WORKING PAPER SERIES

WHOLE OF GOVERNMENT APPROACHES: FILLING HOLES OR HOLISTIC GOVERNANCE?

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22/2003
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INTRODUCTION

Years of public sector outsourcing, contracting out and privatisation have contributed to the entrenchment of boundaries between government agencies. Together with the natural tendency of bureaucracies to departmentalise their work, this has created independently operating functional silos. In practical terms, it means that with both public and private bodies providing government services, the integration of those services is more difficult and there are gaps in information flow and service provision. Public-private boundaries are formal and often based on strict contractual terms. Whilst some may argue that this is a structural failing of government-private enterprise partnerships, the solution in the main has been to use a joined up approach (UK) or whole of government approach (Australia) in which individual gaps are filled rather than universal solutions imposed. This paper considers these debates in the whole of government approach. The paper commences with a discussion of outsourcing and privatisation and their associated problems for government, before moving to the solutions posed by governments. The paper argues that despite its connotations, whole of government approaches are not designed to provide universal solutions to connect the whole of government, but rather, they represent a reactive, ad-hoc array of individual solutions, often reliant on non-government actors to attend to particular cases.

OUTSOURCING, CONTRACTING OUT AND PRIVATISATION

While ‘outsourcing’ tends to be thought of as a private sector initiative, in Australia outsourcing has been a prevalent feature of public management, particularly in local government and the utilities. During the 1990s, the rise of outsourcing in the public sector was typically associated with privatisation through contracting out and competitive tendering and was also a catalyst for the spread of non-standard employment (Teicher & Van Gramberg 1998). Outsourcing involves an external agent providing a service to an organisation, which it traditionally performed itself. According to Ganz (1990, p. 24) it involves ‘the transfer of assets from a using organisation to a service vendor, where the vendor takes over responsibility for the outsourced activity under long-term contract’. The work may be performed outside the workplace by contracting to another organisation or within the workplace by staff contracted by the service supplier. Duration of employment may be fixed, either for a specific project or for a specified time (Hartmann & Patrickson 2000).

The uptake of outsourcing options has been rapid. Agency employment, defined as ‘paid by a placement or employment agency while working at the workplace’ (Australian Workplace Industrial Relations Survey 1995, p. 408), more than doubled between 1990 and 1995, with the number of workplaces using agency staff increasing from 14 to 21 percent in the same period (AWIRS 1995). Further analysis of this data revealed an annual growth of 7.5 percent per annum in the use of contractors and their employees compared to a 1.6 percent per annum growth in direct employment (Wooden 1999). Hartmann and Patrickson (2000) reported that in 1998, 52 percent of
Australia’s top 500 companies used contract labour and a further 27 percent were planning to use it.

In the public sector, the use of contracting out, particularly in Victoria, has been widespread, with utilities at the forefront of these changes. For example, AWIRS (1995) found that among 12 industry groups, outsourcing was highest in public utilities (69 percent of respondent firms) and fifth highest in government administration (52 percent), leading Burgess and Macdonald (1999, p. 37) to observe ‘that it is the public sector which is seen to be leading the way over a more cautious and conservative private sector’.

ADVANTAGES OF OUTSOURCING AND PRIVATISATION

The underlying themes of cost reduction and increased flexibility have driven the outsourcing phenomenon (Hartmann & Patrickson 2000). In the human resource management literature, outsourcing is often portrayed as a means of enabling organisations to focus their resources on the core business, while facilitating new forms of work for other business areas. By matching organisational resources more closely with customer or product demand, organisations should reduce fixed labour costs and increase efficiency and competitiveness (Domberger 1994; Zappala 2000). The ability to change the structure of the workforce or work patterns has been described as a key to efficient and effective utilisation of human resources (Emmott & Hutchinson 1998). Outsourcing also provides organisations with expertise not available in-house (Young 2000).

According to Quiggin (1996) the mainstream economic rationale is that outsourcing provides a means of transferring the significant or unpredictable risks, particularly financial risks, to contractors, while enabling the principal to retain control over the service. This argument has also been cast in terms of increased reliability, that is, using contracting to reduce vulnerability to disruption, including that caused by labour disputes (Perry 1997). Outsourcing enables organisations to transfer the responsibility for employee relations to a third party, thereby avoiding strong or militant unions and/or side-stepping provisions of agreements and arbitrated awards. Thus, outsourcing may be used strategically by employers, particularly they “have not been able to implement numerical flexibility or casualisation, and have therefore chosen to contract in new groups of workers who are not covered by the usual protections” (ACIRRT 1999, p. 142).

Along with asset sales, outsourcing was viewed as a mechanism for shrinking the public sector and eliminating budget deficits (Bell 1997). At the state level in Victoria, an efficiency-oriented rationale was ostensibly at the core of the radical agenda pursued by the Kennett Liberal-National Party government between 1992 and 1999. Here, the Treasurer endorsed the system of compulsory competitive tendering (CCT) in local government as providing an injection of private sector best practice and superior performance which was to significantly reduce business risks, allow organisations to focus on their core activities and access technology and expertise (Stockdale 1995, pp. 27-28). Similar arguments were applied across the entire public sector, including in public service departments and off budget entities.
Another, less acknowledged advantage of outsourcing is depoliticisation; the process of placing government at arms length from political decision making. This is achieved in two interrelated ways. Firstly, separating politics from administration allows “managers to manage according to cost-benefit economic rationality, largely free from day to day democratic oversight” (Box 1999, p. 21). The espousal of a view that governance is technocratic and apolitical on the basis that its functions can be managed according to the dispassionate dictates of the market serves to distance government from its administration (Lynn 1998). The separation of public policy from its implementation can be derived from the ‘steering’ and ‘rowing’ distinctions of Osborne and Gaebler (1992) who recommended governments abandon delivering services in order to concentrate on formulating policy and strategy. In Victorian local government, CCT was the key mechanism in achieving this structural separation, though here it was typically developed in terms of a purchaser and provider split; where councils would purchase the services needed for the community. In theory this freed councils from day to day oversight and provision of services and enabled them to focus on matters of strategy. Secondly, depoliticisation occurs through the establishment of rules and legislative regimes (such as financial restraints or a code of practice), which form the framework for public management decision making. These rules subject both public managers and the government to the same limitations and thus enable government “to externalise the imposition of financial discipline on labour and capital” (Burnham 1999, p. 45). This has the effect of shielding governments from the political consequences of their policies.

DISADVANTAGES OF OUTSOURCING AND PRIVATISATION

Whilst government may have sought and gained economic and political advantages from the various partnership arrangements it has made with the private sector, the less integrated business environment has led to its share of problems. It has been noted that a consequence of ‘the separation of policy from delivery, concentration by departments on their core business, contracting out, privatisation, and creation of agencies or units working to their own performance targets – has actually added to the difficulties of holistic policy making’ (Kavanagh & Richards 2001, p. 9). These disadvantages will now be examined.

Boundaries and barriers

Whilst it must be acknowledged that structuring a bureaucracy such as government along functional lines is necessary to improve resource allocation and accountability, there are real drawbacks of such departmentalisation (Wilkins 2002). This, so called silo effect, occurs when barriers between service providers prevent citizens from obtaining necessary information or from accessing services:

The creation of ‘single minded’ agencies that would ‘focus like a laser beam’ on the carrying out of one or two specific activities, subject to a battery of performance measures expressed almost exclusively in terms of the volumes of activity and the cost, has exacerbated some old problems in the public sector of poor coordination and the dumping of tough cases between agencies (Perri 6 1998, p. 56).

Whilst to some extent, the development of silos is a natural result of bureaucratisation, in more recent times it has become a feature of the contracted out
environment, particularly where private entities providing one service may baulk at the idea of providing information about services provided by competitors. The lack of integration and attention to customer needs then becomes a casualty of these arrangements (Marche & Niven 2003).

**Loss of knowledge/information**
Information on performance is vital, particularly in light of increasing emphasis on reporting on performance management at all levels of government (Thurley 2003). In a contracting out scenario, full information on performance may be difficult to achieve where commercial confidentiality restrains private providers from divulging sensitive information. This was highlighted in a statement by the Blair government asserting that ‘an increasing separation between policy and delivery has acted as a barrier to involving in policy-making those people who are responsible for delivering in the front line (Cabinet Office 1999, quoted in Lee & Woodward 2000, p.50).

**Contractualism**
The rationale behind contract-based relations was to improve information flow to the government through performance indicators, improved financial accountability, and greater specification of objectives (Davis 1998). However, evidence exists that contractualism has actually contributed to the silo effect experienced in service provision by putting service providers in competition with each other (Maddock & Morgan 1998; Walsh 1995). This is explained, in part, because of the individualistic and competitive behaviours encouraged when providers must demonstrate adherence to specified performance targets. There is little incentive in these schemes for one service provider to provide information about other providers to customers. Whilst this might reflect the market economy more generally, for public service, it means that citizens are being denied information, which would enable them to properly address their needs.

**Employee relations changes**
The changes accompanying contracting out and privatisation have focused on downsizing, flexible work patterns and cost-cutting. These changes have had profound effects on public employees, for whom many had joined the public service for its promise of job tenure and good terms and conditions. The removal of these benefits have been facilitated through the re-contractualising of the public sector employment model, enabling the employment relationship to be ended at short notice with limited termination compensation and little justification (Robinson 1996). Award coverage has fallen from around 85 percent in 1985 to an estimated 70 percent in 1999 (Ross 1999). The likely continuing decline in award coverage means that a large proportion of the workforce will lack protections such as minimum wages and hours of work (ACIRRT 1999; Burgess & Strachan 1999).

In the Australian public sector, there is general agreement that outsourcing through CCT led to the erosion of wages and conditions of employment. Various studies (e.g. Walsh & O’Flynn 1999) argue that the main ways of achieving savings were lowering wage rates, increasing the spread of ordinary weekly working hours, reducing or removing penalty rates and allowances and cutting training opportunities. For those on fixed-term contracts and casual or part-time work, the lack of entitlements, job insecurity and increased stress, go hand-in-hand with almost non-existent career prospects (Emmott & Hutchinson 1998; Teicher & Van Gramberg 2000). Further,
savings to organisations through outsourcing services were found to arise through cost shifting and work intensification (e.g. Quiggin 1996).

Whilst these sorts of changes may not immediately present themselves as disadvantages of private contractual arrangements, studies such as that by Maddock and Morgan (1998) have shown that, in the context of UK public hospitals, such arrangements are likely to create less cooperation by staff, less trust in management and contribute to barriers to successful change. Thus, the silo effect observed in contractual relationships between departments and service providers is in part perpetuated by staff who have little sense of the ‘big picture’ and who are, themselves, part-time or temporary workers.

FINDING A SOLUTION: WHOLE OF GOVERNMENT APPROACHES

Integrated service provision has been a goal for governments in the UK and Australia resulting from the gaps created by contracting out and privatisation initiatives. Perhaps, the range of solutions point to the difficulties in imposing a single method. Another view might see the plethora of responses as reflecting the reluctance of modern governments to resume traditional service provision. For reasons of space, this discussion is limited to private-public partnerships, e-government, and the third way.

Private-Public Partnerships
To some extent Private-Public Partnerships (PPP) overcome some of the weaknesses of contracting out and privatisation discussed above. This is because PPPs seek to maximise joint objectives between government and private enterprises in the delivery of (generally) public funded services or programs. This initiative provides strong incentives for private enterprises to properly maintain public assets and improve service delivery (Kelly 2003). Nevertheless, involvement of the private sector will necessarily raise issues of equity, effectiveness, service quality and accountability (O’Faircheallaigh, Wanna & Weller 1999). For instance, the profit strategies of private firms may lead them to select their cliental, screening out those ‘hard cases’ who will likely use greater resources. This, in itself, can contribute to gaps in service delivery. Further, it is not enough to rely on specifications in contract to ensure that private partners maintain acceptable service standards. The level of litigation between government agencies and private providers over terms in the contract is testimony to the practical difficulties government has in ensuring its needs are met through contract specification (see for example Victorian Auditor General 1998;1999).

E-Government
E-government offers citizens self-service to a range of information regarding government. Clearly, new and emerging technologies present themselves as potent information solutions to most citizens in ways which are convenient and accessible to citizens. Whilst it may be argued that not all Australians have access to E-Government, it should be noted that in September 2001, approximately 72 per cent of the population was found to have internet access and 65 per cent of business are online (Rimmer 2002, p. 38).

Nevertheless, E-Government is limited by the need to provide an integrated service. For example, citizens updating information on a government server must be assured
of at least two things. First, the information provided must be secure and confidential, regardless of whether the service provider is a private enterprise or government owned. Second, the citizen must have confidence that the information will be updated on other relevant databases so that when approaching a second or third service provider, the citizen’s information is updated with them too.

The third way
Giddens (1998) described the Third Way as emerging from the forces of five elements of change. These were globalisation, increasing individualism, the social issues arising from the policy gaps of government, the increasing social activism and the era of uncertainty. The Blair Government’s ‘Third Way’ project aimed to renew social democracy in the spirit of the post war settlements (Lee & Woodward 2002). In Australia, it has been described as governments enabling community-based processes rather than social engineering (Botsman & Latham 2001). In both countries, third way policies have depicted governments as being ‘overloaded’ and have sought to limit their scope of action through the strategic and opportunistic use of other parties. We consider here the use of volunteers and social entrepreneurs.

Volunteers
In an effort to reduce costs and do more with less, many government agencies have turned to volunteers. The rationale, apart from cost savings, has been described as tapping into the commitment of individuals, who are motivated to provide high standards of caring service. Unlike PPPs, there is no need for exhaustive contractual specifications as these individuals are committed to their service provision. However, the voluntary sector has it’s a number of problems in terms of providing an adequate alternative to paid professional work.

First, the combination of low funding and the fact that many volunteers do not hold qualifications in the field impact on the overall quality of service provision:

All of this affects the quality and professionalism of the [community services] industry, the status it has among other sectors and constrains the sort of developmental work the industry can carry out and the types of evaluation it can pursue (Byrne 1991, p. 75)

Second, Australians have been identified as a group less willing than people from other societies to give to charity. Recent newspaper articles have been critical in pointing out that of 905 Australians earning over $1million, 362 gave nothing to charity (Dasey 2002). Another writer noted that in the US, 50 per cent of funds flowing into non-profit cultural and recreation organisations comes from business philanthropy. In Australia it is 4 per cent. Further, Australian non-profit volunteer levels are barely half the norm in other developed nations (Hywood 2003). The federal Treasurer, Peter Costello, put the blame for this misconception squarely on the charities themselves indicating in a press conference that charities needed to ‘lift their game’ in order to build public trust that donations were being put to the use they were intended (D’Cruz 2003).

Social Entrepreneurs
Like volunteers, social entrepreneurs are driven to do something good for the community. It has been described as combining ‘the passion of a social mission with
an image of business-like discipline, innovation and determination’ (Stewart-Weeks 2001, p. 23). Apart from their visionary status, social entrepreneurs are noted for their ability to transform under-utilised resources (including people, money and equipment) into stable businesses producing services and income (Leitman & Crawford 2002).

**DISCUSSION**

The government responses known as ‘whole of government’ are yet relatively new. There have been no comprehensive studies in Australia of the success or otherwise of these measures, despite their increasing adoption. No doubt, this is something which will come with time. Meanwhile, it is pertinent to raise some matters for discussion arising from the descriptions of these mechanisms.

**Coordination**

Private providers and community organisations have their own policies and goals, which may not be in line with those of government. The level of coordination required as a result of the plethora of actors involved in government service provision is vastly increased from that of the traditional model. Coordination must occur on at least three separate levels. First, at the individual or case level, there must be a degree of coordination between agencies and private providers to ensure that citizens in need of a range of services have access to all of them in a streamlined way. This would entail, for example, a government agency ensuring that citizens who have an appointment with one service provider are given relevant information about the services of other providers.

Second, coordination between organisations must ensure that private providers have policies and practices commensurate with government needs and that they have adequate resources to conduct the task. This may entail a degree of joint planning between government agencies and private providers.

Finally, system-wide integration of services such as might occur between welfare agencies, private service providers, police and hospitals adds another layer of complexity. Arguably, this would be hard to achieve even in the traditional government model. These three levels of coordination are required to ensure that the gaps created by the many hands contributing to government service delivery are filled in a systematic (rather than ad-hoc) manner.

**Dependence on individuals**

In her examination of ‘whole of government’ schemes in New South Wales, Vincent (1999, p. 51) noted that whilst many initiatives had been successful, they ‘generally represent additional demands on agencies and individuals, extra work which is often not funded or acknowledged’. Further, the policy behind these initiatives has also been found to overly rely on individuals:

Joined-up government depends on particular people controlling the policy process and overseeing the policy as it develops rather than on any institutionalised processes of policy making. Consequently, it would appear that it is prone to failure when personnel or departmental interests change (Kavanagh & Richards 2001, p. 17).
Ad-hoc approaches
The nature of ‘whole of government’ is reactive and piece-meal in its application. It does not seek to apply a uniform solution to problems caused by service gaps. It merely seeks to fill the gaps on a case-by-case basis. Further, it tends to be undertaken in crisis situations or where intense public pressure has been brought on government (Vincent 1999). Whilst it is acknowledged that any attempt to improve service delivery to vulnerable or disadvantaged citizens is laudable, the filling of holes for some but not others does not appear to reflect the aims of good governance.

Governance
While good government may be satisfied through the provision of services utilising a range of private and public arrangements, governance goes to the nature of the decisions and the development of social policy. Generally, we would expect that this social policy would be implemented on behalf of all citizens in terms of its wider social and economic goals. Thus, if governance means more than delivering better outcomes for individual clients, then these ‘whole of government’ mechanisms need to be examined more closely, as potentially, there will be citizens and communities who miss out. This is particularly the case for those who do not satisfy the cost-benefit analysis which often accompanies ‘whole of government’ approaches.

Another concern regarding governance is that the use of private service providers blurs the lines of accountability for service delivery. This may occur because private providers and government agencies have different priorities and business goals. Whilst Governments may, to some extent, embrace this lack of clarity as it makes it difficult to attribute responsibility to any one group, it is not an indicator of good governance.

Finally, third way policies, which seek to limit the scope of government by placing greater power in the hands of community groups, also detract from governance. These policies actually emphasise the community’s role in governance:

In their attempt to distance themselves from the conservative approach to community, proponents of the third way have comprehensively reposition community as a vehicle for governing in its own right and not simply as a target for intervention controlled and directed by the state and/or market (Scanlon, 2001:494, emphasis in original).

CONCLUSION
Increasing departmentalism created through privatisation and contracting out has added to the silo effect of isolated government agencies. The gaps created by the lack of integration between service providers, has led to a range of solutions including private-public partnerships, e-government and third way policies. Governments have turned to ways in which service delivery can be made cheaper and more responsive to gaps, rhetorically known as a ‘whole of government’ approach. This paper has reviewed the contribution of e-government, volunteers and private-public partnerships. It has argued that together these initiatives go some way towards filling the gaps in service provision but their ad-hoc, reactive nature and their reliance on
non-government parties weaken government’s ability to provide holistic approaches to governance.

**Bibliography**


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