

# **Enterprising States**

**The Public Management of Welfare-to-Work in Australia, the  
Netherlands, New Zealand and the United Kingdom**

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## Contents

Acknowledgments	3
Chapter One    Enterprising the State	5
Chapter Two    Governance in Fours	37
Chapter Three    The United Kingdom: Managing by Numbers	65
Chapter Four    New Zealand : Two Steps Forward	108
Chapter Five    The Netherlands : The Part-Time Miracle	149
Chapter Six    Australia : Governance by Competition	192
Chapter Seven    Taking the Measure of the 'New Governance'	235
Chapter Eight    Conclusion: De-Coupling, Contracting and Self-Enterprise	271
Statistical Appendix: Questionnaire & Further Statistics	299
Bibliography	327

## Chapter One

### Enterprising the State

Perhaps there once was a time when the terms 'state', 'market' and 'bureaucracy' had settled meanings and when the institutions which they helped define had standard, widely understood purposes. If so this is certainly a book about the closing of that era and about a radical set of changes that now seeks to alter the nature of governance in many advanced capitalist states. The particular reform strategies we will identify in four countries seeking will help us map the contours of wider changes in the nature of contemporary governance. The front-line reinventions in these four countries spell-out the central characteristics of a process of change which can be defined as the *enterprising* of the state. This transformation is something less than a final accomplishment. Process is often more revealing than structure. The enterprising activity takes root in forms of managerialism, contractualism and reinvention within programs aimed at both the work of officials and the identity of citizen-clients. As such it constitutes a new transition model for systems of public action which are seeking ways to meet the challenges of globalisation and the imperatives of new levels of cultural diversity (Jessop, 1991; Lash and Urry, 1987). At stake is the inheritance that all these countries share in their common foundation as liberal democracies. Liberalism's debt to the idea that public power is best understood as a system of subordinate functions, carefully layered underneath the sovereignty of the state and neatly separated from the private realm, is now being called into question. A new configuration of independent sub-systems is taking up the role of providing and controlling public goods, and thus ordering the lives of citizens outside the direct control of state agencies. As Hutton and Giddens (2000, ix) put it, "Governments and states everywhere are less confident about the merits of the public domain and the effectiveness of public action, and increasingly abdicate initiative to the private sector or seek out the private sector as a partner."

While expressing common ideas concerning the virtue of an enterprising form of governance, these new roles of public agencies and actors nevertheless will be seen to impact differently in each of our four countries. At the level of actual plans, technologies and tactics this general enterprising mode is seen to build new forms of political and organisational coherence out of three common repertoires. To distinguish the levels of this transformation dynamic we will define these three institution-level types as *governance strategies or models*. In some cases the three appear as stages in a path of sequential development, in others as points of departure by reformers seeking to accommodate their own institutional histories to a common set of competitive pressures. Each has in common an encompassing desire to plot a path away from an older notion of procedural or bureaucratic governance. And the enterprising imperative driving all three alternatives involves a common performance ambition and a shared interest in applying the lessons learned from neo-liberalism and its off-spring, the various economic theories of organisation.

Each of the three reform strategies – the corporate, the market and the network - aim to reinvent governance as something different to hierarchy and functional specialisation. The new field of public power is constituted through systems of inter-dependence among public and private actors, sometimes including citizens mobilised as co-producers. This will be most obvious in the programs described below as a decisive turn away from universal state services and standardized responses to social problems. In short the enterprising process includes a new interest in flexible, reciprocal relationships and shared responsibilities expressed not as democratic theory or the world of rights familiar to liberals, but as chains of contracts and brokered exchanges between self-enterprising actors. New questions of agency and autonomy challenge older certainties based on the power of rules and a previous sovereignty expressed through the hierarchical arrangement of public and private roles as well as their careful distinction.

The new enterprising dynamic involves the state in a huge and self-conscious project of reinvention. First, in place of legal-bureaucratic action based on entitlements and universal treatments, the new rationality seeks to found government upon a code of specific performance. Second, the tenants of organisational economics have been mobilised to define governance as the judicious creation of any contract between parties able to effect an efficient manufacture of outputs. Third, the public interest is released from any privileged idea of public service and instead resides mainly in the calculation and the distribution of risks. Fourth, universality is jettisoned in favour of new forms of program selectivity in which clients are provided with those services most likely to set them ‘free’ of any habitual or continuing use of the state’s assistance, a condition now defined and stigmatised as dependence. Finally, these chosen interventions are provided within new relationships which ask officials and those they serve to practice and mimic within their interactions the same strategies they expect to meet outside in an emerging social world. And they are asked to do this without the old, clear pathways into work, education and prosperity, not least because the state itself no longer defines itself as a guarantor of any standard measure of civilized comfort.

The book examines the practice of this form of enterprising governance from the perspective of just one central set of public services – the welfare benefits and programs delivered to unemployed people. Although central to the historic role of the welfare state in all Western democracies, these services are hardly a full picture of modern government. Health, education and criminal justice would also vie for attention in any complete survey. Yet in the case of employment services we see the state’s largest non-professionalised commitment and one which bears directly upon post-industrial society’s most important project – the transformation of work. This offers us a unique view of a critically important intersection of internal governmental reform and the larger processes of social reinvention which evidently preoccupy the advanced societies.

These processes of organisational transformation have been taking place in each of these national systems for at least a decade. The various forms of New Public Management (NPM) which Hood (1995:96) identified have variously sought to empower managers, improve efficiency and incorporate private agencies into the delivery of public services.

But as Ingraham (1996:249) has shown, these more general paths to reform have in practice expressed more than one imperative. The one road carries several forms of traffic. Some observers have sought to emphasize the role of political constraints, while others have focused more upon managerial and economic pre-occupations. In practice we find both researchers and practitioners caught up in a complex array of changes and claims. Consequently we know more about what has been left behind than about what lies ahead.

The *ancien regime* is by now very familiar, both in its virtues and its vices. Our image, appreciation and critique of industrial society is of a century defined by large, legal-rational organisations rolling in formation towards standardized ends (Blau,1956; Touraine,1988). Political parties, welfare systems and private corporations have each been viewed as manifestations of this common system for imagining and producing mass society (Poggi, 1978; Rose,1996).

Theories of democratic governance developed during the heyday of the mass industrial societies spent much of their effort upon devising better means to order and direct these large organisations from above. Most of last century is therefore marked by efforts to improve and strengthen executive authority within states, mass parties and big corporations. All invested heavily in the extension of what Chandler (1977:483) has called ‘the visible hand’ of managerial power. With the accretion of all important forms of decision making to a new class of managers in ever larger corporations, institutions found that “administrative coordination proved more profitable than market coordination.” This is not to deny a smaller tradition of local participation and citizen action, but instead to recognize that it did not often manage to define the terms of social innovation.

Specialization of official roles and technical skills had become the standard organisational response to demands by citizens and to the new opportunities created by advanced capitalist economies. A tradition of scholarship starting with Max Weber (1954) and including Blau (1956), Etzioni (1964) and Simon (1957) established the generalised power of this set of theorems. At its high point after the second war this process of rationalisation saw a common model of service delivery emerge across the public spheres of the advanced capitalist world.

Employees in public organisations were appointed into a career system based on hierarchical co-ordination, were promoted on technical merit and were granted a discretion to act only within a defined field of competence. Law, precedent and a knowledge of the files guaranteed (in theory, if not always in practice) that citizens would receive equal treatment, be subject to due process and enjoy a common opportunity to be served. Our understanding of the role of the modern state has been entirely dependent upon our confidence in the ability of mass public bureaucracies to deliver everything from a fair system of voting to a common aged pension. It was also within this framework of procedural rights that civil servants were encouraged to define the ethical treatment of the public as the practice of impartiality and even indifference towards their individual

identities, including class, religion or gender. It was widely assumed that to open the door to any special treatment threatened a return to the invidious world of nineteenth century patronage.

This double-play of specialisation and standardisation also mirrored and mimicked many of the organisational strategies of private corporations such as the larger banks and bigger car manufacturers, where routines and technical skills guaranteed replicant products to a vast market. The T-model Ford became the emblem of everyone's individual right to share a commoners' capitalism. That the image of a mass society that underpinned this vision was always something of an exaggeration did not prevent its popularity among decision makers. All social institutions exist first and foremost as exaggerations.

The certain grasp of this industrial model is now enfeebled by a new reality. Premised upon diversity and driven by a new scarcity of public resources, a reinvented ideal of public service seek to substitute standardisation with selectivity. Consequently in government services across the OECD system we have seen a proliferation of 'new governance' models. These are also grouped under the heading of New Public Management, although there are now so many successors to the first radical gestures of the mid-1970s that 'new' has lost its meaning. A more variegated orthodoxy now claims the ground once occupied by the old state-bureaucratic paradigm. Whether we call it post-modern (Fox and Miller, 1995), post-bureaucratic (Barzeley, 1993) or just 'neo-liberal' (Rose, 1996), the common commitments of this reform movement are found in the spread of privatisation, decentralisation and individual-centred responses to public needs. These adopted strategies suggest nothing less than a major strategic and cultural shift in the way advanced societies now seek to define the public sphere and the roles of citizens and officials within it (Hasenfeld, 1992; Handler, 1996:3).

The seeds of this revolutionary change are found in the turn from bureaucracy. Despite its central place in all accounts of responsible government, public bureaucracy now has few advocates and many critics. At all points of the political spectrum we now find a litany of complaints coming from social democrats, liberals, post-modernists and neo-conservatives – the state has become too big, too costly, too rigid, too standardised, and too insensitive to individual identities. This remarkable consensus appears to be a consequence both of actual deficiencies and of the emergence of anti-government ideologies associated with the new cultural power of business. As Fournier and Grey (1999:108) put it, the new vision 'seeks to stigmatise and marginalise bureaucracy, in general, and public bureaucracy in particular, as being outmoded and as functionally and morally bankrupt.'

Bureaucracy is viewed as a perjorative characteristic of all publicly-run services and thus of the modern welfare state itself. As we know, the classical exposition of the bureaucratic type came to us from Max Weber (1947). His model of modern governance placed its emphasis upon rational-legal distinctions between the different classes of officials wielding authority, upon clear rules for guiding the actions of those occupying these various ranks, and upon a strong form of supervision;

The authority to give commands...is distributed in a stable way and is strictly delimited by rules concerning the coercive means...

The principles of office hierarchy and of all levels of graded authority means a firmly ordered system of super- and subordination, in which there is supervision of the lower office by the higher ones.

In place of this impersonal service by a legal-rational technocracy we now see a governmental system which embraces the normative world of the entrepreneur and the organisational imperative of the polycentric corporation. The tools of reform are often those of the management consultant or the recently hired senior executive from a large bank or car manufacturer. But to make sense of this change we need to distinguish carefully between the act of reform, its strategy and its ultimate object. The process of enterprising the state may well be one which favours private sector methods and models, but the object of the process is still the state itself.

Using private sector methods does not, of itself, change government institutions into a private sphere. It is both premature and unnecessarily reductionist to equate the enterprising spirit with mere privatisation. The state organisations drawn into the new reform paradigm remain actors in their own right. Indeed we will see that the enterprising process may often empower executive actors within public organisations in new ways. These also typically remain organisations funded by taxes and they continue to seek ways to provide services for citizens. We will see that there is no act of social magic that can cause the state to vanish simply by calling those who fund and receive its services 'customers' or 'stakeholders'.

This enterprising logic certainly speaks with a corporate and market vocabulary, but this may be its means rather than its end. Central government purposes are evidently deployed through contractors, temporary commitments and private forms of implementation. But the state itself is also enterprised, strengthening its managerial and strategic power. Nowhere is this more evident than in the welfare state institutions of advanced capitalist societies. The nineteenth and early twentieth century struggles to centralize and regularize forms of assistance under the banner of citizen rights is now being disassembled into a world of different, partial and non-standard interventions. The virtues of a universal, industrial model of citizenship are now hedged and mediated by an interest in variation, experimentation and new forms of self-responsibility which advocates have called 'the new paternalism' (Mead, 1997). The new administrative competence required to individualize services in a manner capable to creating such self-mobilization by welfare clients, implies a state organisational system which has achieved 'entrepreneurial governance' (Osborne and Gaebler, 1992). Enterprising the clients turns out to be a similar process to enterprising the service providers.

The justifications for the deliberate dismantling of key parts of the old bureaucratic system highlight different aspects of its previous inadequacy and of its technological obsolescence. Mass institutions such as the public service have been variously pilloried for their 'Yes Minister' arrogance and their 'one size fits all' inflexibility. Which critique is selected in each reform episode depends on where the observer sat during the rule of

the *ancien regime*. In other words the end of the bureaucratic model is an achievement of overlapping complaints, not all of them imaginary. Politicians attack the unwillingness of senior officials to adopt new political programs and the tendency of civil servants to stick to 'tried and true' methods for solving problems. Budget managers and business think-tanks attack the 'tax and spend' approach to treating new issues with more and more programs. Citizen groups point out that large public agencies shield the powerful from legitimate community demands. And in the most surprising assault of all, bureaucrats in central agencies complain of the 'capture' of their colleagues by unions and others who they say make the public sphere an all too easy target for rent seekers.

Whether or not we accept these arguments in the terms presented, there can be no doubt about the new terms of debate. Global pressures on the advanced economies have intensified rapidly. Countries wishing to attract capital and secure their standard of living must shave costs at every possible level, including the level of government. But there is more going on than simply an energetic economy drive. Cost-cutting has opened the door to new ways of defining the public purpose. This has generated widespread interest in ways to do 'more with less' and to meet existing demands through cost shifting to other levels of government, to private organisations and back onto the shoulders of citizens themselves. An enterprising governance implies less government in some fields, re-regulation in others and greater self-governance in all (Kooiman, 1993; Aucoin, 1990; Boston et al, 1991; Caiden and Seidentopf, 1982; Knott and Miller, 1987).

These pressures signify both risks and great possibilities for advanced societies and their citizens. They promise a different world for the governed and a new power structure for the governors. We can no longer read the roles of public servants from a constitutional grid established from above, nor one driven uniformly through a bureaucratic code. Enterprised states are now constructed or 'made up' by the efforts of intersecting authorities seeking greater influence at ground level. The older focus upon basic legal and material rights has been joined by the efforts of states seeking to alter and mobilise the cultural power of new hybrid public-private institutions. Groups of citizens are selected for special treatments that seek to define their self-identity, or subjectivity as a far more precise object of official attention.

Sometimes this implies the surprising empowerment of consumers and sometimes the sudden withdrawal of their public rights. But everywhere it involves a greater interest in specifying and exacting measured performance, comparing the achievements of agents and increasing the flexibility and mobility of public resources. More than ever before the motivations and personal norms of actors are critically important to these questions of performance. Managers, professionals, clerical workers and clients are invited to enterprise themselves according to an ideal of improvement that shifts the risk of investment and consumption down closer to the level of the individual.

This new diversity has one critical anchor. Personal and organisational changes converge regarding the importance of comparing and measuring one's own actions and achievements against an ideal of self-responsibility and of self-enterprise. In its most



extreme form this implies a state role which is closer to that of the management consultant or the small business than to the older model of paternal insurer and provider. Social protection gives way to risk management. Security is replaced by a calculus of the entrepreneurial possibilities of running one's life, career or household as a solitary accomplishment. Government becomes less a matter of providing things and more a question of managing incentives (Yeatman, 1995; Rose and Miller, 1992).

The term 'enterprising state' being employed here derives from two research traditions. The first, most obviously, is the new management literature which for nearly twenty years has sought to apply private sector organisation theory to problems of state administration. Starting with Chandler's (1977) path-breaking study of the managerial revolution of the early twentieth century and culminating in Drucker's (1992) work on the 'new society of organisations', we have seen entrepreneurial ideals linked to broader conceptions of social development. In both these industrial and post-industrial management revolutions the state has been identified as the recipient, not the initiator of social innovation.

In a second research tradition popularised by Rose (1989), Gordon (1991) and du Gay and Salaman, (1992) the concept of enterprise is extended and radicalised to include not just organisational innovations but also ideas about the revised role and responsibility of subjects. The movement to increase flexibility, to embrace innovative information technologies and to decentralize social systems is here associated with new notions of agency and citizenship. As Almond and Rubery (2000:281) point out, the more general forms of decentralisation associated with the governance reform movement suggest different forms of state agency in each country. In the UK for example, the Thatcher period is recognised as one in which a pro-market regime actually led to significant increases in the state's power over such things as industrial relations, training and other labour market programs. Yet there is little doubt, even among antagonists, that the result of these more general movements has been the emergence of a new rationale for state action which is based upon commitments to individual choice, risk-taking and self-direction.

As King (1995:211) argues, this has created a new "version of social citizenship, promulgated by New Right pressure groups and conservatives" which seeks "to match any rights to assistance a citizen holds with a corollary set of duties which must be satisfied as a condition of the former." In a project which is openly defined as cultural, motivational and personal, the state seeks to change the character of the citizen, to re-make him or her as a self-enterprising agent. And nor is this ambition confined to neo-conservatives. Exponents of the 'Third Way' and other social democratic parties have also embraced the commitment to the new risk-taking entrepreneurship (Perri 6, 1997; Giddens, 1999).

In practice these more general forms of institutional change involve uncommon implementations. Politicians and public officials seek to blend and hybridize new strategies aimed at stimulating the performance of agencies and individuals. They invent new relationships with one another, replacing single-purpose agencies with short-term,

conditional relationships with suppliers, competitors and collaborators. This new flexibility in the definition of public services stimulates a complex power structure in which old hierarchies of state, market and civic agencies are forced to reconsider their relationship to government and to match the state's own self-enterprising dynamic by reinventing themselves in radical ways.

The book takes the enterprising dynamic as its theme, not its conclusion. The impact of a more generalised logic of governmental reform is found in the three different reform types or models, each of which takes some common performance commitments and welds them into a precise strategy of institutional reinvention. The models for enterprising the state therefore express an imperative and a normative structure, not a single institutional accomplishment. Three pragmatic types have emerged as competitors to the old bureaucratic approach with its focus upon law and procedure. Just as the post-war welfare state was expressed as liberal, conservative and social democratic regimes in different societies, so too the enterprising state allows more than one trajectory (Esping-Andersen, 1990). Each is driven by the historical commitments and established political deals between interests. This too suggests disjuncture, adaptation and hybridity (Young, 1995:163).

In four countries with proud records of social reform we will see these different strategies blend and exploit the instruments of the new public management in order to enterprise state organisations. Some seek to empower private contractors, some to bind public servants with new forms of performance management. All strive to change the role of citizens from one of entitlement to something involving new obligations and new forms of self-mobilisation, and perhaps of self-enterprise. One of our primary analytical challenges is to investigate the extent of convergence and re-standardisation. Is the new set of relationships a different kind of governance system, or the end of any settled idea about the role of government?

In examining *Welfare-to-Work* reforms in these four different countries we will see two processes at work. The first involves organisational change within the public service itself. Bureaucrats find themselves having to define their roles according to new demands and strict objectives. Outcomes, targets, commercial codes and private agreements govern more and more of what they are asked to do. Management science takes center stage and legal rules appear less potent as the measure of what needs to be done and how it is to be achieved.

The second process involves new relationships with other public and private agencies and with the citizens who receive services. Here we expect brokerage, selectivity and risk to assume a bigger share of the work to define public goods. This at least is the expectation with 'best fit' between the claims of proponents and the arguments of theorists. As an empirical claim this 'new governance' appears to require a dramatic empowerment at the front line where officials, contractors and clients take on more individualising roles. This may also come hand-in-hand with a new potential for impoverishment. Solutions to

problems are less likely to involve the guarantee of resources and more apt to require new forms of administration and motivation.

The enterprise tool-kit can be recognised as a number of familiar devices, each of which has its own role in these national systems. Each of the following instruments will be seen to contribute to the formation of more cumulative processes of change in the four country studies which follow. But first it is worth summarising their more generic features;

### *Performance Management*

In place of a public service which was criticised as overly interested in controlling the input-side of the budget, and in building public programs as a means to satisfy the strategic needs of bureaucrats, or those of their allies, reformers insist upon output measurement. The performance revolution that took place in the 1980s saw public organisations subjected to a host of management techniques aimed at convincing them to focus upon the specific results governments wanted. Program budgeting, corporate planning, the introduction of performance indicators and performance pay each contributed to this movement.

Managers, and particularly senior managers, sought to develop the skills necessary to construct performance schedules and methodologies by which their organisations would now be measured. They looked to business schools to provide training and to private consultants to model the organisational structures needed. Driving the changes from above were central agencies such as Prime Minister's offices, Treasury bureaucrats and a few enthusiastic politicians who saw the performance system as a way to both increase control and cut costs.

### *Entrepreneurial Action*

In place of the view of public agencies that held standardised implementation as a primary virtue, governments now see public organisations as having a responsibility to create their own new means to address problems and meet demands. To be entrepreneurial is to invent a range of different implementations, experiments and innovations. For example the US commitment to 'entrepreneurial governance', embodied in Vice President Al Gore's National Performance Review, has favoured bureau cutting at the top of the civil service and flexible innovation at the bottom (Gore,1993).

An existing tradition of 'contracting out' services has been strengthened, but now with fewer rules about which activities need to stay within the public service and which are to be given back to citizens, shared with private markets or abandoned altogether. Citizens in one part of a program no longer need to expect the same service as those elsewhere and far greater value is placed upon risk-taking as a means to locate and create efficiency.

### *Principal-Agent Separation*

In order to protect a new role for public policy makers, reformers frequently seek to distinguish between the functions of the 'principle' and those of their 'agents' (Donaldson,1995). Often this split is expressed in an attempt to divide the public

sector into executive organisations and those that invent an appropriate management system to produce the agreed set of outcomes.

In the UK the process of civil service reform associated with the Thatcher and Major governments this is perhaps best exemplified by the Next Steps initiative. By separating policy making departments headed by ministers from service delivery agencies headed by Chief Executive Officers, and by linking the two through public performance agreements, the UK reformers enacted one notable form of 'principal-agent separation'.

A similar logic informs efforts to bind contractors in both the public and private sectors into performance agreements in which the executive arm accepts a new role for itself as 'governing at a distance'. With fewer burdens at the service delivery end, government sees itself as liberated from the industrial relations and the direct management costs associated with program implementation. Shifting resources around the system is therefore viewed as far easier since cuts and cost shifts are now embedded in private agreements with firms and semi-independent public organisations. Even the employment contracts with public servants may come to resemble private agreements, provided unions and arbitration institutions can be weakened.

Meanwhile the division of management expertise into either steering or rowing rather than both promises a new specialisation (Osborne and Gaebler, 1993). Enacting public programs now becomes an act of purchasing rather than a skill at day-to-day administration. Non-executive politicians are implicated in the new division between steering and rowing and find themselves distanced from both the patronage opportunities afforded by a single public service and from the chance to represent their constituents inside the service.

### *Quasi-Markets*

A further step in the process of institutional de-coupling sees central government actors empowering more than one agent to bid for and then produce a defined set of outputs. This serves not only to improve the agent's skills in producing a defined output, but also puts new pressures on them to measure their costs (or prices) against another agent's willingness to take their place at the front line.

In the New Zealand and Australian health systems the use of 'quasi-markets' has placed service delivery organisations in direct competition for both resources and clients. Armed with standard methods for measuring the cost of similar procedures, hospitals and health centers engage in efforts to win a larger share of services previously allocated by regional and political methods. Choices about which services to offer the 'principal' government authority therefore rest upon decisions about local competitive advantage and the wise use of spare capacity.

For the policy makers at the senior executive levels of public organisations the creation and active shaping of quasi-markets offers a new form of rationality. Under older notions of deliberative action organisations were thought to test and compare different means to

reach any given goal. Cost benefit analysis and the application of utilitarian principles for selecting programs provided the much debated basis of this rational actor model. But the real life demands of the model were almost always too heroic for cost-strapped public organisations under political pressure to make quick decisions.

The competitive contracting-out of programs, substitutes a new, equally powerful rationale for decision making. The different approaches used by contractors become the alternative (experimental) implementations of the program and by shifting new business towards the agents with the best performance, policy makers can promise new forms of efficiency.

### *Citizen Responsibility*

The final common theme informing the contemporary reform movement is the idea that those receiving services should become more active on their own behalf. This has two related, but not altogether consistent, manifestations. The benign part is a concept of consumer sovereignty borrowed directly from activism in the private economy. To curb the inflexibility and stubbornness of the old fashioned bureaucracies governments may attempt to give clients more choice in the selection of their services. In some departments this takes the form of requiring bureaucrats to consult with their customers, to gather customer satisfaction data and even to include customers on advisory panels or 'user boards' (Considine,2000). At its strongest this pro-consumer stance also identifies increased choice as a key means to empower clients. Rather than 'one size fits all' and the other parodies of bureaucratic service, a new approach sees officials responding to customer demands by fashioning individual programs. In other words choice becomes the motor to drive a new appreciation of diversity.

The second element of this consumer responsibility theme is the idea that those receiving services from government should contribute more. This is both a financial and a normative strategy. The first is simply a means to raise changes on service users. User payments, co-payments and vouchers provide a way to raise the funds needed to provide a service. These devices offer a means to shift costs back onto citizens, clients and their families. However the active involvement of clients may also include requiring them to provide part of their own service. This is often represented by reformers as a way to personalize the service.

Self-service is viewed as a means to activate or mobilize clients and thus to reduce their dependence on government. But changing the service may also require an attempt at changing the identity of those involved. Rather than stay in hospital, patients could recover at home. Parents and children then become carers and nurses. In place of social security payments more people may be encouraged to take out private insurance for unemployment, sickness and old age. In place of pensioners we then governments actively creating new identities for self-funded retirees and self-risk managers.

## Four Model Strategies

While these common themes and justifications suggest the workings of a single ‘enterprising’ imagination driving the definition of public service, in practice we will find the organisational reforms produced according to these various imperatives to be fashioned from local institutional material and born of political compromise. The same enterprising urge can beget different offspring, even if the gene pool is much the same. So between a single realized model of the newly enterprised state and the host of untidy accommodations of old and new techniques of organisation are some important choices for reformers. We will define these choices as ones which reflect four different narratives or images of governance, and thus embodying four possible types of authoritative action. One is the old bureaucratic types, the other three are our ‘new governance’ types.

In other words, the themes of public sector reform that have emerged across these advanced capitalist systems in the past ten years actually allow a variety of possible realizations of ‘new governance’ in practice. In selecting these four basic types this study does not insist that they are the only models which can be imagined. Indeed every individual plan for reforming a program or agency usually extols its own version of the ‘new governance’ repertoire.

But to compare the major *Welfare-to-Work* reforms in these countries we must first identify what it is that they may hold in common. So we will sift for their core elements, using the ideal-types as a standard and as a means to calibrate the distance between pure principle and the messy world of actual achievements. The strategy types are therefore a means for opening up the problem of defining and explaining the new public sector and its primary purposes. Finally, where we observe actual practices combining elements of different types, the process of hybridisation itself can be compared with the strength or weaknesses in the original types.

These four models are the ‘procedural’, ‘corporate’, ‘market’ and ‘network’ models of public action. These are discussed at greater length in the next chapter where their historical origins and central claims are compared. The first is the older form of public organisation run by laws, rules and precedent. Although its last rites have been frequently performed we seek at least to check its vital signs. The second type conforms to the managerial initiatives and their interest in performance. Here rules are less important than plans. Precedent is replaced with output targets and program measures. This is the model world of managerialism that offered to save hierarchical systems of command from the first complaints of costly inflexibility.

The third type places contracting at the center of the organisational system and seeks to define value through the competitive allocation of tasks among a world of independent agents. The contracting state therefore embodies the idea that market mechanisms do better than older forms of co-ordination. The fourth imagines a network of public and private agencies taking over the joint delivery of public services. Using enhanced communication and negotiation to bridge the gaps between organisations involved in

bringing services to the same populations, network governance expresses the reformer's hope that co-production might become the alternative to divisive markets and rigid hierarchies.

### **Comparing *Welfare-to-Work* Institutions**

To explain the enterprising of these states the book looks in detail at the same set of public institutions in Australia, the Netherlands, New Zealand and the United Kingdom. *Welfare-to-Work* is a short-hand description for a complex mix of public institutions, rights and entitlements. In a wider debate it also suggests the decline of 'entitlement' programs and the rise of forms of assistance which are more conditional. For our purposes these *Welfare-to-Work* institutions may be defined as programs which involve the granting of income support to those who undertake to search for work. These programs originate in a public mandate established by legislation, and may include the use of ancillary services such as training, counseling or health care. These are dynamic and controversial services that sit at the very center of the welfare state's modern purpose. In reforming the way these services are organised in four different systems we will examine far more than the routine treatments meted-out to unemployed people, important though that task may be. In addition we will inquire into new forms of public service, a different power structure in the public sphere and perhaps even a radically different means for understanding the role of the state in the post-industrial era.

Why these four countries? Since the point of the study is to explain and theorise new forms of public organisation it was important to choose systems with an obvious interest in, and commitment to governance reform. Australia, the Netherlands, New Zealand and the United Kingdom each have a well deserved place at the top of the OECD's list of the most energetic public sector reformers. From different starting points they have each worked to fashion new programs and new techniques for meeting the challenges of global competition and a revised state role. And while arguably the vanguard of the OECD 'new governance' movement, these four are not necessarily representative of anything but those seeking major change. As Shand (1996: 64) puts it, New Zealand and the United Kingdom are considered 'radicals', while Australia and the Netherlands are classified as more 'measured' in their embrace of the new models. Less enthusiastic are the civil law countries, Japan and the federal level in Germany. A different book would be needed to explain why some countries rapidly embraced change while others dragged their feet or shielded themselves from such pressures. The purpose here is to understand the dynamics and choices for those who sought the pioneering path.

Since reform is always built within institutions with distinctive histories, it was important to have some variation in institutional context. This provides a means to judge the extent of generalised change and the degree of path-dependence. Australia and New Zealand are post-colonial societies with imported institutions and vulnerable economies. They also own reputations for social innovation, including controversial affections for the neo-liberal model of reinvention. The Netherlands and the UK are mature capitalist societies with long traditions of public service.

All four countries have *Welfare-to-Work* institutions that are run by the national level of government. In 1996 when these four were selected for study they had unemployment rates within the middle band of OECD rates. The Netherlands was lowest with 6.8 percent, New Zealand had 7.3 percent, the UK had 8.7 percent and Australia had the highest rate at 8.9 percent (OECD, 1996). Further, the choice of countries was made with different forms of public-private involvement in mind. Two of them (Australia and the Netherlands) had recently reformed their bureaucracies by bringing private organisations into the center of the service delivery role. The other two had reformed an existing set of public service organisations to make them more responsive to the ‘new governance’ agenda. Clearly there would have been advantages in choosing a larger group of countries. For instance it might be thought that any attempt to investigate the impact of New Public Management without including the USA is rather like staging Hamlet without the prince. But as most readers will understand the US case is too diverse and complex to allow easy comparison. Its federal government mandates employment programs but then cedes responsibility for implementation to the states and in some cases to the counties. Consequently there is no single US case but more than fifty different forms. A plausible case could also be made for including a Scandinavian example, perhaps Denmark where *Welfare-to-Work* reforms have been energetic and comprehensive. In the end the choice of the four was determined by the limits of one person’s capacity to undertake detailed fieldwork in different countries during the same period. It will be for others to explore the extent to which the enterprising dynamic and attendant governance strategies might be a competent framework for the analysis of these other systems.

The study focuses upon one single field of reform – public welfare and employment assistance. This was chosen because it is both a major commitment of all these systems and because it is a service which links government directly to its citizenry and to labour and capital. Why study only this one policy field? There are no methodological imperatives for choosing one field rather than a number. Other fields such as health or agriculture might have shown different manifestations of the new governance changes, but limited resources compel us to selective efforts.

But if one major sector is to be used to explore these issues then this one has many merits. Whatever else might be said about unemployment and the welfare state’s response to it, these services cannot be viewed as marginal to the public sector’s historical role. As a window into the wider realm of governance relations this single vantage-point therefore has more advantages than many others. It is a primary function in all advanced systems, it uses considerable funds and it employs hundreds of thousands of public servants. Indeed the combined total of employment service and social security staff makes this the largest in many countries. More than this, the plight of the unemployed holds a mirror to the new organisational systems being developed in advanced societies. As Beck (1986) argued in the German case, the unemployment crisis questions the social contract between citizens and the state. The restructure of public welfare and employment services, particularly where that involves more market-oriented, post-bureaucratic systems, therefore grants



insight into both the cause and effect sides of one of the most important questions of our time. It allows us to reverse the usual question ‘What are governments doing about the nature of unemployment?’ by also asking, ‘What is persistent unemployment doing to the nature of government?’

How they do it, who helps them, what resources they have available and how they devise strategies to overcome obstacles and resolve conflicts are the questions to answer. In the answers lie the best clues we have for understanding the new architecture of politics. The big questions about public authority, governmental purpose, accountability, discretion and performance all rest upon the strategies and achievements of these front line officials working with new forms of governance. We need to know more about the way they tackle their jobs, how they interact with suppliers, supervisors, competitors and clients. Then we may explain how and whether a new governance system constitutes a break from the more universal system of rules and procedures which characterised the old order. We also need to know how far these systems have travelled towards flexible, competitive, self-enterprising or co-produced services of the type imagined in ‘new governance’ aspirations.

An important omission from the study concerns the experience of the job seekers. They were not interviewed and neither were they surveyed. Again, this would have required another study of even greater complexity. Job seekers cannot be ignored however. Much of what the advisers talk about is their interactions with these clients. When officials recount their experiences of their jobs we do learn quite a bit about the way unemployed people use the service and battle to achieve things they value. But there is no avoiding the fact that this is second-hand testimony and therefore somewhat partial. While all those we spoke to or surveyed expressed commitment to their clients, there is no getting around the fact that these officials have their own stake in the system and that this often involves differences and conflicts with clients. So in drawing conclusions about the interactions that take place at the front line the book will mostly try to describe only the reality that exists for officials and their organisations. In the final chapter we will examine some of the implications which these have for clients, but as to their own reactions and strategies? They will have to await a different study.

### **Summary of the Argument**

In the chapters which follow we will see how services are shaped by the new ideals of governance. The broad thrust of the enterprising dynamic will be shown to shape the changes which each system has enacted in the late 1990s. Commitments to de-coupling of public organisations, the use of private agencies to deliver public services, the greater reliance on contracts, the employment of performance targets and the new demands upon staff to be selective and flexible in their interactions with clients will be observed in all four cases. This set of commitments will be shown to overshadow and often supplant the norms of the older bureaucratic code. Proceduralism, universal treatment and standardised interventions will be shown to be on the wane.

Using interviews and surveys of front line staff the book will identify the emergence of the three hypothesised strategies – the corporate, market and network. The core values and tools of these new approaches will be shown to be robust, measurable and distinctive. Far from being mere catchwords or transitory rhetorical flourishes deployed only by ministers and consultants, these types will emerge as very real engagements enacted within the core of these services, touching staff members, agencies and clients alike.

At the outset it seemed more probable that each system would tend towards one or other of the four strategies. The UK was expected to lie closest to the traditional procedural type because on the surface its Employment Service had retained most of the universalist norms of the Westminster bureaucracy. The New Zealand case was presumed to lie closest to the corporate type because in that country reformers had apparently done most to borrow a unified ‘reengineering’ model direct from the private sector and had avoided the resort to competition among public and private agencies. The Australian case, on the other hand, appeared at the outset to own all the necessary attributes of the market, or quasi-market type. A single public service system had been replaced by a multi-agency system in which competitors struggled to fashion local business plans which reflected the price government paid for successful outcomes for job seekers. And in the Netherlands case the long history of corporatist institution building was expected to result in a powerful imperative towards networking. This is confirmed by the extensive literature on Dutch consensualism and by the official justifications for the inclusion of private recruitment companies in the public employment services system (Lijphart, 1968; Visser and Hemerijck, 1997)

Each of these expectations proved open to challenge once the general model of governance was viewed as a practical achievement at the ground level. And among a number of important surprises was the fact that a new hybrid strategy emerged as heir to the traditional governance type. This new type was generalised across the four countries and was found to be a strong form of coherence and certainly more impressive than many of the things which distinguished national systems from one another. Although expressing distinctive, measurable differences in the way agencies organise their power, the corporate and market types actually expressed a single dimension composed of a powerful hybrid set of commitments. Termed ‘corporate-market governance’, this is presented as the new form of organisation now replacing traditional commitments to bureaucratic treatment and legal-rational authority. It shows the more general enterprising dynamic to be *both* a broad normative structure and a practical, robust strategy. Target-setting and central control co-habit with price-sensitivity and competition. Flexibility is conditioned by a strong commitment to specific performance obligations, and various forms of discretion and risk-taking are found to work within, not against the state’s power to compel certain common outcomes, including cultural ones.



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