

ALTERNATIVES FOR PUBLIC SECTOR REFORM

Co-operatives & the ASD Debate



by **Evert A. Lindquist**

PUBLIC SECTOR REFORM is proceeding apace in all parts of Canada and at all levels of government. To a degree, these reforms involve the creation of new structures, such as special operating agencies, executive agencies, contracting out, privatization, devolution, and partnerships. Another important aspect of these reforms is the adoption of new ways to organize internal operations, to deal with clients or citizens, and to improve performance accountability.

One of the striking features of the debates over whether and how to effect these changes has been the absence of discussion about co-operative forms of organization. I find this curious, because these debates have not been just about how to arrive at more efficient, less costly, and essential government. They have also concerned how to create more responsive, effective, and accountable government and government employees, and how to build community.

I would like to raise the profile of co-operatives with respect to these debates over public sector governance. In this article, I review the different strands of alternative service delivery (ASD) thinking, describe how co-operatives generally fit into the continuum of ASD alternatives, and the implications they pose for the larger debate on ASD.

WHAT DOES ALTERNATIVE SERVICE DELIVERY MEAN?

The term “alternative service delivery” emerged in Canada during the early 1990s during an era when governments across Canada were looking for different ways to provide services once delivered by public sector bureaucracies. Although interest in ASD emerged initially due to fiscal concerns, it also has much to do with improving the quality of services and improving the capacities of civil society. As I suggest

later, it is these latter concerns that create opportunities for co-operatives as an alternative vehicle for delivering public services.

Fiscal Imperatives & ASD

The earliest and most compelling reason for the growing interest in ASD is that Canadian governments were under enormous fiscal pressures in the late 1980s. Most governments decided that they needed to get deficits and debts under control and that they had to confront growing tax fatigue. Political leaders became acutely aware that, politically, tax increases were not a winning strategy for fighting deficits. Moreover, it became clear that relying on repetitive, across-the-board, budget-cutting strategies was poor public management. This implied significant expenditure reductions and re-orientation of programs.

There are soft and hard forms of this commitment. The soft commitment presumes that reductions are necessary meas-

ures in the shorter term: once a sustainable fiscal trajectory is achieved (i.e., one that permits debt reduction) then expenditure in different policy fields could rebound, even if the mix and priorities of programs differed. The hard commitment comes from individuals and governments who believe in the need for permanent reductions in the scope and effort of government. Even if they recognize an important need for public goods, they prefer non-state actors to assume more responsibility for providing them.

These pressures led political and administrative leaders to initiate program reviews and to ask ASD questions. These included such options as special operating agencies, executive agencies, and contracting out, as well as a host of different ways to deliver services (single window offices, ATM machines, electronic transactions, etc.). That the public was more open to change (otherwise higher taxes!) allowed political lead-

tween government and other sectors are quite diverse, involving many different kinds of arrangements with charities, nonprofits, firms, volunteers, and other governments. These partnerships tend to be formed to achieve specific purposes and vary greatly in terms of scope, financing, and accountability. They lend themselves to experimentation, since several partnerships can be put in motion. The main advantage of partnering with co-operatives is that it would provide governments with yet another flexible tool for delivering specialized services or tailoring them to local communities.

Co-operatives, though, have been associated with another, more radical, ASD option: that of privatization. When governments consider privatization, we often presume this entails shifting services to for-profit concerns, in part to gain access to private capital. But privatization can also mean awarding responsibilities to nonprofit and co-operative organizations, through employee takeovers for example, since the co-operative attempts to combine commercial discipline with greater employee involvement. For-profit concerns and co-operatives are similar in that they seek to maximize returns on investment. Arguably, however, co-operatives may do a better job of keeping surplus revenues in both the enterprise and the community.

Co-operatives differ significantly from the autonomous agencies connected to government such as operating agencies, executive agencies, and Crown corporations. Although each agency enjoys a degree of autonomy from government, they remain the responsibility of ministers. The crucial difference between autonomous agencies and co-operatives is that the latter define their responsibility fully in terms of employees, members, or clients, and not in terms of ministerial priorities, except to the extent that they are guided by government regulations. Of course, many autonomous agencies were created precisely to permit managers to focus more squarely on client needs and to find more flexible ways to deal with employees. Nevertheless, the co-operative concept deserves serious consideration in ASD deliberations.

CO-OPERATIVE ALTERNATIVES & THE ASD DEBATE

Co-operatives suggest different ways to restructure government and offer new standards against which the claims of other alternatives can be judged. Their many different applications in so many sectors of the economy and society prod us to think more carefully about:



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Redefining public services. Co-operatives affirm the importance of public and quasi-public goods, while de-coupling the notion of “public” from state or government agencies: what is the appropriate level of community at which to design and deliver a public service?

Building social capital. Among public sector leaders, think tanks, and academics has emerged considerable interest in Putnam’s notion of “social capital.” Although co-operatives are not the only way to build social capital, they are clearly one means of doing so by ongoing involvement of employees, members, or clients - a process that does not rely directly on governments.

Ensuring accountability. Although accountability is an important issue in the ASD debate, it tends to be discussed in terms of more closely defined contracts and better reporting by delivery agents to ministers. For co-operatives, accountability instead tends to be defined with respect to employees, members, or clients, who through fuller engagement in the work of the organization are better able to hold it to account. The co-operative experience suggests that, in addition to improving external accountability regimes, ASD alter-

natives should be assessed with respect to how they improve internal accountability.

Injecting realism. The ASD debate contains its share of advocates and hyperbole. I have been struck by the modesty and realism of co-operative advocates when they describe the challenges of establishing co-operatives. This suggests we examine more carefully the claims attached to any ASD option about “building new cultures” and “involving employees and clients in decision-making.” This raises another important question: how does employee and user involvement influence the design and delivery of public services? Can quality services be delivered by other ASD forms without a similar engagement?

Promoting innovation. Although some co-operatives are large enough to dominate an area or sector, many are associated with meeting local or niche needs. Do co-operatives, in fact, lead to more local innovation, particularly when it comes to service? When innovation does occur, how is knowledge of the innovation diffused to other organizations? These questions should be posed to all ASD options.

Working with employees and unions. Co-operatives have long been accustomed to dealing with financial and competitive challenges in a business-like fashion in both unionized and non-unionized sectors. This suggests that the most formidable barrier to the restructuring of government may not be unions, but how public sector leaders engage and involve employees.

By making these points, I do not mean to argue that co-operatives should be the only solution weighed in ASD decisions, nor that they always constitute the best choice. Rather I am suggesting that co-operative models should be considered. Their very existence provides another form of ASD with respect to engaging and mobilizing employees and communities.

FINAL THOUGHTS


Co-operatives deserve fuller consideration as an important ASD option, if only because of their ubiquity and success over the years. Co-operatives take seriously such central ASD themes as engaging employ-

ees and clients and improving accountability. They also constitute one means for rebuilding trust in public services and governance (even if their work to date has not been tightly linked to federal and provincial programs) and for expanding the capacities of civil society.

Co-operatives will not be appropriate for delivering all public services, particularly when standardization and redistribution may loom as important issues for government. Most government leaders and academic observers are skeptical about “magic institutional bullets” that purport to solve every problem. Political leaders, public managers, and citizens should consider experimenting with multiple alternatives for delivering a service, so that performance can be compared and the more successful approaches can gradually absorb

the less successful ones. Such a strategy would lower the overall risk to society, reap the benefits of competition, and yet maintain a commitment to public goods, even as it supports experimentation and innovation.

The co-operative movement is a huge and diverse one. Accordingly, there is considerable divergence among co-operators on such issues as the appropriate size of government, the role of co-operatives in assisting with the creation of other co-operatives, and on the role of unions. As governments begin to explore the co-operative alternative, it follows that the basis for engagement with co-operative representatives should *not* focus on reducing the size of government or on the virtues of the private sector. Rather, the focus should be twofold: first, on developing new partnerships with employees, citizens, and com-

munities to provide better, more responsive and effective services to citizens; and second, on increasing engagement, responsibility, capacities, and accountability on the part of citizens and communities. 

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