

# **Accountability Issues in the New Model of Governance**

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## I

This paper looks at the new approach to the provision of public services in which the functions of planning and funding public services are separated from the provision of such services. This approach is part of the world-wide movement of public sector reform inspired by the neo-liberal critique of the size of the public sector and the quality of government services. While governments and their agencies remain the main funders or purchasers of certain essential services (as they must if the services are to count as ‘public’ services), they do not have to deliver the services themselves. Instead, they increasingly rely on private sector providers, whether from the for-profit, commercial sector or from the nonprofit or ‘community’ sector. A large number of activities are now outsourced, ranging from cleaning and rubbish collection to the provision of policy advice and personnel services.

The employment of private persons or institutions for public purposes is nothing new. In Europe of the eighteenth centuries and before, private provision of publicly funded services was almost the norm. The assumption that a public service should normally be provided by the public service appears to have developed during the late nineteenth and early twentieth centuries as part of the professionalisation and expansion of public service bureaucracies during that time. Even so, private contractors were still regularly employed for some public purposes, such as construction and medical general practice. What we are seeing now is a swinging back of the pendulum back to an earlier era.

The reasons for the change are various, partly pragmatic, as part of a search for greater efficiency and effectiveness in the use of public funds, and partly ideological, out of a preference for reducing the public sector and enlarging and enriching the private sector. The opposing side of the debate employs a similar mix of arguments, some contesting the claims of increased efficiency and effectiveness, others restating a preference for a more expansive concept of citizenship supporting a more extensive state apparatus and offering secure conditions of employment for state employees. This paper focuses on one aspect of this wide-ranging debate, the supposed effect of the new styles of public service provision on accountability, particularly on the accountability of service providers to the public. Are private contractors who provide a service to the public as accountable to the public as departmental officials providing a similar service? Or does outsourcing involve a reduction in accountability and, at best, a trade-off of accountability and efficiency. Here, too, contradictory claims have been made, with supporters of private contracting arguing that accountability is maintained or increased (eg Industry Commission 1996) while critics claim that it has been reduced (eg Rhodes 1997, 101-3; Barrett 1999). The paper argues that the critics are more accurate in their assessment of the effects of outsourcing on accountability. How far these effects are a matter of regret, however, is another, more open question.

We may note, incidentally, the relatively recent popularity of the two key words in the title, ‘accountability’ and ‘governance’. ‘Accountability’ has been around a long time, especially in specialist accounting and legal circles, but only in the last decade and a half has it become a buzz-word in political debate and among academics studying political institutions. Before then political scientists and the public made do with other cognate terms, particularly ‘responsibility’, but also

‘scrutiny’, ‘questioning’, ‘sanctions’ and so on. It is interesting to speculate on the reasons for this new fashion. Given the legal background of ‘accountability’, its popularity may be linked with the rise of administrative law from the 1970s and the extension of judicial and quasi-judicial mechanisms of scrutinising government decisions. ‘Accountability’ was also a key term in the accounting vocabulary introduced from business management and institutional economics. Whatever the reason, ‘accountability’ is now a familiar term in mainstream political science, particularly in the analysis of democratic institutions.

The meaning of ‘accountability’, however, is by no means agreed (Mulgan 2000b). For the present, we can take it to refer to a relationship in which one party, the holder of accountability, has the right to seek information about, to investigate and to scrutinise the actions of another party, the giver of accountability. In its fullest sense, accountability also implies the right to impose remedies and sanctions, though sometimes that function may belong to some other party. (For instance an ombudsman may hold an official accountable but may have no power to impose a remedy, that function being left to a minister or court.) The parties to an accountability relationship may be individuals, groups or institutions and are sometimes identified by the public choice terms ‘principals’ and ‘agents’ (agents being accountable to principals). Accountability is a situational concept in that it needs to be specified in context: *who* is accountable *to whom* and *for what?* (cf Scott 2000)

This understanding of accountability can be clarified by contrasting it with other related concepts. First, ‘accountability’ is not the same as ‘responsibility’ (Uhr 1993). ‘Responsibility’ may include accountability but can also refer to the capacity for individual choice and action (‘acting responsibly’) exercised without reference to another persons. Accountability is always other-directed, whereas responsibility is not.

Secondly, ‘accountability’ is not the same as ‘responsiveness’ which refers to the willingness of agents to meet the wishes of principals. Accountability may certainly encourage responsiveness but it is not the only means of doing so. For instance, the responsiveness of sellers to consumers in a market does not necessarily count as accountability if it is based on no more than the sellers’ desire to retain the custom of consumers who may choose to buy elsewhere. Sellers try to satisfy their customers in order to remain competitive but they are not thereby being accountable to their customers. Accountability refers to specific procedures which customers may use to seek redress, for instance taking their case to complaints desk or to a small claims tribunal. Put another way, accountability is a ‘voice’ option, in which consumers have the right to complain. It is not met by the ‘exit’ option of changing suppliers even though that option may induce responsiveness to customers and their preferences.

Finally, ‘accountability’ is not the same as ‘regulation’ or ‘control’, which are essentially forward-looking mechanisms of influencing behaviour, whereas accountability is retrospective, inquiring into actions that have already taken place. Systems of control and regulation often include accountability mechanisms, as when people are held accountable for breaking the law or for acting unprofessionally. But they are not identical to these mechanisms.

Accountability, it should be noted, is not an unqualified good. Its general rationale is the need to prevent or reduce the abuse of power by those who cannot otherwise be trusted to do what they are obliged to do. But it is not costless, requiring time-consuming reporting and explaining on the part of those accountable, along with expensive and intrusive institutions dedicated to monitoring and investigating. Trust and goodwill, where they can be relied on, are more efficient means of securing compliance. Most systems of compliance require a balance between external scrutiny and accountability, on the one hand, and the personal and professional responsibility of agents, on the other.

The other key term, ‘governance’, is also recently fashionable, not to say faddish. It is a term that many (including the present author) steadfastly resisted, viewing it as an unduly precious and imprecise variant on the still satisfactory ‘government’. However, ‘governance’ does appear to have one significant advantage over ‘government’ in that it can include non-government institutions in the enterprise of governing (Rhodes 1997). It thus seems well suited to the present context in which public services are provided by a range of institutions, private as well as public. Privately owned nursing homes which are publicly subsidised and regulated or detention centres managed by private companies are parts of a system of national governance, whether the actual work is done by government agencies or private companies. It therefore seems appropriate to describe the extended reliance on private organisations, both commercial and nonprofit, as a new model of ‘governance’ (though ‘government’ would still suffice!).

What implications, then, does this new model have for accountability? In particular, can the same standards of accountability be applied to non-government providers of public services as have traditionally been applied to government providers? Two general factors have a significant impact on accountability practices. One is the inclusion in the public realm of non-government sectors with significantly different accountability practices. While non-government organisations may adjust their accountability practices to fit more closely with the standards expected of public service providers, they are limited to their adaptability. The second factor is the introduction of a contract itself and the replacement of internal, organisational relationships by new contractual relationships between purchaser and provider. Each of these factors needs to be examined further.

## II

Firstly, then, in order to assess the effect of introducing accountability practices from other sectors, accountability in the three relevant sectors, public, private for-profit and private non profit, will be briefly summarised and compared. In relation to the two private sectors, the comparison is based on how the organisations behave in their respective commercial and charitable spheres, before they become involved in supplying publicly funded services, a move which may modify their normal accountability practices.

The public sector, particularly the core government departments under direct ministerial control, is notable for the extensiveness of its accountability demands. Departments and officials are potentially accountable to the public for all aspects of their performance, including not only their final actions and decisions but also the

processes by which these actions and decisions were made. This accountability is implemented through a range of different institutional mechanisms. For ministers and departmental officials, the key channel of accountability remains the chain of ministerial responsibility, upwards through the departmental hierarchy to the secretary and the minister and, via the minister, to Parliament and the public. This central channel is supplemented by a number of other accountability mechanisms, including the accountability of public servants directly to parliamentary committees, to independent accountability agencies, such as the Auditor-General, the Ombudsman, tribunals and the courts, as well as Freedom of Information legislation. In addition, ministers, and to a lesser extent officials, are accountable to the public through members of relevant policy communities and the media. Many of these bodies may not have the power to impose remedies or sanctions but they can call on ministers and officials for information and public explanations.

Departments and officials are also directly accountable to individual citizens for particular decisions made in their individual cases, via complaints and appeal procedures and through Freedom of Information legislation. Statutory authorities and their individual members are subject to a similar range of accountability mechanisms, except that their arms-length relationship with ministers precludes them from the full extent of ministerial accountability. Public sector accountability mechanisms are not all exclusive to the public sector. Government agencies are also accountable to a range of regulatory bodies which operate across all sectors in so far as institutions in all sectors engage in similar types of activity, for instance in areas such as the environment, building construction, transport and health.

The system of public sector accountability has obvious deficiencies in practice, with ministers and officials regularly being able to avoid proper scrutiny and effective sanctions for their conduct. Indeed, the day-to-day political events which dominate the media and parliament often appear to be a litany of accountability failures. It could be argued, however, that the exposure of failures is a tribute to the extent of accountability processes, such as senate committees, which can bring them to light. At any rate, in the context of the present comparison, the strength and range of public sector accountability that should be equally emphasised.

By contrast with the public sector, accountability in the commercial private sector is both more and less extensive. It is more extensive in that commercial companies have a comparatively clear 'bottom line' which makes them more readily accountable for final outcomes compared with public sector agencies whose objectives are often imprecise and contested. Companies whose shares are publicly traded are subject to a daily judgment on how well they are doing. Managers and directors are thereby highly accountable to their shareholders for their performance in way that few ministers or public officials are.

In addition, companies competing in a market have incentives to be responsive to their customers and thus to be conscientious in dealing with disgruntled customers who resort to accountability mechanisms, such as complaints procedures, industry ombudsmen or judicial proceedings. By contrast, public sector agencies dealing with members of the public have had a record of surly arrogance and customer-unfriendliness. The comparison in this respect, however, is not wholly unfavourable to the public sector. Aggrieved clients of public agencies have access to more

accessible independent assistance through the services of local members of Parliament who are not available to help with difficulties concerning private businesses. Moreover, public service agencies everywhere have made genuine attempts to change their cultures to become more client- or customer-friendly even though they may still not be subject to competition. Public sector reformers, trying to bring public sector management closer to the standards of the private sector, have placed great emphasis on improved client focus. In this respect, the public sector has benefited from a critical contrast between public and commercial levels of service.

Private companies are in other respects less publicly accountable than public sector agencies (Mulgan 2000a). Executives and boards of directors do not have to answer to their shareholders to the same extent that governments must answer to Parliament and the public. For instance, the occasional shareholders' meeting is a trifling inquisition compared with the regular barrage of questioning in Parliament. Shareholders have far fewer rights to company information than citizens have to government information.

Accountability to the wider public is more attenuated still. The public do not have the same status of ultimate owners which they have towards their government, a position held by shareholders of commercial companies. Instead, any right of the public to hold companies accountable depends on the effects that companies can have on the community. Companies are certainly subject to considerable regulation and consequent accountability for matters such as fair trading, occupational health and safety, effects on the environment and so on. They can be sued for damages and breach of contract. Individual industries often have their own designated regulators with powers to monitor and investigate.

None the less, businesses tend to be less publicly accountable than the public sector in two general respects. First, their activities are less publicly transparent in that the public and its representatives have fewer rights to gain access to company information while companies have corresponding expectations that much of their business information will remain confidential. Secondly, companies tend to be less accountable for the procedures they follow in making business decisions. The corollary of the comparatively precise and measurable objectives pursued by commercial companies is a comparatively greater autonomy allowed to managers in deciding how these measures are pursued. By the same token, in the public sector, because objectives are often more imprecise and contestable, a greater premium has to be placed on public access to the various stages in the decision-making process. Moreover, traditions of private ownership preclude certain types of internal management issues from becoming matters of public concern to the same extent as in the public sector. Thus, the employment of family and friends is standard practice in the commercial private sector but condemned as nepotism and cronyism in the public sector.

Overall, then, in comparison with the public sector, the commercial public sector tends to be more accountable for objectives but it falls shorter in terms of transparency and accountability for process.

The nonprofit sector is the least accountable of the three. Generalisation is difficult because of the wide variety of different institutions, ranging from major

organisations such as the Red Cross or the traditional church-based charities to small, informal groups such as neighborhood law centres or child-care cooperatives. Overall, however, compared with companies in the private commercial sector, nonprofit organisations tend to be subject to less extensive external regulation and less effective monitoring. Even the minimal necessary information, such as annual accounts and reports of annual general meetings, is rarely sought after and often unavailable (Industry Commission 1995, ch 8). The objectives of nonprofit organisations tend to be imprecise and contestable, more like those of the public sector, which means that they cannot easily be held accountable for measurable performance. At the same time, unlike the public sector's, their decision-making processes are not subject to external scrutiny and do not facilitate public discussion.

Moreover, where the business of nonprofit agencies is providing welfare services to those in need, they are not clearly accountable to their clients or beneficiaries. The basis of charitable services tends to be grace and favour on the part of the donor rather than any rights belonging to the recipient. Even when charitable organisations try to move away from an attitude of condescending paternalism and seek to consult with their clients, the consultation tends to fall short of that which might count as a response to rights of accountability (Leat 1990). Indeed, someone who is turned away from a charitable organisation, or otherwise badly treated by one, usually has far fewer rights of redress than someone dealing with either a government agency or a commercial company. One positive result of the comparative lack of accountability to clients is that those working in the sector are able to be more flexible in their responses to individual cases. They are less constrained by the need to justify the consistency and fairness of their decisions and so are under less pressure to treat like cases alike (Lipsky and Smith 1990). If they provide a particular service to someone in especial need, they are unlikely to face complaint from someone else in a similar situation who has not received similar treatment.

Some smaller nonprofit organisations, particularly those committed to cooperation and participation, do allow a high level of internal accountability in terms of process, with regular meetings of members at which office-holders are held accountable. But the larger organisations tend to be run by managers who are often out of touch with the rank and file membership (McDonald 1999). On the whole, the sector is sustained by comparatively high levels of personal commitment and trust among their workforce, whether volunteers or paid professionals. Such values may be said to compensate for the comparative lack of transparency and accountability. The occasional scandals that fester and erupt in the sector may be seen as exceptions that prove the rule. Where commitment and trust are lacking, the absence of accountability mechanisms increases the risk of major, unchecked damage.

In brief, then, the public sector is subject to high overall levels of accountability, the commercial sector to strong accountability for results but less for process while the nonprofit sector is comparatively unaccountable, relying instead on goodwill and personal commitment.

### III

Outsourcing to other organisations is standardly achieved by means of a contract between the government purchaser and the provider. Under standard, 'in-house' government provision by a government department, the roles between

purchasers and providers are blurred and the main relationship between policy-makers and street-level service providers is one of hierarchical control through a bureaucratic chain of command. Under outsourcing, however, control is managed in terms of a formal agreement between parties that are otherwise separate and independent. Accountability is determined by the nature and terms of the contract, with each party being accountable to the other for performance as specified.

Types of contract and the types of accountability to which they give rise can vary considerably. The simplest cases are instances of so-called ‘classic’ contracts, where the agreement between the parties is confined to the explicit terms of the contract. Everyday examples of such contracts are building contracts or hire purchase contracts, where the parties agree on certain precise terms and can hold each other to account for performance of agreed actions. In government outsourcing, a similarly simple case might be a contract with a catering firm to cater for a series of specified functions, with a clear agreement and clear remedies if breaches are alleged and proven. However, many government outsourcing contracts are more complex and open-ended, classifiable as ‘relational’ contracts, like employment or marriage contracts. The parties agree to work together under certain terms and conditions but many of the actual requirements are left unspecified, to be worked out later according to agreed procedures. Types of government contract which call for close and continuing cooperation, such as for IT or personnel services, tend to be of this type, sometimes referred to as ‘partnerships’ or ‘alliances’, following business management usage. Again, accountability is shaped by the terms of the contract, with the parties being accountable for following agreed procedures, for keeping to commitments reached by these procedures, and for subjecting themselves to any other scrutiny that the contract may require.

#### IV

To return to the central question: how is public accountability affected by contracting the provision of services to providers from the private sectors? The question can be answered in terms of the three main accountability questions: *who?*, *to whom?*, *for what?*. In relation to the subject of public accountability (*who* is accountable?), there is perhaps little immediate change in accountability. Under departmental provision, ministers are formally accountable, at least to the extent of having to answer questions, provide explanations and justifications and, where necessary, impose remedies. In addition, public service officials may be held separately accountable, for instance by parliamentary committees, auditors or ombudsmen, though usually not in a way to compromise accountability through the minister. Under outsourcing, ministers and their officials remain accountable for certain matters while contractors who take over the role of service providers as well as their staff also become accountable. The differences emerge in connection with the other aspects of accountability, the *to whom* and the *for what* each party is accountable.

#### VI

What then of the second aspect, the *to whom* of accountability? To whom are outsourced contractors and their staff accountable? In theory, there is no limit to the number of accountability channels that a contract might stipulate. Non-government providers could be required to submit to the same accountability mechanisms as public servants. They could be required to take daily instructions from ministers, to



appear before Parliament, to open themselves to scrutiny from the Auditor-General and the Ombudsman, to be subject to Freedom of Information legislation and so on. In practice, however, outsourcing tends to reduce the range of accountability mechanisms through which providers must answer. Contractors' staff are mainly accountable to their immediate superiors in the company. For the company and its managers, the main focus of accountability is to the minister or government agency with whom the contract has been made. In itself such accountability is not accountability to the public but more a form of internal, 'managerial accountability between providers and government purchasers. Such accountability is certainly a means of increasing the efficiency and effectiveness of public services and also makes the service providers accountable to the government. But accountability to the wider public is attenuated. For the most part, contracts are themselves not made public and the results of inspection and monitoring are similarly confidential. Under the Job Network, for example, the Department of Employment and Work Relations subjects private employment agencies to considerable scrutiny and has developed a system of rewarding good performers and penalising bad. But the detailed results of these scrutinies and consequent actions remain commercially confidential.

In general, Parliament and the Auditor-General have no direct access to contractors and FOI does not apply (though clients may be guaranteed access to their own personal information). The jurisdiction of the Ombudsman is not normally extended to private contractors even when they are providing public services. Similarly, members of Parliament have no trouble-shooting advocacy role. Overall, the range of accountability mechanisms faced by private contractors is not as extensive as that scrutinising government agencies.

Some private providers may have more of a customer focus than some government agencies. For instance, many commercial employment agencies are more customer-friendly than the former CES (Commonwealth Employment Service). But such responsiveness to the public, as already suggested, is not in itself evidence of accountability. Indeed, there is an asymmetry in the relationship of provider to customer in the different sectors. In the commercial sector where customers purchase their own services, they enter into a contract with the provider which generates its own accountability procedures. For instance, a customer with a faulty purchase can demand money back or take the issue to a small claims tribunal. However, when public services are performed by private contractors, the contract is with the government as purchaser not with the customer. The legal principle of privity of contract limits litigation to the parties who have made the contract. The member of the public is now in the role of an interested third party or bystander with no right to complain if the contract is breached.

To compensate, contracts for potentially controversial services, such as the Job Network, usually require contractors to establish complaints procedures for disgruntled clients and may provide further appeal to a government agency (the Department of Employment and Workplace Relations (DEWR) in the case of Job Network). Such arrangements certainly involve new and unfamiliar channels of accountability for private sector organisations, particularly for those from the nonprofit sector. None the less, without the support of the Ombudsman or MPs, accountability avenues are comparatively restricted.

## VII

Finally, the third aspect ( the *for what*) of accountability, the range of matters for which providers are accountable, is also significantly altered. One change concerns the extent which ministers are accountable for action taken by contract service providers. Under departmental service provision, ministers are accountable for all actions of their departments and departmental officials. They do not take personal responsibility but they are expected to provide information, investigate problems and where necessary impose remedies. Under contracting out, ministers lack the capacity to investigate and control the day-to-day actions of contractors. Some supporters of outsourcing have claimed that accountability is unaffected (Industry Commission 1996). Responsibility, it has been argued, may be devolved but accountability remains with the government and the minister. This claim latter appears paradoxical because it overlooks the inability of ministers and their officials to intervene in the day-to-day activities of contractors. Assuming that ministers cannot exercise the same degree of control over contractors that they can exercise over their departmental officials, they cannot be held as accountable for the actions of contractors (Mulgan 1997; cf Polidano 1999). The scope of ministerial accountability therefore appears reduced, though how far remains a matter of contention, and sometimes of confusion. In theory, responsibilities and therefore accountabilities are divided, with each party accountable for performing their side of the contract. Thus, in principle, ministers are accountable for general policy, including setting the terms of the contract, but the contractors are accountable for the particular decisions they take to fulfil the contract. Indeed, one of the main intentions of some of the architects of reform was to separate and clarify their respective responsibilities and accountabilities of purchasers and providers (NZ Treasury 1987). Thus if something goes wrong, the minister need be accountable only if the fault can be traced to a fault in the contract. Otherwise, the contractor should answer.

However, in practice, ministerial accountability is less attenuated than the theory of separation might suggest (Polidano 1999). Private providers are not accustomed to the constant glare of public scrutiny that surrounds politicians. The natural tendency of private sector managers is therefore to continue as normal and to avoid answering to the public through the media or other channels. At the same time, ministers are still expected to answer for the actions of service providers even when they and their officials are not directly responsible. Though ministers may be tempted to wash their hands of unpopular decisions, the public and the media are generally unforgiving of politicians trying to pass the buck. For instance, the Minister of Immigration, Philip Ruddock, has been forced to take responsibility for actions of detention centre staff, even though they are employed by private contractors. The contractors have been only too willing to leave the public accountability to the minister.

One reason why accountability is not clearly divided is the increasing use of open-ended, relational contracts of the partnership style, particularly for the more complex and controversial types of service. One of the hallmarks of partnerships and alliances is that responsibility is deliberately shared between the partners. No attempt is made to separate the respective responsibilities of the different partners entirely. Instead, they rely on building shared values and shared responsibility for outcomes. It is therefore impossible in such cases to attribute accountability wholly to only one

partner, thus frustrating the intention of separate accountability and undercutting the argument that outsourcing clarifies accountability.

Such open-ended relationships between governments and private providers have been described in terms of networks which operate through negotiation, in contrast to the hierarchical structures of government departments and the legally based relationships of contractors in market-based exchange (Rhodes 1997; Milward and Provan 2000). Because of the difficulty of locating authority in networks, accountability becomes problematic, particularly in relation to the enforcement of remedies and sanctions. Networks may offer more points of contact and information and may be more open and porous than traditional hierarchies. But they also lend themselves to buck-passing when things go wrong.

Thus ministers are still held accountable to some extent for the detailed actions of public service providers, partly because of public expectations of politicians but partly also because of the comparatively low degree of accountability to the general public practised by private organisations and their leaders. The different standards of accountability maintained by the respective sectors have tended to continue under the new system of governance. At the same time, some diminution in ministerial accountability must follow from the diminution of direct control, particularly in the capacity of ministers to impose remedies in response to public complaints.

Another area of change in the range (the *for what*) of accountability relates to the aspects of service provision for which providers are held accountable. Under outsourcing, most emphasis is placed on accountability for results in terms of meeting the performance criteria laid down in the contract. Indeed, one of the claims frequently made for outsourcing has been that it improves accountability for objectives by requiring governments to be much more precise in stipulating what they want and by placing provision in the hands of competitive suppliers who have an incentive to meet these demands. The argument has particular plausibility in relation to services which can be readily specified, like cleaning and rubbish collection, though again the accountability may be purely internal and managerial if kept confidential between purchasers and providers.

The emphasis on accountability for measurable objectives and for meeting stated terms of contracts can be seen as borrowed from private sector practice. So too can a corresponding reduction in accountability for process and procedure. Perhaps the most notable effect of outsourcing has been the removal of certain accountability requirements for transparency and fairness that are still taken for granted in the public sector but have been dropped, almost without serious controversy, from private provision of public services. For example, one issue that often concerns the general public, and their representatives in Parliament and the media, is how much people are being paid from the public purse. Levels of payment, whether to salaried public servants or individual consultants are always of lively interest, as are travel expenses and other perks, regardless of the quality of outcomes achieved.

But once a service is outsourced, the amounts of money paid to individual members of the outsourcing contractor become commercially confidential and beyond the range of public inquiry. Indeed, they also fall outside the range of public curiosity. For instance, when the Coalition government's IT outsourcing was a matter

of controversy at the end of 2000, much was made of the sums earned by a consulting firm employed by the government to oversee the outsourcing policy. But no interest whatsoever was taken in any salaries or fees paid by the successful contractors in the course of carrying out their contracts, even though taxpayers' money was involved.

Admittedly, the whole policy of concealing information under the justification of 'commercial-in-confidence' has been the subject of some controversy. Governments have been accused by Auditors-General and others of using it to conceal matters of public interest that should properly be available to the public. Too often the real reason for concealment has been to avoid political embarrassment rather than to protect the legitimate commercial interests of contractors. However, such disputes are still concerned with what governments have done, over how much they have paid to whom and for what. What contractors themselves decide to spend in fulfillment of their contracts is assumed to be their own business and not a matter of public concern. Thus, outsourcing reduces the overall extent of public concern over how public money is spent. The public still want contractors to be held accountable for results but they are less concerned about the process by which these results are achieved.

A second category of process issues which are no longer of public concern are matters of employment conditions. All positions in the public service are expected to be subject to principles of merit appointment, meaning that applicants must be judged in terms of relevant criteria without the influence of cronyism, nepotism or sexism. Once the function is transferred to a private contractor, however, such expectations are removed. For instance, no-one objects if the private cleaners contracted to clean a government building are all from the same ethnic group or even from the same family. On the other hand, if the same cleaners had been appointed as government employees such an outcome would be considered scandalous. In relation to outsourcing, concerns about merit certainly enter into the contracting process itself. Ministers and officials are still accountable for awarding contracts to the most deserving and avoiding cronyism and other corrupt influences in the allocation of public funds. However, here too the spotlight is on the government rather than the contractor. Once the contract is let, the employer is generally free to follow private sector instead of public sector standards.

Admittedly, private employers do face some restrictions on appointment practices, for instance under anti-discrimination legislation, and some further equal employment conditions can also be written into contracts. But overall, the restrictions are fewer than in the public sector. Indeed, it is the freedom from public employment conditions which is one of the main sources of savings from outsourcing, particularly in the less skilled functions such as cleaning, gardening and rubbish collection. Appointing one's friends and relations is much cheaper and quicker than advertising, taking up references, holding interviews and so on. Pay rates and other conditions of employment at the lower end of the scale tend to be less generous in the private sector.

## VIII

The conclusion, then, is that outsourcing definitely reduces accountability in certain respects. Indeed, a reduction in accountability emerges as one of the normally unspoken reasons for outsourcing. The introduction of a contract between purchaser and provider interposes a break in the chain of hierarchical control between ministers

and front-line staff, thus reducing the extent of accountability through political channels, though, in practice, not always to the extent that reformers might like. The contract itself, by stipulating the services required, provides a mechanism of accountability between government and contractor. But while such internal accountability may increase efficiency, it does not necessarily translate into accountability to the public. Moreover, open-ended, partnership contracts result in blurred responsibilities and can thereby frustrate public accountability.

Using contractors from the private sectors brings in providers with quite different expectations about levels of accountability to the public. From the point of view of these providers themselves, contracting with government may involve then in significantly higher degrees of accountability, both to the government and also to the wider public. They may be required to reveal more details of the contracts they have signed than they are accustomed to reveal. They may submit themselves to more rigorous reporting and monitoring regimes than usual. This change is particularly strongly felt in the nonprofit sector where accountability has been comparatively weak and where fears are sometimes expressed that public accountability compromises the sector's independence and core values. On the other hand, from the point of view of the public and the public's agencies of accountability such as Parliament, the accountability levels still do not meet those of the public sector. Private sector standards of accountability, even if not introduced in their pure form, still constitute, on balance, an accountability deficit.

Whether this deficit is a cause for regret is an open question. Accountability is not an unqualified good and can sometimes come at too high a cost. Improving the efficiency of public services, in terms of value of service for money spent, may be worth a certain reduction in accountability. Public opinion, in so far as it can be judged, appears to be more tolerant of some reductions than others. In particular, the inability to hold private providers accountable for process issues, such as salary levels or appointment procedures, seems to arouse little concern. We seem prepared to let private organisations go about their business in their accustomed ways, so long as they deliver services of an acceptable quality. On the other hand, where the outcomes themselves are questionable, public expectations of accountability remain much stronger and we are likely to resent any reduction in the our rights of complaint and scrutiny. Politicians who have tried to use the new structure as an excuse for washing their hands of responsibility for the results of outsourcing have been forced to backtrack, especially in politically sensitive policy areas.

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