

Public value from co-production by clients

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Introduction

It is not the fact that it has traditionally been produced by government organisations that makes public value ‘public’, but rather the fact that it is ‘consumed’ collectively by the citizenry. At a minimum, it includes value that citizens can only obtain through collective provision, such as law and order (which underpins markets), remedies to market failures of various types, and distributional equity. More broadly, it embodies the goals or aspirations citizens have for the society as a whole, founded in social or normative commitments or purposes (see Alford 2002, 339-340). An important implication of conceiving value in this way is that it can be created by a variety of entities in addition to public sector organisations, such as private firms, community organisations, other government agencies, volunteers, industry and professional associations and others. Many of them have typically been seen as suppliers, providing services on a contractual basis to government purchasers (Donahue 1989; Kettl 1993; Prager 1994). But to varying extents since the 1980s, some have also been conceived as co-producers, jointly producing services with government organisations through voluntary co-operation (see: Whitaker, 1980; Sharp, 1980; Parks et al, 1981; Brudney and England, 1983; Kiser, 1984).

Here I consider one type of co-producer: the *client* of a government organisation. Whereas contractors, community organisations, other government agencies and volunteers are more analogous to suppliers of services to a public sector organisation, clients are more like consumers, who receive services from it. The idea that they are also suppliers of co-productive effort is therefore counter-intuitive at first sight.

This chapter distinguishes the role of clients, then illustrates the necessity of client co-production in many public services, and its potential desirability in some others. It draws on research evidence to offer some propositions about how client co-production

is best elicited. Finally, it ponders the implications of some these arguments for the creation of public value.

Defining public sector clients

What constitutes a ‘client’ in the public sector is a problematic issue, complicated by the fact that there are many terms dealing with the same phenomena, mostly derived from the private sector, such as customers, users, buyers or consumers, each with many contending definitions. In this chapter, the term ‘clients’ is employed to label those who deal with the agency at its ‘business end’ (Moore, 1995), as its ‘public-in-contact’ (Blau and Scott, 1963).¹ Insofar as they have the *role* of clients, they receive private value from the agency’s service, that is, benefits that are consumed individually. Insofar as they have the role of citizens, they receive public value, which they ‘consume’ jointly with their fellow citizens.

The role of client is therefore different from that of the citizenry. Citizens’ relationships to each other and to government are not the same as consumers’ relationships to each other and to producers (Alford 2002; Stewart and Ranson 1988). In a democracy, citizens develop and express aspirations collectively, through processes of political deliberation such as voting, policy debate and other forms of political participation. Clients, on the other hand, signal their preferences as individuals, through market purchases or, especially in the case of government organisations, through surrogates such as client surveys, complaint departments or appeal processes.

To the extent that they receive private value, clients seem analogous to private sector customers. But they are quite dissimilar in important ways, which we can identify with different client roles (Alford 2002). Some of them may pay money in direct exchange for the services they receive, just like *paying customers* of the private sector. But most of them – for example social security recipients, pupils at government schools or public housing tenants – do not pay any money, or only pay a

¹ There is no ideal term to describe these entities. Other terms such as those cited could as well be employed, but ‘clients’ seems to have the benefit of referring to people who receive services without having so much of a private sector connotation. What matters is not the precise term but rather its substantive content as defined here.

proportion of the actual cost.² In this capacity, they play the role of *beneficiary*. Many of them are unwilling clients: they are being compelled to ‘receive’ the service – for example, prisoners, taxpayers, and many others subject to regulatory or other obligations. In this capacity, they play the role of *obligatee* (Moore 1995). Typically, an individual client embodies some mixture of these roles, in addition to being a citizen.

Although different from the private sector customer, the public sector client is similar in one important and perhaps surprising respect: that s/he is engaged in an exchange with the organisation. Each receives something directly or indirectly from the other, and what it receives is linked to some degree with what it gives to the other. However, in the public sector, the types of things being exchanged, the process by which it occurs and ultimately the range of parties involved are of a quite different character. They can be seen more usefully as what anthropologists call *social* exchanges, rather than the economic exchanges which characterise market transactions (Levi-Strauss [1949] 1969; Homans 1961; Blau 1964; Ekeh 1974).

In social exchange, a broader set of things can be exchanged than tangible items such as money or goods or services. People may give each other intangibles such as respect, assistance, symbolic status, fairness or indeed anything the parties value. These exchanges entail more diffuse and more deferred reciprocity, with less precise and longer term obligations, than the immediate *quid pro quo* transactions that occur between buyers and sellers.³

Seen through this lens, the exchange between the public organisation and the client is one in which the client ‘pays’ not with money but with *behaviours*, and does so at least in part to reciprocate the tangible or intangible ‘gifts’ he or she receives from the organisation or from others prompted by the organisation. The organisation’s aim is (or should be) to elicit behaviours from the clients which co-produce value for the public. It is more likely to do so to the extent that it understands and respects their needs.

² They may pay taxes which fund these services, but unlike the private customer exchange, there is no direct nexus in that case between the money and the service, which is instead collectively funded.

³ For a fuller explanation of these ideas, see Alford (2002, 341-2).

The necessity of client co-production

In some cases, client co-production is a *substitute* for production by internal organisational staff. The issue for managers in these situations is whether the task would be better performed by the organisation or the client. To inform these decisions, managers weigh up the relative cost-effectiveness of the two options, as is already well-documented in decisions about whether to contract public services out to private providers (Donahue 1989; Kettl 1993; Prager 1994; Boyne 1998). They seek to ascertain, for instance, whether the co-producers have the requisite capabilities, and what it would cost to induce them to play that role usefully.

But there is another circumstance where it is not really a matter of choice as to whether client co-production should be utilised. This is where organisational and client co-production are *inter-dependent*, that is, where the task cannot be performed without some contribution from both. In other words, organisations must engage with client co-production whether they like it or not. The issue for them is not whether to utilise client co-production, but how best to do so.

An example concerns long-term unemployed people: the clients of public employment agencies or of their contracted providers. At first sight, these agencies' clients could be seen as consumers of their services, such as job referrals. But to the extent that the purpose of the agency is to help the unemployed get work,⁴ the clients are also necessarily co-producers. The agency cannot achieve that purpose unless the clients do certain things. Even if the agency finds a suitable job for an unemployed person, s/he has to secure and retain that job – something the agency cannot do for them. The client has to make a favourable impression on the employer, both at interview and after starting in the job. How well s/he does so will be a function of the person's knowledge, capabilities and attitudes. This in turn brings forth additional tasks in the process of getting the unemployed into work, in that they need to acquire skills and knowledge – either generic ones such as basic literacy and numeracy, or

⁴ Some would argue, with some justification, that the aim of some governments is not so much to find jobs for the unemployed as to get them off the welfare rolls. But the argument here is that *if* the purpose is to get them into jobs, then government organizations face certain imperatives.

specific ones such as computer keyboarding. More particularly, they may need to learn interview techniques or other job search skills. Again, the agency can provide programs such as basic education courses, skills training or job search training to assist unemployed people, but unless they engage with those programs with some degree of commitment, they will not gain much from them. Thus, the agency cannot achieve its purposes unless its unemployed clients contribute some time and effort into becoming 'job-ready', in skills and attitudes, and into securing jobs to which they are introduced.

The task becomes even more complex if we focus on the *long-term* unemployed, who have become profoundly demotivated by their experiences of failing to find work over a year or more, typically instilling a sense of hopelessness and resignation, fuelling a desire to avoid yet another rejection from a possible employer. The challenge for the agency is not only to find jobs and assist 'job-readiness', but also to prompt 'job-willingness'.

Since the 1970s, the ranks of both the unemployed and the long-term unemployed have swelled, and governments have been under political pressure to tackle the problem. Common to the strategies adopted in America, Britain and Australia has been a shift in emphasis, in which the unemployed must not only accept jobs offered to them, but also continuously demonstrate that they are 'actively seeking work' (King 1995).⁵ This requirement has been imposed under the rubric of 'mutual obligation' (Mead 1986), in which an explicit link is drawn between welfare benefits and job search. The argument, based on a particular conception of who constitutes the 'deserving poor',⁶ is that if the unemployed are to receive benefit payments, then they should give something back in return – that is, they should genuinely and energetically seek work, or undertake valid substitutes for it, such as education, training, or work experience.

Supporting this philosophy have been a number of changes in service offerings and operations. First, the link between benefits and job search has been cemented by

⁵ There has been considerable policy transfer in this area among industrialised nations.

⁶ Generally, the accepted norm is that those who are able-bodied and unencumbered should not receive welfare payments, whereas the elderly, the disabled and sole parents of young children are 'deserving'. More recently, however, even the claims of the latter two are being challenged, especially in the US.

merging or strengthening the liaison between the employment agency and the benefit agency – as seen in Australia’s creation of ‘Centrelink’ in 1996 (Husock and Scott 1999).

Second, an array of labour market programs (LMPs) has been introduced, offering various kinds of support and assistance to the unemployed, including job matching, job search training, skills training, work experience, basic education, and supports such as child care and transport assistance. These have varied in approach. In the US, the increasing emphasis has been on what are called ‘work first’ (as opposed to ‘education first’) programs, in which the focus has been on getting the unemployed into some kind of job (usually a casual, short-term one) as soon as possible, the theory being that this provides experience and confidence to progress to more stable employment.⁷ The other two countries have had a more mixed approach.

Third, an extensive system of sanctions has been introduced, in which clients who fail to meet either their ‘activity’ obligations (requirements to search for work) or their administrative obligations (e.g. requirements to attend agency interviews or notify changes of circumstances) are penalised by a reduction or suspension of benefits for a prescribed period, with subsequent ‘breaches’ incurring more severe penalties.

In each country, these changes have formalised a co-productive relationship between clients and employment agencies. However, in most cases the relationship is characterised by economic rather than social exchange, and backed by sanctions. Its success at its officially stated purpose – getting the unemployed into work – has been mixed. However its success at another purpose – getting unemployed people off benefits – has been considerable (Grogger et al 2002).

The third case concerns a group of people for whom at first sight the term ‘client’ seems inapposite: taxpayers.⁸ But as discussed above, as ‘obligatees’ they do have an exchange relationship with tax authorities alongside the coercive relationship that is

⁷ A fierce debate has occurred in the US about the relative merits of these two approaches, with republicans and conservative democrats supporting a ‘work first’ approach. For discussion of the issues, see Bloom (2000).

⁸ Here the specific focus is on individual rather than corporate or other taxpayers.

also present. The exchange is one of behaviours rather than of ‘money for services’, in that the taxpayer ‘pays’ in *compliance* with tax laws.

One of the key tasks in tax administration – collecting the money – is performed not by taxpayers but by third parties, namely, employers who withhold the tax out of employees’ pay before they receive it, under a ‘pay as you earn’ (PAYE) system. However, the other key task is dependent on the individual taxpayer doing some work. This is the job of reconciling accounts at the end of each financial year, to ensure that the right amount of tax has been paid – operationalised through the annual submission of tax returns. What makes this necessary is that taxation has become an instrument of economic and social policy, applied through a variety of deductions, concessions, subsidies and allowances, which lead to variations in the annual tax owed (typically leading to a modest refund).

In America and Australia, all individual taxpayers submit annual tax returns. This requires them to perform a number of tasks: retaining receipts and other documents through the year (and for some years afterwards in case of audit); entering information accurately and honestly into a tax return form; and lodging the form together with whatever documentation is required. Given the circumstances, the tax system cannot function without this work. Long and Swingen (1991, 642) report research which estimated that in the USA in 1988, the work done by taxpayers on individual federal income tax returns amounted to 25 times the work-hours expended by Internal Revenue Service (IRS) staff.

In Britain, the great majority of individual taxpayers do not submit annual returns. The reason is that the UK tax system is somewhat simpler, with fewer and more standardised deductions, and Inland Revenue is able more easily to tally taxpayers’ obligations along the way.⁹ However, some individual taxpayers have multiple sources of income, with differing incidences of tax obligation, each applied in isolation and calling for overall reconciliation at year-end. These taxpayers are present

⁹ In the UK, employees’ entitlements to deductions and allowances are determined by Inland Revenue (IR) on the basis of information provided by each employee (and updated as required from time to time). IR then notifies the employer of the employee’s allowance category, which is factored into the amount of tax withheld by the employer. In most cases, tax paid and tax owing tally at year-end, but if the IR finds that there is still a mismatch, a tax return form is sent to the employee to complete and lodge. Just under 90% of individual income taxpayers do not have to lodge returns (Gale 1997).

in all three countries. In each case the tax authority is unable to ensure the right amount of tax is being paid overall without taxpayers lodging returns.

Of course, these co-productive relationships are mediated in many cases by a third party: the tax agent or accountant. Tax authorities have sought to encourage the use of tax agents, with the aim of improving the accuracy of returns. However, even in these cases, some work is still required of the taxpayer, in retaining documents and giving information to the agent.

These examples could be generalised to many areas of public sector work, such as education, health, environmental protection, policing or community welfare. In all these cases, there is a degree of interdependency between organisational production and client co-production. This gives public managers good reason to take account of the role of their clients: they are necessarily contributors to the creation of value.

But the story does not end there. In many cases, while it may be possible for the organisation to produce value without clients' involvement, it may nevertheless be able to do so better or at less cost if it does enlist client co-production. This is the situation where the respective contributions of the organisation and the clients are substitutes for each other, and the latter is able to do the task better.

For example, a public housing department seeking to reduce anti-social behaviour, such as vandalism or petty crime, on high-rise estates ('projects' in the US) could presumably employ security staff to patrol the area and catch or warn off offenders. However, on large estates the cost-effectiveness of doing so may be substantial, and the resultant local atmosphere unacceptably repressive. Alternatively, the same problems might be tackled if the tenants were to adopt a sense of 'ownership' of the estate, and organise themselves as a more functioning community, as occurs under tenant management. Such communities can apply behavioural norms which discourage anti-social acts, as tenants develop greater respect for each other and become more solicitous of each other's security and of their physical facilities. Effects of this type have been observable in tenant participation or neighbourhood renewal projects in each of the three countries. In this way, private value for individual clients

can be enhanced by communal action to produce collective value for groups of clients.

However, it is more typically the case that where it is substitutable for organisational production, client co-production is less cost-effective, as government organisations tend to have advantages such as scale and expertise that enable them to do the work better or cheaper.

The implication of this analysis is that client co-production is not just a nice idea for public sector organisations. Rather, for many of them, it is a hard-nosed imperative; they simply cannot produce public value without enlisting clients as co-producers. The question, therefore, is how they can better elicit that contribution.

What induces clients to co-produce?

Two kinds of factors affect whether clients will contribute time and effort to co-production. One is their *willingness* to do so, which is prompted by a complex mix of motivators, which I will consider in three groupings: (1) sanctions; (2) material rewards; and (3) non-material motivators. The other factor is clients' *ability* to co-produce, which is a function both of the relative complexity of the task and of their own capacities.

Willingness: sanctions

The evidence from our cases indicates that both sanctions and material rewards are problematic motivators of client co-production. At best, sanctions are inadequate as motivators of client willingness, and at worst they tend to generate perverse behaviour, while material rewards only seem to have a motivational effect where the co-productive task is relatively simple.

The essential reason why sanctions are problematic is that they are not good generators of complex positive actions, which lie at the heart of client co-production. To act co-productively, as opposed to refraining from something prohibited, is to move from an inertial to an active state. This calls for 'consummate co-operation'

rather than grudging compliance, one where judgment, forethought and discretion are required: to recall or compile an information input, to gain new skills or attributes, utilise an organisational output. By contrast, sanctions do not connect with these impulses, and indeed tend to demotivate clients from contributing. Two of the cases illustrate this.

One is that of programs for the long-term unemployed. The research on the impact of sanctions tends to focus more on intermediate effects on the motivations of the unemployed rather than on labour market outcomes (Riccio et al 1994; Handler and Hasenfeld 1997; Finn et al 1998; Millar 2000). On the latter, even the most positive verdict on sanctions, from the US Manpower Demonstration Research Corporation (MDRC), is somewhat qualified.¹⁰ In a synthesis of the extant research on program outcomes it declared:

Programs that actively enforced mandates by reducing the welfare grants of those who did not participate produced higher participation rates than did low-enforcement programs. Beyond a threshold level, however, increases in sanctioning rates were not associated with higher participation rates (2002).

However, another synthesis by the RAND Corporation found that hardly any of the studies lending weight to this type of finding distinguished the impact of sanctions from that of other features of the programs studied (Grogger et al 2002, xxi). In particular, programs emphasising sanctions also tend to stress a ‘work first’ approach, which other research shows to be a little more effective than ‘education first’ (see below). Studies in the UK and Australia show a similarly unclear relationship between sanctioning and successful job placement (Handler 2004; Considine 2001).

Greater research has gone into how sanctions affect the unemployed themselves. First, it is clear, as the MDRC report acknowledged, that sanctions are applied most frequently in the US to the most disadvantaged jobseekers (e.g. least literate, addicts, having health problems or criminal records, or lacking social skills), who are also more often unclear about their obligations. The same applies in Britain and Australia

¹⁰ MDRC has been the organisation most extensively researching the impact of welfare-to-work programs in the US, partly contracted by federal or state governments, partly with foundation funding.

(Vincent 1998; ACOSS 2001). This suggests that penalties fall more heavily on the very group which is least able to respond positively to them than on wilful non-compliers (Klerman et al 2000).

Second, as MDRC's synthesis puts it, 'aggressive enforcement of sanctions may be counterproductive' (2002). A number of studies report that sanctioning usually provokes non-compliant behaviour (Hasenfeld and Weaver 1996; Weaver and Hasenfeld 1997). However, other studies find that sanctions prompt more active job search, or at least exit from welfare (Dolton and O'Neill 1996; Saunders et al 2001; O'Neill and Hill 2001). What may help make sense of these contending findings is a more finely-grained approach, which acknowledges some segmentation in responses by the unemployed, based on differing attitudes. This is offered by several studies that show varying responses to sanctioning among the unemployed, in which some are prompted to search energetically for a job, whereas others become resentful or demoralised, and avoid or give up seeking work (Vincent 1998).

This raises a practical problem. If organisations apply sanctions to all their clients, some of them will be demotivated from co-producing. On the other hand, if they refrain from applying sanctions to any of their clients, some may take advantage of the lax regime and withhold co-production. This issue turns out to be relevant to all clients, as will be discussed later.

One impact of sanctions is clear from the literature: whilst their impact on people's willingness to search for work is debatable, they are powerfully effective at getting people off the welfare rolls. That means, of course, that the need for co-production ceases.

In the case of taxation, the strong evidence is that, given an established compliance regime, increasing legal sanctions by itself does not act upon material self-interest to encourage greater taxpayer willingness to complete their returns honestly, but in fact discourages it. Research indicates that the tightening of audits and penalties against taxpayers provokes resentment and gaming behavior on the part of those to whom they have been applied (Schwartz and Orleans, 1967; Schmolders, 1970; Spicer and Lundstedt, 1976; Levi, 1988; Wallschutzky, 1988; Roth et al, 1989; Kinsey, 1992).

Noting that the percentage of tax returns subject to detailed audit is quite small in most countries, and ‘penalties seldom more than a fraction of unpaid taxes’, Alm et al (1992, 313) concluded that ‘additional factors [besides sanctions] must play a role – perhaps a dominant one – in tax compliance’ (see also: May 2002; May and Winter 1999; Gunningham and Grabosky 1998; Sheffrin and Triest 1992; Kinsey 1992; Gray and Scholz 1991.)

Sanctions are deficient as motivators of positive behaviour for two reasons. One is that they signal that the required behavior (co-productive work) is something unpleasant to be avoided. This may be true in some cases, but in others it arguably is not. For example, long-term jobless people may find intrinsic pleasure in the acquisition of skills in labor market programs, but if they are told they *must* do these things, this intrinsic pleasure evaporates. The other reason is that to apply enforcement – that is, to limit people’s choices, monitor their behavior, and threaten sanctions – is to imply that they are selfish, and not to be trusted. Confronted with this message, the clients’ likely response may not be one of increased willingness but of grudging compliance. Their behavior may change in the short term, but not their long-term internalized attitudes (Bandura, 1986; Ayres and Braithwaite, 1992; Frey, 1997). Instead of being willing to contribute, clients who are subject to sanctions are likely to engage in opportunistic behavior to minimize their contributions of time and effort. This can set up a spiral which is increasingly destructive of clients’ voluntary impulse to contribute, as clients find loopholes and the organisation imposes more stringent rules to close the loopholes. The end result is that clients experience the organization’s enforcement as arbitrary and rule-bound, and the organisation finds it increasingly costly to secure compliance (Bardach and Kagan, 1982; Braithwaite, 1985).

But if sanctions have these limitations, why do organisations such as employment and tax agencies use them, and persist in doing so? One reason is that sanctions elicit co-production by appealing to people’s sense of fairness. The enforcement of sanctions against the non-compliant provides a guarantee to those more inclined to be cooperative that the process to which they are contributing is fair. It reassures them that all the other clients are being required to contribute their fair share of time and effort, and that they are not ‘suckers’ who are co-producing more than the rest (Levi 1988).

In this context, sanctions appeal to an important non-material value: distributive justice. This is demonstrated every time a regulatory agency undertakes high-profile enforcement actions against corporate tax evaders.

The other reason is that clients differ in their propensity to comply. In particular, some – usually a minority (Kagan and Scholz 1984; Braithwaite et al 1994) – may be wilfully non-compliant, and will respond only to firm compulsion. This poses a problem for the agency, alluded to earlier in this chapter: treating all clients as if they deserve to be trusted will enable the non-compliant to take advantage of an ‘easier’ regime, but on the other hand treating them as if they are non-compliant will prompt resentment on the part of the compliant. A useful approach to dealing with this problem is to pursue a ‘responsive regulation’ or ‘Tit-for-tat’ strategy, in which initially all clients are initially treated as co-operative, but then those who breach the trust are punished, while those who after breaching revert to co-operative behaviour are again treated as compliant (Ayres and Braithwaite 1992; Scholz 1984).

In summary, sanctions generally do not mobilize material self-interest to generate client willingness to co-produce. They are ineffective and sometimes counter-productive in stimulating the requisite voluntary impulse. To elicit voluntary impulses to contribute, organisations need to offer more positive rewards.

Willingness: material rewards

The most obvious of these within the contractualist framework are material rewards, the basic idea being that if people are offered rewards proportionate to their performance then they will be motivated to perform better. But interestingly, to use Herzberg’s terms, they turn out to be more like ‘hygiene factors’ (i.e. basic preconditions or enablers) than motivators (Herzberg et al 1993). They are only motivators to the extent that the task is relatively simple.

In the case of unemployed people, material rewards have loomed large in both the literature and practice, starting with a recognition that, at least for some people (for example, those with large families), the level of income to be derived from working in a paid job is not much greater than that from unemployment benefits. Aside from

being part of the rationale for applying sanctions, this has been one of the justifications for the introduction of time limits for benefits, introduced under the Temporary Aid for Needy Families (TANF) legislation in the US in 1996.¹¹ A more positive response, by contrast, has been to introduce some form of income supplement for long-term unemployed people who get a job, available either continuously or for some initial period of being employed – for instance the Earned Income Tax Credit in the US or the Working Families Tax Credit in the UK (Bloom and Michalopoulos 2001; Finn 2002). This has the effect not so much of adding an incentive to find work, but of removing a disincentive.

However, because they are *long-term* unemployed, the prospect of additional income alone is not sufficient to prompt active job search, because of their deep demoralisation in the face of repeated rejections from employers. Research to date indicates that such supplements by themselves have a modest effect on employment outcomes, but in concert with provision of positive assistance, such as job search training or work experience, they have a considerable impact (Bloom and Michalopoulos 2001; Finn 2002; Grogger et al 2002). This is because positive assistance taps into other, non-material motivations.

More significantly, material rewards entail economic exchange, which ‘stipulates the exact quantities to be exchanged’, rather than social exchange, which entails ‘*unspecified* obligations’ (Blau 1964, 93). This has implications for the relationship between the organisation and the client. Blau points out that ‘social exchange tends to engender feelings of personal obligation, gratitude and trust; purely economic exchange as such does not’. This is because the very diffuseness of the exchange, the lack of specifically defined reciprocity, ‘requires trusting others to discharge their obligations’ (1964, 94). Thus social exchange fuels a spiral of rising trust: ‘By discharging their obligations for services rendered, ... individuals demonstrate their trustworthiness, and the gradual expansion of mutual service is accompanied by a parallel growth of mutual trust’ (Blau 1964, 94, 315).

¹¹ TANF was set up under the Personal Responsibility and Work Opportunity Reconciliation Act 1996, and embodied President Clinton’s promise to ‘end welfare as we know it’ (Handler 2004).

By contrast, economic exchange engenders a spirit of vigilance, ‘with each party watching the other for infractions; jealously guarding concessions; and refusing any request for *extra-contractual favors* unless precisely defined reciprocation is guaranteed’ (Fox 1974, 72, emphasis added). This is unlikely to be a problem where the task is simple to prescribe and check, such as entering postcodes on letters. But where the task calls for ‘extra-contractual favors’, involving the exercise of discretion, tacit knowledge, or additional enthusiasm by the client, for example the long-term unemployed, the requisite level and intensity of willingness will not be elicited by precise calculation of reciprocity.

Contrary to the assumptions underlying the contractualist approach, eliciting contributions from clients requires more than the wielding of carrots and sticks. The more complex the task, the more it is likely to call for consummate co-operation rather than merely grudging compliance. This in turn calls for appeals to more complex, diffuse, non-material motivations.

Willingness: non-material motivators

Where co-production activities are complex, one or more of three types of motivators may play a role.

One is *intrinsic* motivation (Deci 1975): the clients’ sense of self-determination and competence. This is most evident in programs for the unemployed. First, to the extent that assistance is tailored to individuals’ needs – as evidenced by client ‘diagnostic’ interviews and individualised intensive activity packages in all three countries – it shows respect for them as human beings, and enhances their sense of self-efficacy. A synthesis study of best practice in US programs found ‘personalised client attention’ had a powerful impact on employment outcomes (Bloom, Hill and Riccio 2001, 40).

Second, program assistance which increases unemployed peoples’ confidence, sense of competence and autonomy is more likely to motivate them to search actively for work. Interestingly, the debate about whether clients should be directed to ‘work first’ or ‘education first’ says little about this issue. It seems likely that *both* approaches can connect with clients’ intrinsic motivations – ‘work first’ because it gives jobseekers

renewed experience and a sense of competence in the world of work (Gottschalk 2005), and ‘education first’ because it enhances their skills. Indeed, one study found that the most successful programs were those which offered a mix of both types of options (Bloom and Michalopoulos 2001).

Another motivator is *sociality* – the inherent benefits of associating with others, such as ‘socializing, congeniality, the sense of group membership and identification, the status resulting from membership, fun and conviviality, [or] the maintenance of social distinctions’ (Clark and Wilson 1961, 134-5). To the extent that peers’ approval of co-productive behaviour or disapproval of non-coproductive behaviour affects clients, it makes sense for agencies to seek to influence these peers or to establish collective interactions. ‘Job Clubs’, in which groups of the unemployed jointly acquire and apply job search skills, is one example. Seeking to enlist tax agents in promoting compliant behaviour is another.

Finally, clients’ propensity to co-produce is affected by their *normative or expressive values* – their norms and commitments about moral and social issues, such as saving the environment, exposing corruption, or supporting the needy. Contrary to the assumptions of contractualism, people may affirm these values even when it is against their material self-interest to do so. The research makes it clear that taxpayers are significantly more likely to comply if they feel that they receive satisfactory material or symbolic value from government and that other taxpayers are paying their fair share (Schwartz and Orleans, 1967; Spicer and Becker, 1980; Levi 1988; Roth et al, 1989; Alm, McClelland and Schultze, 1992; Scholz, 1994). Thus their willingness to co-produce will be enhanced if they perceive that government is devoting their tax dollars to valuable purposes, and is applying enforcement firmly and visibly against tax evaders. By doing these things, government is appealing to expressive values concerning collective purposes and distributive justice.

This seems to be most salient where an important part of the value enjoyed by the client is *public* value. By ensuring that the right amount of taxes is collected, tax authorities provides the means for resourcing the whole array of public value delivered by government. It is therefore very telling that taxpayers’ willingness to contribute to the tax office’s work is enhanced by appeals to precisely the kinds of

motivations that attach merit to public value: expressive values. Similarly, the military's ability to recruit for war is enhanced if there is a community perception that the war is justified.

Clients' willingness to co-produce is affected by a complex mix of factors. Moreover, different segments of clients are motivated by different factors. The efficacy of most of those such as non-material rewards is less immediate and targeted than the 'high-powered incentives' (Frant 1996) of managerialism, but significant nonetheless. The implication of the research is that if public organisations want to elicit co-productive activity, they must pay heed to these motivational complexities. They must 'give' their clients things they value – often non-material values – if they expect their clients to 'give' them co-productive effort.

Ability

Of course, whether clients' will co-produce depends on their *ability* as well as their willingness to do so. One way of fostering this ability is to make the co-production task easier, as exemplified by tax authorities taking steps to simplify the tax return process, by rationalizing the tax laws, simplifying the return forms, and making lodgment easier. In these cases, the use of technology seems to have been an important factor in reducing the complexity of the co-productive work.

The other method is to enhance the client's own capacities to perform it, for example by providing information, advice or training. Tax authorities have placed considerable emphasis on upgrading client service, information and assistance. In the unemployment case, clients' lack of job search skills has been addressed through job search training, and their lack of job-readiness through skills training and work experience.

Conclusion: the terms of the exchange

This analysis has posited a type of exchange between public sector organisations and their clients, and suggested how it might be optimised. At first sight, given the power imbalance between organisations and clients, this may seem an unrealistic, even naïve

idea. But this imbalance is no greater than that which exists between a private sector firm and its customers. In both the public and private cases, while the individual client/customer has little power, *collectively* clients can have significant power, because the organisation needs certain things from them. Osborne and Gaebler fail to understand this when they argue that government organisations do not have any incentive to pay attention to their clients because, unlike their private sector counterparts, they don't earn any revenue from them (1993). In fact, public agencies can 'earn' something very valuable from their clients: their contribution to the achievement of the organisation's outputs or outcomes. This will be all the more valuable to the extent the organisation cannot function without this contribution, as my examples illustrate. And as the examples also show, eliciting this contribution will entail offering some tangible or intangible benefits to clients. Thus, the process of delivering private value to clients has the effect of creating public value for the citizenry.

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