

Reversing Privatization, Rebalancing Governmental Reform: Markets, Government and Citizen Participation

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Overview

- Late 20th century experiment to expand role of markets in local government service delivery
- Privatization experience uneven
 - Lack of cost savings (Bel and Warner 2008a, 2008b)
 - Increases Inequality (Warner 2006)
 - Undermines Citizen Voice (Warner and Hefetz 2002)
- Reversals appear in the late 1990s
- Not a return to old bureaucratic delivery, instead
 - A shift to a new mixed position –
 - markets *and* public delivery
- Rebalancing Governmental Reform – Pragmatic Approach

Understanding Reversals

- Limits to Market Approaches
- Critical Role of the State
 - In constructing the social and legal foundations for markets to function
 - In acting as a market player - ensuring competition, regulation
 - In promoting innovation
 - In creating spaces for democracy and community building
 - In public planning to build a long term view
- Challenge – Finding the right balance

Reversals

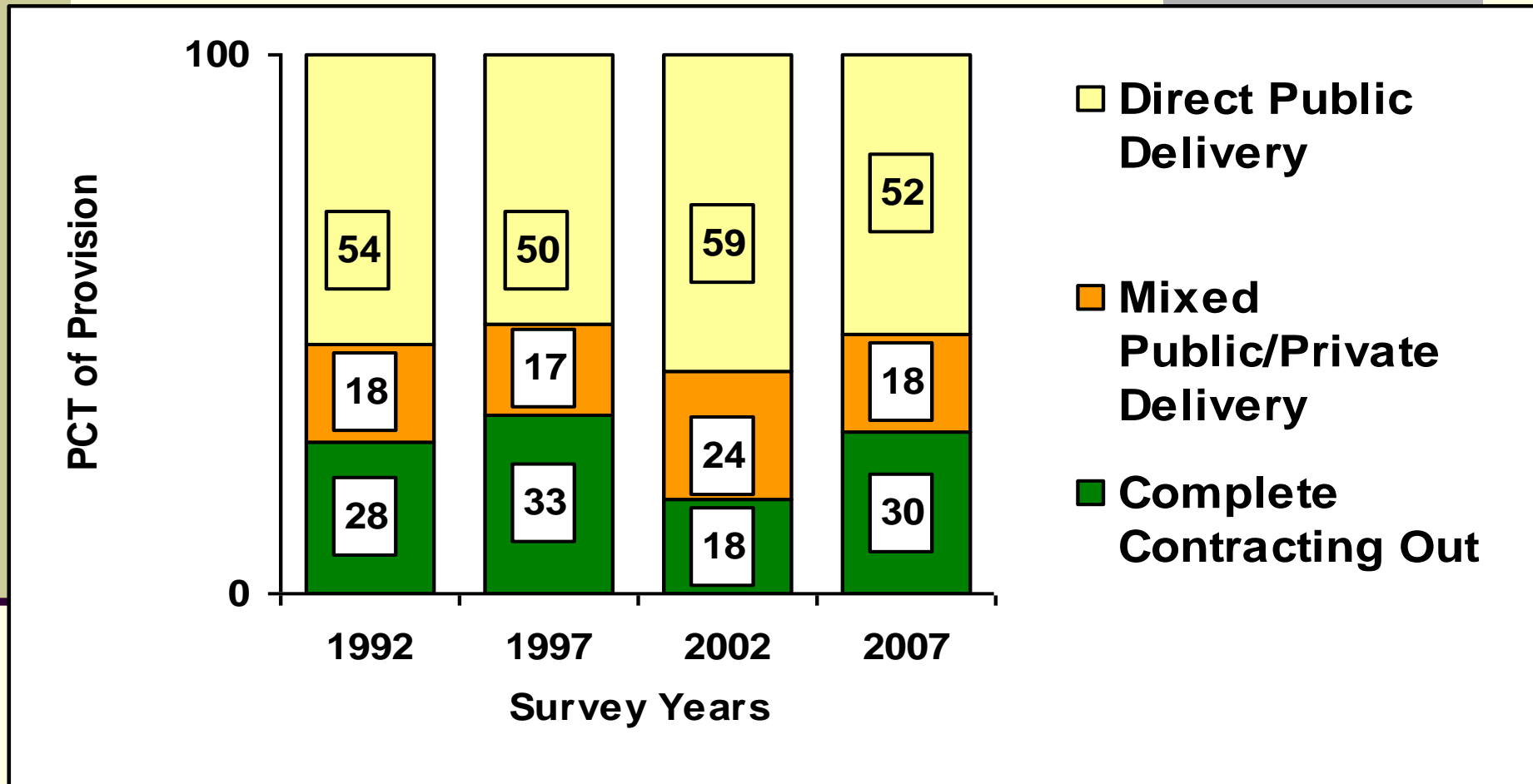
- United Kingdom
 - End Compulsory Competitive Tendering (1998). Shift to “Best Value” framework, ‘contestability’, ‘scrutiny’
- New Zealand
 - 2002 Local Government law to restore governmental capacity and build an accountability framework.
 - Recognize multiple roles of local government
 - balance economic development, social wellbeing, environmental management and civic engagement.

Reversals

- United States – pro-market orientation but privatization never compulsory
- Contracting Out Peaks in 1997
- Rise in public and mixed public/private delivery
 - ensures government capacity – internal knowledge, innovation
 - market management - competition, benchmarking &
 - citizen voice in service delivery process

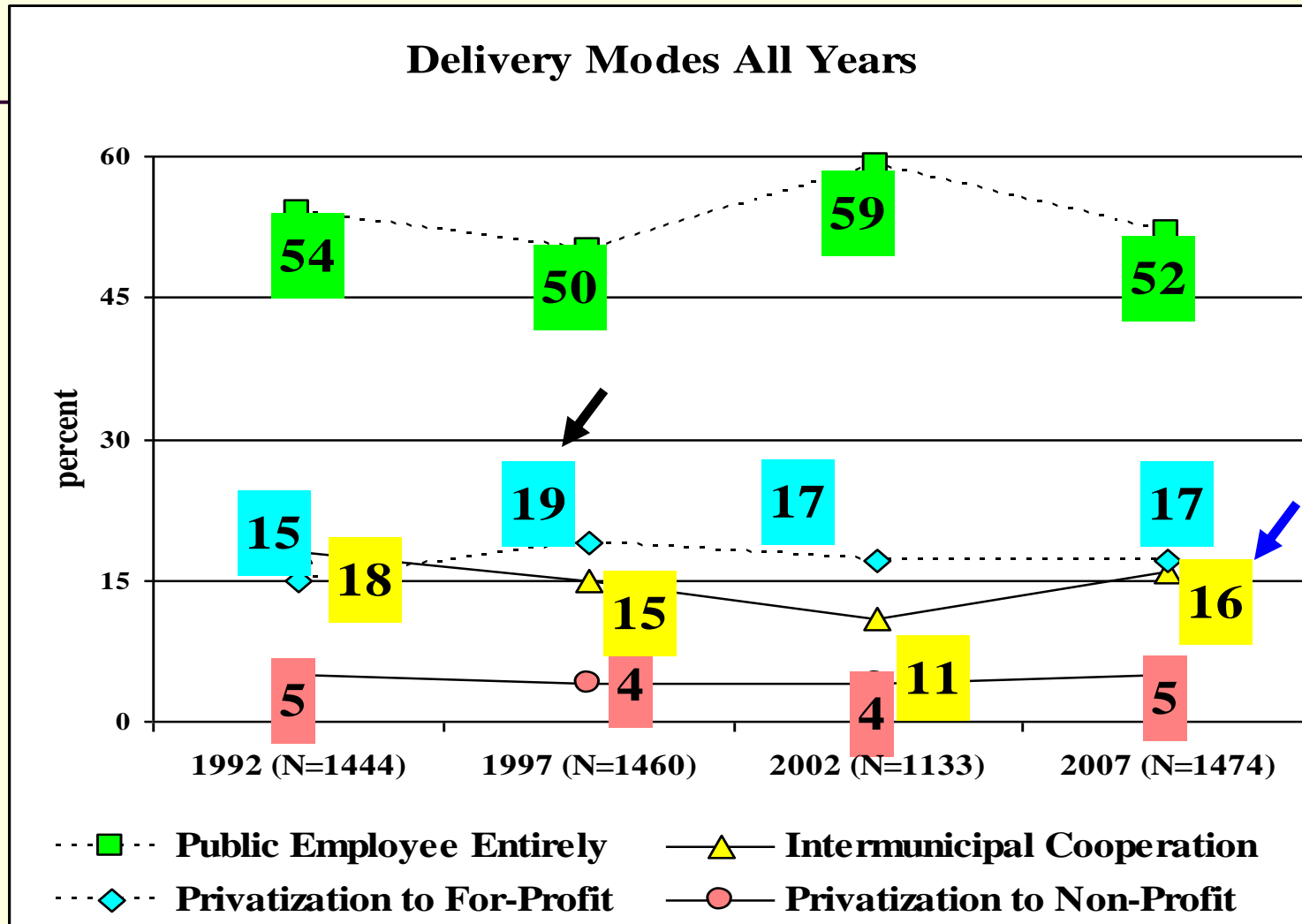
Contracting Peaked in 1997

Dynamic Process of Innovation and Reform



Source: International City/ County Management Association, Profile of Alternative Service Delivery Approaches, 1992, 1997, 2002, 2007 Washington DC. (Warner and Hefetz 2008) Sample Size 1100-1500 US municipalities nationwide

US Privatization Peaked in 1997



Average provision as % of total provision

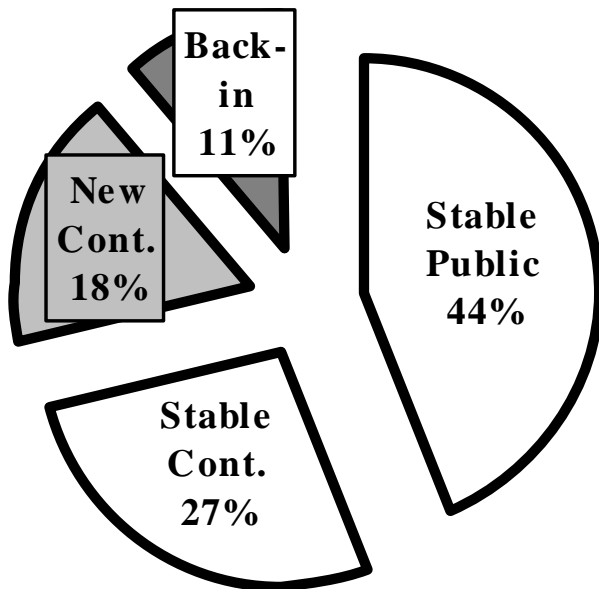
Source: International City/ County Management Association, Profile of Alternative Service Delivery Approaches, Survey Data, 1982, 1988, 1992, 1997, 2002, 2007

Reverse Contracting

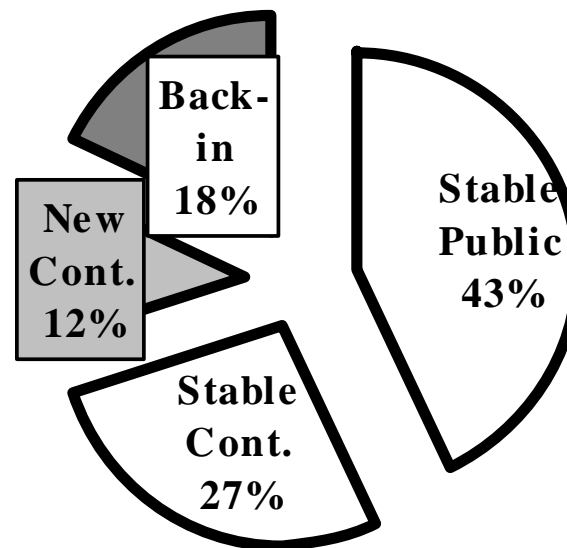
- Local governments re-internalize (in source) previously contracted services
- Reasons: (Managers' Views)
 - Problems with service quality (61%) and lack of cost savings (50%),
 - Internal process improvement within the public sector (33%)
 - Citizen interest in bringing work back to public sector (25%)
 - Problems with Contract Management (17%)
 - (lack of competition, monitoring difficulties)

Most Delivery is Stable (contract or public), Experimentation is at the Margin

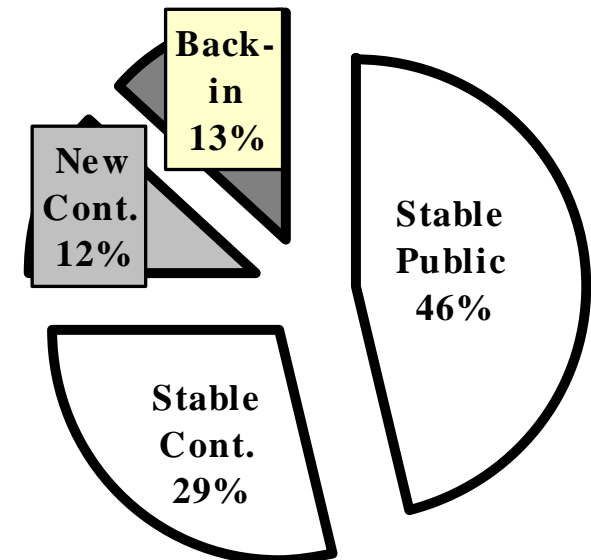
1992 to 1997



1997 to 2002



2002 to 2007



Average percent of total provision across all places.

Source: ICMA Survey of Alternative Service Delivery Approaches, 1992, 1997, 2002, 2007 Washington DC. US Municipalities Paired samples. N=500-600 (Hefetz and Warner 2004, 2007)

Cycles of Reform:

#1 Bureaucratic Management

Problem – corruption, cronyism

Solution – Public Bureaucracy - Technical Management, Expert Driven Planning, Separate Politics from Administration, Attention to Due Process

New Problems:

- Bureaucratic Rents
- Unresponsive, inflexible
- Inefficient
- Oversupply public goods

Cycles of Reform:

#2 New Public Management

Problem: Inflexible, unresponsive, slow

Solution: More Market – Competition, Privatization, Consumer Choice, Performance Management

New Problems:

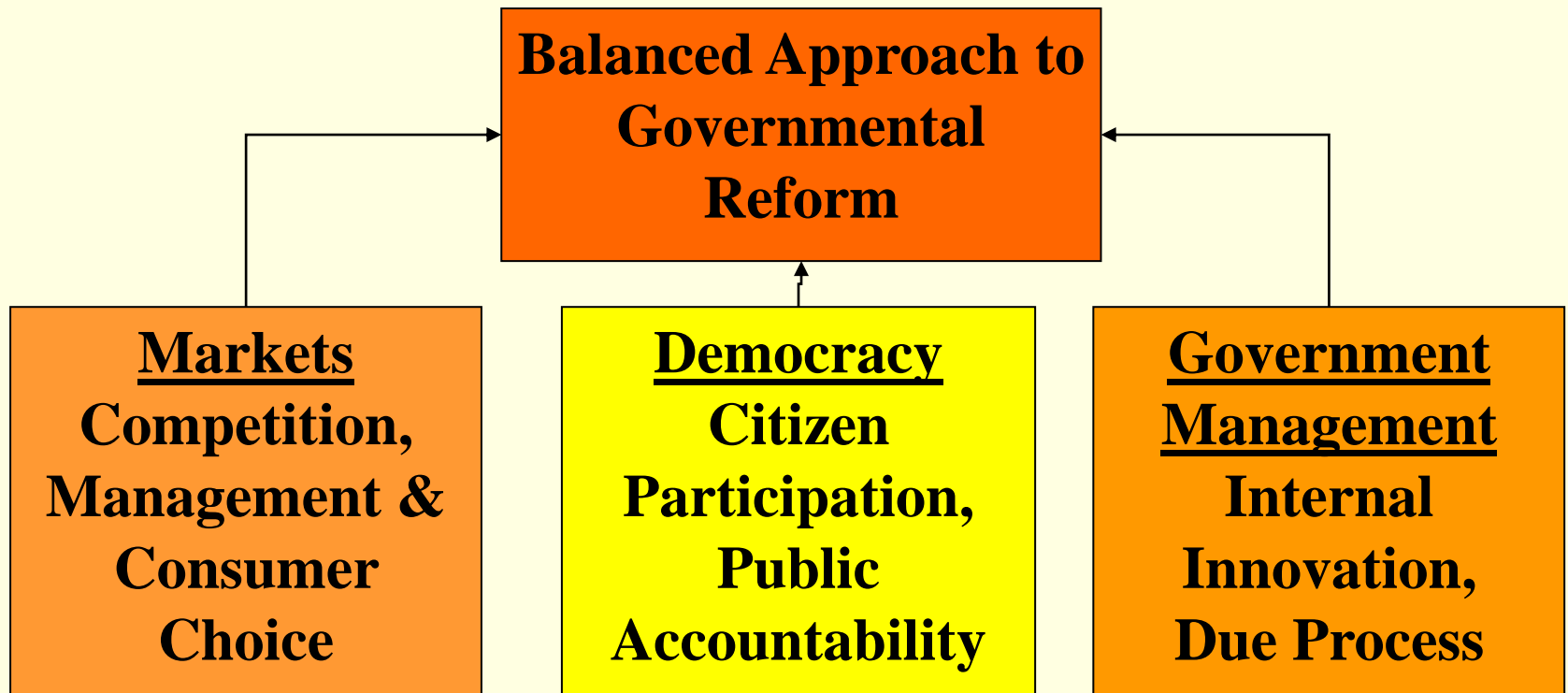
- Markets concentrate – competition erodes
- Contracting expensive, hard to monitor
- Relational contracting leads to collusion
- Citizen voice \neq consumer choice
- Competition creates inequality
- Decisions not socially optimal – preference misalignment, information asymmetries
- Loss of democracy and due process

Cycles of Reform:

#3 Reassertion of a State Role

Problem: corruption, costs increase, lose control

Solution: Rebalancing Reform – Markets,
Government and Citizen Participation



Learning from Past Reforms - Need to Balance Market and State

- Institutional Framework for Markets is Socially Constructed
 - Often lags market development (eg Post Socialist Transition)
 - Requires governmental capacity (regulatory standards, anti-trust law, enforcement capacity)
- Many Public Services are Natural Monopolies – public monopoly better than competition (Warner and Bel 2008)
- Human Interaction is more than market exchange: Redistribution, reciprocity, engagement
 - Privatization shifted the social contract, undermined citizen rights to services
- Community building is the ultimate public good
 - Public services provide the mechanisms for citizens to learn to engage heterogeneous differences

Government Role

- Market Manager – ensure competition, create institutional foundation for markets, regulation
- Bureaucratic Management - technical expertise, broader, longer term vision
- Deliberative Space – public engagement

- Public Service Provision is about more than cost & quality,
 - Includes accountability, voice and redistribution

- Reversals not a return to public delivery of the past
- Reflect a new balanced approach:
 - Markets, Government and Citizen Participation

Role for Unions: Frame the Debate in a New Way

Old Myths

- Markets are superior to government.
- Public sector workers are selfish and inefficient

■ Current Realities

- Markets are short term, self interested and unstable, but are also a source of innovation
- Government provides
 - the infrastructure that supports the economy and social wellbeing
 - the space for a collective conversation about long term societal goals.
- Public sector workers are innovative, service oriented and stewards of the broader public good.

Role for Unions

Within Country

Promote Internal Process Improvement – This is Critical

Recognize Need for Labor Flexibility

Recognize Need for Customer Service

Ensure Accountability – be the whistle blowers

Reclaim the Public Service Ethos - Protect Citizenship Rights

Internationally

Ensure contracting and labor standards, regulatory authority of sub-national governments

Watch GATS negotiations (Gerbasi and Warner 2007)

Sponsor a global conversation about the positive role of government

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