Unbundled Government
A critical analysis of the global trend to agencies, quangos and contractualisation
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Executive agencies and joined-up government in the UK

Oliver James

The 'Next Steps' agency creation process was launched in 1988. At the beginning of the twenty-first century, over three quarters of all UK civil servants worked in 138 agencies or bodies working on agency lines (James 2003). The reform has been emulated in some aspect by several other countries, and issues surrounding the performance of agencies in the UK are of broad interest (Pollitt et al. 2000; James 2001b; James 2003; Talbot 2002).

Individual agencies set up under the reform in the UK differ in many respects. However, they share two core features of the executive agency model, defined as the structures suggested in the report by the Prime Minister's Efficiency Unit (1988) that initiated the reform and early government guidance on setting up agencies (James 2003).

First, organisational separation on a 'vertical' dimension between the department primarily responsible for strategic issues including policy, and the agency, responsible for specific tasks and with some autonomy in use of its resources and on a 'horizontal' dimension between agencies responsible for different tasks. The autonomy for each agency entails, to varying degrees, creating separate agency specific systems for personnel, recruitment, careers, resource use and patterns of working focused on the task at hand. About 10 per cent of agencies have further freedoms as 'trading funds' to develop and sell services direct to consumers.

Second, the model entails a performance-contracting system with a department exerting arms-length control, predominantly using a regime of performance targets, with a chief executive having overall responsibility for the agency. These characteristics make executive agencies 'semi-autonomous', without the independence afforded to the range of bodies often called 'quangos' (Greve, Flinders and van Thiel 1999). However, agencies have more delegated freedoms and more codified relationships with centres of departments than normally found for sections within departments.

In contrast to this model, contemporary UK policymakers' emphasise the need for Joined-up government - a key theme of the Modernising Government White Paper (Cabinet Office 1999), the Wiring it Up report by the Cabinet Office Performance and Innovation Unit (PIU 2000), the
Treasury Comprehensive Spending Review of 1998 and Treasury Spending Review of 2000 (Chief Secretary to the Treasury 2000). In its broadest sense, joined-up government is a vague set of aspirations for performance and organisational prescriptions, suggesting that outcomes citizens and their representatives value should be delivered in a way that is not dictated by organisational boundaries. However, more specifically, joined-up government, whilst acknowledging boundaries between sections within agencies and departments, focuses on the structures and performance consequences of boundaries between different departments, agencies, quangos, local government bodies and other units.

The joined-up government agenda suggests the desirability of certain organisational structures, including more collaborative and co-ordinated working, ‘horizontal joining-up’ between departments and agencies and vertical joining-up of levels of government, especially between policy makers at one level and the full range of people involved in delivering services, including local bodies and other delivery units (PIU 2000: paras 3.1 and 3.2). The breadth of span for integrated organisational structures and depth of integration depends on how broadly the system is defined, with the potential for public service provision to be considered a single, giant, system with a comprehensive, integrated structure. More modest prescriptions include better links between separate organisations including more information exchange, joint planning, staff transfer and improved co-ordinating structures (Cabinet Office 1999; PIU 2000).

Proponents of joined-up government suggest that an absence of these structures creates performance problems from a systemic perspective, particularly in relation to certain types of activities. The main activities vulnerable to poor performance suggested in the reports (Cabinet Office 1999; PIU 2000) are offour main types:

- Similar policies and/or services operating separately in multiple organisations.
- Policies and/or services benefiting from consolidated provision to multiple organisations.
- Shared policies and/or services requiring several organisations to contribute to their achievement including the need for ranking priorities, making trade-offs between delivery options across multiple organisations and providing one stop shop services to potential users of public services supplied by several organisations.
- Spill-over effects where organisations’ activities have effects on other organisations’ activities without directly being part of shared policies or services.

The joined-up government agenda is very broad and not particularly novel in the problems it identifies or the solutions it suggests. A concern with systemic planning and co-ordination issues was, in part, behind attempts to create large integrated ‘super departments’ in the early 1970s in the UK (Kavanagh and Richards 2001). The organisational prescriptions and concerns about performance and analysis of performance problems resemble a range of organisational perspectives in public administration, economics, sociology, law and other disciplines (Pollitt 2001). The issue of co-operation between organisations is, in part, the latest manifestation of the long recognised trade-off between the need for a division of labour between organisations and the problem of co-ordination between parts of government (Gulick 1937). The movement towards a broader array of actors and proliferation of levels of government involved in public services has made these concerns more pressing in recent decades (Bardach 1998; Wollmann 2002; Balloch and Taylor 2001). One focus of interest has been the problem of public sector externalities, where control and performance appraisal systems fail to reflect the wider effects of an organisation’s activities on the goals of other organisations (James 2000b: 331). An example is found when schools exclude disruptive students to improve exam performance with undesirable social consequences that are the responsibility of other organisations, including the police and local authorities. These concerns are not limited to the public sector. Externalities are more conventionally discussed in the context of private markets and a variety of inter-organisational arrangements to pursue shared opportunities have been suggested, including strategic alliances, cooperative networks, joint working, partnerships (Gray 1989) and collaborative advantage (Huxham 1996).

The organisational prescriptions and concerns about performance in the current joined-up government agenda are more distinctive as a set of concerns and prescriptions in the contemporary post UK public sector. Joined-up government is a critique of the parts of New Public Management (NPM) (Hood 1991), or managerialist (Pollitt 1993) structures that were introduced into many English-speaking countries’ public sectors in the 1980s and 1990s. NPM structures fragmented the public sector, provided incentive systems for individual organisations to focus on their own missions, partially to the exclusion of systemic effects, and created pressures for competition rather than collaboration. In contrast, the parts of NPM involving a weakening of the boundary between public and private sector by involving private providers in delivering services would seem to be consistent with joining-up organisations to deliver services. However, the executive agency model appears to be a part of NPM that is inconsistent with joined-up government. The ‘Modernising Government’ White Paper suggested that ‘Great gains in public sector management have come from definition of task and delegation of management and the Government is determined that these are not lost. However, this concentration on specific tasks has sometimes distracted attention from the wider general objectives of government and people. The Government wants to give more attention to the coherence of policy across
institutional boundaries... to operate in a joined up way.’ (Cabinet Office 1999: 1).

In evaluating the performance of agencies, the joined-up government perspective suggests that as well as the costs and benefits of agency structures from a narrow perspective of the single organisation, there is a need to consider whether the benefits of agency structures outweigh the costs on the performance of other organisations and systemic performance. In particular, it suggests several problems of agency structures for broadly conceived performance. The ‘horizontal’ and ‘vertical’ organisational fragmentation of the executive agency model creates organisations focused on their individual tasks at hand, with distinctive ways of working. These features potentially make joint working to deliver services more difficult by limiting exchange of staff, or hampering the development of common conceptions of policy or delivery issues. The structures often involve fragmentation of strategy and policy, mainly handled by the department, and operations handled by the agency. The performance contracting aspect of the model focuses agencies’ attention on narrow organisational performance, rather than the effect on other bodies or systemic effects (except to the extent these are written in to the agency’s own aims). The target regimes and chief executive responsibility for the agency’s own performance reinforce this narrowness of perspective, creating public sector externalities. Agencies report to individual departments, which, in turn, are separate from other departments’ created performance systems organised as separate silos for each department.

Experience with the effects of executive agency structures on performance has been mixed and the evidence is limited (Talbot 1996; Pollitt and Bouckaert 2000; James 2001a). The following section in this chapter uses a case study of the largest agency, the Benefits Agency, to provide an indication of the significance of joined-up government performance problems in the UK. This chapter then advances an analytical framework to locate the different ways of dealing with the performance problems; drawing on the literatures on public sector co-ordination and control and situating current developments in this framework. Finally, some conclusions are drawn.

The Benefits Agency and systemic performance

The approach taken here is to examine the efficiency and effectiveness of the Agency’s performance, a broad set of stakeholders consisting of those affected by the Agency’s action. The Benefits Agency (BA) was established in 1991 to ‘support the Government in establishing a modern welfare state . . . by helping to create and deliver an active and modern social security service. The service will encourage independence and pay the right money to the right person at the right time’ (Benefits Agency 1999: 5). The bulk of resources were devoted to achieving these goals within the organisation with direct benefits for stakeholders. Evidence from a variety of sources including National Audit Office reports, a survey of budget/output changes and measures of satisfaction with the agency suggests mixed performance in these narrow terms. There were improvements against key objectives, combined with substantial problems of fraud and error on payments and rising costs of administration at the same time as conflicting evidence about the changes to quality of service (James 2001a, 2003). However, this section assesses performance for a broader set of stakeholders in the social security system to explore issues of joined-up government performance. The Agency was involved in substantial joint working with other bodies. These organisations principally included the Department of Social Security, for delivering the Department’s main programmes, the Employment Service Agency to deliver Jobseeker’s Allowance benefit, War Pensions Agency for veterans welfare, Information Technology Services Agency for IT systems and the Contributions Agency in running the National Insurance system. More broadly, other bodies relied on the Agency to do their job properly, especially local authorities in delivering 1-Housing Benefit. Each of these organisations had their own associated stakeholders in addition to general taxpayers’ interest in the system as a whole. Beyond these groups could be posited counterfactually a set of potential stakeholders for the social security system. These would include the beneficiaries of services that could have been provided if the Agency had not existed, but instead some form of Joined-up organisation in the field of social welfare had been in its place. However, the nature of these groups and benefits is too speculative to assess and so they are excluded from this analysis.

Organisation

The Agency was separated ‘vertically’ from the Department of Social Security, solidifying a long-standing divide between policy making and operational parts of the social security system. The Agency had a seat on the Departmental Policy Board and was usually represented by the head of the Benefit Management Branch. However, the first Chief Executive commented that the views of people delivering services were still not taken sufficiently into account by those in policy making organisations (Bichard 1999: 7-8). The second Chief Executive, Peter Mathison, in response to criticism from the Social Security Committee about the level of performance, suggested the department should shoulder some of the responsibility. He said ‘We have identified where there are weaknesses in the system, which may essentially be down to some detail of the policy design and we have identified some also where there are weaknesses around some of the rules and regulations’ (Public Accounts Committee 1999: Q165).

The ‘vertical’ separation contributed to problems of communicating
information between the Department and the Agency. Whilst this problem was general, it also led to specific failures, the largest of which was the State Earnings Related Pension debacle, involving a failure to make people claiming pensions aware of changes to policy on eligibility. Whilst the mistake was originally made in 1986, before the Agency's creation, the organisational structure imposed by the Agency seemed to have worsened the problem. The handling of state pensions required coordinating Benefits Agency staff in Leeds, Newcastle and in local offices responsible for various parts of delivery, and staff in the departmental headquarters in London responsible for supporting ministers in the development, maintenance and evaluation of pensions policy. Once the Department was made aware of the error in 1995, the information was not passed to the Benefits Agency and not incorporated in the information they gave to clients. Benefits Agency leaflets and staff continued to give wrong information until 1999. In the end, Age Concern, a charity representing users of the services, rather than the Agency or DSS staff, brought the full implications of the error to the attention of ministers (National Audit Office 2000c: 28). The absence of end-to-end responsibility and good communication, coupled with lack of communication inside the Agency, were major factors in the failure according to NAO (2000c: 10; 26).

'Horizontal' separation distinguished the Agency from other bodies in the Department for Social Security and the rest of government, although some common grading systems were maintained, and the previous systems before the agency had in any case not been fully unified. An important area of 'horizontal' co-working was with the Employment Service in delivering Jobseeker's Allowance from 1996. This benefit was delivered from Jobcentres run by the Employment Service, which paid the benefit as an agent of the Benefits Agency, although much of the administrative work behind payments remained with the Benefits Agency. Organisational separation contributed to performance problems. There was a lack of sharing of information resulting in the same information being requested twice, draining resources and inconveniencing claimants (Benefit Fraud Inspectorate 1999b; Appendix B). Differences between conditions of service in the two agencies contributed to these problems. Staff in the Benefits Agency worked behind screens to protect them from clients, whereas the Employment Service had a more open work environment. Under the so-called 'Bichard Agreement', named after the first head of the Benefits Agency, staff in the Benefits Agency were given the right not to be transferred to different working conditions when undertaking Jobseeker's Allowance related work. This restriction limited flexibility in the use of staff, contributing to lack of effective communication (Social Security Committee 1998: 176).

The agency model had a logic of separate organisational operations and separate accounting for performance for each agency. One senior official commented: 'both agencies would have preferred Jobseeker's

Performance contracting

There was a performance target system for the Agency, for example in 1997-8 the Agency's management team monitored performance against 124 Secretary of State's and related internal management targets (NAO...
The Department of Social Security kept some input controls, the Agency operating within a gross running cost system of control rather than being a trading fund. A proportion of the pay for people in the organisation, including the Chief Executive, was linked to achieving targets (Interview: Senior Official, Benefits Agency). The focus on targets for benefits hindered attempts to redesign systems. The targets were separately related to different benefits, so that each benefit was still treated largely as a separate activity within the organisation. The potential advantages from collaborating with voluntary groups and charities in disseminating information about benefits and developing innovative ways of dealing with clients were not facilitated by a regime which focused attention narrowly on hitting targets for specific aspects of specific benefits. However, the benefits forgone by this lack of co-operation are difficult to calculate.

More concrete issues of performance were apparent in difficulties in setting and using performance targets to control the Agency. The department was able to partially 'fine tune' the performance system to improve control, and the appointment of the second Chief Executive was used as a further means to exercise control over the Agency. One of the informal criteria used in the appointment of the second Chief Executive was that the appointee should be 'managerial' and follow the spirit of the framework and targets set down by the Department (Interview: Senior Official, Benefits Agency). However, ministers and civil servants in the Department became concerned about the divide emerging in the 'vertical' relationship and the Department's inability to act as an 'intelligent customer' for the Agency's services (Interview: Senior Official, Department of Social Security).

The problems of controlling the Agency became more acute after 1997 when a Labour administration came into office. Their agenda involved a change in emphasis towards encouraging employability and a social security system more responsive to, and providing a more direct service for the public (Chancellor of the Duchy of Lancaster 1997: 192). The agenda required a more system-wide approach to social security and employment. The system was inappropriate for a client focus to welfare, because the targets were oriented towards performance in terms of separate benefits (Interview: Senior Official, Department of Social Security; Interview: Senior Official, Department of Social Security). The problem of a system that did not have end-to-end responsibility for the design and implementation of policy became even more acute.

The performance target regime encouraged the Agency to concentrate its efforts on its own activities, regardless of the 'public sector externality' effects on other bodies, exacerbating the problems of 'horizontal' working. The Agency's own targets did not include the effects of the high level of fraud and error and incorrect information being passed to local authorities. Whilst the Benefits Agency had service level agreements with local authorities since 1992, setting out the Agency's aims in co-operating with these organisations, an NAO study found that a majority of local authorities felt that these agreements were not working (NAO 1997). The Benefit Fraud Inspectorate (BFI) found that in 57 per cent of their inspections, liaison needed to be improved between the Benefits Agency and local authorities. The required improvements included better exchange of information, more cross-agency working and better feedback on fraud cases (Benefit Fraud Inspectorate 1999d: Sec. 1). Whilst local authorities were inefficient in their administration of benefits because of problems in the authorities, the Benefit Fraud Inspectorate found that the Agency made a substantial contribution to the difficulties (Benefit Fraud Inspectorate 1999d).

The Agency target system included targets for reducing fraud, which placed the body in competition with local authorities and placed emphasis on trying to raise levels of fraud detection rather than prevention. The schemes used the principle of 'finders keepers' for bodies detecting fraud, which discouraged information sharing with local authorities, with Agency officials wanting to keep the savings to help achieve their own fraud targets (NAO 1997: 62-3). The Benefit Agency's 'Spotlight' anti-fraud initiatives did not involve local authorities as much as they could have, in part because of a concern to pursue its own targets (NAO 1997: 71). In some cases there was an atmosphere of mutual suspicion between the Agency and local authorities, although the relationship varied around the country (NAO 1997: 66).

The performance target system led to co-ordination problems with other agencies. In some senses the joint delivery of Job seeker's Allowance with the Employment Service was a success, in that most of the targets relating to the benefit were met. However, the agency was always under pressure to use resources to promote the achievement of its own targets. The Jobseeker's Allowance working arrangements in part reflected nonagency structures established between the Benefits Agency and the Employment Service, including joint management boards. More severe problems caused by targets were reflected in working with the Contributions Agency, which was responsible for protecting the rights of contributors and interests of taxpayers through efficient payment and recording of National Insurance contributions, partly relying on forms processed by the Benefits Agency. There were no high level Benefits Agency targets for passing forms from the Agency to the Contributions Agency. Fifty-four per cent of forms took more than 16 days, resulting in out-of-date information being used to create National Insurance accounts, damaging the collection of contributions (Benefit Fraud Inspectorate 1999c: Secs 3.11-13).

Joining-up Executive Agency working

Several ways to mitigate the problems with agency working are suggested by the literatures in public administration, sociology, economics and law.
The relationships with local authorities appeared to be of this type. The relationships, whilst having formal Service Level Agreements, varied by local area and did not follow a set pattern. However, new measures were instituted to join-up government by voluntary action through the Treasury, creating budgetary incentives for organisations to work cooperatively. Two central funds were established to provide finance for projects involving joint working. The £230m per year Invest to Save budget funded innovative projects involving two or more departments, and the £2,500m Capital Modernisation Fund was awarded in part to encourage joint projects (PIU 2000: Box 9.1). One Invest to Save project developed electronic kiosks to present information about a range of services including benefits to users in a variety of locations outside of the Agency’s premises (Segal Qunice Wicksteed Ltd 2000: 18).

Other possible ways for facilitating voluntary co-ordination have not yet been tried. Public sector externality compensation suggests that public sector bodies could bribe the producers of externalities to stop producing negative externalities or to start producing positive externalities (James 2000b: 341). The solution is analogous to the general solution to problems of externalities when bargaining is costless and there are clearly defined property rights. In this general case, those suffering the effects of an externality could, in theory, band together to try and bribe the people causing the externality to change their behaviour. For example, people living near a factory which pollutes their air could offer to pay the factory to use an alternative non-polluting production technique. The allocation of the property rights determines who compensates whom, in this case local residents do not have the right to clean air and must pay the factory.

The Benefits Agency, in working towards its own targets, pushed up fraud for local authorities by issuing faulty information for them to use in Housing Benefit case processing, a negative public sector externality. In this case, a hypothetical compensation solution would be the following. The department could decide whether local authorities have the right to accurate information, or whether they must pay the Benefits Agency to get it. The drawing up of contracts involving exchanges of budget for information could then be left to the local Benefits Agency offices and local authorities on the ground. These bodies are likely to be in a better position to know the value of the accurate information to their work, for example, the value being different depending on levels of attempted fraud in the locality. Provided the transaction costs of arranging these contracts are not too great, they could be used to deal with the externality in a potentially less costly way than a higher-level body having constantly to intervene, for example, using regulation.

One potential way of attempting to mitigate the problems is to reverse the agency reform. Such a solution internalises public sector externalities between the department and the agency and is a return to more traditional public sector structures. However, Figure 4.1 provides a framework for these perspectives and gives some examples of systems that have been used in the case of the Benefits Agency. The vertical dimension is the degree of central steering of the system by high level bodies, ranging from strong steering by a central source of authority to weak central steering, leaving individual organisations to their own devices. The horizontal dimension is how individual organisations at the lower level relate to each other, ranging from strong and enduring links in a network to weaker and more sporadic relationships. The four options are combinations of positions at opposite ends of the two dimensions: sporadic links, networks, regulated sporadic links and regulated networks.

**Sporadic links**

In this arrangement, co-ordination and co-operation between organisations is a matter for voluntary agreement between the parties involved in relation to particular opportunities rather than longer-term links. The links rest on mutually beneficial exchange and there is no intervention from higher-level bodies. The situation resembles the Benefits Agency occasional working with charities. Some local offices had relationships with these bodies to publicise the availability of benefits and there was some national co-operation with charities, for example, Age Concern, in publicising benefits available to pensioners. The Benefits Agency’s rela
Networks

Networks are an alternative to sporadic links that, whilst having no higher level central control, consist of more enduring, partnership relationships between organisations. Links include professional ties between individuals in different organisations, staff exchange or arrangements for managing common interests. There are a variety of perspectives on how networks operate in the public sector and how partnerships can be encouraged (Kickett, Klijn and Koppenjan 1997; Bardach 1998). However, the Trosa Report found that, in general, arrangements for staff to move between departments and agencies had not been thought out and that moving to an agency was not thought to be advantageous to civil servants’ careers (Trosa 1994: 48-9). To strengthen a common career structure and to encourage a corporate identity for the service, a Civil Service Management Committee, later renamed the Management Board, was set up in February 1999. The top 600 postings were more actively managed by the Board as part of this process (PM 2000: 4.11).

However, the Performance and Innovation Unit found that it was still hard to get people to move across departments. The percentage of staff moving on loan outside their own department was just under 5 per cent in 1995/6, and had risen to only just under 7 per cent by 1997/8 (PM 2000: Figure 8.2). The report suggested trying to get a ‘critical mass’ of civil servants with experience of working in other organisations in the civil service and beyond as soon as possible. The Unit also stressed the importance of career progression involving experience in a variety of settings (PIU 2000: See. 1.5). This principle was reiterated by Sir Richard Wilson in his report to the Prime Minister on Civil Service reform. He said that, in order to reach the Senior Civil Service, people should have experience in working in frontline delivery or operational management and of working in more than one culture. In the Benefits Agency, it was hoped that this change might improve movement of staff between the departmental sections and the Agency.

A more radical network-based solution for social security was the Single Work Focused Gateway, announced in September 1998, and later renamed ONE, which was piloted in several areas. There were two variants of ONE, the first using call centres and the second using partnerships between public and private sector bodies for the provision of services (Social Security Committee 1999: para. 10). The projects brought together the Benefits Agency, Employment Service, Child Support Agency, local authorities and other welfare providers, including charities, to provide a more coherent service for claimants. The idea was to give a claimant a personal adviser to take their details and assess employment, benefit and training options from an initial ‘start-up meeting’. The personal adviser could call on a team of experts to provide advice to claimants and brought these organisations’ services together to focus on the needs of the claimant.

The ONE projects were cited as examples of joined-up government in action in the 1999 Modernising Government White Paper. The pilots were co-ordinated by a partnership of departments with a Project Board answerable to a joint ministerial group. Management of the field was by traditional lines within the Benefits Agency through a series of district, area and regional offices. Relations between organisations were generally semicontractual at the top, and by liaison at the delivery level, with stronger links between the Benefits Agency and Employment Service in the area of Jobseeker's Allowance. The pilots were managed through Project Management Groups at regional level bringing the Benefits Agency, Employment Service and local authorities together to manage pilots in their area. Each individual pilot was headed by a single manager who was drawn from one of the partner organisations and who oversaw a mixed team of Benefits Agency, Employment Service and local authority staff (PIU 2000: 10.11).

However, this style of working initially covered only a small part of the Benefits Agency's work. There were 12 ONE pilots from June 1999. In funding these pilots, £79.5m came from the Treasury 'Invest to Save' budget out of the total of £112m for all 12 pilots (Social Security Committee 1999: para. 1). There were several difficulties of joint working that emerged during the projects. The different target regimes set for the agencies meant that it was difficult to set targets for the pilots. No new targets were formally set, which made evaluation difficult. The Social Security Committee expressed concerns that the job placement target would be too crude to measure the outcomes and that clearer assessment of the quality of advice about benefits be undertaken (Social Security Committee 1999: paras 68 and 70). The different target regimes affected the styles of working, which often clashed. Local authorities were felt to be more ‘can do’ and focused on solving clients’ problems, whereas the Agency style was more ‘hierarchical’ (Social Security Committee 1999: para. 41). The hierarchical approach was partly because of a concern to meet management targets linked to the external accountability structures of the agency.

Differences in personnel systems between the Benefits Agency and other bodies caused co-ordination problems. Each agency involved in the joint working had its own pay banding and promotion structure (Social Security Committee 1999: paras 34 and 35). A further barrier was variety in IT systems. These systems, particularly web-based systems, are sometimes seen as a way of integrating different organisations to allow them to provide joint services (Dunleavy and Margetts 2000). However, in this case, the organisational boundaries affected how IT was designed and used. The main operational support was provided by the existing Labour Market System used by the Employment Service, OpStrat used in the Benefits Agency combined with a new Gateway Enquiry System. DfEE and DSS were exploring the possibilities of using small scale developmental IT prototypes, for example in Lewisham, to make better use of integrated IT.
Regulated sporadic links and regulated networks

In its very broadest definition, regulation is often used as a synonym for control. However, in this context, regulation is used to refer to ‘oversight’ involving a superior level of public authority exercising some form of control over lower levels (in contrast to systems having themselves under control, for example, through the voluntary adjustments in sporadic links) (Hood, Scott, James, Jones and Travers 1998, 1999; Hood, James and Scott 2000). Regulation is one way of addressing a key concern of the literature on ‘governance’ about how to co-ordinate and steer networks and decentralised systems (Rhodes 1994; Kickert, Klijn and Koppenjan 1997). Regulation of sporadic links involves control of organisations that cooperate spasmodically (and may even be in competition with each other in some areas), and contrasts with regulation of networks, where there are more extensive and enduring links between the lower level organisations.

An increasingly important form of regulation of government has been the use of standards or rule-based control by arms-length bodies with some form of official mandate to set standards, monitor and take enforcement action against public bodies (Hood, Scott, James, Jones and Travers 1999). Executive agencies incorporate a regulatory method of control in the department’s relationship with the agency, with a performance contract. However, the Benefits Agency was subject to more extensive regulation with the launch of the Benefit Fraud Inspectorate in November 1997 to provide independent assurance about social security systems in central and local government. The BFI cost £6.5m to run in 1998/99 and employed 133 staff, a substantial investment in regulation of these bodies (Benefit Fraud Inspectorate 1999b). The Inspectorate was set up amid widespread concern about the high levels of fraud in the social security system (Secretary of State for Social Security and Chief Secretary to the Treasury 1999: 22). Establishing the BFI seemed to reflect a view that the Agency was not able to deal with the problem of fraud by itself and because it monitored the Agency and other bodies in the benefits system, with a mandate to take a more systemic perspective, it was a contribution to joined-up monitoring of the system.

An even more systematic approach to regulating public services as a network is emerging with the attempt to situate individual agency objectives and targets within broader objectives and targets for central government departments under the Public Service Agreements (PSAs) regime. PSAs arose from the Comprehensive Spending Review of 1998, conducted for different sectors of central government, and were intended to integrate target setting in different areas under an overall umbrella, setting out some departmental outputs and the funding allocated to them to improve the treatment of policies and services straddling organisational boundaries (Chief Secretary to the Treasury 1998: 1-3). PSAs were set up as public documents, like the agency performance targets, and departments had to report progress to the Ministerial Committee on Public Services and Public Expenditure (PSX) (PIU 2000: 7.18). But the first batch of PSAs was modest in joining up performance systems. There were 28 PSAs based on departmental boundaries with only three cross-cutting PSAs in criminal justice, drugs and help for young families with 50 targets, which are held jointly by two or more departments out of several hundred (PIU 2000: Box 9.1). The PSAs were predominantly process oriented in 1998, which tended to reflect separate departmental processes with more effort made to specify outputs and outcomes, which were sometimes the result of several departments’ activities in the PSA set issued in 2000 (National Audit Office 2001: 21).

The PSA regime better integrated the Benefits Agency’s performance plans with the broader system of plans for central government as a whole. The Benefits Agency’s targets were incorporated in a Department of Social Security PSA and an Output and Performance Analysis statement based on the PSA and published in March 1999 (PAC 2000: See. 5). The BA instituted a new Performance Management Regime from April 2000 to take account of this development. This change reduced the tendency of the BA systems to focus attention on an overly narrow conception of the organisation’s activities (Interview Senior Official, Department of Social Security). The PSA system resembled the arrangements already in place between the Benefits Agency and the Employment Service for delivering Jobseeker’s Allowance. But there was a limit to how far targets could capture all the elements of working with other bodies which, combined with multiple and conflicting targets, limited the extent to which this approach could facilitate joined-up government.

Conclusion

Agency structures had a mixed effect on the performance of the Benefits Agency’s own core business. However, agency structures created substantial undesirable systemic effects including a lack of coherence in policy making and set up public sector externalities, especially inaccurate information passed to local authorities and other bodies. Concern with these sizeable undesirable side effects was apparent early on in the Agency’s life. However, the salience of systemic performance problems was increased by an emphasis on employability in social security policy under the Labour Government since 1997. This change in goals increased the need for the Agency to work with other bodies. The balance of these effects was a contributory factor in policy makers’ decisions to embark on major reforms. In the ONE pilot project areas, the social security system resembled a move towards regulated networks as a way of joining-up.
systems. However, the difficulty of getting different partners to co-ordinate their separate systems and ensuring clear lines of accountability for performance created pressure for a recent more radical reform.

The recent reform has created a more integrated structure for social security, moving beyond the forms outlined in the second section of this chapter. These primarily constitute two bodies focused on different client groups, including an ‘agency’ of working age and a pensioners organisation as replacements for the Benefits Agency (Benefits Agency 2000). Whilst called an ‘agency’, the ‘working age’ organisation is intended to incorporate ‘seamless’ team working, with those developing policy in the Department (since 2001 the Department for Work and Pensions) also involved in specifying implementation systems and monitoring performance on the ground in the ‘agency’ (Interview Senior Official, Department of Social Security). The change can be seen as an attempt to remove the ‘vertical’ organisational barrier between Department and agency. The working age ‘agency’ combines Benefits Agency and Employment Service staff and resources to create a single new organisation, removing this ‘horizontal’ boundary. However, local authorities continue to be a separate set of organisations and the working age ‘agency’ has boundaries set by social security client groups, restricting the potential for organisation on other lines, for example according to purpose, process or place.

The significance of joined-up government performance problems created by agencies elsewhere in UK central government is a matter for empirical investigation. Whilst all agencies share core features of the model, most have more clearly distinct roles than the Benefits Agency (James 2003). However, the return of the Civil Service College to the Cabinet Office in the Autumn of 1999 and the strengthening of ministerial responsibility for the Prison Service in 1997 reflect similar issues. The UK experience presents a cautionary tale for other countries seeking to use the executive agency model. It suggests the need to consider the degree of inter-activity as a candidate for agency status and potential problems that would be created by having personnel and working practices specific to each agency. When establishing performance regimes, systems that provide strong incentives to focus on the agency’s narrow mission can have undesirable effects beyond the organisation in the broader system. However, where the need for joint provision of services does not require integration into a single organisation, the arrangements outlined in this chapter offer a number of ways to link agencies to the broader public service systems in which they operate.

Bibliography


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