in which the contract  
arrangement could be improved in terms of the way you  
or the other staff are treated ?

