

Co-Production, the Third Sector and the Delivery of Public Services: An Introduction

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Abstract

In recent years, public management research has paid increasing attention to the third sector, especially to its role in the provision of public services. Evidence of this is the rising number of publications on the topic, as well as a growing number of sessions and papers on the topic in academic conferences of the EGPA and IRSPM. However, much of the discussion on its role is motivated at least as much by ideology as by fact. We still lack a comprehensive empirical understanding of what happens when the third sector is drawn into public service provision. In this collection on Co-Production: The Third Sector and the Delivery of Public Services, we will try to enhance this understanding by presenting several new studies on the subject. We also introduce the concepts of co-production, co-management and co-governance as a conceptual framework that enables us to better understand such developments.

Introduction

In recent years, public management research has paid increasing attention to the third sector, especially to its role in the provision of public services. Evidence of this is the rising number of publications on the topic, as well as a growing number of sessions and papers on the topic in conferences of the EGPA and IRSPM. However, many discussions on its role are motivated at least as much by ideology as by fact. We do not yet have a comprehensive empirical understanding of what happens when the third sector is drawn into public services. In this collection on Co-Production: The Third Sector and the Delivery of Public Services, we will try to enhance this understanding by presenting several new studies on the subject. In this introduction, we will propose a conceptual framework that enables us to better understand such developments.

The third sector comes under various other names, such as the voluntary sector, the (private) non-profit sector, the social economy, civil society, all with slightly different defining characteristics, and with a large degree of overlap. While it is important to be precise, the definitional issue can be crippling to the debate in third sector research, so we will avoid it here. When we refer to the third sector, we include all those groups and organizations grouped under other labels, accepting that it is a 'loose and baggy monster' (Kendall and Knapp, 1995) without trying to cage it in.

One reason for the growing interest in the third sector is its involvement in the provision of public services. In some countries, the third sector has traditionally played a large role as in Germany and the Netherlands, where it has been an essential part of the construction of the post-war welfare state. In others, like the UK, it took shape in the context of outsourcing in the 1990s and in New Public Management. In addition, there has been the growth of organized initiatives in which citizens play a direct role in the production of the service, so far largely ignored in public management literature. This encourages researchers to examine the real benefits of involving this type of actor.

Another reason for the surge of interest in the third sector is, paradoxically, that it has been losing some of its distinctiveness. As a result of contracting out, privatization and performance measurement, the traditional boundaries between market, state and third sector have been breaking down, leading to the emergence of a class of organizational hybrids (Evers, 2004; Brandsen, Van de Donk and Putters, 2005). In concrete terms, it means that the third sector organizations have taken on more characteristics of state organizations (e.g. in terms of formalization) and of market organizations (e.g. maximizing their income, but without maximizing their profit). Although no organization can be regarded as 'pure', many organizations now reach the point where the ideal types state, market or third sector no longer help us to truly understand them.

One reaction to such developments has been isolationism: the call for a strict demarcation of the sector, both in a conceptual and a normative sense. For instance, it leads to pleas for third sector organizations to avoid close association with the state. However, for better or worse, a significant part of the third sector has opted for closer integration with states and markets. In some countries, this dates back to the 19th century (e.g. in Germany and the Netherlands), or the early 20th century (as in Sweden), while it came later in others (e.g. the UK in the 1990s). This has undeniably changed them, leading some to claim that they have changed to the point where they have lost their distinctiveness from state organizations. It is even conceivable, although this perspective needs to be further developed, that the third sector can be better understood in terms of certain aspects of public services, rather than as a

distinct cluster of organizations (cf. Evers, 2005). Such aspects can be adopted by organizations that we would not normally regard as third sector. Dekker has mentioned the example of public schools in The Netherlands that copied participative structures from religious schools and benefited as a result (Dekker, 2001). Likewise, it has been argued that non-profit social housing providers can dampen overall rent levels, by competing with commercial providers, and ‘civilize’ the housing market (Kemeny, 1995).

Here the issue takes on a wider relevance. Policymakers are not primarily interested in the third sector *per se*, but in what it can contribute to the quality of public services. Research can help to determine the exact benefits of its involvement. More precisely, this concerns the relationships between two variables: the role of the third sector in public service provision and the manner in which such services are produced. Please note our use of the plural ‘relationships’, for, as we will argue the connection is a far more dynamic one than is often supposed. The concept of co-production potentially offers a means of capturing a significant part of the quality of this dynamic.

The background of the co-production concept

Originally, the concept of co-production related primarily to the involvement of citizens or clients in production, i.e. direct user involvement, either in the public or private sectors. It generated great interest among public administration scholars in America in the 1970s and the 1980s (see Parks, et al., 1981 & 1999 for a good overview), and was originally developed by the Workshop in Political Theory and Policy Analysis at Indiana University. During the 1970s they struggled with the dominant theories of urban governance underlying policy recommendations of massive centralization. Scholars and public officials argued that citizens as clients would receive more effective and efficient services delivered by professional staff employed in a large bureaucratic agency. After studying police services in several metropolitan areas, however, they had not found a single instance where a large centralized police department was able to provide better direct service, more equitably delivered, or at a lower cost to neighbourhoods located in surrounding jurisdictions (Ostrom, 1999).

Thus, they stumbled on several myths of public production. One was the notion of a single producer being responsible for urban services within each jurisdiction. In fact, they normally found several agencies, as well as private firms, producing immediate response services (a finding that supports the network approach increasingly current in public management research). More important, they also realized that the production of a service, as contrasted to a good, was difficult without the active participation of those supposedly receiving the service. Thus, they developed the term co-production to describe the potential relationship that could exist between the ‘regular’ producer (street-level police officers, schoolteachers, or health workers) and ‘clients’ who want to be transformed by the service into safer, better-educated or healthier persons. Co-production was one way through which synergy could occur between what a government does and what citizens do (ibid.). This use of the term ‘co-production’ had a clear micro focus on the role of individuals or groups in the production of such services, although their involvement could have clear ramifications for both the meso- and macro levels of society.

In the UK, co-production has been used more recently to analyze the role of voluntary and community organizations (VCOs) in the provision of public services (Osborne & McLaughlin, 2004). Here the term ‘co-production’ appears to imply a more restricted service delivery role for VCOs in the provision of community services, i.e., that of a

service agent or provider. Other terms, such as ‘co-management’ or ‘co-ordination’, refer to a broader role for VCOs in local service management. Co-governance, on the other hand, refers to the role of VCOs in policy formulation and community governance, as illustrated by the Voluntary Sector Compact(s) at both the national and local levels. Here we find Local Strategic Partnerships in area regeneration (ibid.), but there is a notable absence of corporatist structures here. The term ‘co-production’ has also recently been introduced in a continental European context to refer to the growing organized involvement of citizens in the production of their own welfare services (Pestoff, 2004; Vamstad, 2004). The latter adheres more to the US than to UK usage of the term co-production, where parent participation in parent cooperative childcare provides the main empirical reference (Pestoff, 1998).

Despite the differences in emphasis, what all these studies share is the notion that the involvement of the third sector (whether as groups of citizens or organizations) transforms the delivery of public services. What they also indicate is that the nature of the relationship between the third sector and the production process is a dynamic one. The involvement of citizens transforms the service, but they are themselves transformed by the service. Likewise, the involvement of the third sector allows it to deliver services differently, but in doing so it is itself incorporated into the institutionalized system of provision. Some aspects or components of the system rub off on one another through the production process. This means we must go beyond the perspective of a one-way relationship between state and third sector as principal and agent, or provider and recipient. The concept of co-production emphasizes the shared character of the production process.

What we attempt in the next section is to draw together different elements of past literature and integrate them into a coherent conceptual framework. This framework will link the other contributions to this collection.

Different modes of co-operation

On the basis of a typology developed by Osborne & McLaughlin (2004) we will break down the original co-production concepts into three potential manifestations: co-production, co-management and co-governance. All refer to a type of cooperation in which the third sector has a direct influence on the nature of the service (i.e. output). Strictly speaking these concepts are not exclusively linked to certain levels of analysis (micro-meso-macro), although there may be an empirical correspondence. For instance, co-management tends to be most relevant to the meso-level. However, the concepts refer primarily to different types of co-operation.

- Co-governance refers to an arrangement, in which the third sector participates in the planning and delivery of public services.
- Co-management refers to an arrangement, in which third sector organizations produce services in collaboration with the state;
- Co-production, in the restricted use of the term, refers to an arrangement where citizens produce their own services at least in part. This is a specific interpretation of user involvement, although there are of course various other types (cf. Evers, 2006).

Each of these links to broader strands of literature, some of which will be discussed in the other contributions. We distinguish the three concepts along two dimensions:

1. A distinction between the organizational and the individual level. Whereas co-management refers primarily to interactions between organizations, co-production refers to voluntary efforts by individual citizens.
2. A distinction between phases in the policy cycle, between planning and production. This separates co-governance from the other two concepts: the former focuses on policy formulation, the latter on implementation.

That means that the concepts are not mutually exclusive. It is possible that third sector organizations delivering public services have participatory structures, so that co-management and co-production are combined. Alternatively, production is organized solely around the users of services, in which case there is only co-production. We have chosen to bring together all contributions to this collection under the joint heading of ‘co-production’. We are aware that this may give rise to some initial confusion, when the term also refers to the more restricted meaning of user involvement. However, it does seem to be the right label for what we are describing, as well as a mark of our indebtedness to the user involvement debate. Therefore we have chosen to ignore the inconvenience of double usage.

Contents

This collection on Co-Production: The Third Sector and Delivery of Public Services will examine how third sector involvement has changed the delivery of public services, and how this in turn has changed the third sector. Each contribution has a different angle on this theme, and integrates the concepts with existing strands of theory.

Victor Pestoff's contribution on Citizens and Co-Production of Welfare Services: Childcare in Eight European Countries addresses the issue of what role the state, market and third sector should play in the provision of welfare services. A growing number of scholars question the viability of liberal representative democracy and the welfare state in an ‘Age of Organizations’, dominated by the big organizations found in both the public and private sector. They argue that the state is overextended and democracy is stretched to its limits. Walzer proposes to socialize the means of distributing welfare services through greater involvement of the recipients of such services, and Hirst calls for devolving as many of the functions of the state as possible to civil society, while retaining public funding. But, how and where do citizens come into the picture? Missing from these macro proposals is the micro perspective of the role of citizens provided by the concept co-production.

This contribution starts out by describing the concept of co-production, as found in public administration literature. The focus here is on greater citizen participation in the provision of public services. The literature review demonstrates several advantages of co-production, but also some major hurdles to be overcome. The second part ties the concept of co-production to a discussion of parents’ participation in the provision of childcare services in Europe. Finally, the importance of co-production for promoting the development and renewal of democracy and the welfare state is discussed. It also calls attention to differences between co-production, co-management and co-governance in terms of citizen participation.

Susan Prentice's contribution on Co-Production in Canadian Childcare provides a timely review of developments in Canadian childcare, in particular the role of the third sector, as a major provider of such services. The author focuses mostly on the role of parent-users and the third sector as co-producers of childcare services, and documents differences between the provinces in providing such services. The third

sector is quite dominant in this sector, due to the virtual absence of publicly provided services. However, Prentice observes that the third sector's role is limited to co-production and that there is little room for either co-management or co-governance. Typical of Canadian childcare are a 'frustrated national and provincial policy capacity, a high degree of commercial childcare, inequities in service distribution, and the burdening of parent-users (particularly mothers).' This infrastructure makes a national system of early learning and childcare 'structurally unobtainable'.

Taco Brandsen & Eelco Van Hout's Co-management in Public Service Provision: The Organisational Effects deals with the issue of how third sector organizations are changed through their association with the state in the context of public service provision. There is a tendency in research on this topic to place the third sector in the role of the victim, emphasizing processes of rationalization and the loss of distinctiveness. While this is certainly significant, it underplays the role of such organizations as active agents of change. To understand this, it is crucial to analyze the processes occurring within the organizations. They must be able to cope with tensions that to some extent confront all providers of public services. The production of services often requires both competition and cooperation with network partners. Expanding requirements for accountability reduce the scope for balancing multiple organizational objectives. The supply of public services is fragmented and demand tends to be unitary, encouraging suppliers to diversify.

Consequently, the organizations are faced with simultaneous pressures for differentiation and integration. Empirical research shows several means by which they alleviate these pressures: acquiring soft skills, moving from staffing to sourcing, strengthening informal mechanisms of coordination and changing management style. In such a way, they adapt to the network context in which they operate, and as a result, they contribute actively to network integration and to innovation in the public services.

Ingo Bode's Co-governance within networks and the nonprofit-forprofit divide: A cross-cultural perspective on the evolution of domiciliary elderly care provides a good comparative overview of contemporary developments in the field of elder care in three European countries: England, France and Germany. In each of these countries, some form of co-governance existed prior to the more recent advent of quasi-market type of system. In social care, as in other areas of the welfare state, there existed corporatist structures which maintained a 'domain consensus' between welfare bureaucrats, professionals and the third sector providers of domiciliary services to the elder. In France, there was a clearer separation between state and third sector, but nevertheless patterns of 'local corporatism' developed, 'symbiotic' relationships between public and voluntary agencies based on agreements between notables and local politicians'. In England, the public and voluntary sector were only weakly coupled, although consensual cooperation took root in some places.

In all countries, the establishment of quasi-market systems has weakened previously existing systems of governance. Within the new arrangements, the third sector's contribution to service provision shifts towards co-management. Co-governance has become more indirect, even in Germany where the associational pillars still offer a good infrastructure for interorganizational coordination. However, the third sector's role as campaign organizations and as a lobby for the elderly and better quality care provision still remains notable in all cases.

Ichiro Tsukamoto and Mariko Nishimura focus on The Emergence of Local Nonprofit-Government Partnerships and the Role of Intermediary Organizations in Japan: Contractual relationship and the Limits to Co-governance. In recent years, the

Japanese third sector has been increasingly involved in government-funded service delivery, spurring the growth of co-management. However, the contractual relationships between third sector organizations and governments have caused a loss of distinctiveness and independence. Co-governance is weakly developed. Generally, the third sector has been ineffective at creating voluntary and horizontal networks beyond individual organizations. The authors therefore advocate an increased and more independent role for intermediary organizations. They regard three issues as crucial in this respect: 1) the development of a mixed resource strategy, 2) the establishment of representative and networking structures, 3) stronger political functions such as advocacy and the mobilization of collective influence on government policy.

Isabel Vidal's reflection on the market, networking and trust provides us with an economic perspective of the why and how of the different forms of governance, management and production of certain public services. From the theoretical approach of *why* the supposition is made that the terms of co-governance, co-management and co-production are associated with the concepts of a division of labor, specialization, networking and collaboration among different players pursuing different goals. The theory of networks and the concept of trust are necessary to explain the *how*. For an organization taking part in the network, it means that its network partners and other organizations value the organization positively and think that it does things properly. The expected objective of this cooperation is a better adaptation to the preferences of different groups at any given moment.

On the basis of the contributions in this collection, **Victor Pestoff, Stephen Osborne and Taco Brandsen** reconsider the concept of co-production and discuss issues that might be of interest to the future research agenda. Specifically, they mention the relationships between different roles of the third sector, links with the analysis of welfare state reform and the function of co-production.

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