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**Review and
Analysis of
Recent Changes
in the Delivery
of Government
Services**

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IN THE Delivery
of **Government**
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A Report Prepared for

**THE DEPUTY MINISTERS'
TASK FORCE ON SERVICE
DELIVERY MODELS**

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1 INTRODUCTION

This paper provides a general overview and analysis of recent federal government initiatives introduced to enhance the cost-effectiveness of the services it provides. These initiatives are intended to:

- improve service levels (including aspects such as relevance, responsiveness to local needs, accessibility, response speed, etc.); and/or
- reduce costs (through efficiency gains, reductions in overhead, reductions in input costs, etc.) while maintaining service levels.

The paper focusses on initiatives that have either been undertaken over the last five years or so, or that are currently in the planning stage. It considers both government-wide and individual departmental initiatives and includes a brief analysis of related developments in the provinces and in other countries. These combined experiences have brought to the fore a number of issues that will have to be addressed if the government is to achieve a smooth transformation in the way it delivers services. This paper identifies and briefly discusses some of these issues.

1.1 PURPOSE

This paper is intended to provide supporting information and analysis for the Deputy Minister Task Force on Service Delivery Models. This is one of six interdependent Deputy Minister Task Forces established by the Privy Council Office to address a range of issues facing the public service. The mandate of the Deputy Minister Task Force on Service Delivery Models is to investigate models for the future delivery of service to the public. This paper contributes to that investigation by looking back at the experience of the past five years in order to discern key trends in the area of service delivery and identify important issues that will have to be addressed if we are to move ahead.

1.2 SCOPE

Clearly it is not possible to encompass every significant factor that impacts on service delivery within a paper of this length. The paper does, however, set government service delivery within a general context of policy, control and accountability. It takes a fairly comprehensive view of key government-wide initiatives over the last few years, which, in turn, provide a framework for departmental initiatives. The analysis of departmental initiatives focusses more on "harder" systemic measures, such as changes in program design, organizational structure, method of delivery and conditions of delivery. While acknowledging their undoubted overall importance to the change process, the paper pays rather less attention to "softer" measures, such as training, teambuilding and cultural change that are designed to alter behaviour and attitudes at the individual or group level.

1.3 APPROACH

We first developed a general framework for service delivery within the federal government in order to provide a context within which to ascertain, classify and analyse the many initiatives that we identified. We then obtained details of government-wide initiatives and of initiatives in other countries by reviewing a range of pertinent literature and documentation (see Annex A). In response to letters written to Deputy Ministers across the government, we obtained brief descriptions of some 200 departmental initiatives (see Annex B for list of responding departments). We received general information on provincial initiatives in response to letters written to the heads of provincial public services across the country, as well as from a variety of other sources. Finally, we held a series of four focus group discussions (see Annex C for list of participants). A number of key issues emerged during these discussions and these, along with others identified in the literature, are discussed throughout the document.

This “broad brush” approach to the analysis of service delivery initiatives and experience has both advantages and disadvantages. On the positive side, it provides an idea of the context and overall scope of the changes that have taken place. It aims to delineate the big picture and indicate broad options for action and how they relate to one another. On the negative side, such an approach must inevitably gloss over some important details with respect to individual programs. It is often said that “the devil lies in the details”. Certainly each government program has unique features so that prescriptions for change cannot safely be driven by abstract generalizations alone.

1.4 OUTLINE

Section 2 analyses the forces that are driving many of the changes that we discuss in this paper. In Section 3, a general model of the federal government service delivery system is presented and discussed. Using this model as a reference, this paper then outlines some key developments related to service delivery both internationally (Section 4) and in selected provinces (Section 5). In Section 6, we look at the major federal government-wide changes that have taken place over the last few years, or are currently planned, and their implications for service delivery as interpreted through the model. Section 7 summarizes numerous service changes that have recently taken place at the departmental level, as revealed by our request for information and other sources, again using the categories developed in the model and outlines a range of issues arising from these changes, many of which were identified during the focus group sessions. Finally, we draw some general conclusions in Section 8 and make recommendations for change in Section 9.

2 FORCES FOR CHANGE

It is *de rigueur* in works of this kind to start with an analysis of the forces that are creating pressure to change the way governments develop policy and deliver services. This section briefly recaps some of the most frequently cited of these forces.

2.1 GLOBALIZATION

There is a growing interdependence among nations which means that economic, environmental, labour and human rights issues have to be dealt with increasingly at an international level. This interdependence is often formalized through international agreements, such as the North American Free Trade Agreement (NAFTA), that bind national governments in various ways. Globalization has thereby reduced the ability of individual governments to act alone. National interests have to be advanced through negotiations with other states both bilaterally and through a complex network of international fora.

Globalization has made governance more complex and challenging. Governments have many more interests to consider and less ability to shape events unilaterally. They must constantly attempt to reconcile global imperatives with local needs. They must strive to preserve the integrity, requisite variety and uniqueness of national institutions in the face of the global forces of harmonization¹. Since governments have limited resources and power they are forced to become increasingly selective in where they focus their efforts. They face the major challenge of identifying and focussing on those core issues that will make the greatest difference to national wellbeing, which points to the need for a strong capability in policy analysis.

2.2 INTERNATIONAL COMPETITION

Intensified international competition is a key economic consequence of increasing globalization. This competition is not confined to the private sector since governments are becoming directly involved to an increasing degree (of which the Team Canada initiative is a recent example). Thus, government policy and service delivery have to take account of possible impacts on Canada's international competitiveness to an ever-increasing degree. This can sometimes create tensions with environmental and social objectives, further adding to the complexities of governance and placing new demands on the policy co-ordination process.

2.3 NATIONAL DEBT

The national debt reduces the government's fiscal capacity to sustain existing programs and develop new ones. As a result, governments face difficult choices in allocating resources among different and often competing objectives. More than any other single factor, it is forcing governments to identify and focus on their core responsibilities and to find ways of delivering services that consume less public money.

¹ Ursula Franklin, *"Beyond the Hype: Thinking about the Information Highway"*, address to the Social Science Federation of Canada, Dec. 7, 1995.

2.4 PUBLIC PERCEPTIONS ON THE ROLE AND PERFORMANCE OF GOVERNMENT

While there is a broad spectrum of opinion on how extensive the role of the government ought to be, for the present there does appear to be widespread acceptance of the need to curtail public expenditures in order to address the problem of the national debt. Disagreement centres more on how this should be done and who should bear the cost.

At the same time, there is a general mistrust of politicians and bureaucrats (there does not appear to be a clear distinction between the two in the mind of the public). Consequently, the public are demanding more transparency, accountability and integrity from government and are demanding greater inclusion in political and bureaucratic decision making. However, there is some evidence that the public are more negative about "government" as a collectivity than they are about the quality of many individual government services.

As well, there is an increasing perception that government should be run like a business with a focus on efficiency. While this may indicate a lack of public appreciation of the role of government and the importance of relevance, effectiveness, fairness, consistency and adherence to democratic principles, it may also reflect a failure on the part of the government to demonstrate clearly how it adds social and economic value and what results it has achieved. This has left the the public service vulnerable to criticism in the press and elsewhere and has further added to its negative image.

Part of the difficulty is that public demands on government are inconsistent. Demands for cost reductions and increased efficiency cannot easily be reconciled with inclusiveness in decision-making and adherence to public values, such as fairness, consistency and the prudent use of public money. Furthermore, because of their increasing number and complexity, many of the issues faced by government cannot be addressed in the manner of a private sector business. In short, the public may have developed expectations that cannot be fully met.

2.5 INFORMATION TECHNOLOGY

Rapid developments in information technology are a key factor in the rise of globalization and international competitiveness. As with many technological advances, the rise of information technology has created both opportunities and problems. The opportunities relate to greatly improved communication and its resulting benefits. At the same time, information technology is changing the nature of work and, in the process, displacing many jobs and disrupting people's lives.

From a government perspective information technology (combined with higher levels of education) has helped create a better informed citizenry which is pressing for greater direct involvement in the affairs of the state. Such involvement is greatly facilitated by new means of electronic access to government information, such as the Internet.

At the same time, technology improves information flow both from within and outside the government. However, the sheer amount of information thus made available creates a challenge in terms of how it should be structured and integrated to support policy development and decision-making². Technology also raises a range of new policy issues in its own right that include elements as diverse as the ethical issues associated with advances in biotechnology and threats to cultural sovereignty brought about by satellite-based broadcasting.

In addition to supporting policy development, information technology can enhance government efficiency and productivity and can support public values such as transparency, probity, accountability fairness and consistency. At the same time, governments face major challenges in dealing with the changes caused by

² Steven Rosell, *Governing In an Information Society*, IRPP, 1992.

the large-scale introduction of information technology into the workplace, as well as the financial risk associated with investment in new technology-based systems.

Finally, information technology is having a profound impact on the nature of work, both inside and outside the public service. It is simultaneously displacing large numbers of clerical jobs, while creating entirely new work opportunities in the areas of technology development and knowledge management.

2.6 CHANGES IN SOCIO-DEMOGRAPHIC PROFILE

There are a number of important socio-demographic trends within Canada that are having a profound impact on governments. Among these are an ageing population, higher levels of education, increased racial heterogeneity, increased participation of women in the labour market and continuing high rates of unemployment. Each of these makes new demands on government in areas such as childcare, health services, pension protection, racial discrimination, job training and so on. Canadian society and its needs are generally becoming more diverse which not only adds to the complexity of governance but makes it increasingly difficult for the government to please everyone, thus risking further erosion of its standing in the public eye.

2.7 NATIONAL UNITY

This has been an underlying factor in a lot of federal decision-making in recent years. Its impact has been felt in both policy development and program delivery. It has given added impetus to the devolution of federal powers to the provinces and will consequently have a major long term impact on the role of the federal government. In addition, preoccupation with the national unity question tends to induce a short-term perspective and takes up government time. Both of these factors detract from the government's capacity to mount a sustained campaign of administrative reform.

3 GENERAL FRAMEWORK FOR SERVICE DELIVERY IN THE FEDERAL GOVERNMENT

Any changes in the way federal government services are delivered must be viewed from the perspective of a comprehensive framework. To provide a sound understanding, such a framework should ideally:

- recognize the importance of function and context so that prescriptions for programs and services are not based on abstract and generic principles (i.e. allow for diversity in approaches to program delivery);
- recognize that “service” in government can be viewed at different levels, including policy orientation, program design and program delivery; and
- recognize that program delivery decisions require a balance between expenditure restraint, responsiveness to client needs, support for policy objectives and consistency with public values and democratic principles.

While the analysis in this paper is not sufficiently detailed to fully encompass all of these aspects, we present them as an ideal and have recognized them to the extent that the information at our disposal permitted. The sections that follow discuss each of these aspects in turn.

3.1 IMPORTANCE OF VIEWING SERVICE DELIVERY IN TERMS OF THE SPECIFIC ROLE AND FUNCTIONS OF THE FEDERAL GOVERNMENT

The development of a framework for service delivery should start with as clear an understanding as possible of the role of the federal government and the kinds of activities it undertakes. This serves two purposes by helping to:

- ensure that any service delivery models that are developed are meaningful and workable; and
- guard against the importation of inappropriate “solutions” developed in other contexts, be they private sector, provincial or foreign.

The crucial differences between the government and the private sector include:

- the monopoly nature of many government services (so consumer sovereignty does not apply);
- the multiple and often conflicting objectives of government operations;
- the multiplicity of stakeholders in government services;

- a central concern on the part of government over the *means* of service delivery as well as its ends, as expressed in public values such as fairness, consistency, prudence, probity; and
- the requirement to maintain democratic accountability.

There are also important differences between the services provided by the federal government and those provided by provincial governments and (to a lesser degree) the national governments of unitary states. Compared to the others, the federal government is proportionately less involved in the provision of direct services to the public and proportionately more involved in areas such as policy development, regulation and scientific research.

Service delivery issues can be addressed at various levels of generality, from diverse principles that can be applied to any government program to issues that are unique to a particular program. An analysis of service delivery that is based on across-the-board generalizations may become too vague to be of practical value, while analyses based exclusively on the specifics of particular programs have little power to inform debate on other programs. However, we contend that it is possible to find some middle ground between these extremes by focussing on broad areas of government activity that have many issues in common.

3.2 ACTIVITY AREAS OF THE FEDERAL GOVERNMENT

Many typologies of government activities have been developed (see Annex D). This paper will use the following, which is based on the program activity structure used in the Estimates:

1. **Proprietary Government Business**
 - confidential policy/program advice to government
 - intergovernmental activity
 - other negotiation and liaison
 - maintenance of basic democratic institutions
 - national security
2. **Information Services**
 - scientific research
 - surveys, analysis and forecasting
 - public consultation
 - provision of information to the public
 - information services within government
3. **Transfers (including grants, contributions, subsidies, loans loan guarantees, etc)**
 - to other levels of government
 - to international organizations
 - to NGOs
 - to individuals
 - to businesses

4. Regulation, Inspection and Enforcement
 - policing
 - incarceration
 - economic regulation
 - technical regulation
 - tax system implementation
5. Adjudicative and Judicial Services
6. Corporate Management, Administration and Support Services
7. Other Direct Services to the Public

The great majority of federal public servants are involved in functional groups 1-4 and 6. Category 7 includes direct services that the government has a fiduciary obligation to deliver (e.g. services to First Nations), that incorporate a regulatory dimension (e.g. management of national parks) or which are in the national interest but would not be supplied to the desired degree on the open market (e.g. museums, search and rescue services, transportation infrastructure). Many of these services are already delivered by non-commercial Crown corporations and others (such as air navigation and airport services) are currently being moved out of the public service.

3.3 LEVELS OF SERVICE DELIVERY

Figure 1 is a simplified representation of the service delivery system of the federal government. It is intended to show the various levels at which services are delivered. Specifically it identifies three³ levels of government service decisions and actions, namely:

- Level A: overall role, policies, priorities and structure of government (including legislation) – focus is on overall responsiveness to public needs
- Level B: design of programs to deliver the policies and the selection of the method of delivery – focus is on the effectiveness with which the needs are met
- Level C: design and operation of the program delivery system – focus is on the economy and efficiency of delivery and the quality of service provided

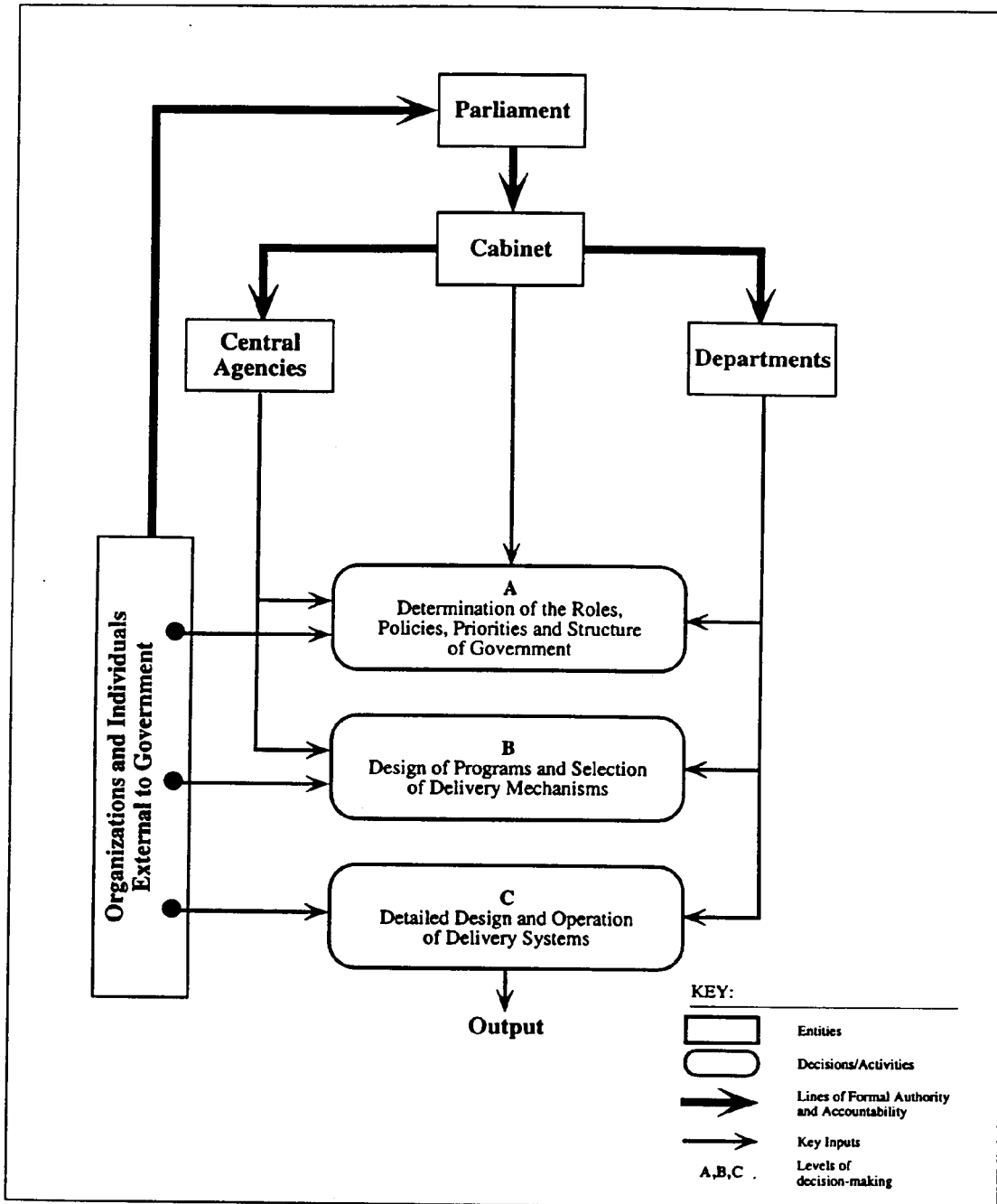
Examples In Relation to Selected Activity Areas

Policy Advice

- Level A: Provision of advice that influences the policies and priorities and legislation of the government.
- Level B: Obtaining information to support policy development (policy research and analysis, consultation with the public and other stakeholders, intra- and interdepartmental discussions to coordinate policy)
- Level C: Monitoring operational experience to obtain information that is relevant to policy development

³ A finer gradation might be possible, but this would complicate the diagram unnecessarily

Figure 1
The Federal Government Service Delivery System



Research and Development

- Level A: Establishment of the federal government's responsibility to conduct research and development in a particular area and development of the enabling policy and legislative framework
- Level B: More detailed specification of the R&D to be carried out and the institutional mechanisms to be employed
- Level C: Design and conduct of the R&D activity

Public Consultation

- Level A: Consultation on constitutional matters and on general policy
- Level B: Consultation on policy details, program design and methods of delivery
- Level C: Consultation on operational (including service) requirements

Provision of Information to the Public

- Level A: Establishment of the federal government's responsibility to provide the information and development of the enabling policy and legislative framework
- Level B: Development of the information content and delivery strategy
- Level C: Formatting and distribution of the information

Transfer Payments

- Level A: Establishment of need for the federal government to make transfer payments and development of an enabling policy and legislative framework
- Level B: Determination of the amount of the transfer payments, criteria for entitlement and method of delivery
- Level C: Design and operation of the transfer payment delivery system

Regulation

- Level A: Establishment of the federal government's responsibility to address a particular problem that could be dealt with through regulation and development of the enabling policy and legislative framework
- Level B: Development of details of the regulatory instrument to be used (including development of specific regulations, if applicable) and of a general strategy to promote compliance
- Level C: Detailed design and implementation of the compliance strategy

Taxation Implementation

- Level A: Establishment of the need for the federal government to apply a particular tax and development of the enabling policy and legislative framework
- Level B: Development of detailed rules and institutional arrangements for implementing the tax
- Level C: Design and implementation of taxation operations

3.4 THE NEED FOR BALANCE

Figure 2 demonstrates that in designing and delivering government activities it is necessary to strike a balance among a number of potentially conflicting requirements, namely:

- limiting cost to the taxpayer;
- responding to the specific requirements of service recipients;
- supporting national policy objectives; and
- adhering to public values and democratic principles.

Some or all of these elements are present at each level of service activity. Thus, costs to the taxpayer are a function of policy priorities (level A), program design (level B) and program delivery (level C). Service attributes such as economy, efficiency and revenue generation reflect this element as well. Responsiveness, as defined here, is mainly of concern at level C and is reflected in attributes such as accessibility and other aspects of service quality. However, the term “responsiveness” is also used to indicate the extent to which policy priorities (level A) and program design (level B) respond to the expressed needs of specific individuals or groups. Support for national policy objectives depends both on the design of the program or programs intended to deliver the policy (level B), and also on actual delivery (level C). Finally, concerns over public values (such as fairness and probity) and democratic principles (such as transparency and accountability) pervade public service activities at each level.

It is interesting to note that, in its search for profits, the private sector is generally only concerned with the top two elements in Figure 2 (cost containment and responsiveness to client needs). The existence of the bottom two elements (which may, themselves contain conflicting sub-elements) illustrates the greater complexity of government management.

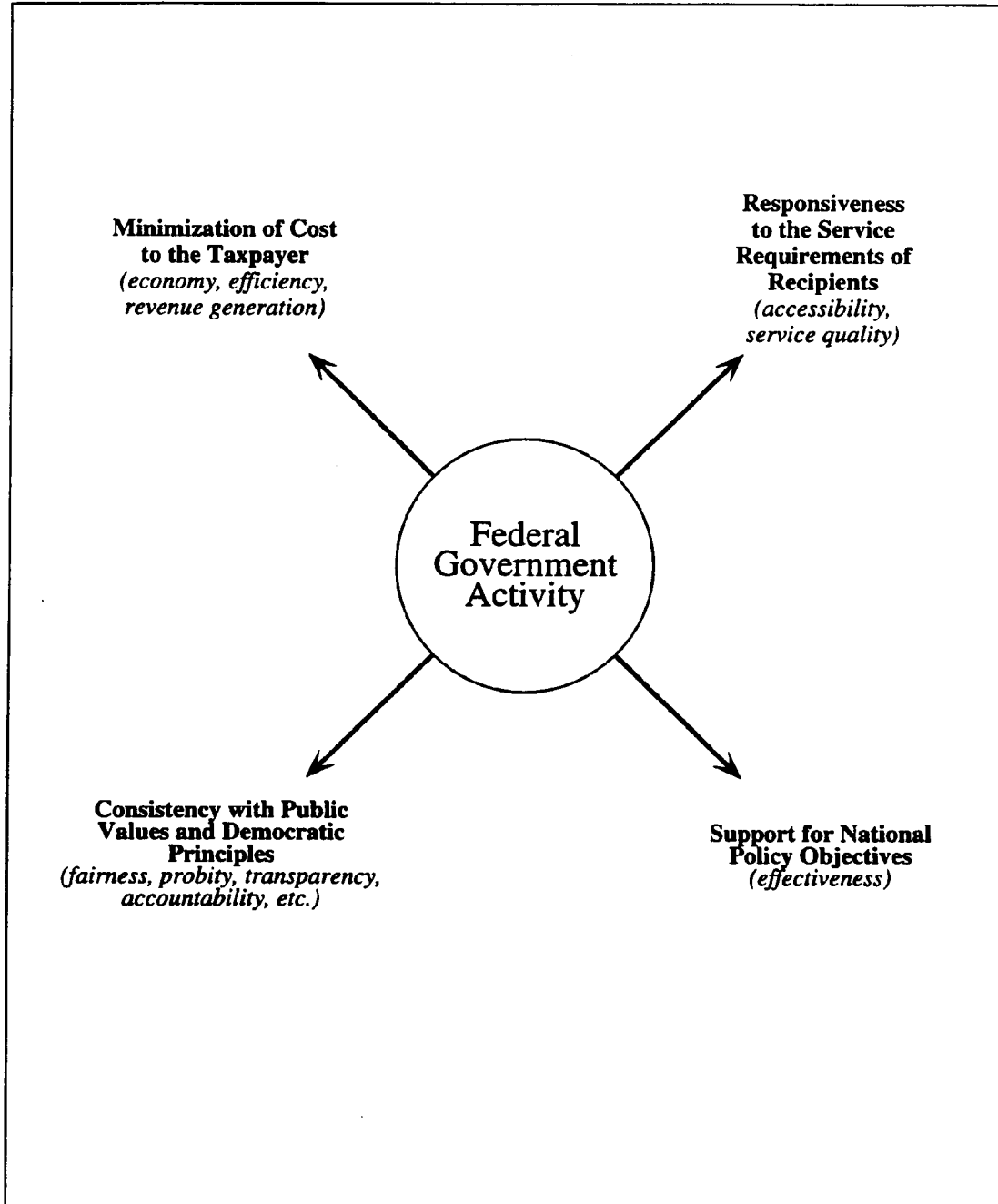
Traditionally, government was primarily concerned with supporting public values and democratic principles and paid somewhat less attention to the other elements. Cost control focussed mainly on inputs, with little overt attention paid to service responsiveness. Support for policy objectives was embedded in the operating procedures of the program which made it difficult to maintain effectiveness in the face of a changing policy environment. Furthermore, government programs were (and still are) expected to support a range of supplementary objectives, such as regional equalization and affirmative action as well as their primary objectives. The result was a common set of procedures and policies that failed to recognize the specific needs of each program. What we are now beginning to see is a greater focus on the remaining three elements. While this explains the attractiveness of private sector models with their emphasis on the upper two elements, it is important to recognize that all four elements should be kept in balance. However, the nature of this balance (i.e. the relative emphasis placed on each element) is increasingly being driven by the nature of the activity and the pressures upon it. The result is greater diversity of service delivery.

The attributes of service that contribute to judgements about service performance at each of the three levels will vary by:

- the nature of the activity in question; and
- who is making the judgement.

Annex E provides a number of illustrative examples of desirable attributes of government services based on the typology of activities described above.

Figure 2
Government Activities: A Question of Balance



3.5 MAIN FEATURES OF THE SERVICE DELIVERY SYSTEM

Figure 1 is a highly simplified representation of the federal government's service delivery system. It shows the relationships among the principal players and activities (including the main lines of authority and accountability between the entities involved and who controls or influences the activities). The overall level of service provided to the Canadian public by the federal government is a function of the the inherent capacity of the organizations involved, how they relate to one another, and the quality of the information they exchange.

Citizens provide the government with its authority by electing members to parliament. Authority then flows from Parliament to the Cabinet and its ministers (individually and collectively) and hence to central agencies, departments and other delivery units⁴.

Accountability moves in the opposite direction. Central Agencies, operating in accordance with general framework legislation (FAA, PSEA, etc.) and under the direction of Cabinet and its committees, support the co-ordinated development of policy on a government-wide basis and design, and operate government-wide management control, guidance and support systems. Departments operate under their own legislation, a Central Agency policy and control framework and the direction of their Ministers. Departments support the development and co-ordination of policy and design programs and mechanisms to deliver those policies. Currently delivery units, operating under a regime of departmental and central agency policies and controls, either by delivering programs themselves or managing the delivery of programs by external entities, or some combination of both.

The capacity of central agencies and departments (including delivery units) to provide services is influenced by the legislative, policy and control framework within which they operate and by a range of factors that are intrinsic to each organization. Among these intrinsic factors are:

- leadership
- authority (flexibility to act)
- available resources
- use of technology
- sense of purpose
- skills and abilities
- motivation (incentives)
- organizational culture
- structure and processes
- stability

The diagram identifies the three general levels of decisions and actions, A, B and C, discussed above. Decisions and actions at level A (determination of the overall role, policies, priorities and structure of government) depend on the policy direction of the government, policy support from central agencies and departments, direct input from the public and feedback from operational experience. Decisions and actions at level B (design of programs and selection of the method of delivery) are primarily the responsibility of departments working within an overall policy framework often with direct input from central agencies. Other sources of input at this level include the public and operational experiences at the client interface as well as direct input from ministers (not shown). Finally, decisions and actions at level C (design and operation of delivery systems) are the primary responsibility of departmental delivery units working within an overall central agency, departmental and policy delivery framework. Other sources of input at level C include the public, ministers and departmental corporate units.

⁴ To keep the diagram simple, program delivery units have been treated as part of departments. There has, however, been an increased use of alternative delivery approaches (contracting, partnering, Special Operating Agencies, etc.) that may place these delivery units at more of an arms' length from departments.

The nature of the public consultation process varies by level. The mass media play a key intermediary role at level A. At election time, judgements tend to be made at this level. Formal level A consultations may take the form of special commissions, such as the Spicer Commission. A significant proportion of input at level B comes from policy and special interest groups. The mass media may play a significant role at this level, depending on the nature of the policy issue involved. Finally, level C inputs are sought mostly from the recipients of specific services and programs. The mass media are less often involved at this level.

3.6 METHODS OF INFLUENCING SERVICE DELIVERY

There are a number ways of influencing service delivery at each activity level. These can be broadly classified into enabling and directive approaches:

Enabling Approaches

- **Consultation:** improving consultation with citizens and public groups so that their views can better inform decisions and actions related to service performance.
- **Co-ordination:** improving mechanisms to co-ordinate policy development and program delivery both within and between departments.
- **Control:** making changes to the legislative, policy and control frameworks that will enhance the capacity of government organizations to deliver services.
- **Conversion:** trying to convert government organizations into doing things differently through persuasion, exhortation, information and guidance.
- **Capacity:** enhancing the inherent capacity of central agencies, departments and departmental delivery units to carry out the required activities through leadership, incentives, resource levels, technology, training, support, restructuring, redesign of processes, provision of stability, etc.

Directive Approaches

An alternative is simply to decree that certain changes will be made. Such decrees may be made unilaterally or based on prior consensus. The determination of who has the power to mandate change depends upon which decision and action level we are addressing. Cabinet can mandate change at any and all levels. Central agencies can mandate certain changes at levels B and C and departments can mandate certain changes at level C. Not all changes can be brought about by mandate alone. In some cases, it will be necessary to ensure that the resources, skills, etc. necessary to implement the required change are in place.

3.7 CONCLUSION

This section has attempted to address the issue of government service in a manner that recognizes its inherent complexity. This complexity makes it both difficult and dangerous to develop solutions to problems based on across-the-board generalizations. The government performs a wide variety of functions and serves the public at a number of different levels. Desirable attributes of service vary not only by function but also by who is making the judgement. Furthermore, there is always a need to strike a balance between the often conflicting requirements of expenditure restraint, responsiveness to client needs, support for policy objectives and consistency with public values and democratic principles. Finally, the interdependence of the many elements that influence government service points to the need to evaluate changes in service delivery in the context of the system as a whole.

4 INTERNATIONAL DEVELOPMENTS

The following section will examine some of the general changes in government service delivery that are taking place in developed countries. It will also look briefly at specific reforms initiatives in New Zealand and the United Kingdom. Where possible, it will place these changes in the context of the framework described in the previous section.

4.1 GENERAL TRENDS¹

For some time, there has been a steady evolution in the way the public services of developed countries have been organized and managed. These changes, which have been spawned by forces outlined in Section 2, have recently evolved to the point where they are being characterized as a paradigm shift and are being labelled the New Public Management (NPM). In practice, NPM is more a collection of ideas aimed at improving the performance of public services than a coherent philosophy of public management. These ideas have evolved as a response to declining resources, an increasingly demanding and critical public and general uncertainty over the role of government.

Although individual countries have emphasized different aspects of NPM and adopted different approaches to implementation, certain general trends are apparent. Key among these are:

- focussing on the core responsibilities of central government, while devolving non-core activities to local governments and non-government organizations (including privatization);
- reducing costs to taxpayers by improving efficiency, reducing overhead and control costs, eliminating non-productive activities and exploiting opportunities to generate revenue;
- focussing management attention and accountability more on achieving results and less on compliance with detailed rules;
- decentralizing authority within government organizations, thus providing delivery units with greater flexibility to achieve results;
- paying increased attention to the service needs of program recipients, such as easier access, simplified procedures, published standards for service times and more courteous service;
- making greater use of market-type mechanisms, such as direct competition and competitive contracting, to provide incentives and allocate resources;
- working more with other levels of government or also private sector rather than 'going it alone'; and
- fostering the exchange of public management ideas and experiences within and between governments.

¹ For further information, see *Governance in Transition: Public Management Reforms in OECD Countries*, OECD, 1995.

These changes affect each of the levels of service activity illustrated in Figure 1. Thus, at level A, governments are focussing more on core activities of policy development, regulation/inspection/enforcement, information services and transfer payments, rather than the provision of direct services. At level B, programs are being designed and their delivery planned more on a cost-shared and collaborative basis with greater use of contracted delivery and greater sensitivity to the compliance and administrative burden placed on citizens in general and business in particular.

At level C, as noted in the previous section, the balance among the four elements in Figure 2 has shifted towards cost reduction and responsiveness to clients and away from rules designed to enforce public values and traditional compliance-based accountability. A related development has been a loosening up of the human resources framework to make it easier to recruit, deploy, reward and release staff. Also, central agencies are relinquishing *ex-ante* controls in favour of issuing general policies and guidelines. Where *ex-ante* controls remain, they are often less detailed (e.g. aggregate budgeting).

In some jurisdictions, notably Australia, there has also been an increased emphasis on program evaluation, thus focussing more attention on effectiveness and thereby on the fourth element in Figure 1 (support for policy objectives). The move to results-based accountability, greater autonomy and contracted delivery may also have encouraged programs to focus more on core objectives and less on the pursuit of supplementary objectives, such as equalization.

These changes are indicative of the trends inherent in the NPM. Some have been implemented to varying degrees in different countries. However, in many cases, they remain more statements of intent than actual accomplishment. Furthermore, these changes are not without risk. Among the possible risks are:

- under-resourcing of some activities, leading to service deterioration;
- negative impact of staff reductions and changes in the human resources management regime on staff morale and motivation;
- loss of policy cohesion, operational co-ordination and responsiveness to the wishes of the government that may accompany increased autonomy for delivery units;
- undermining of public values, such as fairness, consistency, and probity;
- pursuit of performance targets and service standards that skew performance in ways that do not respond to the broader public interest;
- capture by clients, local/special interests or suppliers/subcontractors;
- weakening of the potential for policy formulation to benefit from insights gained through operational experience; and
- loss of control over program costs.

4.2 NEW ZEALAND

In the past, New Zealand had a tradition of heavy state involvement in the nation's economy and society. However, in the mid 1970s, it was confronted by a major economic crisis as a result of the oil shock and the loss of preferred status in the U.K. market for its agricultural exports when that country joined the European Economic Community. For ten years it tried to cushion the effects by borrowing money in order to shore up business and employment. By 1984, a burgeoning national debt made it clear that this course of action could

no longer be sustained. This set the stage for what is probably the most radical reform of the government sector that has ever taken place in any developed country in recent memory. The key features of the reform were to expose as many components of the state sector as possible to the action of market forces and to make state activities more open and comprehensible, in the belief that such transparency would clarify accountabilities and lead to the elimination of unnecessary functions and inefficient processes.

In New Zealand the reform process had four main streams:

Creation of State Owned Enterprises

Under the State Owned Enterprises Act (1986), former trading departments (Energy, Post Office, Works and Development, Forest Service, etc.) have been reconstituted as 'state-owned enterprises' operating commercially under boards of directors. Many have since been fully privatized.

Creation of Crown Entities

Restructuring of the remaining government departments began in 1985. The first step was to separate policy advisory from service delivery functions and to move many of the service delivery organizations into a new tier of non-departmental agencies, known as 'Crown entities'.

Education and Health Restructuring

In 1988 local education boards were abolished and their functions transferred to elected boards of trustees for each school. Some functions of the the Department of Education were transferred to Crown entities. In the health area, local authorities which both funded and provided health care, have been replaced by regional funding authorities and Crown enterprises that supply health services on a commercial basis.

Management Reforms in the Core Public Service

The State Sector Act (1988) ended centralized control of the public service. Chief Executives of departments were made individually accountable to their responsible ministers and were placed on formal performance-based limited term contracts which specify the outputs to be provided in terms of quantity, quality, timeliness and cost. These arrangements apply to both policy and delivery departments. Public servants are now employed by individual departments, while the chief executives are appointed by the State Services Commission.

These structural changes were accompanied by a series of management and accounting reforms under the Public Finance Act (1989). Central to these reforms was the introduction of accrual accounting and capital charging to support the costing of outputs.

Assessment

Although it is too early to pass a definitive judgement on the New Zealand reforms, a revealing interim assessment by Richard Norman, based on the experiences of senior public sector managers, appeared recently in the *Journal of the New Zealand Institute of Public Administration*⁴. The result was the following scorecard:

Financial management – use of accrual accounting (score A): The undisputed success story, despite concerns over the costs involved.

Planning using outputs (score B+): A significant advance, but with a number of operational problems to be sorted out.

⁴ Richard Norman "New Zealand's Re-Invented Government: Experiences of Public Sector Managers." reprinted in *Commonwealth Innovations*, Vol 2, No.1, Jan/Feb/Mar 1996.

New structures (score B): Greater clarity of roles and better service to ministers and clients, but more patch protection and poor communication and co-ordination between agencies.

Separation of policy and delivery agencies (score – unclear): A range of positives (e.g. clearer objectives) and negatives (e.g. diminished ability to provide objective policy advice⁷) with no clear view emerging.

Use of shorter term employment contracts (score C/B-): These contracts increase the emphasis on performance but may undermine loyalty and create a short-term focus.

Response of elected representatives (score C-): Significant mistrust has developed between politicians and managers, which is likely to affect the performance of government agencies⁸.

Management of the change process (score D): Significant negatives are associated with this process arising from the underlying belief that it could be better managed.

Although the above assessment refers to the impact of the reforms on the operation of the public service, it is in some ways a microcosm of the impact on New Zealand society as a whole. Generally, the impact of the changes on the New Zealand economy has been very positive, but many individuals and groups have had to pay a heavy price, at least in the short term. It further illustrates the sacrifice of some aspects of fairness in the interest of promoting efficiency that characterizes many NPM reforms.

In terms of the list of methods of influencing service delivery outlined in the previous section, New Zealand has relied on a directive approach coupled with extensive decontrol and an increase in some aspects of the capacity of delivery units (notably focus, stability, incentives and authority). Up till now, less use has been made of the other enabling approaches (consultation, co-ordination or conversion) and this is reflected in the above assessment. Given the pace and scope of the New Zealand reforms, this is hardly surprising. In terms of service levels New Zealand has proceeded systematically from level A (role, policy priorities and overall structure of government) to level B (delivery mechanisms) to level C (design and operation of delivery systems). The assessment suggests that while the changes at levels A and B have worked quite well, much work remains to be done at level C, especially in the area of human resources.

Lessons Learned

However they feel about its objectives or consequences, few would deny that the New Zealand experience has been a groundbreaking exercise in rapid and comprehensive public sector reform. In a recent report the State Sector Commission identified seven key elements to a successful reform process. They are:

- unflinching political determination;
- very clear objectives, agreed to at the highest levels, and based on an intelligent appreciation of the community's tolerances;
- a set of comprehensive and well-integrated basic principles, agreed to at the highest levels;
- sound legal architecture that redefines the rules outright;
- a demanding but realistic timetable;
- a core of unified, highly motivated, experienced and imaginative senior public servants, provided with sufficient resources and discretion to manage implementation; and
- very effective information and public relations systems.

⁷ This may partly be due to a loss of dynamic interaction between policy and operations

⁸ Some of this may be due to confusion over roles which sometimes makes it difficult to maintain a "contractual" relationship.

The New Zealand government found that all the above are needed to ensure success. Specific initiatives in which one or more of these elements was missing proved much more difficult to manage, both politically and administratively, and were generally less successful in meeting their original objectives.

4.3 UNITED KINGDOM

Although in some ways less radical than the New Zealand reforms, recent developments in the United Kingdom have attracted a lot of attention internationally. The U.K. reforms can be traced to the election of the Conservative government in 1979, which was committed to reducing both public expenditure and the role of government. This government's strong private sector ideology led to the privatization of many public utilities and the introduction of private sector practices into those areas of government that were not amenable to privatization.

The Efficiency Unit

In 1979, Prime Minister's Efficiency Unit was created and was led by a prominent private sector executive. This unit introduced "Scrutiny Exercises" which typically lasted around 90 days and were aimed at reducing expenditures and increasing the efficiency of single activities or functions. These exercises were actually conducted by personnel from the departments concerned, with the Efficiency Unit⁹ playing an enabling and oversight role. This aim of this approach is to encourage departmental commitment to the outcome of the Scrutiny. Departments are required to produce a report two years after the Scrutiny indicating what has been achieved.

The Financial Management Initiative

These Scrutiny Exercises soon revealed fundamental flaws in the civil service approach to management which led to the setting up of the Financial Management Initiative (FMI) in 1982. The FMI delegated substantial authority to managers for managing their own budgets against a predetermined set of objectives. It was accompanied by the development of information systems, output measures and performance indicators to support the assessment of cost-effectiveness.

Executive Agencies

While the FMI was generally considered successful in improving financial management and the quality of information reaching ministers and senior civil servants, it also raised fundamental questions about personnel management practices. Further improvements in cost-effectiveness were thought to require greater freedom on the part of managers to hire, fire, transfer, promote and motivate staff. The Ibbs Report (1988), while acknowledging that improvements had been made, emphasized the need for attitudinal and institutional change. It advocated the creation of "Executive Agencies" to carry out the operational tasks of the government. Each Agency would operate within a policy and resources framework (in the form of a framework document) approved by the minister. Thus, like the New Zealand reforms, there was a conscious attempt to separate policy and operations.

The Ibbs Report was accepted both because it had the visible support of the Prime Minister and because it had been based on very wide-ranging discussions. Implementation was rapid, so that almost three-quarters of U.K. Civil Service now works in Executive Agencies. A very senior civil servant, was appointed as manager to lead the implementation of the Next Steps¹⁰ project, supported by a small team of civil servants. This team helped identify candidates for Agency status, supported the development of their framework documents and encouraged the necessary management training and development.

⁹ The Efficiency Unit, whose work continues to this day, has typically consisted of only two senior civil servants, three people seconded from the private sector and a support staff of three.

¹⁰ The term "Next Steps" comes from the title of the Ibbs Report, which was *Improving Management in Government: The Next Steps*.

Each Agency is under the direction of a Chief Executive who has significant delegated authority within the policy and resources framework. The majority (around two-thirds) of Chief Executives have been appointed through open competition and about half of these have been won by persons from outside the civil service. The Chief Executive is accountable directly to the Minister for the achievement of annual performance targets which are negotiated between the Chief Executive, the Minister and the Permanent Secretary of the Department and a significant portion of his or her pay is tied to the achievement of those objectives. Although Chief Executives are formally accountable to the Minister (thus preserving ministerial accountability) in practice they often answer directly to Parliament on purely operational matters.

Before being granted Agency status, prospective Agencies are first subjected to a "prior options" analysis which considers:

- whether the function needs to be carried out at all (if not it can be abolished);
- if the function does need to be carried out, whether it could be privatized or contracted out; and
- if it is to be a direct government function, whether it should be carried out by an Agency.

Agencies are encouraged to devise their own pay and classification systems and are expected to move their accounting practices to an accrual basis within two years. The most recent Next Steps Briefing Note indicates that as of February, 1996 about 67% of the Civil Service worked in Executive Agencies.

The Citizens' Charter

In July 1991, the Prime Minister launched the Citizens' Charter initiative, a ten-year program designed to raise standards of service across the public sector, including Executive Agencies. A Cabinet Minister was allocated responsibility for carrying it forward and a small unit was created within the public service to oversee implementation. The basic strategy of the initiative consists of four elements:

- quality improvement;
- choice of service provider (where possible);
- establishment of publicly displayed service standards and methods of recourse if the standards are not met; and
- ensuring value for money.

Executive Agencies that serve the public are expected to publish Charters or Charter Standards Statements that clearly describe the standards of service that individual customers can expect.

Market Testing

The 1991 Government White Paper "Competing for Quality" set out proposals for extending the use of competition in the provision of government services. All departments and agencies were given targets for work to be market tested (i.e. subjected to a make-or-buy analysis). The government has since backed away from this approach, in part because of the negative reaction of public servants who had been working to build a more client-oriented culture within Agencies and now felt that they had to compete for their own jobs. Departments and agencies now decide for themselves the extent to which market testing might help them to achieve their performance targets.

The 1994 White Paper¹¹

This White Paper basically reinforced much of what had already occurred while emphasizing the need to strengthen some aspects, such as the process for negotiating targets. It also recognized that reducing staff numbers can be counterproductive in terms of cost reduction, especially if the consequence is to contract out work to former civil servants at consultancy rates. A potentially major innovation suggested in the White Paper is the creation of a Senior Civil Service, consisting of the 3,500 or so most senior civil servants and providing them with specific contracts for employment that would, among other things, stipulate the grounds upon which such employment could be terminated.

The Trosa Report

In 1993 Sylvie Trosa, a senior public servant from France, was asked to examine the progress to date of the Next Steps reforms and to make recommendations for improvement. Her report¹², which was published in 1994, was generally positive about what had been achieved. She observed that:

“These (achievements) include:

- freedom to find solutions to fit the needs of the business;
- a more customer orientated attitude;
- greater efficiency gains;
- some improvement in communications between the centres of Departments and Agencies; and
- improvements in performance.

Across the range of interviews conducted, the author found a widespread recognition of the benefits and achievements of Next Steps. No one argued for a step backwards.

Among her recommendations were enhanced use of Ministerial Advisory Boards in the target setting process and a stronger role for the Fraser Figure¹³, possibly backed by a small team. She noted that a cultural gap had developed between departments and their agencies. Many agencies viewed their departments as bureaucratic obstacles and departments viewed agencies as “little fortresses following their own aims regardless”. She found that agencies were buying fewer services from their departments and were focussing more on their clients. Departments, on the other hand, tended to push for consistency and were not always comfortable with managing diversity. In her view closing this culture gap requires a better understanding between people in departments and agencies which can be achieved through shared experiences, such as mobility, networking and training.

Trosa also pointed to the difficulty and time required to set targets properly to allow for conflicting objectives and client requirements. She felt that too much priority had been given to easy-to-measure financial targets and that level-of-service targets were often undervalued. As a result, certain activities that can't be readily measured are thereby excluded from the target-setting process.

¹¹ *The Civil Service: Continuity and Change* CMND 2627, HMSO 1994.

¹² Sylvie Trosa *Next Steps: Moving On*, February 1994.

¹³ Fraser Figures are named for Sir Angus Fraser who was asked by the Prime Minister in 1990 to investigate the relationship between Departments and their Agencies. Among his recommendations was the appointment of an individual in each Department to provide “a focal point at the senior level in dealing with each Agency”.

The Massey Report

A further review of certain aspects of the Next Steps initiative was carried out by Andrew Massey and published in 1995.¹⁴ As the title of the report indicates Massey was primarily concerned with the impact of the reforms on policy making. His conclusion is that the agency system has not constructed a false distinction between policy and management, but rather gives policy makers a better appreciation of the importance of implementation in achieving their aims. The ready access which most Chief Executives have to Ministers and senior officials helps to bring this implementation perspective to bear on policy development.¹⁵

Massey also noted the positive impact that Next Steps has had on accountability. This is a consequence of a number of factors, including:

- clarification of the roles and functions of officials and the organizations to which they belong;
- the use of performance measures, contracts and Charters which have all provided a great deal of information which Ministers and Parliament may use to hold the Civil Service to account; and
- budgetary systems that clarify the link between expenditure and action.

Thus, the initiative has given Parliament and Ministers more comprehensive knowledge of the way in which the operational components of government perform which enables them to exercise more effective control.

Lessons Learned

In a recent article, David Falcon¹⁶ drew three major lessons from the U.K. reforms.

1. It is important to consult and gather ideas from a wide range of civil servants if their commitment to implementation is to be achieved (as was done with the Ibbs report).
2. External forces are needed to effect change and internal forces have to be generated and harnessed to ensure that the changes are sustained (the three key units, namely the Efficiency Unit, the Next Steps Team and the Charter Unit, each played an oversight and enabling role, leaving departments to do the actual work).
3. It is not possible to develop organizations without developing the people who work in those organizations (i.e. training should be linked to the organizational change process).

Concluding Observations

In terms of the model presented in Section 3, the Next Steps reforms in the U.K. started at level A, with a radical alteration of reporting relationships across the government associated with the development of Executive Agencies. Prior options analysis involved both level A (abandonment, privatization) and level B (agency) decisions. The emphasis on performance targets and the requirement to the Citizens' Charter initiative were designed to encourage efficiency and the development of a client-oriented culture (level C). An interesting facet of the U.K. experience is the attempt to introduce a level B decision (market testing) after the initial sequence of decisions had been made. Market testing ran the risk of undermining the efforts to change agency culture that were already in place and its application was subsequently modified. This illustrates the advisability of proceeding logically from A to B to C and that there is a risk that subsequent higher level decisions can undermine previous lower level efforts unless they are mutually reinforcing.

¹⁴ Andrew Massey *After Next Steps: An Examination of the Implications for Policy Making of the Developments in Executive Agencies*, OPSS, January, 1995.

¹⁵ This policy role is formally enshrined in some Framework Documents.

¹⁶ David Falcon Background Section in *Current Good Practices and New Developments in Public Service Management: A Profile of the Public Service of the United Kingdom*, The Public Service Country Profile Series: No.2, Commonwealth Secretariat, 1995.