Private sector management practices don’t work in welfare services

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A central focus of the neoliberal ideology that dominates politics today is the privatization and marketization of the welfare state. Where public agencies have been spared from outsourcing or privatisation, they are increasingly subject to private sector management principles and practices, adopted under the banner of reducing public sector costs, increasing public sector accountability and improving service quality.

The two most common management systems adopted in the public sector are business process reengineering and lean, kindred approaches meant to provide comprehensive operations management. Both claim to be customer-driven management models that use process mapping to improve customer service via rationalized workflow and increased process control.

In 2011, the US Department of Agriculture launched a program pushing state and county-level welfare providers to adopt business process reengineering (hereafter, reengineering).

We recently published a case study on the implementation of business process reengineering in the San Diego County Health and Human Services Agency. Our findings suggest that although reengineering promises to improve client service and empower workers while reducing costs, in the context of welfare service provision, both client service and job quality are reduced due to an overriding emphasis on cost reduction and an inability of the choiceless clientele to switch providers.

An overriding emphasis on cost reduction

In the San Diego agency managerial rhetoric emphasized reengineering according to customer-driven objectives, improving customer service quality and empowering “multi-program knowledge workers.” Yet, workers overwhelmingly reported a system-wide problem of undertraining alongside management’s exclusive focus on metrics measuring quantitative outcomes.

The main metric was cases processed per worker, regardless of whether the cases were processed correctly or not. For instance, three-quarters of call centre workers (74%) believed they were usually or always evaluated based on call volume, rather than quality of work or ability to resolve cases.

Management's first evaluation of reengineering deemed it an unmitigated success, claiming improved worker and client satisfaction, without any supporting evidence, and emphasizing an annual "adjusted cost-offset of $33,187,262."

As a result of reengineering, 82% of workers we surveyed reported both an increase in work intensification and stress (separate measures) while 80% reported less autonomy.

While we disagree with some of our fellow critical scholars who argue that reengineering (and lean) inherently lead to work intensification, our analysis suggests that in the public sector under neoliberalism, pressures for cost reduction will likely translate into work intensification.

Where market logic dominates state management, funding regimes and budgetary pressures become a primary factor shaping workplace outcomes. Senior state managers must necessarily focus on cost reduction, putting intense pressure on operational managers in local workplaces to sacrifice training and worker empowerment (a stated goal of reengineering) in order to meet financial targets.

A customer-driven management model for a choiceless clientele

Despite the claims of its founders that reengineering is a customer-driven model, we found extensive evidence of reduced service quality.

From our survey, between 72-75% of workers reported that wait times, service, and relationships with clients have all worsened. Our own analysis of local and state data through the end of 2010, based on cases resolved per total caseload, showed that the County continued to process food-stamps applications at a rate far below the state average, with a slight decline after reengineering was fully implemented.

An independent survey of welfare recipients, by the Supportive Parents Information Network, concluded that reengineering "made the application processes for any kind of public benefits … harder to complete successfully."

In our analysis, reduced service quality under reengineering is extremely likely in the context of neoliberal welfare service provision. Where clients have no choice of service provider, hence no power to sanction their provider for poor service, the customer-orientation is of dubious value.

If the workers were truly empowered, perhaps they could intervene on behalf of their clients, but the overworked and disempowered workers we observed were able only to lament their reduced ability to help their clients in the face of an obsessive managerial focus on costs.

Managerial choice, structural constraint and countervailing power

We noted that some critics see reengineering (and lean) as inherently detrimental to workers. While we agree that reengineering and lean are often used to intensify work, perhaps in the vast majority of cases, both theory and evidence suggest that such outcomes are not inherent to these models.

Theoretically, there is no reason why processes cannot be redesigned to achieve better process flow and control without intensifying work. And both academic advocates and practitioners of reengineering have recognized that issues of training, communication, empowerment and cultural change are daunting.

Even when senior state managers emphasize quantitative efficiency targets, where lower-level managers and supervisors adhere to a social work or social justice ethos, they can moderate such pressures. In the San Diego case, senior management hired middle-managers and agency supervisors who were not social workers and who did faithfully implement policies and targets designed by senior management.

Rather than blame the model, as such, we focus attention on structural and contextual pressures.

The most problematic issue for improving welfare services is that where the clients have no choice of provider, they cannot perform the role accorded to them by these models as ultimate arbiter of performance and success. If service quality is a genuine goal of senior management, then the absence of customers with the power to sanction must be addressed at the design stage of local implementation.

More broadly, to the extent that budgetary pressures and cost reduction are the primary concerns of senior state managers, this is surely an unpropitious environment for such models.

Strong unions can provide countervailing power to push the implementation of new management models in a more participatory direction, but public sector unions have little experience negotiating and contesting issues around control and skill associated with private sector models. In the San Diego Country case, the union simply did not anticipate that reengineering would be implemented in a way that increased intensification and reduced autonomy.

Ultimately, then, those truly interested in improving service quality and job quality in the public sector should be weary of management systems that claim to be comprehensive. With sufficient will – or in response to demands from a powerful union – managers can emphasize worker empowerment and service quality using these systems

But where clients cannot change providers due to poor service quality, and where extreme budgetary pressures dominant managerial attention, quality will be sacrificed in the name of cost reduction.

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Notes:

- *This post is based on the authors' paper Customer-driven management models for choiceless clientele? Business process reengineering in a California welfare agency, in Work Employment & Society February 2016 vol. 30 no. 1 77-96.*
- *The post gives the views of its author, not the position of LSE Business Review or the London School of Economics.*
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