

CITIZENS IN THE MARKETPLACE
THE IMPLICATIONS OF COMPETITION POLICY
FOR CITIZENSHIP

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**THE IMPLICATIONS OF COMPETITION POLICY
FOR CITIZENSHIP**

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INTRODUCTION

Clive Hamilton

This discussion paper collects together some of the papers from the Australia Institute's conference entitled *Citizens in the marketplace: The implications of competition policy for citizenship* held at the Australian National University on 4 December 1995. The conference was motivated by the desire to bring together various strands of thought which are being knit into an alternative to economic rationalism. The notion of citizenship, and the contrast between the citizen and the consumer, are central ideas in this alternative vision.

Competition policy

Competition policy is the product of a period of growing dissatisfaction with the performance of public enterprises and an ideological shift against government involvement in the economy. Several policy developments over the last decade have come together under the rubric of competition policy – privatisation of public assets, liberalisation of goods and financial markets, deregulation of professions. The Hilmer Report annexed the term and it has now come to refer in particular to the exposure of government business enterprises (GBEs) to competition from the private sector and other GBEs. A critical part of the process of competition policy has been the reconstruction of public administration along corporate principles.

This process has been based on strong ideological underpinnings, broadly summarised by the term 'economic rationalism'. The essential belief is that individual self-interest is the principal or only motivation for economic and other behaviour and that the traditional emphases on loyalty, responsibility and the public interest in policy making and government involvement in the economy are secondary. There has been a concomitant redefinition of the goals of policy – that maximisation of social welfare requires a very heavy emphasis on maximising the rate of growth of measured economic product. These ideas are developed in this discussion paper, especially in the papers by Max Neutze and John Alford. Along with the reorientation of economic policy, there has been a social transformation in which the emphasis on personal consumption has been greatly increased.

These processes of social and policy change have both reflected and resulted in a change in the conceptualisation of the person. People have been reconstructed as one-dimensional consumers and producers motivated by personal self-interest. The complexity of human motivation and social interaction has been increasingly simplified to that of the utility-maximising individual of the economics texts. The consumption behaviour of individuals has received much greater prominence. The apogee of all this was perhaps Margaret Thatcher's statement: 'There is no such thing as society, only individuals and families.'

The essential philosophical underpinning of this trend is the neo-liberal emphasis on economic rights as opposed to social goals. Thus the right to pursue economic interests unfettered is held up as being prior to the pursuit of a better society, not least because the exercise of economic freedoms is believed to result in the best outcomes. This has involved a redefinition of desirable outcomes with a much greater emphasis on the relative value of economic goods and services rather than on objectives such as social cohesion, fairness and nation building. This is explored in Pat Ranald's paper. This shift has been described as 'utilitarian consequentialism' – only the end, defined as the 'welfare' of

individuals, matters. The kind of society in which we live is only the means to this end and things have value only to the extent that they contribute to the end defined this way.

The citizenship debate

A more recent stream of political thought has focused on the idea of citizenship. Marian Sawer's paper reveals that the new idea of citizenship goes well beyond the traditional definition relating to the nationality of individuals. It considers the rights, obligations and social context of citizenship. The role of citizens in democratic processes, and the nature of the democratic system, are thus receiving new scrutiny.

The revision of the notion of citizenship clearly has implications for the moral values a society pursues and the political processes through which it pursues them. There is a contradiction between appeals to nationhood (in, for example, the transition to a republic) and pursuit of economic policies (by Federal Labor governments and State governments of various persuasions) that contribute to the breaking down of some of the institutions that have bound society together. For example, the selling of Telstra, Australia Post and electricity utilities diminishes the sense of common ownership and shared responsibility for provision of some goods and services essential to our way of life.

The new politics of community

There is a point at which these various strands have come together, if only subliminally, and that is in the 'new politics of community'. Political leaders as diverse as Wayne Goss, John Howard and Tony Blair have developed rhetorical positions calling for the strengthening of community values. These politicians are undoubtedly appealing to a desire within the electorate to reassert moral values in a world that appears to be dominated by officially sanctioned self-centeredness. Often the appeal to 'community values' is mixed up with an appeal to 'traditional family values' – a mix that, for all of its ambiguity, has strong appeal in many parts of the electorate.

But political leaders have yet to go beyond the rhetoric and put forward policies that might contribute to the reconstruction of the sense of community. Indeed, they appear to see no contradiction between advocacy of renewal of community values and further emphasis on economic efficiency at any cost, including competition policy. Part of the problem is that most of us are unclear what we mean by a stronger sense of community and citizenship. Nor is it yet fully apparent what sort of policies can contribute effectively to the sense of community.

The contributions collected in this discussion paper go a long way towards redefining the ideas of citizenship and community for the next decades and, crucially, point to the practical policy implications of them.

CITIZENSHIP: THE NEW DEBATE

Marian Sawer

The 1990s have been described as the decade of citizenship. In this respect the decade has much in common with the 1890s, which was the decade in which English-speaking liberalism decided that citizens were entitled to more than markets would provide. It was the decade when, for example, the Australasian institution of conciliation and arbitration was invented – to elevate the livelihood of citizens above the 'higgling of the market place' or, in modern-day parlance, above 'competition'.

As H. V. Evatt noted in *Liberalism* (1918), the conciliation and arbitration system embodied the 'new liberal' critique of the negative freedoms of contract and the market. In other words, citizenship denoted a status independent of standing in the market place. Governments were attributed responsibility to ensure that citizens had the positive liberty to make the most and best of themselves – through ensuring access to education and other cultural institutions and to conditions of work (such as the eight-hour day) which made participation in the life of a civilised community possible. In the 1990s the concept of citizenship has become more inclusive than it was in the 1890s, in ways which we shall examine below, but there are also striking similarities in the way in which citizenship was counterpoised to the market. 'Why should we be beggars with the ballot in our hands?' as the Liberal song of the 1890s ran.

In the 1990s the renewed discourse around citizenship has coincided with the collapse of communist regimes in Eastern Europe and the apparent closing off of the socialist alternative which had inspired so many for so long. Economic globalisation, population movements and the rise in importance of supranational forms of citizenship have all been spurs to the citizenship debate, particularly in Europe. It should be noted in passing that under the Closer Economic Relationship Agreement Australians and New Zealanders share almost all citizenship rights.

On the Left, citizenship rather than socialism has become the cornerstone of oppositional discourse – in the face of the triumphal ascendancy of liberalism the Left is drawing on themes from within the liberal tradition itself and counterpoising citizenship entitlements to the market outcomes favoured by market liberals as a measure of all things. The Left has been drawing on the resources of social liberalism as well as on the new meanings of citizenship contributed by the social movements of the last thirty years to mount a citizenship-based defence of the welfare state.

The defence rests on two related propositions:

(1) that as democratic citizens we have individual and collective rights to what is needed for active participation in the community (that is, the resources required to make our political equality meaningful) as well as corresponding duties to ensure that governments are made democratically accountable; and

(2) that within our social liberal tradition the legitimacy of government and the loyalty of its citizens flow from its role in ensuring that its citizens have the means to make the most and best of themselves – in other words, equal opportunity. This is the view set out in

social liberal textbooks such as Walter Murdoch's *The Australian citizen* (1912). The social liberal idea of the role of the ethical state in providing equal opportunity for its citizens was later reinforced through the work of the social liberals J. M. Keynes and William Beveridge (and their Australian followers such as Nugget Coombs and Ben Chifley) in providing the framework for the welfare state.

The evolution in the concept of citizenship represented by the social liberalism of the 1890s was summarised half a century later by T. H. Marshall (1950) in terms of progression from the civil rights of the 18th century to political rights in the 19th century and social rights in the 20th century. For Marshall, full membership of the political community and participation in the common life of the community were only possible if basic needs were met. The social entitlements of citizenship in turn strengthened the bonds of community and prevented the alienation and marginalisation of disadvantaged groups.

Since the 1890s, and particularly since the 1970s, in Australia we have also increasingly recognised that our traditional Australian notion of citizenship has been focused on the male worker citizen and needs to be developed to encompass those excluded from the labour market through unemployment or through carer responsibilities – the so-called prisoners in the home.

We have also discovered that equal opportunity means more than equal provision of, for example, education or health care. We now acknowledge that identity of provision does not necessarily mean equality of provision when we are dealing with significant difference. Our access and equity programs recognise that we must accommodate difference when we attempt to deliver equal opportunity, in part through the involvement of those who are disadvantaged by difference in the design of services delivered by government and in part through the funding of services delivered by the groups themselves. Such groups often take on important advocacy functions in addition to their service roles, giving the disadvantaged greater voice in the political system. In relation to indigenous peoples we have moved even further in acknowledging that forms of self-determination may be the path to equal citizenship.

The compatibility of competition policy with these conceptions of equal opportunity, encompassing both individual and group empowerment, is one of the issues for this conference. Another issue is the compatibility between the ideal of active citizenship and effects of the search for greater competitiveness such as:

- (1) the 'downsizing' of the labour force leading to a rise in the numbers of those alienated from the political community (Smith 1995);
- (2) the increase in hours worked by those who remain in the full-time paid workforce (ABS Cat. No 6203.0) – and the consequent reduction in the possibilities for their active citizenship outside the workplace;
- (3) the application of the 'user pays' principle to the provision of information needed for active citizenship, including steep charges for information generated by public sector agencies and for freedom of information applications; and
- (4) the reduction in public sector accountability to citizens due to various forms of privatisation and the protection of information through 'commercial-in-confidence' provisions.

On the Right, citizenship discourse is in part about the need to restore citizen virtues such as the self-reliance and sense of individual responsibility which, it is claimed, have been eroded by collectivism and the welfare state. As has been pointed out by a number of critics, self-reliance is a virtue to be attained by family heads rather than citizens *per se*. The sub-text of the promotion of self-reliance has been the critique of 'domestic individualism' – code words for women pursuing careers – which is believed to have led to increased dependence on collective provision of community services. In Britain in recent years there has also been some attempt to rework citizenship as consumer sovereignty, through contracts between public sector service providers and citizen consumers or customers. There are clear linkages with Australian competition policy, despite the reluctance to include consumer interests in the objectives of the latter.

In Australia, the current salience of citizenship discourse might be said to be over-determined – that is, there is more than one strong reason why it might have happened. Certainly it *has* happened and was a pervasive theme in the consultations conducted around Australia last year by the COAG Advisory Committee on the Centenary of Federation (CEFAC 1994).

At the official and semi-official levels, citizenship has been associated with national identity and social cohesion. This has been particularly the case since the controversy over the Bicentennial and the accusations by conservative critics that the Bicentennial program paid too much attention to sources of diversity such as multiculturalism, Aboriginal culture and activities of women and too little attention to sources of national unity. These accusations escalated into headlines over Australia becoming a nation of warring tribes by the end of 1988. The following year there appeared in the National Agenda for a Multicultural Australia the first official statement of core values, – the overarching citizenship commitments which were to provide the unifying identity and social cohesion for a multicultural society.

The focus on citizenship as a source of national identity has been reinforced in the run-up to the centenary of federation and preparations for a transition to a republic. In place of the pride in British ancestry and heritage of a hundred years ago is to come a pride in Australian democratic achievements (often much in advance of the British) – a focus on Australia's pioneering role in the creation of democratic institutions and democratic citizenship. In other words, the replacement of a national identity based on 'Britishness' with a national identity based on what Donald Horne calls a civic identity.

Andrew Theophanous, in his *Understanding multiculturalism and Australian identity* (1995), sees major sources of Australian national identity in the tradition of the 'fair go' and the aspiration towards social justice. As mentioned above, the social liberal view of the state as the vehicle of social justice inspired many of the state experiments of the 1890s in Australasia. Theophanous reads this commitment to social justice and collective action directed to common ends as leading logically to multiculturalism – that is, a more expansive concept of citizenship and its entitlements involving respect for and accommodation of difference. Robert Birrell, on the other hand, in his *A nation of our own* (1995), reads the social liberal legacy as leading logically to a rejection of multiculturalism as weakening the social solidarity required for nation-building policies.

On the Right (for example in recent Institute of Public Affairs submissions to citizenship-related inquiries) there is much more emphasis on citizenship as independence from government, as self-restraint in the claims made on government, and as respect for the checks and balances restraining the power of government. This view of citizenship has more in common with American than with Australasian political traditions and reflects the

dominance of a contractarian rights-based form of liberalism at the time of American nation-building. It eschews the view of the state as the instrument of collective purpose, which has been so important here.

Other elements in the current citizenship debate involve extending the frontiers of citizenship (Vogel and Moran 1991) in a number of ways, including territorial, temporal and social. I have already touched on the rise of supranational forms of citizenship, and we have recently had important cases of citizen rights being conferred either through appeal to United Nations treaty bodies or by reference to United Nations conventions in judicial determinations. So citizenship rights and obligations extend beyond the territorial bounds of the state, even if they have been mediated by state agreements to respect the rights of both citizens and non-citizens.

The temporal boundaries being extended relate to the citizenship entitlements of future generations – creating obligations on the part of the present generation of citizens, for example to protect natural and social heritage. As members of a political community we have obligations not only to other current members of that community but also, as Albert Weale (1991) has pointed out, to future members of the continuing body politic which gives us our identity as citizens. That is, the political community rests on more than contracts between current members, and the rights and duties it generates extend beyond the current membership in both a temporal and a territorial sense.

The social bounds of citizenship have been extended through the claims made by contemporary social movements (Turner 1993). For example, there is increased recognition of the rights of cultural minorities to collective rights in relation to cultural maintenance, and the claims to special status of indigenous peoples have also been touched upon. In the 1980s people with disabilities put forward their claims to equal citizenship and to equal opportunity. This meant demands for both a voice in the policies which affected them and for the removal of the handicaps imposed by the failure of the political community to accommodate their different needs.

The movement for gay and lesbian rights has also highlighted the citizenship claims of sexual minorities, which have been denied certain important civil rights and have been officially excluded (at least until 1993 in Australia) from central duties of citizenship such as military service.

Perhaps even more comprehensive demands for the rethinking of citizenship have come from the women's movement. In some respects the feminist critique of citizenship rehearses earlier social liberal themes concerning the need to transcend private/public boundaries and to introduce public values of equality and autonomy into the private or familial sphere while exporting the duty of care into the public sphere. The social liberal and feminist paradigms of citizenship also share a focus on interdependence, rather than the classical liberal view of citizenship as independence and self-reliance. I shall examine this further in relation to a recent attempt to map the rights and duties of the Australian citizen.

While the return of the citizen (Kymlicka and Norman 1994) is an international phenomenon, it has taken on a characteristically practical aspect in Australia. This has included the proposal of a senior minister, Brian Howe, to draw up national benchmarks of citizen entitlements to service provision, for example, the right of low-income persons to pay no more than twenty per cent of their income in rent (Howe 1994: 6). In Victoria four universities in conjunction with the Victorian Council of Social Service and the Commonwealth Human Rights and Equal Opportunity Commission have been engaged in

a collaborative project funded by the Australian Research Council to draw up citizenship benchmarks based on international best practice. One result of this has been the discussion paper on National Citizenship Indicators prepared for the Senate Legal and Constitutional Affairs References Committee (Salvaris 1995), and it is this that I will discuss in the remaining part of my paper.

This Senate discussion paper is intended to be a starting point for debate on citizenship indicators and benchmarks, policies for achieving these, and means by which the community can monitor the condition of democratic citizenship in Australia. It uses standards from the International Covenant on Civil and Political Rights (ICCPR) and the International Covenant on Economic, Social and Cultural Rights (ICESC) as benchmarks for citizen rights. Such rights are not restricted, of course, to those who hold the technical status of citizen, but rather are rights which the Australian Government is committed to upholding in relation to non-citizens as well as citizens. Some of the rights set out in international instruments ratified by Australia may be very useful in expanding debate on equal citizenship and how to achieve it for currently marginalised groups – for example, the right to equal participation in public life (ICCPR, Article 25) and the right to work (ICESC, Article 6) .

A major problem with these benchmarks, however, is that they are gender-blind and need to be mediated by the principles set out in the later Convention on the Elimination of All Forms of Discrimination against Women and by its treaty committee, if women are to have equal access to human rights. To take but one example, the ICESC sets out the right to 'the widest possible assistance for the family'. We now know that it is of great importance that such assistance should be delivered in ways that support the right of individuals to combine paid work with family responsibilities and that do not exacerbate relations of dependence within the family. The right to safety inside and outside the home is another issue receiving increased attention in UN human rights arenas and is one which impinges directly on equal citizenship. The traditional emphasis in human rights discourse has been on protecting citizens from the state rather than on protecting them within the home, which is often of more direct concern to women.

In terms of the duties of citizenship, a tentative list has been set out in the Senate discussion paper. This list includes a number of suggestive items such as 'to pay one's taxes as fairly assessed without artificial avoidance' and 'to look after the environment' and 'to respect and look after animal life'. The list also has some problems. For example the first three duties included in it are: (1) 'to nurture, love and educate one's children', (2) 'to help support one's family members and other dependents' and (3) 'to develop one's abilities through work, nurture or creative endeavour'; these duties seem likely to remain gender-specific and the gendered allocation of them will continue to inhibit women's equal citizenship. A more gender-inclusive formulation appears in a Swedish UN Report of 1968: 'Every individual, irrespective of sex, will have the same practical opportunities not only for education and employment but also in principle the same responsibility for his or her own maintenance as well as shared responsibility for the upbringing of children and the upkeep of the home.' (Moen 1989: 24).

Diemut Bubeck (1995) has presented a feminist case for expanding the citizens' duty of care both beyond the family and beyond those who have traditionally performed the caring work of society. The performance of care would then become the paradigmatic citizenship duty rather than being, as in the past, a gender-specific obligation which impeded the equal citizenship of women. Bubeck argues that it is the continued burdening of women with care which has both excluded them from equal opportunity and full citizenship and prevented care from taking the central place in conceptions of citizenship which it deserves.

This line of argument concerning individual citizenship obligations needs to be supplemented by the obligation of the community to redesign institutions and invest in community provision so that both male and female citizens can combine their caring responsibilities with paid work and other forms of community participation. It is these obligations which Australia has adopted under ILO Convention 156 on Equal Opportunity for Workers with Family Responsibilities but which are threatened by aspects of enterprise bargaining such as loss of control over hours worked.

The problem is that all of these practical endeavours to benchmark citizenship rights and duties seem to have had little intersection with the development of COAG competition policy and the benchmarking this entails. Indeed, in so far as competition policy anticipates that market competition will provide services traditionally provided by public sector instrumentalities, one might say that the debate is moving in two diametrically opposed directions. One aim is to improve the quality of citizenship through the formalisation of citizenship entitlements and increased citizenship participation, particularly of disadvantaged groups, in the design of services and in their delivery. The other is to seek the cheapest possible provision of goods and services, regardless of whether they are delivered in ways which are no longer publicly accountable or subject to the constraints of ensuring equity both for the current and future generations of citizens.

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COMPETITION POLICY, PRIVATISATION AND THE RIGHTS AND WELFARE OF CITIZENS

Max Neutze

The purpose of this paper is to place questions about competition policy and privatisation in a broader context by examining how we make decisions about important matters. Because I am an economist, and because much of the current debate is focused on the use of resources, I will pay most attention to decisions in that area. Questions about how decisions are made are essentially questions about institutions (in the sense of rules of the game rather than of players in the game). They are questions about the rules and conventions governing the interactions between individuals, private firms, governments, public authorities and citizen organisations, and about their respective rights and responsibilities. These rights and responsibilities and the way interactions take place may be formalised in laws or rules or they may be no more than established customs and conventions.

I start from the obvious assumption that there is no single best way to make decisions about the vast array of matters that confront us. Rather, different ways of making decisions or different sets of rules are appropriate for different kinds of decisions. The present debate about competition policy and privatisation should not be about which system is best, which implies that there could be wholesale replacement of different kinds of decision-making processes by a single mode or institution. It was, however, initiated by a major imperialistic claim by its advocates that the market, or institutional arrangements that are as much as possible like markets, should play a much greater role in areas which in the past have been handled by different decision-making institutions. That claim implies that other institutions should be seen as second best to market-type institutions in a wide range of areas that have in the past been responsibilities of governments.

Many government initiatives, often conceived during World War II and adopted in the post-war period, found their theoretical justification in the concept of market failure (Francis Bator's (1958) famous article is entitled 'The anatomy of market failure'). It had been shown theoretically and observed in practice that market economies are likely to fluctuate between periods of high and low levels of economic activity with inflation in the former and unemployment in the latter. Markets cannot deal with the externalities and public goods that are crucial aspects of environmental quality and they do not provide an acceptable standard of living for the old, the very young, the sick or those who have few skills or resources. The disillusionment with government programs during the past couple of decades can be described as our discovery that government regulations and government programs are not necessarily efficient ways of dealing with these problems: there is non-market failure as well as market failure.

There is a widespread belief that governments have failed to deliver what they have promised. This can be seen, for example, in the apparent failure of Keynesian prescriptions for managing the macroeconomy: controls over the level of aggregate demand seemed to work well for most of the period from the end of World War II until the early 1970s in allowing us to tread the fine line between inflation and unemployment, but then we began to experience both. Similarly, we continued to have poverty despite the high cost of the welfare state; there was featherbedding of workers in many state enterprises; government regulations were unable to deliver both economic efficiency and environmental objectives; government bureaucracies were not

sufficiently accountable; and the results of large-scale government programs such as urban renewal were at best disappointing.

If it is accepted that there have been failures in the performance of governments, the important question is what should be done about them. There are two alternatives. One is to follow the advocates of increased competition and privatisation who say: 'If the government is failing let us hand the job over to the market.' The other is to follow the advocates of reform of public enterprises who say: 'If government is failing, fix it up.' These alternatives have something in common with the alternatives contained in the title of Albert Hirschman's book *Exit, Voice and Loyalty* (1978). If we believe that a group to which we belong is getting something wrong, we can either leave the group or work within it for the changes we believe should occur. The answer will depend, in part, on our loyalty to the group and whether we believe that reform is feasible.

This idea has two implications for today's topic. First, consider the case of a government discovering that a service provided by one of its agencies is operating inefficiently. If it decides to hand over responsibility for the service to the market, it is taking the 'exit' option. If it decides to improve the agency's efficiency, it is taking the 'voice' option. Second, 'exit' from the nation in which we live is not a feasible alternative for most of us, so we must either live within it as it is or work within it as citizens to make it a better place to live.

The problems of government failure have been attributed by some of its critics to the lack of appropriate incentives for public bodies, politicians and bureaucrats to operate efficiently: because governments have taxing powers and their employees have secure jobs, they do not have to suffer the costs of their own bad decisions and receive no financial rewards when they make good decisions. The remedy proposed for the failures was to introduce the disciplines of the private market into as many as possible of the functions performed by governments. Some of the changes that occurred introduced good management. For example, corporatisation involved the government in laying down clear objectives and performance standards for the providers of services. Even at this level, however, governments were depriving themselves of the expertise of the providers as a source of advice about how the government could best achieve its own aims, and how the public authority's quantifiable objectives should change over time to achieve the government's.

Corporatisation could also be seen as a rediscovery of some of the original features of the statutory authorities which were established to provide utility-type services. They were first established at arms length from the political process as single-purpose authorities with a clear responsibility to provide services efficiently. Unfortunately governments have not been able to resist the temptation to ignore their own rules for these authorities but rather have repeatedly interfered in their operation to achieve political objectives. The result has been the inefficiencies that are now the subject of criticism. Corporatisation aims to formalise further the arms-length nature of the relationship between government and authority.

Another policy was to introduce competition in the performance of the functions of government, either through competitive tendering or contracting out of particular functions or through privatisation of the services themselves. The latter is in some ways the most radical of the policies for introducing market mechanisms into the provision of public services and facilities.

In some cases corporatisation and contracting out have increased efficiency, though often the increases had been achieved prior to the organisational reforms, and though at least some of the short-term efficiency gains are likely to lead to increased costs in the long term. There was undoubtedly scope for reconsideration of the role of the private and public sectors at the margin. There has been much criticism, however, of the indiscriminate way in which the changes have

been made, especially where there was very little scope for real competition, as in the case of water and sewerage services and the distribution of electricity, and where the changes appeared to be driven by a belief that government was inherently inefficient and private firms inherently efficient. In addition, the changes have reduced the capacity of governments to achieve social goals.

How do we make individual and collective decisions?

In order to explore the appropriate roles for markets and market-like institutional arrangements and for governments and traditional public authorities, we look in this section at how different kinds of decisions *are* made, and in the next section consider how they *should be* made. This section concentrates first on individual decisions and then on collective decisions.

Individual decisions

The question about how individuals make decisions can be approached in a relatively scientific way. There are a several models, each of which makes different assumptions about what motivates such decisions, and we can carry out experiments or design statistical tests to find out which has the greatest explanatory power in relation to each kind of decision. We are likely to find, for example, that a model which assumes that the maximisation of wealth is the main motivator is likely to have a lot of power in explaining decisions in areas such as the investment market – the purchase of shares or bonds, investment in commercial property etc. Even here, though, it does not explain everything. Some investors choose for ethical reasons not to invest, for example, in firms which produce armaments or are responsible for environmental damage or which (in the past) invested in South Africa. Certainly we are not simply wealth maximisers when we buy a home to live in, or invest in our own or our children's education.

In other areas, such as the labour market, wealth maximisation is a less useful assumption. Not only the rate of pay, but also job satisfaction, whether we feel that we are doing something useful, relations with the people with whom we work and working conditions are all important in explaining choice of jobs, decisions about whether or not to work and when to retire. In still other areas the wealth-maximising assumption has little if any explanatory power, for example in decisions about religious matters or about allocation of resources and responsibilities within a family.

Something similar to wealth maximisation, namely welfare maximisation, is a powerful tool in explaining many decisions about consumption. Choices about whether to eat apples or pears or to buy books or clothes are made for reasons similar to wealth maximisation. Indeed it is often useful to think about wealth maximisation as a subsidiary component of welfare maximisation, though some people like wealth more because of the prestige and power that come with it. But because it is easier to measure wealth than welfare, we find wealth maximisation used as an assumption in many economic models. Of course people might be misinformed about what will increase or decrease their welfare and by how much, their preferences may be ill informed or influenced more by habit, conformity with what others do, social pressures or advertising than by what will maximise their welfare, and they will be constrained by how much income they receive. They will be constrained also by laws and regulations, by the framework provided by government regulations and policies, and by their own power to exercise their individual choices.

In areas where maximisation of wealth or welfare is the dominant factor in individual decisions, if we accept the prevailing distribution of income and power, markets can work well in transmitting the vast amount of information about the constrained preferences of millions of individual consumers to thousands of individual producers and giving producers a financial

incentive to produce what consumers want. Similarly, markets can help to provide the capital and labour that those producers will need. So much for what markets can do.

Economic man, that self-regarding abstraction so much used in the assumptions of economists, is a wealth or welfare maximiser but, as the saying goes, you would not want your daughter to marry one. Wealth-maximising behavioural assumptions can be made a little richer and more multidimensional by recognising that individuals are sometimes activated by regard, or even love or care, *for* others, and that some find fulfilment in accepting responsibility for others. There is a huge class of decisions within small groups, especially families, in which individuals often act as though the welfare of others is as important as, or more important than, their own.

Sometimes individuals are also motivated by a desire to be well regarded *by* others: they want to be respected and thought well of by their friends and colleagues and they value the status and prestige that results from actions that bring little if any monetary rewards. Many academics appear to strive as much for recognition by their peers as for a higher salary, and are willing to accept a lower salary than they might get elsewhere for the status that comes from being a professor or working in a good university. I could go on and list some of the motivations which are seen as important by anthropologists, psychologists and sociologists, but that would begin to take me into collective decision making.

What kinds of institutional contexts other than the market are appropriate when individuals are activated by this broader range of motives? Let me just throw out a few speculative ideas and then excuse myself by saying that I hope that the Reshaping Australian Institutions Project at the Research School of Social Sciences, Australian National University, will make major proposals in this area.

- First, we might want to have laws that protect, and perhaps support, individuals who are in long-term caring relationships with one another, but we would want to avoid a return to family laws that allow the exploitation that is also possible in such relationships.
- Second, we might want to recognise achievement by the award of honours to people who have served others in ways that did not bring monetary reward.
- Third, we might want to expose those who commit certain offences to 'reintegrative shaming' of the kind that occurs in community conferences, rather than subjecting them to fines or incarceration.
- Fourth, in regulatory practices we might first attempt to encourage those being regulated to behave in a responsible manner before adopting more coercive measures.¹
- Fifth, employers might want to reward workers who show loyalty to their organisations and to their fellow workers with positions that give them prestige as well as a higher salary.

Collective decisions

Many things can be achieved only by the collective decisions of members of groups that are larger than the small caring groups of which the most common are families. Such decisions are needed for the provision of services such as parks, public health and education; for the introduction and enforcement of laws and regulations; for protection of the rights of minority and disadvantaged groups; for protection of the environment and for making cities more pleasant places to live. If I want to achieve such objectives, I will have to engage in some kind

¹ The third and fourth of these suggestions derive from research being carried out in the Research School of Social Sciences under Professor John Braithwaite and his colleagues.

of collective action. This can be as simple as getting together with my neighbours to organise a street Christmas party, or as sophisticated as lobbying parliamentarians to increase foreign aid to low-income countries or to put pressure on, say, Nigeria or Indonesia about human rights.

The theory of market failure recognises that, even to achieve wealth or welfare maximisation, any decision of an individual that has an effect on another individual may provide a reason for collective action. Of course most investment, employment, production and consumption decisions affect the profits and incomes of others through the market. Such effects provide useful incentives for other players in the market to make their own decisions in ways that meet the demands of consumers. While individual market decisions seldom have a marked effect on other individuals, the aggregate effects, for example on the relative incomes of individuals, are large and may be regarded as unsatisfactory. The only way in which those effects can be changed is through collective decisions about regulation of business behaviour, minimum wage rates, rationing or price controls, or about taxation and income redistribution through social security payments.

It is not only through market prices and money incomes that the actions of individuals have effects on others. There is a range of externalities which affect the environment in which we all live and work. Such externalities, as they are called, can be as local as a noisy lawn mower or as global as the emission of greenhouse gases: or, to take another field, as local as a case of sex discrimination or as global as ethnic cleansing. Collective actions, both of the positive kind to achieve some desired objective and of the negative kind to limit or influence decisions of individuals that have adverse effects on others, are taken through political processes at the different levels of government and through non-government associations and interest groups.

How do we judge decision-making institutional arrangements?

Consequences

To this question the traditional answer from economics is that we look at the expected and, less frequently the actual, results of alternative institutional arrangements, mainly the extent to which different arrangements satisfy the wants of consumers as reflected in the amount they are prepared to pay. This is the usual definition of economic efficiency, though for some of the reasons mentioned above, it is a very narrow definition. Although it is loosely based on utilitarianism, the amount people are prepared to pay for something is not a good measure of the happiness they will get from it, if only because it is so dependent on how much they can afford to pay. To a large extent the market allocates resources to productive activities according the willingness and ability of people to pay for what is produced. Notwithstanding its shortcomings, we have found no institution that performs better than the market within the bounds described above. This judgement has been reinforced in recent years by the collapse of the command economies of many of the former Eastern Bloc countries and their adoption of markets as the means of allocating resources over large parts of their economies.

Economists believe that the only way to judge the results of decisions and decision-making arrangements is the effect they have on the welfare of individuals. They hold the view that the welfare of society is merely the sum of the welfare of its individual members and families. (Some economists would not even join Margaret Thatcher by adding 'and families' to the individuals.) Within economics this view is justified by a belief in consumer sovereignty: that consumers can be expected to take decisions in their own best interests, and decisions throughout the economic system should be driven to satisfy consumer wants. The belief that only the welfare of individuals matters is one reason for the conclusion that markets provide the best institutional arrangement for making decisions about the use of resources.

Like most economists, I have thus far described collective actions mainly as ways of correcting the problems that would arise if all decisions were taken in an unconstrained manner by individuals. The use by economists of the term 'market failure' to describe those situations implies that such failures are exceptional events that affect a few goods and services or apply only in special circumstances. One important example of market failure is 'public goods', which are goods and services like clean air, public health and defence that we can enjoy in common without having to compete for them.

An alternative view is that decisions about a wide range of services and an even larger proportion of all social decisions are best taken collectively. While the performance of the command economies can be understood to show that governments are poor at organising the production and distribution of many goods and services, it can be argued that this was a result of the corruption of the political process in those countries. Their failure does not lead to a conclusion that all production and distribution must be done by the market.

There are many kinds of decisions about resource allocation that are best taken collectively. Market failure is pervasive in large areas of a modern economy. A mixed economy is the best way to achieve social objectives, of which economic efficiency is an important, but by no means the only, one. The formal economic concept of a public good is a rather strained way for economists who are constrained by their individualistic approach to social analysis to demonstrate why these services would not be provided by the market. The obvious question for a non-economist to ask is why anyone should think that defence or environment protection could be provided by the market, especially when pollution itself, for example, is a result of the operation of the market. In the everyday meaning of the term, public goods are important contributors to the welfare of all of us.

If we accept the hegemony of the market and see collective decisions as being necessary only in those aberrant situations where the market will not work, the tools that we are likely to use to help us make them are market analogues like cost-benefit analysis and contingent valuation, both of which are designed to find out how much individuals would be prepared to pay for something if there were a market for it. The results in fields that deal with questions which are of importance to the community rather than just to individuals have not been helpful. Unfortunate examples have been the application of cost-benefit analysis to the Vietnam War by the United States Department of Defense and the application of contingent valuation to assess people's willingness to pay for measures necessary to avoid a repetition of the Exxon Valdez oil spill: many of those asked thought that the question in terms of what they would be prepared to pay was inappropriate.

Mark Sagoff (1988: 50-1) reports asking members of a class at the University of Maryland about the likelihood that they would visit an area of wilderness which was being considered for development as an alpine Disneyland if the development did, and if it did not, go ahead. Very few said they would visit it in either event, so most had no individual interest in whether or not the development went ahead. But they were almost unanimous in the view that it should not go ahead. Sagoff concludes that in many cases a category mistake is made when techniques that attempt to assess individual valuations of the alternatives are applied to questions that concern whole communities. He argues that questions of this kind are moral questions for the community and should not be considered as if they concerned only individuals. In his view the appropriate means of dealing with them is by political decision following open public debate. It is the responsibility and the right of citizens to be involved in such debates, and their contributions to the debate should be judged on moral criteria. Such a process is more likely to achieve the goals of the community. His students rightly rejected the assumption, implied by the questions about the likelihood that they would visit the site, that their only role in the decision was that of potential consumers.

Sagoff was arguing that there are many important decisions that should be taken by the people acting as citizens rather than as consumers. That dichotomy was highlighted recently in an article by Ross Clare (1995). While consumers act as individuals in expressing their preferences between different goods and services, citizens act collectively in providing services and making rules that they believe are in the interests of the community. As consumers, the only criteria that count in our decisions are whether or not our individual interests are furthered, but as citizens the arguments that count with us when we cast our votes are whether or not the decisions are in the interests of the community as a whole.

Among the consequences of institutional arrangements, equity is more difficult to judge than efficiency. It is essentially a moral judgement whether one outcome is more equitable than another. Most modern economists regard themselves as incompetent to judge whether one distribution is better or worse than another, and therefore they ignore the distributional consequences of the policies they advocate. Since all policy changes benefit some people and make others worse off, this implies that no judgements should be made. One possible escape from that dilemma is to use the so-called Paretian criterion to judge the consequences of decisions, under which a policy is desirable if it makes at least one person better off and nobody worse off. That criterion, however, assumes that the existing distribution of income is desirable.

Those with more of a conscience are uneasy about such agnosticism and spend more time examining distributional consequences and the impacts of general economic change on different groups within the community. Few, however, go as far as to advocate policies on the basis of their equity effects. The predominant view is that measures which are adopted for equity reasons should be taken separately by elected governments and not be the responsibility of enterprises that are competing in the market. One way to do this is for governments to impose so-called community service obligations (CSOs) on government business enterprises. I return to that briefly later.

Processes

While economists claim to be concerned solely with the outcomes of alternative decisions and institutional arrangements, there is at least one belief about process to which they adhere strongly. They believe in the freedom of individuals to make their own decisions about what is best for them. In particular the more libertarian among them reject institutional arrangements that require individuals to be coerced into actions. Hence their distrust of government, of its taxing power and of its power to regulate the behaviour of its citizens. Their agnosticism about whether one distribution of welfare is better than another implies that the only collective decisions that can be made objectively are those that benefit at least one person and do not disadvantage anyone, and reflects their attempts to make economics an objective rather than a moral science. This belief, together with the belief that the welfare of a society is simply the sum of the welfare of its individual members, provides the foundation for the methodological individualism which leads economics so strongly towards markets as the preferred institutional arrangement for the production and distribution of goods and services.²

Many sociologists, however, are interested in communities for their own sake and start their analysis of collective action from a very different point of view. They argue that the actions of members in the interests of the country or community in which they live are of value in their own right in that they add to a sense of shared purpose. Many if not most of the collective decisions made by communities are seen not only as ways of improving the community rather

² For a powerful critique of these views and the policy stances that are derived from them see Stretton and Orchard (1994) and Self (1993).

than correcting a market failure, but also as themselves strengthening the cohesion of members of the community. Rather than being concerned about market failure they see communities providing defence for safety, roads for cheaper and safer movement of goods and people, or water supply and sewerage to improve health and protect the environment. While the economist wants to minimise the role of government because it is seen as inefficient and as coercive, a sociologist interested in community would want to increase the responsibilities of government as a means of strengthening the sense of interdependence.

Three months ago I was in London just about the time a serious drought came to an end. Britain had privatised all of its water and sewerage services and the chief executive officer of one of the regional companies had been appealing to users to save water. While I was there a feature article in *The Independent* (11 September 1995) headed 'Why we won't turn off the taps. When water belonged to everyone, cutting back made sense. But privatisation changed attitudes.' stated:

A very few years ago, during a drought, it was possible to make a public appeal saying: put a brick in your lavatory cistern – if we all do it, we can reduce water consumption by so much. But today the water companies cannot say this, because they are asking us to be swindled by them. The Government cannot say this because it set up this swindle. Having sold off the common good in the name of market virtues, it cannot appeal to the common good in order to help the market out of its difficulties.

People had been told that water could be provided more efficiently by private firms that seek to maximise profits than by shared enterprises responsible to the citizens through their government. While the provider was a collective enterprise working on behalf of citizens, users would have responded to appeals to save water and seen themselves as contributing to the success of an enterprise which they owned. Once the private sector provides this service, why should users do other than satisfy themselves, as the market theorists assume that they will, in order to help a business that is not theirs?

Conclusions

Corporatisation, competition policy, contracting out and privatisation are all leading us to place more reliance on markets and market-type structures for the provision of services that were previously provided by governments or government authorities. The boundaries between the responsibilities of the private and the public sector need to be re-examined periodically, and some of the changes have certainly produced desirable savings. Unfortunately the changes appear to be driven more by an ideological objection to government enterprise than by an examination of where the boundary should be drawn based on theoretical reasoning, empirical research or moral reasoning.

One of the objectives of the new contract state (Alford and O'Neill 1994) is to separate those who decide and advise on policy from those who implement it through the provision of services. The latter, it is argued, should be subject to competition in order to achieve efficiency. Service providers should be required to achieve stated objectives and be efficient in private market terms. If the government requires them to do something which is not profitable, it should pay the cost of imposing such a CSO.

An example of the effects of this kind of thinking can be seen in recent events in relation to Sydney Water Corporation, which has been corporatised but not yet privatised (The following account lays no claim to be balanced: there was much room for improvement in the old Sydney Water Board). It now has an operating licence for a limited period and is subject to review at the end of that period, and it is subject to the NSW Government Pricing Tribunal. As a result

Sydney Water is only willing, and in some respects only able, to introduce new measures to reduce the damage its effluent causes to the environment if the government decides that it should do so, and is willing to fund the measures as a CSO. Otherwise it must persuade the Pricing Tribunal that such measures are essential – a judgement the Tribunal is reluctant to make. It is more likely to seek the advice of the Environment Protection Authority, which has less expertise and less relevant information than Sydney Water. The same is true in relation to the additional water treatment required to reduce the risk of water-borne disease.

It is ironic that the core responsibilities of Sydney Water Corporation, to supply safe water and to protect the environment, have come to be regarded as optional additions to its responsibilities, to be funded separately. It is also ironic that the body that has the best technical expertise to advise the government whether these two measures are needed has to argue the case before the non-expert Pricing Tribunal. Under the new arrangements the Corporation has no direct responsibility to the citizens of Sydney as distinct from the consumers of its services. It has no incentive to ensure a safe water supply or a high-quality environment because those decisions are now the responsibility of others.

At the end of the day the government must accept responsibility for the operation of many public services. It can, and often has, dismissed a chief executive officer, but he or she is not much more than a scapegoat. It can even contract out management of a service to an external team. But, because such public services are monopolies, there is no way in which there can be real competition between suppliers. Governments have to take responsibility for the efficient, safe and environmentally responsible provision of the services, and people have to act not only as consumers but also as citizens putting pressure on their governments to achieve these goals.

Another example of the odd effects of competition policy comes from Sweden, where Stockholm Council recently decided to privatise its regional planning research arm. Two thirds of it became a County-owned company which would compete with private consultants for research jobs, and the other third remained on the County payroll. Staff were given the choice about where they wanted to go. Those who were confident about their ability to compete in the market chose to go with the company but, since the building industry was depressed in Stockholm at the time, most of the architects stayed with the County. The result was that the less able staff were deciding what research the County should commission and who should be awarded the research contracts, and architects were deciding these matters in fields which had large components of town planning, engineering and environmental science!

Nearly two thousand years ago in Palestine, Luke, a physician-reporter, wrote an account of an interchange between Jesus of Nazareth, a dissident religious leader from one of the provinces, and some hecklers in the crowd he was addressing. The hecklers asked him whether or not they should pay taxes to the hated puppet government set up by the Roman army that occupied the country at the time. After pointing out that the Roman Emperor's head was on the coin, Jesus told them that they should 'pay to Caesar that which is Caesar's and to God that which is God's'. To apply a rather stretched analogy, I conclude by suggesting that we should use markets for the provision of services in which our only interest is as consumers, and governments for those in which we have an interest as citizens.

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THE IMPACT OF CONTRACTING OUT ON CITIZENS

John Alford

I would like to cover three matters in this talk. Firstly, I want to say something about what is meant by 'contracting out' – to point to a couple of salient aspects in a way that will make it easier for me to make some other points later on. Secondly, I want to address the question: 'what do citizens do?' and suggest a number of activities they engage in. And thirdly, I want to look at the effect of contracting out on each of those activities.

The essence of contracting out

Taking the first matter, 'contracting out' is, of course, the process whereby governments purchase services from private sector suppliers who usually, but not always, compete with each other for the right to provide those services. It is best characterised by the sub-title of the excellent book by John Donahue, *The privatization decision: Public ends, private means* (1989). It addresses the situation in which the government decides what is to be produced and who is to do it, but a private firm is the supplier or contractor.

There are a couple of aspects I want to touch on, leaving other things for later discussion. The first is that in the process of contracting out, whatever is being produced is specified in terms of *outputs* – that is, in terms of goods and services – and not in terms of *outcomes*. Secondly, as Donahue explains, contracting out entails particular mechanisms of accountability – carrots and sticks that are allegedly designed to make contractors perform well. One is a process of monitoring how well and to what extent the outputs are produced. Another is a range of competing suppliers, providing for the ultimate sanction that enforces accountability: if people perform poorly, then they are replaced by alternative or competing suppliers.

What do citizens do?

Turning now to the question of what citizens do, I suggest that there are a number of overlapping and interrelated things that they do. I am sure other people can come up with a much more elegant scheme, but as a basis for discussion, here is my list:

- they vote;
- they exercise formal rights;
- they contribute to public deliberation;
- they 'consume' public value; and
- they co-produce public value.

Let me briefly explain these.

A primary thing that citizens do is to *vote*. I have singled that out basically because the function of voting is what most conservatives would really like to see as the only function of citizenship. They often say: 'If people don't like what we are doing they can vote against

us at the next election.' But that is a very limited view of citizenship, and we know that of course there are other things that citizens do.

For example, a second thing is to *exercise formal rights*. In other words, the way in which they exercise accountability is not just through voting every three or four years but through various channels of appeal, grievance, redress, rights, Freedom of Information (FOI) applications and so on. These things often engender a concern about the means of governing rather than the results or the outcome.

A third thing that citizens do is to *contribute to public deliberation*, in the myriad ways in which that can happen: talking with friends or neighbours about political or social issues, taking part in debates, writing letters to the editor, protesting, campaigning and, of course, taking part in party political activity.

A fourth thing that citizens do is to *'consume' public value*. Public value is basically all of those things that are collective values as opposed to private values. It is not public by virtue of the fact that it is produced by the public sector, but rather because it is consumed collectively by the citizenry. It includes the kinds of things which economists refer to as public goods, and other remedies to market failure. But I think that we should understand that public value is much broader than that. It includes: (1) the provision of the basic conditions for the security of citizens and the operation of the free market (such as law and order, mechanisms for contract enforcement, and property rights); (2) various remedies to market failure (I think, by the way, that if you start to look at any particular public policy case in some detail, market failure tends to be rather more involved and rather more embracing than economists will give credit for); and (3) the promotion of equity and fairness. The last mentioned is a form of public value in that we as citizens like to see that we live in a society that is in some way fair. Even the most right-wing ideologues appeal to some version of fairness, and I suggest that promoting equity is an important public value.

One aspect I should also note here is that public value can take the form of either outcomes or particular sorts of outputs, that is, of particular goods and services. Another is that it can be inherent in particular processes, in the way outputs or outcomes are produced (for example, we attach value to the fair use of police power).

Public value is in contrast with private value, which is value 'consumed' by individuals. I have put the word in quotation marks because there are (as I will argue later) some problems in thinking about citizens as consumers.

Having said that public value is something that is inherently consumed collectively – and is not necessarily public by virtue of the fact that it is produced by government – it does need to be recognised that, for various structural and technical reasons, government tends mostly to have the role of ensuring that such public value is created. So often it is structurally inherent in the creation of public value that government is in some way involved in its creation.

Finally, citizens *co-produce public value*. In other words they are not simply consumers of public value but they have a role in actually ensuring that public value is created. Although governments decide on or lead the production of public value, much of the work of actually producing it is done by citizens in various capacities. I am not referring here to contracting out but rather to other processes.

Let me give you a few examples. Community policing creates public value, namely that we have a society that is safe and amenable; we can walk around without being robbed or bashed. Yet a lot of the work of community policing is actually done by people in communities. Part of the idea is that there is an effort to encourage people to identify local problems and to play a role in ensuring that we have a safe and secure society. Another example is the rural fire brigades, which produce public value by limiting the damage to life and property from fires in country areas. As we know, a fair amount of that work is actually done by people who get some reimbursement for it but who are essentially volunteers. Another example is Landcare, which is a program designed to reduce soil erosion in rural areas through enlisting farmers and others in the community to engage in certain practices which reduce the likelihood of soil erosion.

Child protective services is another example. As a society, we see it as valuable that children are safe and that they grow up to become functioning, normal and reasonably healthy adults playing a role in society at large. But the process of child protection – ensuring that children are not abused, mistreated and so on – is actually one of involving a lot of other people in doing some of that work – people other than the social workers who work for the community welfare department. For instance, doctors play a particular role, as do police and neighbours. Most importantly, members of the family itself are actually encouraged to behave in a particular way that contributes to the work of achieving that form of public value.

Next, take the example of tax collection. In a sense, the tax office creates the ultimate public value: the wherewithal for doing all the other things government does. Some of the work of the tax office increasingly involves taxpayers themselves, who contribute to ensuring that taxes are collected and reconciled to the right amount at the end of each year, through things like self-assessment and the tax pack.

This co-production work by citizens is motivated in many ways. Sometimes it is done for money. I don't mean money exchanged contractually, but rather through grants or subsidies to do particular things. Sometimes co-production occurs because people are compelled to do it, and sometimes because it is convenient for them: there may be a particular configuration of processes that make it convenient for people to do it. But running through all of them there is some element of consent. To the extent that they co-produce, citizens do so because they see it as intrinsically worthwhile to do so. This consent may often be mixed up with some of the other motivations. This aspect of consent turns out to be quite important when looking at the role of contracting out, so let us look at what contracting out does to these things that citizens do.

The impact of contracting out on the things citizens do

Let me take the first three together – voting, formal rights and public deliberation – with one or two specific points about each of them as I go. There are two broad points I can make about the first three. The first has to do with information. Information is of course essential for exercising basic citizenship rights. If you don't know what is going on, if you can't get access to information about decisions or about what government is doing, then it becomes that much harder to exercise those basic citizenship rights. I would argue that contracting out leads to changes of two kinds in the nature of the information that is collected, published, discussed, or generally available to the community.

(1) There is a lot less information about outcomes and a lot more about outputs. This is quite interesting actually in the context of the evolution of public sector management. What we are seeing is a shift from what has been called 'managerialism', which is how I

would characterise the public sector in Canberra at present and in Victoria until 1992, to 'contractualism', which is how the public sector now works in Victoria, New Zealand and Great Britain. Part and parcel of this has been a backing away from a concern about outcomes and results and a preoccupation with outputs. This entails a concern with goods and services rather than broader conceptions of value. We are beginning to see this in Victoria, where recently there was a news report about how local council rates have been reduced and how this has affected the levels of service on garbage collection, street repairs and other tangible goods and services. But there was not much discussion about the net effects on the amenity of the city, on the way in which it was developing, and so on – things that were broader outcomes.

(2) We are also seeing a shift from information about processes to information about outputs. Questions about how things are produced, or created, are effectively being ruled out of order by the various changes that are underpinning the contractual mode of running a government. The most common examples of those are things like the invoking of commercial confidentiality against FOI claims. You can't actually get information about contracts that entail the expenditure of large sums of public money because changes to the FOI legislation basically say that these things are 'commercial-in-confidence'. So from both ends of the chain of activity in which public value is produced, from processes at one end to outcomes at the other, there has been a reining in of information and a focus only on outputs.

These changes in the nature of the information has two contradictory effects. One is that it has increased the level of accountability about outputs, so that we can actually get a clearer picture of whether certain goods and services are being produced as required. That is a good thing as far as it goes. But, on the other hand, we are also seeing a reduction in the level of accountability about both processes and outcomes. Processes are the domain of the provider, who has all the information about how things are produced but who is not really accountable – in the same way that private corporations tend not to be accountable, or to only become accountable after an incredible effort to make them so.

Outcomes are the domain of the politicians, who have been labelled the 'steerers'. The analogy of 'steering and rowing' has become the vogue in setting up contractual arrangements, and politicians can really only be brought to book at election time. In this sort of arrangement, it is difficult to actually call them to account at other times because of the effect it has on the kind of information that is available. Even at election time there is only limited information available.

The other major point I would like to make is that we see a redefining of political discussion which represents a shift from a focus on 'we the citizens' to a focus on 'I the consumer'. If political discussion is cast in terms of consumers and market transactions then it promotes particular assumptions which tend to undermine citizen-like behaviour, especially the assumption that people are only motivated by self-interest – that consumers will get what they can and, of course, providers will also get what they can in terms of profit. This tends to become a self-reinforcing phenomenon.

I was very impressed by the account by Frank et al. (1993) of a US examination of the impact of doing a post-graduate economics course on the extent to which students would act co-operatively. It was a quite rigorous study, in which there were two groups, one of which was not studying economics and the other which was. The authors did a series of tests with them beforehand, in which they engaged in 'prisoners' dilemma' games (where two prisoners arrested by police are each questioned separately and pressured to 'dob in' the other and not dopping in the other is a proxy for co-operativeness). They found that the

two groups felt roughly the same at the start. After completing their respective post-graduate courses, the tests were repeated. The economic students were then found to be much less inclined to act co-operatively than were the others.

Now this was the result of spending two years doing a course in which the dominant assumptions were that people are basically maximisers of their own material self-interest. If we translate this into the real world learning situation, it suggests that to have a regime in which government structures its relationships with citizens and organisations on the basis of similar assumptions will lead to a similar effect on citizens. In other words, through contracting with, for example, community organisations, government is saying: 'We expect you to act in a self-interested manner, so we're going to apply a series of carrots and sticks to you, to minimise the chance that you will act opportunistically.' And the message for the community organisations, which previously tapped a strong voluntary impulse from their supporters, is that they should expect reciprocal treatment from the government. This sets off a low-trust spiral which undermines the attitudes and beliefs conducive to co-productive behaviour by citizens.

Now I would argue that this is a significant factor in what Robert Putnam has called the decline of social capital in advanced democracies. Putnam argues that civic engagement and voluntary associations have declined markedly in recent decades, as evidenced in the very low voter turn-outs now seen in American presidential elections. Now what is interesting is that on the one hand people like Eva Cox, and on the other the Institute of Public Affairs (and indeed others on the Right) are touting Putnam around town and basically saying they find him very interesting, which I must say I find all rather puzzling.

Perhaps the people on the Right see Putnam's call for the rebuilding of social capital as a kind of antidote to government intervention; that is, they feel that maybe we can rely on voluntary effort rather than government effort. But I would argue two things: firstly that an increased emphasis on the citizen as consumer has in fact been a major reason why social capital has declined; and secondly that a particular kind of government can actually nourish social capital – a kind of government that engages its citizens, that calls on their participation. I'll say a little bit more about this later on.

Let us now move on to the fourth factor – citizens consuming public value – and what contracting out does to that. We are told by the Victorian Premier, Jeff Kennett, and his colleagues that contracting out will lead to an increase in public value – better value for money and so on. Now this, of course, is a claim that is hotly disputed by many in Victoria and elsewhere, especially on the grounds of equity and rights. Let me just tackle this issue as we did in our book *The contract state* (Alford and O'Neill 1994), which was to focus on efficiency and effectiveness – that is, to consider it in the terms of those that are promoting contractual arrangements.

I suggest that this issue is more complicated than either the contractualists or their critics seem to acknowledge. For contracting out to work it needs particular conditions. It must firstly be relatively easy to specify clearly the required service, and to monitor whether it is being delivered, and secondly it must be easy to replace performers who do not measure up. We can go into a lot of argument about this, but let me just assert that these conditions are in fact rather problematic in many areas of the public sector.

Firstly, many public sector activities are peculiarly resistant to specification and monitoring, and secondly it can often be difficult to replace a contractor who has not performed well – not least because the contractor gets a 'lock' on the contract just through having got the contract. So without backing my assertions up, let me say that I think that

contracting out has a mixed effect on the consumption of public value. Where the conditions I have mentioned are in place, there can be an increase in 'value for money' – citizens will consume more public value. But where those conditions do not exist, which I suspect is in the majority of cases, it leads to not just a failure to improve efficiency but to an actual reduction in value for money. So the net result is that citizens will actually consume *less* public value than if there were no contracting out.

Finally, let us look at the role citizens play in co-producing public value. I would argue that contracting out may impair the willingness of citizens to co-produce, and that the reason lies in the very aspect of contracting that is supposed to be its driving force – namely the profit margin. The contractualist idea is that contractors are motivated by the prospect of increased profit and will therefore work harder to find more efficient operating methods so they can lower their costs and increase their profits. But I would argue that the very process of defining relationships as contracts actually sends a message to providers that the dominant principle is economic self-interest. It is actually inviting co-producers to act in a self-interested fashion rather than in a purposive or other-directed fashion, because what it does is to undermine that aspect of consent, the voluntary principle.

I recently re-read Richard Titmus' book, *The gift relationship* (1972) which talks about blood donors. To drastically simplify what he said, Titmus basically argued that when you move from a situation of voluntary donation to one where you pay people for donating blood, it is very hard to go back to voluntary donation. It undermines that kind of voluntary impulse. I suggest that there is a similar set of factors at work in the shift to contracts.

Let me conclude by saying that I think contracting out has some positive effects on some of the things citizens do, but that it has many more negative effects. The real thing that worries me in Victoria is the way contracting out is being applied 'blanket fashion' across the whole public sector. For example, the government is decreeing in legislation that every local government will contract out fifty per cent of its annual expenditure by 1997, regardless of local circumstances. I think this basically overlooks the fact that the conditions for contracting out to work will exist in some circumstances but not in others. If we are going to look at contracting out, we need to understand the context of each kind of activity and ensure that we are tailoring the activity to the context. But instead, I feel that we are going beyond that.

We not only need to challenge that 'one size fits all' approach, but also to think about alternative kinds of approaches – ones that actually engage the participation, the energy, and the commitment of citizens. We have had the producer state and the contract state, and now I think the answer is not to advocate a simplistic return to the producer state, but rather to look at a new and different conception of government – government in the role of organiser, enabler, catalyst, and intervener in social networks, not simply in a contractual sense but in a sense that will tap co-production. We need to think more about how to achieve that kind of government rather than one that tries to shoe-horn everything into the simplistic model of the contract.

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REDEFINING THE PUBLIC SECTOR: SERVICES FOR CITIZENS OR CUSTOMERS?

Pat Ranald

Over the last decade there have been contradictory trends in Australian Public Service (APS) 'reform' processes. The *Public Sector Reform Act 1984*, and subsequent legislative changes modernised employment practices and improved public accountability through mechanisms for reviewing and appealing against for administrative decisions, and through measures to protect privacy. Job redesign and training have improved service delivery. These positive reforms have been undermined by resource cuts, and privatisation through use of market incentives, consultants and contracting out. Although this paper deals mainly with the APS, I will refer to some State examples.

Any discussion of the role of the public sector in society must begin by asking what kind of society we want. If our goals include democracy and social equity, our society should be one in which:

- the human rights of all its members are respected, without discrimination on grounds of gender, age, sexuality, race or ethnicity;
- the land rights of indigenous people are recognised;
- the rights of all members to employment, social justice and decent living standards are recognised;
- the resource, manufacturing and service industries on which employment and decent living standards depend are efficient, internationally competitive and environmentally sustainable;
- all members have access on an equitable, non-discriminatory basis to excellent services (health, education, housing, social welfare, transport, communication, and income support during unemployment and old age) which, together with a fair tax system, form the social wage that is essential to decent living standards; and
- economic development, markets and competitive industries and services, while essential, are not ends in themselves but are aimed at improving the living standards and social development of the whole community.

In the Australian historical, cultural and institutional context, the public sector has played a key role in ensuring economic development and achieving social and cultural goals which market forces are incapable of delivering.

Our goals for society thus require:

- planned public investment in economic infrastructure and the social services required for economic growth; and
- adequate funding of this investment adequately through a progressive tax system which is based on ability to pay.

What is distinctive about public services and what kind of public sector is needed to deliver them?

Government services which have, for example, economic, social and environmental objectives can be clearly distinguished from commercial services that are bought by customers in the marketplace. The differences mean that, in many cases, such public services cannot be provided effectively by commercial mechanisms relying on competition or profitability.

One significant difference between the public and private sectors in the delivery of services is that many clients of the public sector are involuntary clients, which presents a greater challenge in achieving high-quality service. Examples of involuntary clients range from the common taxpayer to those subject to investigation under corporate or criminal law. The public sector must also identify its 'unknowing clients' who may not realise that they are entitled to a service, pension or benefit, and must ensure access to services in all parts of Australia. In all these cases, public services involve citizens and members of the community who have rights and obligations, not simply 'customers'.

The delivery of this range of services requires a highly skilled public sector capable of delivering efficient services using the best technology in the most cost-efficient manner possible. Services should be delivered promptly and courteously by public employees whose professionalism, numbers, training, rates of pay and working conditions enable consistently high standards of service delivery. Public employees should reflect the profile of the population they serve, including representation of women and other equal employment opportunity (EEO) designated groups.

Consultation with the community about the adequacy, design and nature of the public services they use should be regular and frequent. Access to information and appeals tribunals should be freely available. Standards of service delivery should be developed and available to service users. Services should be regularly evaluated not only on the basis of the cost of inputs but with measures of the effectiveness of outputs, including surveys of, and feedback from, consumers.

National standards for services should be developed and made publicly available across key areas of public policy, including health, housing, education, employment, income support, and family and community services.

Positive reform in the Australian Public Service and other government bodies

Over the last decade, various pieces of legislation have provided for greater transparency and accountability of public procedures to citizens and the community through freedom of information (FOI) legislation for administrative appeals procedures, privacy legislation and the Ombudsman.

The 1984 Public Sector Reform Act modernised the APS, moved it to merit-based promotion (removing the last vestiges of seniority), introduced EEO programs, industrial democracy programs and more flexible selection and transfer processes. It also provided an independent appeals system to protect staff from arbitrary or discriminatory treatment in selection and promotion.

There have also been some accounting and financial changes designed to improve the efficiency and effectiveness of resource use, including greater financial accountability and improved flexibility in the use of resources at agency level. These reforms have focused on improving the accountability and effectiveness of the public sector.

Unions have also initiated and negotiated a series of industrial agreements for changes in working conditions and work organisation which have had many positive aspects. These changes have raised skill levels and focused on improvements in the delivery of services. They include access to permanent part-time work, the abolition of obsolete work demarcations, award restructuring and job redesign. Competency-based training is now under way.

The aim is a highly trained, skilled and flexible work force which can adapt to changing and more complicated ways of working. This requires initiative, judgement, commitment, motivation and career paths for workers. Such an organisational culture is especially important for public sector organisations as their workers are expected to have the highest standards of public accountability, ethics, equity and probity.

A comprehensive job redesign process has resulted in better jobs with a variety of tasks, increased responsibility and decision making. The number of supervisory levels has been reduced. At the same time computerisation has reduced the time needed to be spent on many repetitive clerical and other tasks. Productivity growth per year in the APS averaged three per cent between 1987 and 1990, and has been higher than this in government business enterprises (GBEs) like Telstra. Both figures are higher than average productivity growth in the private sector over the same period (Australian Bureau of Statistics 1992; Steering Committee on National Performance Indicators 1995).

In the APS, occupational health and safety have been improved and costs reduced through the reduction of over-use injuries by limiting keyboard work to fifty percent of the working day in any one job. Occupational ghettos like typing and data entry pools have been abolished and their work is now integrated into other functions of organisations. This means that there is one career path for all workers; this, combined with EEO programs, has dramatically increased career opportunities, particularly for women. Most APS entrants in EEO target groups start at a low level. The EEO plans and job redesign at these levels have improved access to training and skill development and thus provided opportunities to progress through the public sector levels. Women form the majority of employees in clerical, human services and community services areas of the APS. While their representation in middle management has increased, they nevertheless remain over-represented in the lower classifications and very much under represented in senior management (Department of Finance 1993).

All of these changes mean that it is now possible to have one-stop service in many areas, with those providing the services and dealing with the public being better trained and able to deal with a wider range of demands and tasks. This is backed up by a wider range of more readily available information through better information technology systems.

These internal changes are being combined with better feedback from users of services through surveys and consultation with client organisations and through the development of published service standards. These in turn feed back to policy and program developments and allow integration and flexibility in policy and service delivery. This is now being further developed through published service standards and benchmarking processes which have been negotiated in recent industrial agreements. Service level standards have been developed in many areas, including social security, Medicare and the Australian Taxation Office, the most recent of these being the Taxpayers' Charter. For example, over the past few years, job redesign and computerisation have helped reduce the processing period for new passports from two weeks to a few working days. In the Tax Office, electronic lodgement of tax returns by tax agents has led to a similar reduction in processing time. More staff are now available to deal with queries from taxpayers.

In a number of agencies interactive computer technology is being used to enable clients to access some information themselves, thus freeing staff to answer more complex queries or provide one-stop decision making.

Negatives: cost cutting, marketisation and privatisation

In Australia during the 1980s the Commonwealth Government was influenced by international privatisation trends. It cut public expenditure, privatised public assets and increased the use of consultants and contracting out. Management was dominated by a focus on cutting the costs of providing services rather than improving service quality. These negative trends tend to undermine the positive improvements in jobs and services.

Expenditure cuts

There has been an anorexic approach to expenditure, driven by an obsession with the size of the Budget deficit or surplus which has proven to be completely unjustified in terms of macroeconomic outcomes (see, for example, Perkins 1995).

From 1986, expenditure on running costs was arbitrarily cut by 1.25 per cent per annum for eight years (the efficiency dividend), and overall expenditure fell dramatically until the 1991 recession. These continual cuts have eroded the ability of agencies – especially small ones – to deliver services. A recent example is the reduction in staffing of quarantine services. This resulted in the introduction to North Queensland of a new

form of fruit fly, which has threatened the regional export crop of mangoes and bananas and may lead to a loss of billions of dollars to the economy for the sake of a small fraction of that in supposed savings from staff reductions.

A 1994 review recognised some of the negative effects of the efficiency dividend and recommended reducing the cut to one per cent while increasing the areas to which it should apply (House of Representatives 1994). The 1995 Budget set the efficiency dividend at one per cent but added another one or two per cent in some cases to make an arbitrary cut of two per cent for most and three per cent for some agencies.

Individual performance pay

There have been a number of trends in the direction of commercialisation. These assume that market-type mechanisms and private sector management techniques will work in the public sector in the same way that they do in the private sector.

One example is the introduction of individual performance pay for Senior Officers (i.e. middle management), which was introduced and pursued ruthlessly by Cabinet and the central agencies from 1991 in spite of overwhelming evidence that it was not seen as a performance motivator by those in receipt of it. In 1992 a wage agreement at the unions' insistence allowed Senior Officers to vote to opt out of individual performance pay and receive general agency-based pay rises. Where these votes were held, which was in most of the larger agencies, the majority voted to opt out of performance pay.

An Australian Bureau of Statistics survey showed that the majority of employees in the APS did not regard individual pay as their main performance motivator. Most considered recognition and career options more important than individual pay incentives and did not believe individual performance pay would improve organisational performance. This result was strongest amongst Senior Officers. Performance pay went against the trend of team building, the assessment methods were unsatisfactory and the funding inequitable (ABS Statistical Consultancy 1993). A Senate committee inquiry took all this evidence into account and recommended abolition of performance pay (Senate Standing Committee on Finance and Public Administration 1993).

The 1995 wages agreement essentially abolishes performance pay, and Senior Officers will receive centrally based general wage rises. Performance pay is an extra option at agency level only if the agency funds it. In short, performance pay did not work and has now effectively gone.

The use of consultants

Mounting public concern about increased use of consultants from the mid-1980s prompted a parliamentary inquiry in 1988. Howard (1995) has found that dramatic increases in expenditure on consultants have been accompanied by decreased expenditure on staff in many agencies, thus decreasing the skills base. He also discusses the influence of consultants on corporate culture, and conflicts of interest where consultants become the main advocates for privatisation or contracting out and then sometimes bid for the privatised work.

Competitive tendering and contracting out

In Australia until recently, competitive tendering at the Commonwealth government level has been largely confined to commercial or administrative activities such as property services or catering in the Department of Administrative Services (DAS) and the Department of Defence.

Until 1987 government agencies were 'tied' to using DAS services. Since that time, however, services have been progressively 'untied' so that agencies can choose to use DAS or another provider. This means DAS must compete with private sector or other providers for business. It was claimed that DAS services were divided into two main categories: those which had public interest or non-commercial functions and were funded by government, and those for which the users could be charged, some of which were expected to be self-funding. Non-commercial services remain Budget funded and are defined as community service obligations (CSOs). In practice, making this distinction has proved difficult for some services, including the Government Analytical Laboratories which compete in some areas with private laboratories but also perform unique and essential public interest work.

Since 1991 the Commercial Support Program of the Department of Defence has progressively introduced competitive tendering into defence support services like maintenance and catering and it is now being

extended into administrative areas. Exemptions from competitive tendering are made on the basis of functions which must be performed by the Department for public interest or security reasons.

In 1994, competitive tendering was introduced for ten per cent of Department of Employment, Education and Training case management services for the long-term unemployed. This is to be increased to forty per cent over the next two years. Both non-profit church and community organisations and private for-profit companies are competing for this work.

Some in the Commonwealth Government are now arguing that 'contestability' is the new wave of reform which will deliver Budget savings and that the national competition policy means that competition principles and competitive tendering can be applied to any government service, without making distinctions between commercial and public interest functions.

Competitive tendering is different from traditional contracting by governments. Contracting involves contractual arrangements with suppliers or contractors for goods and services which cannot be supplied in-house. This has always been an aspect of government activity and can involve public tendering processes. Some kinds of community services (for example nursing homes and disability services) have been traditionally delivered by both private businesses and non-government non-profit organisations.

Competitive tendering is the extension of the competitive process into areas of service delivery previously done by government employees. Contracts are awarded on the basis of competition between potential contractors for the work of delivering services. This can, but does not always, involve an in-house bid by the employees themselves.

Competitive tendering is essentially an attempted cost-cutting measure adopted in the belief that it compels agencies and employees to reduce costs through bidding on a lowest cost basis. Those who win contracts are often large transnational companies with considerable market power. They win the contracts on the basis of claimed economies of scale and scope. They prefer long-term contracts and offer no greater choice to consumers, who then have to deal with a single private rather than a single public provider. This has been the case in public transport contracts in Victoria and South Australia, in local government contracting in Victoria and in information technology and private hospital and water management contracts in South Australia (Paddon and Thanki 1995).

The application of competition policy, not only to commercial activities but to all public services through the introduction of competitive tendering processes, has the potential to fragment services and reduce service quality and employment conditions in areas like health, education, employment services and community services.

The Industry Commission Inquiry into Competitive Tendering and Contracting produced a draft report in October 1995 which acknowledges many problems with competitive tendering but recommends increasing it at all levels of government (Industry Commission 1995: 2)

Competitive tendering and contracting out, which rely on cutting costs and, in the case of private providers, a margin for profit, conflict with the nature of many public services. Examples and case studies show that contracting out can substantially diminish parliamentary accountability, and public access to information under FOI legislation, through claims of commercial confidentiality of contracts. This has occurred in State government contracts in South Australia, New South Wales and Victoria, where governments have refused to reveal details of contracts. The Privacy Commissioner has drawn attention to the risk to citizens' privacy rights through contracting out. Neither privacy legislation, FOI legislation nor the jurisdiction of the Ombudsman apply to private contractors (Privacy Commissioner 1994; Commonwealth Ombudsman 1994).

There are also cases where the commercial objectives of contractors have been clearly in conflict with public safety, health, security or other public interest objectives. Examples are:

(1) In the late 1980s the Department of Immigration decided to contract out the business migration program. This meant that accredited private agents would assess whether potential business migrants were actually eligible and had the required capital. The applicants paid a fee to the agent, making it a wonderful example of both contracting out and user pays. A number of scandals emerged, and a Public Accounts Committee

inquiry found that widespread fraud and corruption of agents had occurred, that assessments were not properly conducted and that capital requirements for individual migrants had been recycled from one candidate to the next. The inquiry concluded that there was a basic flaw in the program because the Commonwealth had contracted out this function to agents who owed their allegiance primarily to their clients and not to the Commonwealth. The program has since been restructured and is now administered by public employees (Joint Committee of Public Accounts 1991: 4).

(2) Case studies of private prisons show clear examples of conflict of interest between commercial requirements of profitability and maintenance of security and safety standards for staff and prisoners. Contractors have stated that commercial and profitability requirements mean they must keep staffing and other costs as low as possible. These 'savings' have public interest consequences and social costs for the community in terms of possible prisoner escapes and lack of rehabilitation. Safety and security problems are directly related to low staffing levels, inadequate training of staff, high staff turnover, lack of adherence to safety and security procedures, lack of vocational training for inmates, lack of health services for prisoners and failure to inform prisoners of their rights and obligations. Security problems in the Junee private prison included serious riots and an increase in the number of violent assaults (NSW Ombudsman 1994).

The range of issues illustrated above support the conclusion of a 1992 evaluation of Commonwealth public sector reform that 'Services involving substantial accountability, privacy or control issues or discretion in decision making by government may best be retained in-house.' (Management Improvement Advisory Committee 1992: 21).

The claim of significant savings without loss of quality from competitive tendering is unproven. It is allegedly based on evidence from the United Kingdom, the Defence Commercial Support Program (CSP) and some State government examples.

The United Kingdom studies, which claimed twenty per cent savings, were originally based on a very limited study of municipal garbage collection. That study has since been superseded by more comprehensive studies by the UK Department of Environment, which concluded that any simple generalisation about the financial impact of competitive tendering and contracting is of dubious value. The widely quoted CSP figures do not include many of the costs of the tendering process and hence are highly questionable. Studies of the experience of private firms which have contracted out or out-sourced information technology have also found that cost savings are not proven. Some of the alleged savings from contracting out at State government level is actually cost shifting between agencies, or from State to Federal governments through the employment of individual contractors who avoid paying Federal income tax, or the shifting of State hospital pathology costs to Federal funding through Medicare.

The above mentioned Industry Commission draft report puts claims of twenty per cent savings to rest by acknowledging these points and confirms that estimates of cost saving are highly uncertain.

Problems arise for management in applying the theory of competitive tendering in practice. Often markets are not competitive, and contracting firms have significant market power, more specialised knowledge and expertise in contract negotiations. Many are transnational firms specialising in contracting for government work. This can result in contractor capture and lock-in to certain types or levels of technology, and loss of staff with knowledge of the business and capable of effectively supervising the contract. The in-house option often disappears after the first tendering process, as employees are made redundant and equipment sold off.

Case studies show that service quality often suffers in the contracting process, since contractors' priority is to reduce costs, and quality issues, including equitable access to services for women and other EEO designated groups, are difficult to specify and monitor.

Negatives: employment conditions, industrial relations and equity issues

Evidence from the literature and from case studies shows that competitive tendering results in reductions in job numbers and employment conditions, which are not real efficiencies but only a transfer from employees. This conflicts with the requirements of public service delivery for a highly trained, skilled and motivated workforce with high standards of public accountability, ethics, and probity.

I have already mentioned how APS reforms have delivered significant improvements in efficiency, effectiveness, equity and career opportunities, to which competitive tendering has contributed nothing. On the contrary overseas evidence of the impact of competitive tendering shows that it is unlikely that the improved career opportunities for women and other EEO groups would be maintained if services were contracted out on the basis of lowest cost tenders. Competitive tendering results in casualisation of the workforce, loss of jobs and skills and, working conditions, and is particularly disastrous for the employment conditions of women and other disadvantaged groups.

Chandler and Feuille, cited in Fraser (1992), conducted a survey of 1500 municipal public works directors in the United States which highlighted the ill effects on women and other minority groups which resulted from the contracting out of public sector functions. The representation of such groups in public sector employment was higher than in the private sector, and their wages and conditions were diminished after transfer to the private sector.

Whitfield's (1995) study of the gender impact of compulsory competitive tendering in local government in the United Kingdom was based on detailed surveys of managers, workers and contractors in 39 local authorities. It concluded that on average there was a loss of 21 per cent of jobs after competitive tendering in four major functional areas.

The Australian case studies so far available support the conclusions of the more comprehensive research literature cited above, that competitive tendering is about short-term cost cutting and results in erosion of jobs and working conditions. They also show that in the areas of cleaning, catering, aged care and home help the majority of employees are women and many are from non-English-speaking backgrounds. They suffer marked deterioration in their employment conditions, including reduction or loss of working hours, income, holiday pay, sick leave, and maternity leave (For more detail and case studies see Ranald 1995).

If competitive tendering were extended into clerical and administrative areas, and particularly into human and community services, in which women form the vast majority of employees, women would lose many of the gains they have won in public sector employment. Access and equity provisions in service delivery would probably be reduced, and casualisation effects would lead to a less skilled workforce less capable of delivering quality services.

In many cases vital community services would be handed over to transnational corporations whose main interest is profit, not equity or quality service delivery.

Victoria

In Victoria, under the Kennett Government since 1992, cuts in public expenditure in the public service and in government business enterprises have resulted in 40 000 jobs being lost. The Government has also abolished democratically elected local councils, and replaced them with non-elected commissioners. These have introduced compulsory competitive tendering and contracting out in local government, which means that a very wide range of local government services, from garbage collection and road cleaning to child care and libraries, have now been placed in the hands of private contractors, many of whom are transnational corporations. This has meant falls in service quality in many areas (Ranald 1995).

Western Australia

Since 1992, the Western Australian Government has also cut public expenditure and introduced compulsory contracting out to State government services, reducing public employment by 6000. While in Victoria local government employees have been allowed to bid for contracted work, in Western Australia this is expressly forbidden by the Government.

South Australia

Since 1993, the South Australian Government has cut 11 000 jobs from the public sector and is proceeding to contract out or privatise the management of its computing system, of public hospitals and of the State's water service. Most of the State Government's computing system has been contracted to EDS, a United States based transnational corporation with a dubious employment record (Holmes 1987; McCrone 1986, 1987; Cook 1989; Secretary of State for Social Security 1990; Harris 1995; South Australian Centre for Economic Studies 1994; Altmann 1995).

The management of the State's water system has been contracted to a consortium which includes the French transnational company, Générale des Eaux, and the British transnational company, Thames Water. These companies have also been involved in questionable activity in many countries, including provision of poor quality water and corruption scandals, (Financial Times 1995; Report of Parliamentary Inquiry Commission 1990).

Broad coalitions of community organisations and unions are opposing the privatisation of hospital and water management.

The South Australian Government also attempted to proceed with compulsory competitive tendering in local government and was met with strong community and union opposition. This proposal has now been withdrawn. Another proposal withdrawn after strong community opposition was the contracting out of the management and administration of the State's school system.

Conclusions

In summary, the record of marketisation and competition policies in government reveals a tendency to undermine more positive trends. Where such initiatives have been subject to independent scrutiny, these contradictory trends have been exposed with results such as the recommendation for abolition of performance pay. None the less there is increasing evidence that 'contestability' through competitive tendering and contracting is seen as the next source of Budget savings.

The extreme versions of marketisation adopted by the Conservatives in Great Britain and by first Labour and then Nationals in New Zealand, which are the models for these policies, are not universal, nor do they have public support.

Growing numbers of writers are commenting on the negative social and economic impacts of the decline in public investment in infrastructure and social services, which has resulted in increased inequality and social polarisation in these countries.

For these reasons, many industrialised countries are not following the British and New Zealand trends, especially in Europe. Flynn (1995), has recently studied public sector reform in seven European countries and concludes that while some European governments have privatised to some degree in areas like transport or communications, 'the UK seems to be an exception in its relentless pursuit of market solutions'.

Flynn comments that other European governments are concerned to create and preserve a committed public service, and that casualisation and short-term contracts through privatisation and contracting out are not the way to do this. He argues that clearly the market approach is politically driven, and there is certainly not popular opposition to the idea of state provision in many European countries.

Many of the negative trends have been driven by governments wanting to cut spending. But value for money must also mean ensuring investment in good quality services. No package of reforms is capable of improving service quality if service provision is understaffed and technology is inadequate.

This view is supported in a comprehensive Economic Policy Advisory Committee survey (EPAC 1994) which showed that current levels of public spending and delivery of public services by public agencies have strong community support, and that there is also a willingness to pay higher taxes for improved services in particular areas. In this survey a random sample of adults across Australia were questioned as to whether current levels of government expenditure should be increased or reduced, what individual and community benefits were gained from them, and whether they would be willing to pay increased taxes for increased services. The results showed that over ninety per cent supported the view that government services were needed to achieve goals such as environmental protection and social justice which are not met by markets. A clear majority believed current levels of spending and taxation are not too high, and eighty per cent would be prepared to pay more taxes to get better services in particular areas. Importantly, a majority supported public rather than private provision of a range of services including education, health, motorways and airlines, which are increasingly being privatised.

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