



# Cross-sector partnership and human services in Australian states and territories: Reflections on a mutable relationship

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## Abstract

Under Australia's federal system subnational governments fund the delivery of a wide range of public services. In particular, state and territory governments have increasingly looked to the non-profit sector to deliver human services under contract. Over time, the contracting regimes employed by public sector commissioners have taken on more 'relational' characteristics, accompanied by a gradual softening of public sector resistance to non-profit sector input into policy development. Nevertheless, the Australian non-profit sector is fragmented and, although policy capacity within the sector has undoubtedly matured, it is also unevenly distributed. Almost two decades of contracting has left its mark on organisational culture. There are fears within the non-profit sector that it is organisations with the largest 'market share' that gain a seat at the policy table.

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## 1. Introduction

In the industrialised west, policy interest in the non-profit sector coincided with a reconsideration of the respective roles of the public and private sectors, often with a view to reducing the responsibilities of the state (Seibel & Anheier, 1990:8). Following the lead set in the rest of the Anglo-Saxon world, Australian sub-national governments enthusiastically embraced *New Public Management* (NPM) which offered policy pathways towards smaller, less intrusive government, greater choice, responsiveness and improved economic and technical efficiency *via* the mechanism of competition.

Accordingly, Australian state and territory governments have increasingly looked to leverage the capacity of non-profit providers to meet social policy objectives. This has occurred *via* the implementation of performance-based funding and *via* competitive tendering and contracting for the provision of statutory services. Although the state remains the final arbiter of public policy and the preeminent funder of public goods and services, policy and service provision are increasingly delivered in partnership with non-state actors (Alford & O'Flynn, 2012; Bell, Hindmoor, & Mols, 2010). As a consequence, non-profit organisations are today essential partners in the implementation of social programs and policy.

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Our paper examines the principal drivers of purposive government engagement with the non-profit sector and the factors that influence non-profit policy capacity and capability. In particular, we consider the examples of cross-sector policy engagement in two Australian sub-national jurisdictions, New South Wales (NSW) and the Australian Capital Territory (ACT). The paper draws upon interview data for two out of 15 jurisdictions that made up a larger comparative case study of formal cross-sector relationship frameworks. This research involved semi-structured in-depth interviews with 43 senior policy actors, including current and former chief executives of sub-national intermediary organisations and senior government officials. Insights gained from the interviews were triangulated with relevant primary documents (including numerous official reports, policy statements, official websites, press releases, speeches, *etc.*) and scholarly literatures pertaining to non-profit policy and the roles played by non-profit organisations in the mixed economy of welfare.<sup>2</sup>

The situation in NSW and the ACT is described briefly, followed by a discussion of a number of factors that impinge upon the effectiveness of collaboration at the sub-national level. We conclude by reflecting on those characteristics of the non-profit sector that serve to moderate its capacity for policy impact.

## 2. The challenge of ‘new governance’

Neo-liberal thinking led a transformation of previously accepted notions of how the state ought to fulfil its policy aims (Gidron & Bar, 2010; Laforest & Acheson, 2012). Governments now rely upon non-state ‘agents’ to provide services to government that were once provided ‘in-house’ (outsourcing inputs); and to deliver services on *behalf of* government – a phenomenon referred to as ‘third party governance’ (Alford & O’Flynn, 2012; Heinrich, Lynn, & Milward, 2010). Whether the state has ‘shrunk’ (Laforest & Acheson, 2012), or ‘hollowed’ (Rhodes, 1994), or is ‘congested’ (Skelcher, 2000), the fact remains that the performance of government functions relies as never before upon the participation of non-state actors (Alford & O’Flynn, 2012; Bell et al., 2010).

In concert with this transformation, the non-profit sector worldwide has grown in both size and policy salience (Gidron & Bar, 2010; Kendall, 2009; Laforest & Acheson, 2012). Non-profits are often presented as the solution to problems of market failure or state failure (government failure) insofar as they:

- meet residual demand for services not provided by the state (public goods theory);
- operate in markets characterised by information asymmetry (contract failure theory);
- tend to complement family and informal networks and create social capital; and
- provide an avenue for the state to deal with diversity, the need for experimentation or address complex social problems (Seibel & Anheier, 1990:14; Bryce, 2006; Heyse, 2006:18; Steinberg & Powell, 2006:2).

The public and the non-profit sectors now exist in a symbiotic relationship of mutual dependence: government depends upon leveraging the capacity of the non-profit sector to assist in achieving its policy aims, and the non-profit sector, through its willing engagement in marketised service provision, has become increasingly dependent upon government funding (Gazely & Brudney, 2007).

Governments justify the use of non-profit service providers by extolling their presumed capacities for responsiveness, nimbleness and innovation (McDonald, 1999; McDonald & Marston, 2002a, 2002b). However, the relationship is also asymmetric: government wields formal authority as regulator and considerable financial power as a monopsonistic funder/buyer. Such asymmetries can act as impediments to working across sector and domain boundaries by reinforcing rigid, hierarchic procurement and accountability frameworks that can compromise the very qualities sought by public sector commissioners (Smith & Smyth, 2010).

## 3. NPM and contracted human service delivery

Paulsen (2006) observes that the human services sector has been the proving ground for NPM-inspired market-focussed service provision. He states:

<sup>2</sup> This larger study of formal cross-sector relationship frameworks was conducted by one of the authors as part of his PhD candidature at the Australian National University.

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