

Cross-sector partnership and human services in Australian states and territories: Reflections on a mutable relationship

John Butcher^{a,*}, Bronwen Dalton^{b,1}

^a School of Politics and International Relations, Australia and New Zealand School of Government, Yeende Wing, JG Crawford Building, Australian National University, Canberra, ACT 0200, Australia

^b Not-for-Profit and Community Management Program, Management Discipline Group, UTS Business School, University of Technology, Sydney, City Campus, PO Box 123, Broadway, NSW 2007, Australia

Abstract

Under Australia's federal system subnational governments fund the delivery of a wide range of public services. In particular, state and territory governments have increasingly looked to the non-profit sector to deliver human services under contract. Over time, the contracting regimes employed by public sector commissioners have taken on more 'relational' characteristics, accompanied by a gradual softening of public sector resistance to non-profit sector input into policy development. Nevertheless, the Australian non-profit sector is fragmented and, although policy capacity within the sector has undoubtedly matured, it is also unevenly distributed. Almost two decades of contracting has left its mark on organisational culture. There are fears within the non-profit sector that it is organisations with the largest 'market share' that gain a seat at the policy table.

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1. Introduction

In the industrialised west, policy interest in the non-profit sector coincided with a reconsideration of the respective roles of the public and private sectors, often with a view to reducing the responsibilities of the state (Seibel & Anheier, 1990:8). Following the lead set in the rest of the Anglo-Saxon world, Australian sub-national governments enthusiastically embraced *New Public Management* (NPM) which offered policy pathways towards smaller, less intrusive government, greater choice, responsiveness and improved economic and technical efficiency *via* the mechanism of competition.

Accordingly, Australian state and territory governments have increasingly looked to leverage the capacity of non-profit providers to meet social policy objectives. This has occurred *via* the implementation of performance-based funding and *via* competitive tendering and contracting for the provision of statutory services. Although the state remains the final arbiter of public policy and the preeminent funder of public goods and services, policy and service provision are increasingly delivered in partnership with non-state actors (Alford & O'Flynn, 2012; Bell, Hindmoor, & Mols, 2010). As a consequence, non-profit organisations are today essential partners in the implementation of social programs and policy.

* Corresponding author. Tel.: +61 438 630 561.

E-mail addresses: john.butcher@anu.edu.au (J. Butcher), Bronwen.Dalton@uts.edu.au (B. Dalton).

¹ Tel.: +61 2 95145756.

Our paper examines the principal drivers of purposive government engagement with the non-profit sector and the factors that influence non-profit policy capacity and capability. In particular, we consider the examples of cross-sector policy engagement in two Australian sub-national jurisdictions, New South Wales (NSW) and the Australian Capital Territory (ACT). The paper draws upon interview data for two out of 15 jurisdictions that made up a larger comparative case study of formal cross-sector relationship frameworks. This research involved semi-structured in-depth interviews with 43 senior policy actors, including current and former chief executives of sub-national intermediary organisations and senior government officials. Insights gained from the interviews were triangulated with relevant primary documents (including numerous official reports, policy statements, official websites, press releases, speeches, *etc.*) and scholarly literatures pertaining to non-profit policy and the roles played by non-profit organisations in the mixed economy of welfare.²

The situation in NSW and the ACT is described briefly, followed by a discussion of a number of factors that impinge upon the effectiveness of collaboration at the sub-national level. We conclude by reflecting on those characteristics of the non-profit sector that serve to moderate its capacity for policy impact.

2. The challenge of ‘new governance’

Neo-liberal thinking led a transformation of previously accepted notions of how the state ought to fulfil its policy aims (Gidron & Bar, 2010; Laforest & Acheson, 2012). Governments now rely upon non-state ‘agents’ to provide services to government that were once provided ‘in-house’ (outsourcing inputs); and to deliver services on *behalf of* government – a phenomenon referred to as ‘third party governance’ (Alford & O’Flynn, 2012; Heinrich, Lynn, & Milward, 2010). Whether the state has ‘shrunk’ (Laforest & Acheson, 2012), or ‘hollowed’ (Rhodes, 1994), or is ‘congested’ (Skelcher, 2000), the fact remains that the performance of government functions relies as never before upon the participation of non-state actors (Alford & O’Flynn, 2012; Bell et al., 2010).

In concert with this transformation, the non-profit sector worldwide has grown in both size and policy salience (Gidron & Bar, 2010; Kendall, 2009; Laforest & Acheson, 2012). Non-profits are often presented as the solution to problems of market failure or state failure (government failure) insofar as they:

- meet residual demand for services not provided by the state (public goods theory);
- operate in markets characterised by information asymmetry (contract failure theory);
- tend to complement family and informal networks and create social capital; and
- provide an avenue for the state to deal with diversity, the need for experimentation or address complex social problems (Seibel & Anheier, 1990:14; Bryce, 2006; Heyse, 2006:18; Steinberg & Powell, 2006:2).

The public and the non-profit sectors now exist in a symbiotic relationship of mutual dependence: government depends upon leveraging the capacity of the non-profit sector to assist in achieving its policy aims, and the non-profit sector, through its willing engagement in marketised service provision, has become increasingly dependent upon government funding (Gazely & Brudney, 2007).

Governments justify the use of non-profit service providers by extolling their presumed capacities for responsiveness, nimbleness and innovation (McDonald, 1999; McDonald & Marston, 2002a, 2002b). However, the relationship is also asymmetric: government wields formal authority as regulator and considerable financial power as a monopsonistic funder/buyer. Such asymmetries can act as impediments to working across sector and domain boundaries by reinforcing rigid, hierarchic procurement and accountability frameworks that can compromise the very qualities sought by public sector commissioners (Smith & Smyth, 2010).

3. NPM and contracted human service delivery

Paulsen (2006) observes that the human services sector has been the proving ground for NPM-inspired market-focussed service provision. He states:

² This larger study of formal cross-sector relationship frameworks was conducted by one of the authors as part of his PhD candidature at the Australian National University.

Organizations in the non-profit sector have traced an interesting trajectory in the context of NPM reforms. Under CTC [competitive tendering and contracting] arrangements, community organizations have developed into key service providers, and consequently become mediators of the relationship between governments and citizens in the provision of (mostly) human services (Paulsen, 2006:20).

It should further be noted that NPM exerted a strong influence on favoured policy mixes in Anglo-Saxon jurisdictions such as Australia (Halligan, 2011). It comes as no surprise, therefore, that Australian governments have invested heavily in the delivery of human services by non-profit providers.³ This instrumentalist turn in government policy is a well-recognised feature of Australian social policy (see Productivity Commission, 2010:297–348, and Davidson, 2011). It has also brought with it new challenges for the practice of constructive cross-sector engagement.

4. Non-profit sector policy in a federation

Australia is a federal state in which the respective powers and responsibilities of the national and sub-national governments are constitutionally defined. The Australian federation also exhibits characteristics of:

- vertical fiscal imbalance, arising from the fact that state/territory public sector expenditure greatly exceeds the revenue-raising capacity of state and territory governments;
- subsidiarity, in that state and territory governments are responsible for a significant share of expenditure for the provision of public services, including tertiary and quaternary health care, public education, and welfare services; and
- resource dependence, as evidenced by state/territory governments' dependence on financial transfers from the federal government, including through a series of National Agreements under which funding is tied to the achievement of agreed aims and objectives.

The federal government is a significant commissioner of contracted statutory services in its own right with contracts for labour market services valued at around \$1.2 billion, and family relationship services valued at around \$225 million accounting for a significant share of federal funding directed to non-profits (Australia, 2013; Hansard, 2012). However, the federal government's investment in the non-profit sector pales in comparison with that of the states and territories.

For example, the annual reports (FY 2011–2012) of nine major human services agencies in Australia's six states and two territories reveals a total investment of almost \$7 billion in grants and subsidies to non-profit organisations, representing an average 42 per cent of the total cost of services (see Table 1). It must be borne in mind that this figure does not capture the totality of state and territory government investment in the non-profit sector since it does not take into account funding provided to non-profits in other policy domains, including health, mental health, education, early childhood, sport and recreation, arts and culture, emergency services, heritage or the environment – all of which fall within the province of state and territory governments.

5. State dependence on non-profit providers

From the mid-1990s a variety of factors contributed to state and territory governments electing to utilise purchase-of-service contracting to facilitate the delivery of selected human services. Three developments – each dating to the 1990s – figure significantly in this regard: firstly, micro-economic reform in the form of the *National Competition Policy* provided the intellectual and policy foundations for the application of market disciplines to government activities (Kain, Kuruppu, & Billing, 2003); secondly, the rising costs of, and growth in, demands for services provided/funded by state and territory governments began to exceed growth in public revenue, necessitating

³ Total spending on the non-profit sector by Australian governments (national and sub-national) increased from \$10.1 billion in 1999–2000 to \$25.5 billion in 2006–2007 (ABS, 2002, 2009). In addition, funding from governments accounted for 33.2 per cent of non-profit income in 2006–2007, an increase from 30.2 per cent in 1999–2000 (ABS, 2002, 2009). Significantly, in 2006–2007, 'social services' accounted for nearly 24 per cent of the total expenditure of 'non market' non-profit institutions (ABS, 2009).

Table 1

Grants and subsidies to non-profit organisations, selected state and territory human services agencies.

Jurisdiction	Department	Total cost of services \$000s	Grants and subsidies \$000s	% of total
Australian Capital Territory	Housing and Community Services	\$230,231	\$94,932	41.2%
New South Wales	Family and Community Services	\$5,103,808	\$2,500,000	49.0%
Northern Territory	Children and Families	\$181,813	\$65,600	36.1%
Queensland	Communities, Child Safety and Disability Services	\$4,249,440	\$1,850,992	43.6%
South Australia	Communities and Social Inclusion	\$1,474,630	\$267,065	18.1%
Tasmania	Health and Human Services	\$425,466	\$251,200	59.0%
Victoria	Human Services	\$3,853,600	\$1,422,990	36.9%
Western Australia	Disability Services Commission	\$657,469	\$443,999	67.5%
	Child Protection and Family Support	\$526,378	\$85,188	16.2%
Total		\$16,702,835	\$6,981,966	41.8%

Source: Author's compilation. The data set out in this table are compiled from the following annual reports and related financial statements:

- ACT Government Community Services Directorate, *Annual Report 2011–12*. URL: http://www.dhcs.act.gov.au/home/publications/annual-reports/2011_-2012/annual_report_vol_two/f_community_partnerships/f.2.1_service_funding_agreements (accessed 3.4.14).
- Government of South Australia, Department of Communities and Social Inclusion, *Annual Report 2011–12*. URL: http://www.dcsi.sa.gov.au/_data/assets/pdf_file/0014/5315/dcsi-annual-report-2011-12-bw.pdf (accessed 3.4.14).
- Government of Western Australia, Department for Child Protection and Family Support, *Annual Report 2011–12*. URL: http://www.dcp.wa.gov.au/Resources/Documents/Annual_reports/Annual_Report201112.pdf (accessed 3.4.14).
- Government of Western Australia, Disability Services Commission, *Annual Report 2011–12*. URL: [http://www.parliament.wa.gov.au/publications/tabledpapers.nsf/displaypaper/3815306a7cd5d25660b5636148257a850016694e/\\$file/5306.pdf](http://www.parliament.wa.gov.au/publications/tabledpapers.nsf/displaypaper/3815306a7cd5d25660b5636148257a850016694e/$file/5306.pdf) (accessed 3.4.14).
- Northern Territory Department of Children and Families, *Annual Report 2011–12*. URL: http://www.childrenandfamilies.nt.gov.au/library/scripts/objectifyMedia.aspx?file=pdf/77/30.pdf&siteID=5&str_title=DCFAnnual_Report2011-12.pdf (accessed 3.4.14).
- New South Wales Department of Family and Community Services, *Financial Statements 2011/12*. URL: http://www.facs.nsw.gov.au/_data/assets/pdf_file/0003/262308/1229_FACS_AR-Part5_FIN-StatementsCOMBINED_WEB.pdf (accessed 3.4.14).
- New South Wales Department of Family and Community Services, *Funds Granted to Non Government Organisations*. URL: http://www.facs.nsw.gov.au/_data/assets/pdf_file/0004/262309/1229_FACS_AR-part5_NGOs_WEB.pdf (accessed 3.4.14).
- Queensland Department of Communities, Child Safety and Disability Services *Annual Report 2011/12*. URL: <http://www.communities.qld.gov.au/gateway/about-us/corporate-publications/annual-report/annual-report-2011-12> (accessed 3.4.14).
- Tasmania, Department of Health and Human Services *Annual Report 2011–12, Part 4, Financial Statements*. URL: http://www.dhhs.tas.gov.au/_data/assets/pdf_file/0003/116877/2011-2012_DHHS_Annual_Report_-_Part_4_-_Financial_Statements.pdf (accessed 3.4.14).
- Tasmania, Department of Health and Human Services *Annual Report 2011–12, Part 3, Supplementary Information*. URL: http://www.dhhs.tas.gov.au/_data/assets/pdf_file/0011/116876/2011-2012_DHHS_Annual_Report_-_Part_3_-_Supplementary_Information.pdf (accessed 3.4.14).
- Victorian Department of Human Services *Annual Report 2011/12*. URL: http://www.dhs.vic.gov.au/_data/assets/pdf_file/0019/732232/DHS-Annual-report-2011-2012.pdf (accessed 3.4.14).

consideration of more cost-effective service delivery vehicles (e.g. third party contracting);⁴ and thirdly, a loss of confidence in state monopoly service provision, coupled with a desire by consumers for greater choice and responsiveness, supported a 'mixed economy' approach to social provision.⁵

Notwithstanding the fact that state and territory governments are more than ever dependent upon non-profit sector providers, policy actors in the non-profit sector observe the stubborn persistence of presumptions of government infallibility, or 'government knows best' (senior Commonwealth policy official, personal communication, 13 September 2011). Although this is a longstanding source of irritation in the sector, non-profit actors have struggled to step outside the role of 'supplicant' to assert a place at the policy table.

⁴ The New South Wales Treasury predicts that 'without policy change, budget expenditure growth will outpace revenue growth every year for the next 40 years' (NSW Treasury, 2012).

⁵ Although there is a tendency in the literature on non-profit contracting to focus on procurement through competitive tendering, not all performance-based funding to non-profits amounts to procurement. Procurement refers to the purchase of goods or services whereas non-procurement funding to non-profits might include grants or service funding agreements (SFA) for functions or activities that deliver a public benefit (advocacy for example) but do not represent the purchase by government of a good or service (ACT Government, 2013b).

6. The challenge of cross-sector collaboration

Government policies and practices towards the non-profit sector have struggled to keep pace with a growing reliance upon non-state actors to address public problems and pursue public purposes (Gidron & Bar, 2010; Salamon, 2002). This is also true of Australia where policy and legislation concerning the sector have often been ill-informed, piecemeal and haphazardly enforced (Dollery & Wallis, 2003:129–130; Lyons, 2003:95).

In recent times new policy discourses have emerged around ‘network governance’ (Provan & Kenis, 2008), ‘collaborative governance’ (Huxham, Vangen, & Eden, 2000), ‘new public governance’ (Osborne, 2010) or simply, ‘new governance’ (Salamon, 2002) in order to better focus the capacities and capabilities of state and non-state actors on the resolution of complex problems. In practice, however, multi-organisational governance faces the twin challenges of path dependent resistance to change in both the public and non-profit sectors (Christensen, & Lægreid, 2007; Gill, 2010) and organisational isomorphism in the non-profit sector (Leiter, 2005; Verbruggen, Christiaens & Milis, 2011).

Governments engage with stakeholders and communities in a variety of ways. However, engagement is often structured around either ‘information sharing’ or ‘information gathering’ as opposed to ‘policy co-production’ (Alford, 2002). In addition, conflicting values can erect barriers to effective cross-sector working (Stewart, 2007) as can a failure to recognise shared values (Moore, 2000). It can be argued that the inter-dependent nature of multi-organisational governance and cross-boundary working demands a new public sector skill-set (Bourgon, 2008; Considine & Lewis, 1999; Edwards, 2001; Gazely & Brudney, 2007; Shergold, 2008) and governments are sometimes called upon to adapt their practices to accommodate greater participation by third parties in policy and service delivery processes (Laforest & Acheson, 2012; O’Flynn & Wanna, 2008).

Although Australian federal and state/territory policy documents have in recent years liberally employed the rhetoric of partnership (Butcher, 2006; Keevers, Treleaven, & Syke, 2008:468) the government/non-profit sector relationship is often hampered by disconnects in knowledge, understanding and practice (Butcher, 2013; Gazely & Brudney, 2007; Keevers et al., 2008:461; Productivity Commission, 2010:13–14; Shergold, 2008, 2009). When former Australian Prime Minister Julia Gillard was recently asked to enunciate the necessary qualities for public sector leadership, she answered:

we are so far beyond the command and control models of the past: now it is about collaboration, about delegation, about seeking and getting people’s consent about mobilising teams. I think it is those skills that will be the really precious ones in the future (Gillard, 2013).

7. The non-profit sector as a policy actor

It is commonplace to speak of the non-profit sector as a coherent, collective entity. Nothing could be further from the truth. Laforest and Acheson (2012) appropriately describe the non-profit sector as a ‘constellation of social relations’ comprised of organisations with multiple and even competing interests. Similarly, Gidron and Bar (2010) emphasise that although the non-profit sector is a ‘factor in society’, it lacks political power; is disorganised; has difficulty speaking in one voice; and needs other actors to vouch for and represent it.

Australia’s non-profit sector is horizontally segmented across industries and policy domains, and vertically segmented by size, turnover, complexity and geographical reach. Despite the sector’s diversity, most non-profit organisations have a vested interest in policies that:

- support their core mission and further the interests of their members, stakeholders and causes;
- affect their operations and the sub-sector (market) in which they are situated; and
- keep them abreast of issues relevant to the industry in which they operate (labour market, industrial relations, taxation, regulation).

Non-profits also generate a variety of ‘policy products’ to support activities contributing to their core mission, such as:

- communications and marketing (media releases, newsletters, brochures, online media);
- campaigns (surveys, research reports, studies, position papers);

- lobbying (briefing papers, presentations, discussion papers);
- consultation (submissions, workshops, hearings);
- business activities (fundraising, preparing tenders, funding proposals, commercial activities); and
- governance and performance management (annual reports, internal and external reporting).

These activities place significant demands on the knowledge, skills and resources available to organisations – especially for the majority of smaller non-profits that have limited means and fewer sources of reliable income.

8. Effects of marketisation on non-profit organisational culture

At times the instrumental role of non-profit organisations as contracted service providers conflicts with the sector's expressive or affiliative roles such as systemic advocacy or providing a forum for the expression of alternative viewpoints (Hendriks, 2006; Steinberg, 2006:128–129). Resource dependence (upon income from government contracts) and participation in competitive tendering regimes can encourage self-censorship and the fragmenting of collective voice (Considine, 2003). In policy domains dominated by externalised service provision government agencies often view non-profits as agents rather than partners. This in turn reinforces 'top down' processes that act to constraint the capacity of non-profit actors to influence policy.

Marketisation has also encouraged a more 'managerialist' culture in the non-profit sector. Spall and Zetlin, for example, point to the emergence of an 'enterprise archetype' in the non-profit sector which is generally supportive of the role of the state in ensuring the public good, but also supports elements of the neo-liberal agenda, including contractualism, individualism, an emphasis on rights, and improved efficiencies and effectiveness (Spall & Zetlin, 2004:286). Similarly, O'Shea et al. (2007:60) observed the appropriation by non-profits of 'explicit "businesslike" discourse' as part of their 'transitioning towards entrepreneurial and managerial models as a result of quasi-market strategies'. However, as non-profits become more 'business-like' in their priorities and behaviours, they can, according to Smith and Lipsky, 'become more rule bound and more intent on the bottom line of fiscal health at the expense of responsiveness' (Smith & Lipsky, 1993:205, cited in Rogers, 2007:397).

9. Non-profit sector engagement with state/territory governments

Non-profit organisations have a long history of engagement with their respective Australian state and territory governments. For example, the Council of Social Service of New South Wales (NCOSS) was founded in 1935 to promote cooperation in the provision of community services and to influence social legislation (NCOSS, 2010). Similarly, the Victorian Council of Social Service (VCOSS) has existed since 1946 and the South Australian Council of Social Service since 1949. Others, such as the Australian Capital Territory Council of Social Service (ACTCOSS, 1963) and the Northern Territory Council of Social Service (NTCOSS, 1976), are more recent.⁶

Since the late 1990s, Australian state and territory governments have sought to regularise their relations with the non-profit sector through formal cross-sector relationship framework agreements (Butcher, 2006, 2014, chap. 11; Butcher et al., 2012; Casey & Dalton, 2006; Casey, Dalton, Melville, & Onyx, 2010). The first of these was initiated in the Australian Capital Territory (the ACT) in 2001 and the most recent was in Tasmania in 2012. To date each of Australia's six states and two territories has given consideration to a formal relationship framework with the whole or part of the non-profit sector (Butcher, 2014, chap. 11; Casey et al., 2010). The Australian federal government followed suit in 2010 (Butcher, 2011, 2012, 2013; Butcher et al., 2012).⁷

Formal relationship frameworks are currently in place in the ACT, South Australia (SA), Tasmania, Victoria, and Western Australia (WA). Not all of these are 'bilateral agreements (or 'compacts'), and most are primarily concerned with those parts of the non-profit sector participating in human services markets (Butcher, 2014, chap. 11).

⁶ Councils of Social Service (the COSS network) exist in each state and territory to promote social justice and to advocate for policies to ameliorate disadvantage.

⁷ It should also be noted that the interests of many non-profit organisations intersect with two or more levels of government – federal, state/territory and/or local – which serves to accentuate demands upon their policy capacity and, possibly, dilute the impact of their policy effort.

In broad terms, the aim of these relationship frameworks is to acknowledge the interdependence of the public and non-profit sectors and to establish clear rules of engagement. The effectiveness of, and sector attachment to, these frameworks has been variable (Casey et al., 2010; Edgar & Lockie, 2010). In general, where frameworks have focussed on relationships between particular government entities and those parts of the non-profit sector with policy/industry relevance, they have shown some utility and durability. Frameworks purporting to be ‘whole-of-government’ or ‘whole of sector’ have been more difficult to sustain.

10. Cross-sector policy engagement

Formal avenues exist for cross-sector engagement in a number of states and territories. These might take the form of a committee of senior officials and representatives from the public and non-profit sectors working to terms of reference authorised by an overarching policy framework. In some jurisdictions, formal policy engagement is more targeted, and organised on a portfolio or programmatic basis. Inter-agency forums also exist *within* the non-profit sector for the purposes of sharing information, exchanging views and agreeing collective positions on major policy issues – the COSS networks are one example. In all jurisdictions, it is clear that the quality of relationships – interpersonal as well as inter-organisational – matters enormously and it is often through informal avenues that policy influence is exerted to greatest effect.

The state of New South Wales (NSW) and the Australian Capital Territory (ACT) are two contrasting jurisdictions with a shared dependence upon non-profit providers of community-based human services. Both jurisdictions make significant financial investments in the non-profit sector: in NSW this represents 49 per cent of the total cost of services in the Family and Community Services Portfolio and in the ACT 41 per cent of the total cost of services in the Housing and Community Services Portfolio. Presented below are brief descriptive accounts of the broad dimensions of cross-sector policy engagement in the two jurisdictions. These are followed by a discussion of the range of factors that impinge upon effective cross-sector policy engagement.

10.1. Australian Capital Territory (ACT)

With a population of just over 373,000 and a land area of 2280 km² the ACT is a small jurisdiction. In a 17-member legislature, 24 ministerial portfolios are currently shared between five ministers. Hence, the requirements of ‘boundary management’ alone suggest a strong reliance on policy input from the non-profit sector. In addition, ACT politicians and senior bureaucrats are highly accessible and there is a high degree of professional mobility between the public service and the non-profit sector. It is also worth noting that under the ACT’s Hare-Clarke electoral system, minority government is the norm. Furthermore, as the site of the national capital, Canberra, the ACT can also be said to have a politically canny non-profit sector. These factors create strong incentives for collaborative working across policy and political boundaries and the relationship between government and the sector is characterised by stakeholders as being more collegial than adversarial on the whole.

One practical challenge facing the ACT government is how to deal sensibly with the multiplicity of voices in the non-profit space. Said one senior official ‘We have so many peaks [peak organisations] it’s like a mountain range ... who do you listen to?’ (senior policy officer, Chief Minister’s Department, personal communication, 31 April 2011). The task of engaging the sector is made more difficult by a tendency for structured engagement to be fragmented on portfolio or programme lines.

To address these challenges the ACT government recently initiated a Community Sector Reform Programme comprised of a ‘coordinated suite of reform projects to address the community sector’s capacity to adapt to the challenges facing it’ (ACT Government, 2013a). An important element of the programme is a project aimed at ‘developing the skills and capabilities of the leaders of the sector to effectively meet the challenges and reform pressures facing their organisations’ (ACT Government, 2013a). Although policy ‘co-design’ lies at the heart of the programme, there is recognition of a need to improve the capacity of community sector leaders to work as policy partners with government, in part by facilitating a better understanding of the constraints within which governments operate (Exhale Consulting Group, 2013).

One senior ACT government officer observed that it has proved easier in the ACT to bring a degree of nimbleness to the processes used for cross-sector engagement because, as a relatively new jurisdiction (the ACT achieved

self-government in 1988), its institutions do not carry the same weight of path dependent attitudes, behaviours and practices that one might find, say, in a large state like New South Wales:

We are only a 21 year old government so we don't have institutions that have been around for so long that you've got people probably as old as the institution, if you know what I mean . . . [the] New South Wales Treasury has been around literally since 1788 in one form or another . . . trying to get it to think differently would be like the proverbial 'teeth-pulling' (senior policy officer, Chief Minister's Department, personal communication, 31 April 2011).

The non-profit sector, for its part, is actively and constructively engaged in the reform process *via* a Community Sector Reform Advisory Group (CSRAG) comprised of representatives from the Community Services Directorate, the Department of Health, and ten community sector chief executives representing the wider community sector.

10.2. New South Wales (NSW)

New South Wales (NSW) is a large jurisdiction with a population of nearly 7.3 million and a total land area of 800,642 km². The state's predominantly urban population is concentrated in the coastal axis of Sydney (>4.6 million), Newcastle (308,308) and Wollongong (292,190). The impact of geography upon policy discourse in NSW is inescapable: public officials and non-profit actors alike routinely invoke the concept of the 'tyranny of distance' in the context of policy and programme delivery. Its westernmost city, Broken Hill, is nearer to the South Australian capital of Adelaide (670 km) than it is to Sydney (1143 km). Communication between frontline workers in non-metropolitan areas of NSW and head offices in Sydney can be tenuous.

In New South Wales (NSW) responsibility for policy engagement with the non-profit sector rests largely with two portfolio departments, the Department of Family and Community Services (FACS) and the Department of Health (Health). FACS for example, sees 'strengthening partnerships by improved engagement with the non government [sic] sector and benefiting from its capabilities and expertise' as one element in its overall approach to 'improving lives for vulnerable people' (FACS, 2012:16).

The Health department, meanwhile, recently established a central Health NGO Unit supported by an advisory committee to implement recommendations arising from a 2009–10 review of the efficiency, effectiveness and responsiveness of its NGO Programme (NCOSS, 2013; NSW Health, 2011, 2013). Policy engagement in NSW also occurs around discrete initiatives, such as current trials of social benefit bonds.⁸

Non-profit intermediary organisations in NSW routinely attempt to present a united front to government. The 'Forum of Non-Government Agencies' (FONGA), whose membership includes peak organisations and regionally based human service non-profits, is the principal vehicle for arriving at broadly agreed positions on matters of common interest to the non-profit sector. However, non-profit executives acknowledge that the number of issues upon which broad consensus can be reached is limited owing to the diversity of opinion, interests and values in the sector.

11. Determinants of effective policy engagement

In both NSW and the ACT relationships between the public and non-profit sectors – and *within* the non-profit sector – are affected by factors such as market concentration, the isomorphic effects of managerialism, the partitioning of the sector into 'insiders' and 'outsiders', and by the variegated and fragmented nature of the sector.

Non-profit executives accept the importance of a robust relationship with government. As one non-profit executive observed, 'the sector needs to understand that politeness and a well-articulated policy will only get you so far – it means nothing if you can't actually influence debate' (CEO non-profit peak organisation, personal communication, 17 November 2010). However, non-profits and the people who work in them sometimes fail to fully understand their operating environment, are inwardly focused and preoccupied with organisational survival. As a result, their capacity to wield influence is diminished, as is their connectedness with the communities and constituencies whose interests they claim to represent (CEO non-profit peak organisation, personal communication, 17 November 2010).

⁸ Social Benefit Bonds are a social finance instrument that pays a financial return to private investors in service delivery based on the achievement of agreed social outcomes (NSW Treasury, 2013).

In sharp contrast to the sector's altruistic mission, government officials often observe the prevalence of lobbying and 'special pleading' by non-profit organisations for decisions that favour narrow organisational interests (senior state policy officer ACT, personal communication, 29 January 2014). One official suggested that many non-profits look upon public sector agencies as 'the big bag of money in the room' (senior state policy officer NSW, personal communication, 18 November 2010). Observations such as these suggest that there is much work to be done to establish durable foundations for constructive cross-sector partnership. It is also important to be mindful of the range of factors that inhibit within-sector cooperation and solidarity.

11.1. Market concentration in the non-profit sector

All non-profit organisations/sectors are *not* created equal. Procurement policies employed by governments have contributed to the dominance of larger, more bureaucratic non-profits in the new markets established for contracted service delivery, a trend also observed in the United States (Tucker & Sommerfeld, 2006). In Australia a relatively small number of large, multi-service, national social service organisations have captured a significant share of the new markets for human services, employment services and childcare.

An important driver of concentration and aggregation in the non-profit sector is commissioning agencies' desire to reduce operational complexity and control transaction costs by reducing the number of service providers. Procurement regimes also tend to equate the viability and capability of service providers to size and to organisational characteristics that reflect governance and control structures similar to those found in the public sector. Such regimes carry built-in assumptions that contracting with multiple small providers carries heightened risks of project or organisational failure.

11.2. The influence of managerialism

The potential isomorphic effects of government contracting practices upon non-profit organisations have been studied in Australia and internationally (Fazzi, 1996; Tsukamoto, 2012). In Australia it is sometimes suggested that 'contractualism' has led to a colonisation of the non-profit sector by 'managerialist discourses' (Onyx et al., 2010; Keevers et al., 2008; Everingham, 2001). It is further speculated that the adoption of managerialist discourses increases the risk of 'mission drift' (Butcher & Freyens, 2011; Evans, Richmond, & Shields, 2005).

Many organisations have concluded that their survival can only be assured by 'growing their business': for example, by increasing their financial turnover and diversifying their business portfolio into policy domains and/or geographical areas in which they have not previously had a presence (Butcher & Freyens, 2011). Competition over contracts and 'market share' has in some cases compromised longstanding cooperative practices in the non-profit sector: accounts of predatory business practices, unwillingness to share knowledge, and the 'poaching' of staff are common (Butcher & Freyens, 2011).

There is a broad acceptance within the non-profit sector of the need to be more 'businesslike' by demonstrating accountability, operational efficiency and economic viability. However, an oft cited concern within the sector is that enthusiasm for business maxims places non-profit providers at risk of losing their policy 'edge' by supplanting a mission based on 'social justice' for one focussed on applying for and winning contracts. As put by one non-profit chief executive:

For an organisation to talk about expanding their size and scale is entirely appropriate, but, at a sector level, if that means that they're not engaging with the local community ... it's actually undermining their brand. It doesn't matter how many funding contracts they have, their results are not going to reflect their engagement with local communities (CEO non-profit peak organisation, personal communication, 17 November 2010).

Onyx et al. (2010) remark on a parallel shift in parts of the non-profit sector away from 'traditional' radical activism towards depoliticised policy professionalism. This is portrayed as both a capitulation to the market paradigm and as a pragmatic recognition by the sector that developing and maintaining access to government requires 'advocacy with gloves on' (Onyx et al., 2010). Thus the contemporary non-profit sector has come to accept that the politicised 'attack' strategies of the past are no longer tenable and that more sophisticated evidence-based advocacy is required to influence policy (Onyx et al., 2010:51–56).

It should also be noted that the sector's ability to engage in detailed policy discussion is also subject to a variety of endogenous and exogenous constraints including capacity deficits (particularly time and financial resources), sector

politics, government politics and bureaucratic interference (CEO non-profit peak organisation, personal communication, 17 November 2010).

11.3. Insiders and outsiders

Non-profit sector participation in marketised service provision has created a new generation of ‘insiders’ that enjoy close relations with public officials by virtue of perceptions that they are ‘respectable, reliable and responsible’ (Casey, 2004). Insiders might also exhibit a propensity for advocating policy change behind the scenes by directly lobbying government. However, the effectiveness of this approach rests on the presumption that meaningful access to government exists and that non-profit officials are listened to (Gormley & Cymrot, 2006:104).

Many larger non-profits regard a close relationship with government as an important strategic goal. And, indeed, competitive tendering and contracting regimes tend to favour larger ‘enterprise’ organisations. The ‘insider’ status these organisations enjoy by virtue of their contractual relationships with government in turn contributes to perceptions that the policy agenda has been captured by larger non-profits at the expense of smaller, less well-connected organisations. For this reason the term ‘insider’ is commonly equated with ‘big’ (CEO non-profit peak organisation, personal communication, 17 November 2010).

Even an insiders’ influence can be undermined by the inherent asymmetry of power within the relationship (Caragata & Basu, 2013:329–330; Shields, 2013). This generates new dilemmas as non-profits strive to maintain their autonomy whilst working to protect their insider status.

11.4. A variegated sector

Although the non-profit sector projects a superficial veneer of solidarity, in reality it speaks with many voices (Gidron & Bar, 2010; Laforest & Acheson, 2012). As a result, intermediary organisations sometimes struggle to represent coherent positions on policy matters of common concern to the broader non-profit sector. Support for government initiatives by high-profile non-profits can be highly tradable in the political marketplace and governments often selectively invite input from non-profits known to be ‘on-side’ (Millar, 2013; Pascoe, 2013).

It is difficult to make broad statements about the policy impact of policy engagement between the public and non-profit sectors. It is apparent from discussions with Australian non-profit policy actors that access to decision-makers is subject to formal and informal regulation. Not surprisingly non-profit policy actors express a preference for engaging directly with ministers around policy issues of importance to their organisation and their part of the sector. They also express frustration with being required to engage with public sector officials who are often described, sometimes disparagingly, as ‘gate-keepers’ controlling access to and ‘protecting’ ministers. The perception that some non-profit actors enjoy greater political and policy access than others sometimes gives rise to disquiet and even resentment.

12. Conclusions

What conclusions might we draw from our preliminary investigation of non-profit sector policy engagement at the sub-national level? First, it is abundantly clear that formal frameworks for policy engagement spring primarily from pragmatic considerations. That said, resource dependence is a particularly powerful driver – on the part of sub-national governments unable to meet the rising cost of service delivery from their own revenue sources; and on the part of non-profit service providers whose greatly expanded ‘businesses’ are dependent upon income from government contracts.

The ideological contests of the previous decade have been largely resolved in favour of a new dispensation between the government and non-profit sectors with third party contracting at its core, guided and facilitated by formal cross-sector frameworks of varying usefulness. Governments, therefore, have a strong vested interest in forging equitable relationships with the non-profit sector – especially those parts of the sector upon which they have become so dependent.

Given the sheer weight of investment by state and territory governments in public services and in third party service provision the emergence of formal mechanisms for the purpose of inviting the non-profit sector into the policy tent is not unexpected. In large, established jurisdictions like NSW one might expect any cross-sector frameworks to reflect the path dependent legacy of past institutional arrangements and practices. In smaller, and newer jurisdictions like the ACT, which are relatively unfettered by either the tyranny of distance and/or historical legacies, the existence of constructive collegial cross-sector links is unsurprising.

Regardless of jurisdiction, non-profits vary considerably in terms of their investments in policy capacity and capability, meaning that the policy impact of non-profit sector representations to government are likely to be uneven within and between jurisdictions (Lyons, 2001; Productivity Commission, 2010). In general, larger, more complex non-profits appear better able to sustain internal policy functions: the extent to which the policy capacity of larger ‘enterprise’ non-profits generates benefits for the broader sector is unclear in light of the competitive pressures of CTC regimes and the potential for information hoarding in sub-sectors where marketisation is well-entrenched (Butcher & Freyens, 2011).

The non-profit sector in Australia has matured in response to marketisation, and that maturation has occurred largely at the sub-national level. However, important gaps remain in the sector’s capabilities as a policy partner. For example, the fragmented nature of the non-profit sector lessens its overall policy impact and the absence of formal representative mechanisms dilutes the collective capacity of the sector to act as an effective policy partner. To fragmentation might be added a tendency towards political and policy naivety on the part of non-profits who often appear to be unmindful of the constraints imposed upon public sector officials by elected governments.

Further research is needed to investigate the internal policy capability in non-profit organisations and the degree to which this is correlated with a capacity for influence. This should entail investigation of endogenous and exogenous barriers to building policy capacity, including consideration of possible avenues for capacity building such as private sector co-investment and internships with government agencies. There is considerable scope here for comparative case studies at the jurisdictional and policy domain levels.

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