

SUMMARY AND CONCLUSIONS

The Dutch government has expressed the intention to prepare privatization of some tasks of prisons to realize austerity and more cost effectiveness. Hence, the WODC asked APE to conduct an international literature research to determine if (forms of) privatization in Dutch prisons could meet these ambitions. This study consists of (1) a conceptual framework, (2) a description of the Dutch prison system from an international perspective, (3) the motives for privatization and design of privatization, (4) the effects of privatization and (5) the possible effects of privatization for the Dutch prison system.

Definitions and theoretical background

- *Privatization* of prisons means that the government outsources design and construction, and/or detention tasks (like catering, security and cleaning) to a private party. Outsourcing tasks means that both contracting parties are responsible. Therefore this is called Public-Private Partnership (PPP). There are four forms of PPP in the prison system. First, contracting out of one or more real estate or detention tasks. Second, contracting out of all real estate tasks and, possibly, some detention tasks. Third, contracting out of all detention tasks. Fourth, contracting out of all real estate- and detention tasks. The decision to privatize can be taken from an economic, budgetary, political or ideological perspective.
- Two types of *costs* can be distinguished for the prison system. At first real estate costs (for the design and building of the prison). At second, operating costs. The operating costs can be divided in to two categories: detention costs (daily costs such as labor, food and transport costs) and additional costs (transaction- and overhead costs).
- *Quality* of prisons is based on the dimensions internal- and external security, human dignity and rehabilitation.
- *Cost effectiveness* means that quality of detention must be achieved at the lowest costs.
- *Austerity* is the decision to realize savings by lowering the quality.

Dutch prisons in international perspective

The Dutch prison system is organized on the central level. From 1997 to 2010 the real costs per prisoner had risen with 38%. From 2006 to 2010 the number of prisoners decreased with 12% and the cell capacity decreased with 16%. It is impossible to formulate reliable conclusions about the costs of the Dutch prison system in comparison with other countries.

The latter is due to the fact costs aren't comparable between countries. Compared to other countries, the Netherlands had a low occupancy rate in 2008. In addition, the Netherlands has relative low escape rates. In Dutch prisons, some detention tasks are contracted out. There are examples of contracting out of construction, financing and maintenance of the building. It is unclear what the effects are on costs and quality.

Motives for privatization and the design of privatization (international)

In most countries the motives for privatization were based on the overcrowding and poor conditions in public prisons. Privatization of the prison system has been organized differently in each country. Usually, three types of contracts are used for making appointments between contracting parties. These types are 'measuring operation contracts', 'measuring outcome contracts' and contracts in which appointments about operations and outcome are made. There are several ways in which governments compensate private parties. Mostly, governments compensate with an amount per prisoner. Private prisons are restricted to the same regulations as public prisons and contracting parties can make appointments about responsibilities.

The effects of privatization (framework)

The empirical studies discussed in our study meet strict methodological criteria, such as independence, a solid research-question and framework. Nevertheless, there are differences in quality between the studies and as a result the studies are valued differently. Studies which are multi-dimensional (studies which consider both the effects of privatization on costs and quality for the same case) are valued higher than studies which are one-dimensional (studies which consider only the effects of privatization on costs or quality). This means that case studies which both discuss cost effects and quality effects of privatization have more weight. Within the group of multi-dimensional studies, meta-analyses and studies that take additional costs into account are valued highly.

The effects of privatization on costs

Most of the reviewed studies (six of nine) show operational cost reductions, from 2% to 13%. However, none of these studies take the additional cost component (additional and transaction costs) into account. If costs are reduced, this is the result of lower labor costs, flexible hiring, flexible wages and more focus on efficiency. The study which does take the additional costs into consideration shows that privatization has no significant effect on the operating costs. Given our framework we assign more weight

to the latter study. Therefore we can't conclude that privatization will lead to a reduction of the operating costs.

Four studies discuss the effect of privatization on real estate costs. The cost reductions differ from 10 to 50%. These conclusions have to be handled very carefully because the quality dimension is not taken into account in the latter studies.

The effects of privatization on quality

No unambiguous conclusions could be formulated about the effect of privatization on the quality of prisons. In the first place, three of nine studies have determined an unambiguous effect on quality. Two studies about the quality of prisons in Brazil and France, show a positive effect. Another study of a Californian prison, shows a negative effect. According to our methodological criteria, we have put more weight on the Californian study. In the second place, a meta-analysis about prisons in the USA shows that privatized prisons perform better on just one indicator. Lastly, the studies discussed a limited number of indicators, the indicators are heterogeneous and there is no insight in the absolute starting level of quality. So, there are various reasons that no conclusions can be drawn.

The effects of privatization on cost effectiveness and austerity.

Unambiguous conclusions about the effect of privatization on cost effectiveness could not be drawn. Only two of nine studies show an unambiguous effect of privatization on cost effectiveness. A Brazilian study concluded that privatization has a positive effect on cost effectiveness, and a Californian study showed that privatization has a negative effect on cost effectiveness. Although the Californian study has more weight, it is not possible to conclude that privatization is not cost effective. The effects of privatization on austerity had not been discussed in the reviewed literature. So, no conclusions could be drawn about austerity.

Side effects, risks and relevant factors

Privatization could lead to (1) more innovation through incentives for cost reductions, (2) better performances of public prisons as a result of competition and (3) more responsibility of private prison directors. Possible risk of privatization is a tradeoff between costs and quality. Another risk could be a lobby of private parties for severe punishment, driven by financial motives. Results of privatization are influenced by the (1) way of financing detention costs, (2) the way of monitoring, (3) legal possibilities to change working conditions, (4) the length of the contract, (5) the degree of contracting out, (6) possibilities to transfer the monopoly of violence to the private sector.

Possible effects of privatization for the Dutch prison system

Most of the reviewed studies (six of nine) show operational cost reductions, from 2% to 13%. However, none of these studies take the additional cost component (additional and transaction costs) into account. The study which does take the additional costs into consideration shows that privatization has no significant effect on the operating costs. Given our framework we assign more weight to the latter study. Therefore we conclude that privatization of the Dutch prison system would not have a significant effect on the operating costs (considering these additional costs) of prisons. Given the reviewed studies, we do expect that privatization would lead to a reduction of the real estate costs of the Dutch prison system. The latter result should be handled carefully because it is unclear if these cost reductions will lead to a deterioration of quality. Cost reductions will in particular be realized if new buildings are constructed. We can't formulate a reliable conclusion about the effects of privatization on the quality of the Dutch prisons system. Because there is no consensus in the international literature about the effect of privatization on the quality of prisons. However, a deterioration of quality in prisons would have fewer consequences in the Netherlands than in other countries. Compared to other countries, there is not much violence in Dutch prisons and the prisons are not crowded. It is also impossible to draw a conclusion about the effects of privatization on cost effectiveness of the Dutch prison system. Given the fact only two of nine studies show unambiguous effect on cost effectiveness. Lastly, the effect of privatization on austerity has not been studied so far. In none of the countries austerity was not a reason for privatization.

Opportunities for further research

There are possibilities for further research on several themes. No attention has been paid to the practice of monopoly of violence in private prisons, the consequences of interim policy changes for the costs, the coordination with other parts of the criminal justice system and the legal status of the personnel in prisons. Furthermore, less is known about effect of privatization on the additional costs (transaction- and overhead costs) and the time horizon of cost and quality effects. Finally, there is not much information about the effect of monitoring on cost, quality, cost effectiveness and austerity.