Been there, done that, still hoping for more

or

Personal reflections on participation for the public good

Peter Shergold

Essay

Let the reader beware. Whilst this essay is, I hope, objectively written, it is committed. By that I mean two things. First, it is aspirational. It is driven by a fervent hope – and by far more cautious optimism – that Australia can develop as a participatory society. That goal, in its diverse manifestations, seems to me to be the holy grail of public and social innovation.

History does not seem to be on my side. Trust in governments and politicians is at low levels. A Roy Morgan Research Poll undertaken in 2008 showed that only 23 per cent of respondents gave Federal MPs, and 20 per cent State MPs, a high or very high ranking for ethics and honesty – although it's worth noting that both groups scored a paltry 7 per cent back in 1998. Confidence in public servants was not much better, at 29 per cent. Meanwhile, membership of traditional organisations such as churches, trade unions and political parties has been declining significantly. Trust and engagement are the twin pillars of a participation society. In their absence the ties that bind – the networks of 'social capital' that underpin civility, respect for others and a collective sense of mutual responsibility – are loosened. In Robert Putnam's wonderful metaphor of American individuality, citizens end up bowling alone.

Second, I have form. The manner in which I marshal my evidence reflects two decades as an Australian public servant. If I had been a former minister, the ex-CEO of a not-for-profit organisation (or even a real academic), I like to think I would have come to similar conclusions. The way in which I would have prosecuted my case, not least the emphases struck, would almost certainly have been different.

In 1987 I took leave from my position at the University of New South Wales. My absence lasted rather longer than I had expected. For twenty years I worked at senior levels for four prime ministers and eight ministers across the political divides, often on matters that were the subject of fierce Parliamentary contest and media scrutiny. When I look back on the main issues to which I contributed policy advice or administrative oversight it's a pretty eclectic list. Chronologically it begins with the Hawke Government's commitment to a National Agenda for Multicultural Australia and ends with the Howard Government's commitment to the introduction of an emissions trading scheme. Between lie the legislative enactment of native title legislation in response to the Mabo High Court decision, the writing of a values-based *Public Service Act*,

implementation of the *Workplace Relations Act* and changes to the higher education system. I held positions of authority during the response to Aboriginal Deaths in Custody (on the one hand) and the Northern Territory intervention (on the other). I was there during the waterfront dispute, the war in Iraq and Australia's response to the Asian tsunami. I was deeply involved in welfare-to-work initiatives and in the establishment of the Higher Education Endowment Fund.

I served during the early months of the Rudd Government, taking some pride in the seamlessness of the process of democratic transition. I left at the end of my contract not because I was pushed. I confess that my departure was not 'to spend more time with my family' but because, in spite of finding great reward and value in public service life, I had come to believe I could now derive more satisfaction outside the public service than within.

To many of the academic colleagues I left in 1987 I had displayed the political instincts of a chameleon and, at least to some, the morals of a lizard. Worse, by far, my career as a mandarin could be typified as that of an economic rationalist – a distinctively Australian term of abuse. I comforted myself by seeking to display the professional qualities that I thought were required of a traditional senior public servant within Australia's version of the Westminster system of government.

I was secretary of a number of departments of state. Secretaries, I should note, are no longer permanent. In 1994 the innocuously-named *Prime Minister and Cabinet (Miscellaneous Provisions) Act* effectively removed continuing tenure. Yet, in spite of having fixed-term 'contracts' their influential role remains. Their powers, however, are appropriately limited by the structures of governance. Today, as in the past, public service leaders have a significant capacity to persuade the government of the day but their advice is usually hidden from view. It is for governments to set political directions and take decisions and, whether bureaucrats like them or not, it is their responsibility to administer them with dedication and commitment.

This, to me, is a foundation upon which a more participatory democracy should be built. My palpable frustration is not with this political substructure, but with how the edifices set upon it have remained so unimaginative. There are forms of architecture governance that can enhance the development and delivery of public policy by engaging more citizens in more engaging ways. By doing so, opportunities are provided to create a more inclusive and civil society, strengthened by new manifestations of social capital and marked by renewed interest in diverse varieties of social innovation.

The obstacle, curiously, is not politics. The virtues of participation can be argued across the political spectrum. Although there are rather unconvincing attempts to establish new ideological

distinctions between ‘conservative’ and ‘radical’, and between ‘neo-liberal’ and ‘social democratic’, the aspects of political participation which interest me straddle the old left-right divide. Doing my best impersonation of Sir Humphrey Appleby, I find that I can argue the case for greater citizen engagement equally convincingly from the perspectives of shifting power from the state to the individual (right?) or of building a more inclusive and caring society (left?). I can base my rationale either on the democratic rights of individual citizens (left?) or on the civic responsibilities that they bear (right?). I can posit the benefits of greater involvement of non-government organisations either from the perspective of creating competitive markets for the delivery of public goods (right?) or from that of enabling greater community engagement (left?). My point is simply this: the politics of participation is complex but not fatal.

Rather, the problem is a lack of imagination, insufficient courage and too great an abundance of caution. Too many good things have happened in the delivery of government services only for their beneficial potential to be stymied by being argued for the wrong reasons and/or undermined by a failure of political nerve or bureaucratic inflexibility.

Let me get personal. I enjoyed immensely the opportunity to administer the newly-established Job Network in the late 1990s. I was somewhat surprised but delighted at the capacity of community-based organisations to scale-up and/or create consortia to deliver labour market services just as effectively as the private sector businesses against which they successfully competed. I remain convinced that the quality of services delivered to jobseekers was better, and the outcome costs lower, than under the Commonwealth Employment Service’s government monopoly.

Yet my enthusiasm has been progressively diminished by the blinkered vision brought to the administration of Job Network members, reflected in an extraordinarily intrusive contract management. If the Commonwealth Government is paying providers on the basis of outcomes (essentially, success in placing people into work) then there is little justification for prescriptively-determined micro-management by bureaucrats. All that is required is for public servants to ensure that the conduct of outsourced providers is ethical and that their aggregated expenditure is publicly accountable.

The difficulty has become clearer to me with the wisdom of hindsight. The establishment of Job Network was argued almost exclusively in terms of cost savings and, to a lesser extent, service quality. The implicit danger was that contracted providers might behave in ways which brought political controversy. Indeed, I remember well the media storm about one community-based organisation spending ‘taxpayers’ money’ funding haircuts for job applicants. The most exciting potential advantage of outsourcing – that competition would generate social innovation in assisting jobseekers – was lost. Instead, well-intentioned public servants have felt the need to get themselves

involved in the internal management of the providers. Many providers, and particularly not-for-profit organisations, feel that they are being moulded to become little more than the government agencies that they replaced. I don't believe that this is the inevitable outcome of such initiatives.
A few days ago, as I was finishing up this essay, I enjoyed the opportunity to share a cup of coffee with Chris Hall. Chris bears testimony to the old adage that if you want a job done well ask a busy person. He is the CEO of UnitingCare West, the President of the Board of the West Australian Council on Social Service (WACOSS) and the Co-chair of the Community Employers' Forum. He has been at the forefront of the relationship between governments and the not-for-profit organisations who increasingly deliver public programs and services under contract.
UnitingCare in Western Australia runs about thirty funded programs from sixty-five different cost centres across such diverse areas as disability, mental health, independent living, residential accommodation, drug and alcohol rehabilitation and child sexual abuse. (At the national level, UnitingCare Australia has a close relationship with Wesley Uniting Employment, a successful Job Network provider that has a commitment and ethos that I continue to admire.)
Chris and I were talking about the regulatory burden of bureaucratic red-tape that increasingly weighed down on not-for-profit service delivery. 'Governments can't purchase a service from us and then tell us how to run it,' he argued. 'It won't happen when we've built Australia as a participation society,' I replied. Actually that's not true. I just thought it or, more accurately, hoped it. My job, I knew, was to try and write it down.

Back in November 2008 I was asked to deliver the Spann Oration to the New South Wales branch of the Institute of Public Administration Australia. To an audience of the converted, or at least sympathetic, I extolled the new and exciting changes occurring in the processes of governance, which had profound implications for public services. Let me reprise a few of my arguments.
I think it is a good thing that the provision of policy advice is becoming more contested. The views of officials (such as my old self) now compete with those of political advisers, lobbyists and policy think-tanks. Community-based not-for-profit organisations advocate with increased professionalism. The implementation of policy is increasingly contracted out and delivered through the private and 'third' sectors with the public service retaining responsibility for oversight, evaluation and accountability.
At the same time, and significantly extending these developments, new configurations of policy influence are emerging. All demand new ways of doing things and new forms of leadership behaviour. At the heart of these changes lies the growing importance of collaboration – both across government agencies and jurisdictions, and between the public, private and not-for-profit sectors.

In most instances governments, and their public services, remain as a hub, with spokes of community-based delivery. More occasionally genuine networks are emerging, with interconnected webs of political authority.

Until now the traditional structures of Westminster have continued to frame the relationship between Australian governments, public services and the community sector. Recently, more complex institutional structures of governance are emerging. They take many forms. Some challenge the premises of representative government by embracing - albeit in a rather inchoate and somewhat reluctant manner – the idea of joint responsibility for public policy. What I mean by that is the opportunity for those outside the formal structures of governance (individual citizens, community groups and contracted providers) to help design and deliver publicly-funded programs and services. Instead of being recognised merely as 'stakeholders', to be informed and consulted on government policy, there is the possibility for non-government players and third-party agents to work together in the construction and implementation of public good.

Private-sector and community institutions already deliver services to and on behalf of the government outside the traditional structures of governance. The key characteristics involve the allocation of government business, by public-service tender, with conditions set by contract. The goal is to harness market competition. Payment is made on the basis of outcomes and tenders awarded on the criterion of performance. The contracted organisations enjoy greater autonomy with respect to delivery processes than is normal in public-sector agencies. Crucially public services (the purchaser) remain accountable as managers for the use of public funds by the contracted body (the provider) for the delivery of government programs to the citizen (the client).

In aggregate, not-for-profit organisations (particularly in the area of social welfare) have become more reliant on government funding. More importantly, and often the reason for their increased financial dependence, the form of government support has changed. Governments are now relatively less likely to provide submission-based grants to not-for-profit groups to support artistic endeavour, community sport, social welfare or the environment. Rather, they are increasingly attracted to awarding competitive contracts for the delivery of their programs. Instead of providing funding to organisations to pursue community goals which governments agree to be in the public interest, governments are now more likely to tender out to community organisations the delivery of public services.

Outsourcing by the Commonwealth and State governments began in early 1990s as a competitive form of procurement. It used the market to secure best value-for-money and better quality of service in achieving government outcomes. It required public-service contract management to

guarantee required standards and to assess performance. It is time that this rationale for third-party delivery took on a more adventurous form. Increasingly – it has become evident to me – the success of outsourcing depends on ongoing collaboration between public service and delivery agents. It calls for relationship management, in order to facilitate social innovation and ongoing improvement over the long term.

A contractual relationship, initially based upon rigid compliance to prescriptive administrative guidelines, has the potential to be transformed by collaboration. Third-party delivery, particularly through third-sector organisations, has the capacity to evolve into partnerships in which public and community goals and values become not only more similar but more creative in delivering public benefit.

I hope that these are not vain dreams. A variety of new network arrangements, many still in the early stages of development, suggest to me that an evolutionary process is under way. Government, it would appear, is being transformed into an 'enabling state'. Sources of authority and influence are becoming more diffuse. A 'shared power world' beckons. This is not to suggest that I see any indication of a diminution in the desire of government to shape society. Indeed government appears to be embracing new interventions. It now seeks to extend its influence to private behaviour in areas such as smoking, use of alcohol, sexual conduct, obesity and respect for the rights of others. The present financial crisis has brought renewed interest in forms of government regulation, intervention and even ownership.

What we may be witnessing is the evolution of a far more participatory, 'centreless society' in which public policy is made and delivered by an interdependent mix of government, markets and networks. The traditional hierarchical procedures, formal organisation and rules, procedures and conventions are being replaced by institutional relationships in which sources of influence are fragmented. The exercise of power is becoming more diffuse.

More players get to play a part, including a diverse variety of social enterprises. More organisations are engaged with the political process, even as the number and influence of individual members of political parties wanes. Community-based organisations are accorded a greater role. It is a new process of governing, involving non-state actors, in which the boundaries between the public, private and third sectors are becoming more porous.

This is exciting. It opens new prospects. Not-for-profit organisations have the chance to play a more influential role. But I do not want to exaggerate the speed or substance of change. Public services remain central to coordination. They retain positional authority. In exercising government, the bureaucracy continues to dominate.

Public services are still at the political heart of governance networks. They retain extensive powers. There are many reasons: their resource capability; their collective experience and knowledge; their legislative and regulatory authority; the financial control they wield through grants, loans and contracts; their access to influence; and their exercise of covert power (by which I mean nothing more sinister than the provision of advice to governments on the basis of confidentiality).

The processes of public-sector collaboration often continue to reflect implicit hierarchical relationships between the players. Their structure is often externally imposed by governments. To a significant extent, they decide on the form and extent of third sector representation. Their public services can exert power through access to information and their capacity to marshal resources. They benefit from direct access to government ministers.

Structures tend to maintain public service dominance. The real work of collaboration is generally done in committee or through secretariat, usually organised and dominated by the bureaucratic 'host'. Decision-making continues to reside with governments. While neither public services nor governments operate within the networks of governance as 'just another organisation', the environment in which they wield their influence is changing. Public services are playing out a traditional role in contemporary circumstances. Increasingly – outside or within government – their power is that of persuasion.

I am not naïve. There is a long way to go. The reality is that the integration of and innovation in the delivery of government programs is unlikely in traditional bureaucratic arrangements marked by hierarchical authority, administrative rigidity and a strong culture of control. The better alternative, as Jim Hyde has noted in examining the requirements for health system reform, is a 'pulsating organisation' which can reduce or increase its own role through collaborative contact, external interaction and facilitation of joint responsibility. Jim works in Victoria's Department of Human Resources. He illustrates the extent of thinking which is going on within public services. Yet the reality is that the integration of and innovation in the delivery of government programs is unlikely to come easily to many of his colleagues.

My intuition and experience suggest that public services, and the governments they serve, still exercise their persuasive talents in an environment characterised by asymmetrical power. It is not yet, and perhaps cannot ever be, a partnership of equals. Community-based enterprises negotiate from a position of disadvantage. The obvious question is whether not-for-profit organisations should avoid entering into contractual relationships with governments, knowing that – no matter how politically protected they are by a compact or charter of civil engagement – they remain

relatively weak when bargaining with the formidable strength of public service agencies speaking with the authority of government.

Community enterprises will always struggle by virtue of the fact that their values-driven ambitions have an infinite capacity to outstrip the resources available. A not-for-profit organisation, committed to community benefit, will find it difficult to harness voluntary labour, raise donations, collect fees or earn interest payments on investments that are sufficient to meet its expanding goals. As the global financial crisis transforms itself into a worldwide economic downturn, the challenge of raising sufficient funds to meet growing demands will preoccupy many social welfare institutions.

Australian not-for-profit organisations have a long history of successful commercial operations. Many have embraced the market to raise funds that can be ploughed back into community benefit. That explains in part why, when governments started to contract out the delivery of their programs, not-for-profits were so successful in winning and retaining business. They are now substantial players in governance.

However, the extent of their success intensifies the challenges that they now face. Community-based groups define themselves in terms of their vision. Values underpin the ambitions that are articulated in organisational mission and goals. Values are their reason for being. Unfortunately, in the relentless pursuit of the resources that can make their mission manifest, there is a danger that collaboration with funders – and particularly governments –can progressively undermine social intent.

The danger I see (and fear) is that in a world in which access to the levers of democratic power are palpably unequal, not-for-profit enterprises may find themselves being reduced to minor partners in contracted governance. Their wonderful strength – devising community-based, socially innovative approaches to the delivery of public benefit – may be dissipated if their potential for critical insight and new approaches is undermined by the welcoming embrace of governments. At worst, they may come to resemble arms of government.

Let me be clear. Now, as when I was a public servant, I am attracted to these new forms of government. In an era in which party political affiliation has declined, a robust and raucous squabble of community enterprises gives life to democratic process. In their influence on public policy, however, not-for-profit organisations need to be provocateurs as well as partners. Individually, and collectively, they need the inner strength of conviction that builds a civil society. They need to preserve the knowledge and belief that they can make their own futures without government funding and irrespective of government support. It would be a disappointment if, for

the very best of reasons, the capacity of social enterprise to influence governance was lost. It would be a tragedy if contractualism stymied opportunities for genuine partnership.

Collaboration in governance involves a recognition of interdependence across a network of institutional structures. It depends upon accepting mutuality of interest. It should not unthinkingly assume consensus. The parties will often come to the table with competing interests. Their different perspectives will only be resolved – indeed they will only properly be understood – by honest interaction and genuine negotiation. The entire process of seeking solutions needs to be iterative: not just reaching agreement on answers but jointly framing the questions and identifying the problems. That ethos should lie at the heart of the National Compact to which the Rudd government is committed and on which the Parliamentary Secretary, Ursula Stephens, has so widely consulted.

A culture of collaboration between the state and the third sector is crucial to the creation of a shared power world. Building that represents a daunting task. Yet there are even more exciting possibilities on the governance horizon. Opportunities are emerging for citizens, as individuals or local groups of shared interest, to influence significantly the form in which public support is provided to them.

One option is to fund small-scale, bottom-up social initiatives that are community-based. Instead of trying to fit the proposals into a government-constructed agenda, or fund them from within the existing range of prescribed government programs, people need the opportunity to identify and resolve local problems.

This is what I, at least, had in mind when I enthusiastically embraced the notion of Shared Responsibility Agreements with Indigenous communities a few years back. My idea was to focus negotiation between public servants and community leaders on specific concrete problems for which both sides would take responsibility for finding a solution. The goal was for ownership of projects to arise from inside communities and be financially supported by the Commonwealth government from relatively small amounts of discretionary funding. By building on the resourcefulness of those within the community, it offered greater chance of success.

In modest ways and for short periods they worked. The Commonwealth website is still up. The Agreements, it emphasises, were to be entirely voluntary: the 'community decides the issues or priorities it wants to address, how it wants to address them and what it will do in return for government investment'. There is even a map, 'current as at August 2006', of the communities that had participated.

SRAs (for acronyms give a false sense of public service permanence to the fluctuating moods of governments) taught me that which I would have preferred not to learn. The experience revealed to

me that even with the genuine goodwill of many public servants, the UK's School for Social Enterprise is correct: 'valuable initiatives can lose many of their potential benefits by being put through conventional governance aims and processes'. Bureaucracies (and larger community organisations) find it hard to think local. I observed a constant pressure to make the community initiatives greater, to link them to broader government programs, to 'roll-out' to communities that were not ready and to 'scale-up' to wide-ranging Regional Partnership Agreements. There was an obsessive interest, from some Indigenous organisations as much as public servants, with governance structures. Small is rarely beautiful (or sufficient) in government.

I am chastened but not disheartened. I find hope in new dimensions of participation focussed on the delivery of governance to individuals. New forms of partnership are evolving between people who rely on publicly-funded programs (such as jobseekers or those in need of disability, aged care or health services) and the governments, public services and contracted providers who deliver them. It's known as 'co-production'.

To the extent that citizens are allowed to contribute to the design of their own services to meet their own needs, the various initiatives are often articulated as 'Consumer Directed Care' programs. They allow recipients of government programs to participate in the design and control of their own 'individual budgets'. Funding can take the form of direct government payments, 'cashed-out' programs, service vouchers or – less boldly – active involvement in tailoring a package of existing programs in ways that best suit them. The watchwords are self-advocacy and empowerment.

As so often in public policy, the theory (and the terminology) have run ahead of reality. Yet, at both the Commonwealth and State government levels, there are emerging new approaches which are premised upon providing Australia's citizens (in which I include, of course, permanent residents) with greater opportunities for participation in accessing the public services that they need.

Centrelink is now trialling personal services brokerage for young refugee jobseekers in Fairfield in Sydney and Broadmeadows in Melbourne. Billed as "a genuine collaborative effort to take a fresh look at the way Centrelink and the local community have been servicing young refugees", the object is to give the jobseekers ownership of their goals and allow them to take responsibility for achieving them. The challenge is whether the government broker providing personalised assistance, or indeed the community workers and organisations who lend support, have the sensitivity to hand over sufficient power to make the venture a success.

More broadly, jobseekers are being offered increased flexibility in negotiating individualised 'Activity Agreements' with their Job Network provider (which may well be a contracted not-for-

profit organisation). Supported by a pool of money called an Employment Pathway Fund, individual jobseekers are now given the opportunity to tailor for themselves a mix of vocational and non-vocational work experience, educational and training activities to help them secure employment.

At the State level the Western Australian government has introduced an Intensive Family Support program for families who are seeking respite to continue caring for a family member and for families with a child under eighteen with a disability. The Victorian Transport Accident Commission has initiated an Individual Funding Agreement that allows those who have sustained severe injuries to self-purchase programs. Clients directly, or through brokers, can make their own plans on the attendant and support care they require.

The range of opportunities to increase the participation of government service recipients in the design of the programs they require is wide. I was recently talking to an erstwhile colleague of mine, Gavin McCairns. We continued a conversation we had begun when we worked together on welfare-to-work. Presently the State Director of the Department of Immigration and Citizenship in NSW he had, before I knew him, worked for the New South Wales Department of Housing. In examining how best to manage public housing estates Gavin had explored ways to increase tenant and community involvement through neighbourhood boards. Community renewal, as he noted, is dependent on building partnerships which involve residents in decision-making. While public services need to retain responsibility for ensuring appropriate accountability for the expenditure of public funds, they must also base relationships with community organisations on trust. The goal is not to 'give power away' but to collaborate.

(A somewhat disheartening reflection on the challenge of public service reform is that only a couple of weeks back I received a visit from an enthusiastic young man from the NSW Department of Housing. He was seeking examples of social innovation. He was unaware of the thought-provoking Discussion Paper put out by his own Department nine years ago. I gave him my copy. How many good ideas in public policy lie neatly stacked at the bottom of unopened filing cabinets?)

Perhaps the greatest progress in the area of individualised funding in Australia has occurred in the provision of government services to people with a disability. I'm presently a member of the Western Australian Economic Audit. My particular interest is in how service delivery might be improved. It's given me the chance to meet with Ron Chalmers who heads up the state's Disability Services Commission which, for two decades, has embedded the principles of partnership and co-production into the Local Area Coordination support strategy. Coordinators help people with a disability and their families and carers to plan, select and receive the services they need. Small

amounts of direct funding are also available. In Ron's view providing personal choice and control has been highly valued both by those with disabilities and their families. Certainly the approach has now been taken up by other states and territories.

The Victorian government, which has also been a leader in the provision of individual support packages for disability services, makes it clear that recipients are able to choose and change service providers. Indeed, more radical reforms have been foreshadowed. While recipients of disability services can agree to have their funding go directly to a combination of service providers and financial intermediaries, there are also options (presently limited) for individuals to sign a deed of agreement directly to purchase the support they require. A Direct Payments project is being trialled which will transfer an agreed amount of funding directly to a person with a disability, a family member or carer. They can then purchase support in line with an agreed plan and, if they wish, administer their own funding.

By promoting a market for disability services in which program users are treated as informed clients, while advocating social justice through the active participation of citizens, individualised funding can make its pitch to both ends of the political spectrum. It rejects the 'one size fits all' approach to service delivery which, far too often, has served to turn not-for-profit providers into arms of government or extensions of public service bureaucracy in delivering programs to citizens. As Charles Leadbeater has extolled, on the basis of UK experience, 'personal budgets and self-directed services mobilise the intelligence of thousands of people to get better outcomes for themselves and more value for public money'. The 'self-directed services revolution', Leadbeater enthuses, offers a transformational approach to public service delivery. Yet to fulfil its revolutionary potential will require public servants committed to revolutionary intent, willing to share power with the communities and citizens that, through their Ministers, they serve. It requires governments, their public services and their outsourced providers to comprehend that the power they wield has in effect been ceded to them by communities and individuals. This, at its heart, is the 'contractual' basis of democracy.

The welfare state often envisaged needy citizens as clients of a patrimonial state. Traditionally service users were perceived as grateful recipients. More recently they have been portrayed as informed shoppers in a market for public goods. The co-productive state, by contrast, conceives all citizens as active users and designers of publicly funded services. Whilst they can call on the knowledge and expertise of brokers, facilitators and case-workers inside and outside of government, they are in control. Indeed 'In Control' is the name of a British program that gives force to these ideals. The right of citizens to access individual budgets is premised on the right to

self-determination: they ‘should be able to decide how the money that pays for (their) help is used’ and ‘decision-making should be made as close to the person as possible’.

I am an enthusiast for the opportunities for political and community participation offered by co-production. In the words of Vern Hughes, who is National Director of Social Enterprise Partnerships in Melbourne, co-production opens the door to ‘demand-side’, ‘person-centred’ care and support. It can provide a lifeline of self-reliance for those who too often feel helpless victims of a system over which they have no control. It offers the chance to replace dependence and isolation with dignity and involvement. The people who rely on government services get the chance to participate in defining the problems that they face and, to varying degrees, in developing and implementing solutions. They have an opportunity to choose how, when, where and by whom they will receive the services they need.

Where Vern and I perhaps differ on ‘the empowerment agenda’ is in his view that governments should cease funding peak bodies and advocacy groups and direct the savings to consumers and their intermediaries. Perhaps because I view personal budgets and self-directed services through the prism of participatory governance I continue to see a continuing and important role for not-for-profit organisations at both the national and local level. I don’t see that position as exclusive, not least because new hybrid forms of social enterprise are emerging whose commercial orientation and community ambition can help drive innovation and reform. Nevertheless the role of community-based organisations as service deliverers, brokers, professional advisers and advocates, needs to be built into models of co-production.

There is an understandable apprehension amongst many not-for-profit organisations that individualised funding will be used to undermine their role. The New South Wales Council of Social Services, for example, is wary of the transition from a ‘welfare state mode of service support into a market based approach’. To more vehement critics – and I’ve met a few –‘choice’ and ‘consumer demand’ are just illusionary fig leafs to cover an agenda of ‘welfare on the cheap’. More moderate is the position put forward by Aged and Community Services Australia in August 2008. It carefully articulated the mixed views in the industry ‘with some embracing a choice and rights approach while others have serious reservations about the potential impact it would have on the care delivery system’. In the same month National Disability Services, whilst acknowledging that the rise of individualised funding was driven by attractive values such as personal empowerment, expressed concern that ‘if poorly implemented [it] could actually restrict individual choices and service flexibility’.

Certainly there are those in the not-for-profit arena who see the potential benefits of Consumer Directed Care. Glenn Rees worked alongside me at the Aboriginal and Torres Strait Islander

Commission in the 1990s but is now the CEO of Alzheimer's Australia. Glenn believes that the pilot programs have already been shown to 'provide better outcomes than those that rely on mainstream agency delivered programs'. Many others share similar views. Count me in.

I recognise that the move from consultation to collaboration to co-production poses complex and contentious issues, not only to the individuals and communities who have the responsibility to determine their own services, but to the not-for-profit organisations which are often the chosen service providers. The citizens' flexibility and choice in deciding from whom they wish to purchase services can also be the community providers' risk and insecurity. The self-directed services revolution, which I look forward to as an opportunity for a more inclusive and participatory society makes not-for-profit welfare agencies worry that their greater involvement in delivering government services will be significantly reduced. Professionals, many of them relatively poorly-paid case-workers that they employ, may feel uncomfortable as they perceive that they are losing their power to control services. The move towards individualised services may be portrayed as undermining the role of existing providers.

My earlier experience of outsourcing ensures that I share their concerns. There is an ever-present danger that co-production will be implemented as just a new form of contractual managerialism. Already the benefits of individual budgets are being argued in terms of effectiveness and efficiency - personalised budgets allow the delivery of government services to be re-engineered, reducing transaction costs and potentially lowering the financial burden of welfare dependence. Whilst these are worthy considerations, the truth is that most human services are under-resourced and the capacity of self-direction to build a more participatory, socially inclusive society will be constrained by the funded services available. People need not only a real voice in shaping the government services they want but sufficient money to back it up.

That's why I see the need for not-for-profits to be integrated into structures of co-production. Designing one's own programs may not be a practical reality for some support recipients. Some will be able to enlist the assistance of relatives and other informal caregivers – a resource often disregarded. Others will need the professional help, experience, empathy and care that are the hallmarks of the not-for-profit ethos. Individual citizens will still benefit from the advocacy of their interests.

Yet in truth, while I am concerned to ensure that the transition to co-production of government services is implemented with care, I worry more that bold initiatives will founder on timidity. There is a risk that governments will be too cautious and that public services and contracted not-for-profit providers will unwittingly create a collusive inertia in the name of protecting individuals from themselves.

Just as competitive outsourcing has failed to deliver the ferment of social innovation that might have been hoped, so individualised budgeting may fail to give citizens the capacity to determine the structure of the services governments provide. Progress has been slow. Too often, at present, only parts of the service are available for discretionary spending. Too often recipients are restricted to choosing from a limited suite of program options. Too often the need for transparency and accountability risks commoditising recipients into 'units of funding'. Too often central rules and regulations inhibit local initiative, individual discretion and risk-taking.

There lies before us the chance to build far more open structures of Australian governance. There is an unparalleled opportunity for much greater levels of political participation. It also involves dangers. It requires shifts of power. Decision-making needs to be less bureaucratic and more citizen-centric. That requires far more flexible organisational structures and delivery systems and more collaborative leadership cultures. It demands that governments embrace social innovation and that public services are willing to manage the risks that inevitably accompany it. It needs to be recognised that too much 'accountability', too much public service process and too much 'professional' expertise kills creativity.

The question is whether the institutions which presently deliver the state – governments, parliaments, public services and contracted providers – have the capacity or will to seize the moment.. Will they act, through fear or lack of imagination, to block change? Or, as I hope, can they accommodate the structural innovation and build the cultural collaboration necessary to create a participation society? I saw plenty of change during my two decades as a public servant. In truth I'm still hoping for more.

Peter Shergold is the Macquarie Group Foundation Chair at the Centre for Social Impact.