

## **GOVERNMENT, NGOS, AND THE NEW PUBLIC MANAGEMENT**

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### **Key Points**

- New Public Management
  - ▣ Restructuring of the welfare state
  - ▣ Promoted the introduction of market strategies in public and nonprofit services
- Citizen Engagement and Marketization
  - ▣ Can be in tension within NGOs
  - ▣ But market competition can also promote more citizen and community engagement
- Convergence on some dimensions in the government-NGO relationship across countries

## NGOs and Government

- Growth of the Welfare State and NGOs
  - ▣ Similarities in the role of NGOs in the 19<sup>th</sup> century across countries.
  - ▣ Transformation of the role of government in the 20<sup>th</sup> century.
    - Differences across welfare state regimes. (Esping Andersen, Salamon and Anheier)

## Differences across welfare state regimes

- Social Democratic regimes (Scandinavian countries)
  - ▣ Small NGO role in welfare services, large role in sports and other types of associations. Public subsidies to many associations.
- Conservative regimes (Germany, the Netherlands, Austria, Italy)
  - ▣ Large NGOs funded by the state; corporatist bargaining with the state
- Liberal Regimes (UK, Canada, Australia, and US)
  - ▣ Sizable NGO sector. In UK, Canada, Australia, NZ, extensive government subsidies after WWII. In US, contracting and subsidies did not begin on a widespread scale until 60s.

## Differences Across Countries

- Welfare State Regimes
  - ▣ Statist regime (Japan). After WWII, large public sector investment, extensive local volunteer and neighborhood associations.
- Other Countries
  - ▣ Larger International NGOs, often receiving large public subsidies and foundation grants
  - ▣ Smaller local NGOs and informal sector. Citizen participation varied extensively. Some NGOs received extensive subsidies.

## Similarities Across Countries

- Relative Absence of Market Competition
- Long-term relationships between state and NGOs.
- In liberal regimes, reliance on private philanthropy
- Participation in informal sector of self-help groups, neighborhood associations, faith-based organizations. Great variation across countries, regions and localities in participation.
- Accountability was largely delegated to NGOs. Organizational transparency lacking.

## Key Policy Trends in Last 20 Years

- *Welfare State Restructuring:*
  - ▣ Implementation of the New Public Management with more market-based strategies to address public problems.
    - Vouchers
    - Tax credits and deductions
    - Competitive tendering for contracts between government and NGOs (and hence a move away from the traditional grant and subsidy system).
    - Greater Receptivity to For-Profit Service Organizations

## Key Policy Trends in Last 20 Years

- *Welfare State Restructuring:*
  - ▣ Implementation of the New Public Management with more market-based strategies to address public problems.
    - New Performance Regimes
      - Logic Models
      - Performance Based Contracting
      - Outcome Evaluation
      - Benchmarking

## Key Policy Trends in Last 20 Years

- Social Innovation and Social Enterprise
  - ▣ Widespread interest in many countries
    - Organizations as diverse as the Grameen Bank, BRAC, the Harlem Childrens Zone, and KIVA.
    - Ashoka, Social Innovation Fund in US, Skoll Forum.
  - ▣ Related to the Push for Performance Management
    - Assumption of greater focus on outcomes and efficiency.
    - Encouraged by many national and international foundations

## Key Policy Trends in Last 20 Years

- Social Innovation and Social Enterprise
  - ▣ Growth of hybrid organizations with features of nonprofit and market organizations. Social cooperatives as one important model.
  - ▣ In Hong Kong, New Life social enterprise. Hong Kong Social Enterprise Incubation Centre.
  - ▣ Alternative Financing Structures including Social Impact Bonds
  - ▣ Impact Investing. Conference on HKU next week on this topic sponsored by the Rockefeller Foundation.

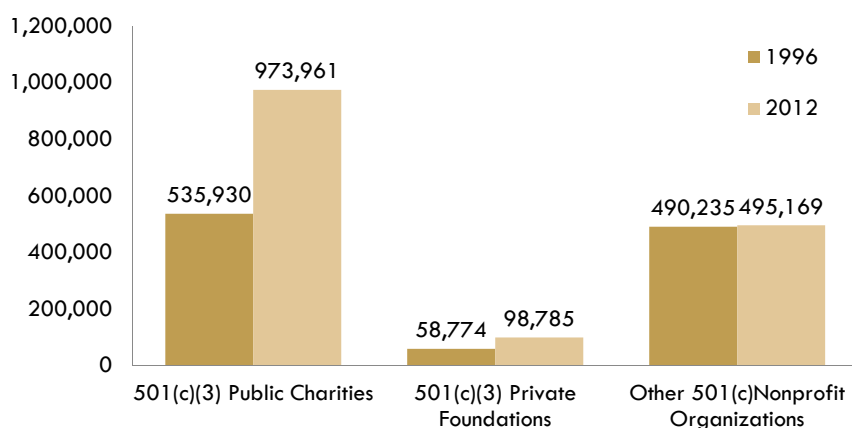
## Key Policy Trends in Last 20 Years

- Citizen Participation through NGOs
  - ▣ Increase in Public and Philanthropic Support
    - Community Service and Voluntarism
    - Advocacy Organizations
    - Co-Production and More Client Choice in Services.
      - UK: personalisation of care and employee owned firms.
    - Participatory Budgeting, Neighborhood Associations.
    - Public-Informal Sector Collaborations

## Effects of Policy Trends

- Growth in NGOs in US and Abroad
- Increase in For-Profit Organizations in Fields Previously Dominated by NGOs

## Growth in Nonprofit Organizations by Type, 1996 and 2012



Sources: NCCS Business Master File 12/2012 (with modifications by the National Center for Charitable Statistics at the Urban Institute to exclude foreign and governmental organizations).

## Size and Financial Scope of the Nonprofit Sector in the US

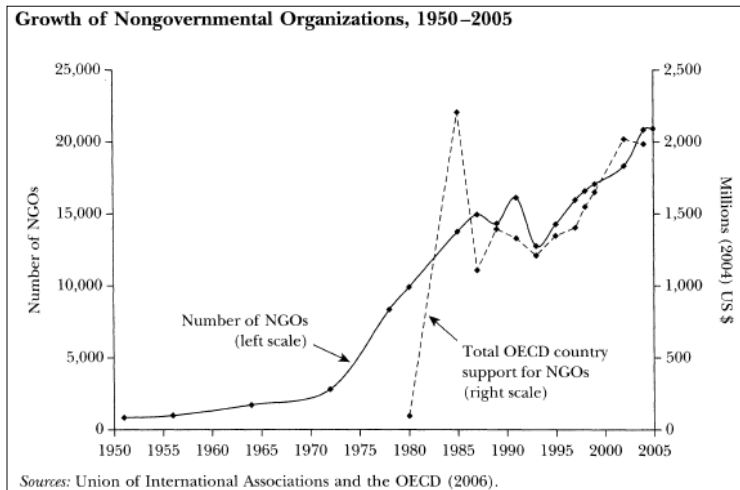
Table 1. Size and Financial Scope of the Nonprofit Sector, 2000-2010

	2000	2005	2010	% change, 2000-10"	% change, 2000-2010 (inflation adjusted)
All registered nonprofits	1.26 million	1.41 million	1.56 million	23.6	—
Reporting nonprofits	444,161	552,569	618,062	39.2	—
Revenues (\$)	1.15 trillion	1.63 trillion	2.06 trillion	78.3	40.8
Expenses (\$)	1.01 trillion	1.48 trillion	1.94 trillion	91.8	51.5
Assets (\$)	2.57 trillion	3.50 trillion	4.49 trillion	74.8	38.1
Public charities, 501(c)(3)	688,600	847,954	979,901	42.3	—
Reporting public charities	249,859	313,164	366,086	46.5	—
Revenues (\$)	837 billion	1.17 trillion	1.51 trillion	80.9	42.9
Expenses (\$)	750 billion	1.08 trillion	1.45 trillion	94.0	53.2
Assets (\$)	1.50 trillion	2.07 trillion	2.71 trillion	80.6	42.6

Sources: Urban Institute, National Center for Charitable Statistics, Core Files (Public Charities, 2000, 2005, and 2010); and Internal Revenue Service Business Master Files, Exempt Organizations (2000-11).

Source: Table in Blackwood, Amy S., Katie L. Roeger, & Sarah L. Pettijohn. (2012). "The Nonprofit Sector in Brief: Public Charities, Giving, and Volunteering, 2012." *Urban Institute*.

## Growth of Nonprofit Organizations, 1950-2005



Source: Table in Werker, E. and Faisal Z. Ahmed. (2008). "What Do Nongovernmental Organizations Do?" *The Journal of Economic Perspectives* 22(2), p. 73-92. p. 75.

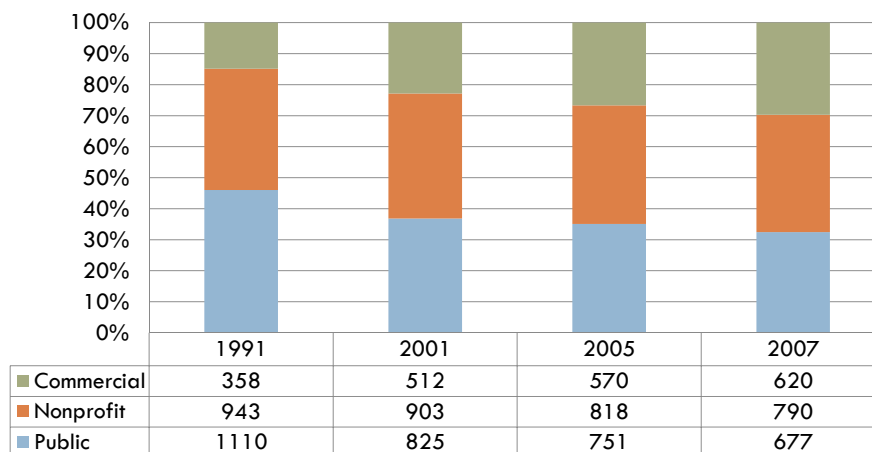
### Growth and Change of the Nonprofit and For-Profit Service Mix in the US

Industry	Type of Operation	Facilities 2002	2007	% Change
Individual & Family Services	NPO	49,618	56,693	14
	Commercial	10,887	17,516	60
Child Care	NPO	24,231	21,404	-11
	Commercial	44,896	52,748	17
Service Industry	NPO	108,241	108,095	-.13
	Commercial	80,369	97,913	21
Homes for the Elderly	NPO	3,107	2,360	-24
	Commercial	10,965	12,360	12



## Changes in the Welfare Mix: Hospitals In Germany

Hospitals according to ownership: number, percentage of total



## Fiscal and Debt Crisis: Consequences for NGOs

- Cutbacks in public funding
- Declines and/or Stagnation in Philanthropic Funding
- More competition for public and private funding
- More professionalization and governance models borrowed from corporate world.
- Smaller community based organizations are at a financial disadvantage.

## Consequences for NGOs

- Organizational restructuring
  - ▣ Reducing costs through partnerships, lowering fixed costs, enhanced use of volunteers
  - ▣ Increasing fee income
  - ▣ Repositioning of organization including new mission
  - ▣ Mergers are difficult
  - ▣ Hybrid organizational structures including nonprofit and for-profit subsidiaries, social enterprises, and social cooperatives.
- Centrality of NGOs as Service Providers is decreasing in many countries and service categories.

## Consequences for NGOs

- Tension between Marketization and Citizen Engagement by NGOs, broadly defined.
  - ▣ Marketization encourages a focus on programmatic and efficiency targets, rather than collaborative processes working with the community.
  - ▣ Performance targets also tend to narrow the focus of the organization.
  - ▣ Advocacy can be controversial and contentious; thus, scarcity can make funders less inclined to fund advocacy and citizen engagement activities. Funding can thus shift away from advocacy and toward direct services.

## Consequences for NGOs

- Tension between Marketization and Citizen Engagement.
  - ▣ As noted, marketization encourages professionalization of staff and boards which can reduce community input and control.
  - ▣ We also value NGOs for the ability to represent diverse interests. Market competition can encourage isomorphic behavior that can reduce the diversity of particular program fields.

## Managing the Marketization/Democratization Dilemma

- Community support and engagement can help NGOs compete in the market for public and private funding.
  - ▣ Many different strategies:
    - Community advisory committees
    - Appointment of Government Relations staff
    - New approaches to membership
    - New volunteer roles
    - Rethinking board structure and governance

## Implications for Research and Theory

- Marketization undercuts some prevailing theories of NGOs.
  - ▣ Hansmann, James, Weisbrod. A market failure/government failure model resting on public goods provision.
  - ▣ If NGOs do not provide public goods, should they be entitled to a tax exempt status?
  - ▣ More research on community benefit of NGOs
  - ▣ Application of insights of the disciplines to the study of NGOs.

## Implications for Research and Theory

- Country-wide and Comparative Research:
  - ▣ Increase in NGOs around the world has also occurred at time of weakening support for the welfare state in advanced industrial countries and growing support for formal social policies in many countries in Asia.
  - ▣ Research needed on the role of NGOs in the changing politics of the welfare state.

## Practice Implications

- Growing division between large NGOs with access to public and private resources and small community organizations.
  - Smaller community organizations will need to develop innovative partnerships and collaborations and revamp their governance structures in the interest of sustainability
- NGOs will need to invest in capacity building and professionalization in order to effectively compete for public and private funding.

## Conclusion

- NGOs play a key role in building civil society and representing citizen interests.
- Increasingly, government is relying on NGOs to provide valued services to the citizenry.
- Across countries, convergence on some dimensions of the government-NGO relationship, especially in terms of service delivery including greater competition.
- Distinctive differences remain reflecting the legacy of different welfare state regimes and a country's institutional mix and history.