

**New Insights Lecture**  
**Social Innovation and Social Enterprise: Implications for Public Policy**

**by CSC Senior Visiting Fellow, Professor Peter Shergold AC**  
**CEO and Macquarie Group Foundation Chair, Centre for Social Impact, Australia**

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“Public services” used to simply refer to services provided by the government to its citizens. As the nature of these services change with time, so too have the providers of such services. The lines have blurred, and the public, private, and not-for-profit sectors jostle to define—and redefine—their roles in the social economy. The evolving relationships between these realms raise interesting questions as to the role each plays in fulfilling its own goals, as well as society’s expectations of them.

Professor Peter Shergold explored through his lecture three interwoven developments that together have the potential to transform the delivery of public services to the people. First, the creation of competitive social markets for public goods that establish the entitlements and obligations of citizens; second, the increased role of traditional not-for-profit organisations (NPO) and emerging social enterprises (SE) in the implementation of these publicly-funded programmes; and third, the capacity of governments to tailor service delivery to the needs of place, communities, or individuals.

### **A Quiet Revolution**

In the last 15 years, the role of the civil service in many countries had changed, particularly in its role between the executive government and the citizens who received government support. This “new way of doing public service” had two key elements. First, there was a much greater focus on results and performance management. Instead of concentrating on inputs and processes as in the past, governments were increasingly focusing on outputs and outcomes. Second, accompanying that shift in focus on results had been the devolution of responsibility from the central government. Central management resulted in inefficiencies, and governments were gradually giving more control to individual departments and agencies to manage their own resources. These two elements showed that, although unique and different in certain aspects, the public service was, nevertheless, a ‘business’ in today’s context.

Following the privatisation and commercialisation of government business enterprises (e.g., airlines, banks, and telecoms), governments began to outsource, first by buying in services that it used itself (e.g., printing, cleaning, and security services), and then to contract out services that were traditionally delivered by the public sector, on the basis that it would get better value for money. That started “a quiet revolution” in the second half of the 1990s.

Prof Shergold used Australia’s experience as an example. For 50 years, the Australian civil service had a monopoly on providing employment services to the unemployed, under the Commonwealth Employment Services (CES), a government employment agency. Then in 1997, the monopoly was abolished, and a market was created for employment services. The government continued to set policy and provided funding, but the service would be delivered not just by the public sector, but also the private and not-for-profit sectors. In the first year, roughly 30% of the contracts went to the private sector, about 30% to NPOs, and the remaining 40% to the public service. At the end of the first contract, the various agencies





inclusive, and sustainable society. Also, the government should be as keen on social innovation as it was on scientific or technological innovation, as the former was equally valuable. He singled out microfinancing—in getting people to rethink what poverty meant in a developing society, and transforming the concept of “aid”—as one of the “great innovations” of the last 15 years. He felt that, in outsourcing government services, the government’s objective should not just be in improving efficiency, but also to drive social innovation. By having the government’s support, the civil service could then manage in a way that facilitated the generation of innovation in public service delivery.

In response to a question on whether it was a structural challenge for the government to play the role of both regulator and facilitator, Prof Shergold acknowledged that it was a difficult role to ask of civil servants. It required people with remarkable facilitation and emphatic listening skills, while still being accountable to the government and public that they serve. He felt that it could be done better if more thought was put into it, in terms of the culture that was needed, and the organisational structures that were required. His view of the Australian government was that the amount of controls that were put in place was far greater than was necessary for accountability. The civil service also could not appreciate the concept of scale; for example, the same requirements for accountability and levels of reporting were asked of NPOs regardless of the size of the programme or amount of funding. Also, there was no whole-of-government approach. Instead of the having the NPO report once a year on all its programmes, each programme had its own reporting guidelines and requirements, with different reporting dates. It was a matter of thinking through what was needed to make the programmes work. It was also necessary to distinguish between the roles of regulator and facilitator, sometimes even within the same department.

Responding to a question on the innovativeness of NPOs, Prof Shergold noted that one of the difficulties was that NPOs, as they started to “become arms of government”, became less innovative. Governments would regulate them more, which meant that their scope for innovation would decrease. Worse, a number of NPOs had begun to measure their performance in terms of their success in getting government funding. As NPOs became increasingly dependent on funding, and therefore subjected to government controls, they could lose their ability to innovate. Prof Shergold’s belief was that social innovation occurred when the government “got out of the way”. He gave two examples of how the government’s desire to intervene became a hindrance to innovation: one on an education programme for school dropouts by the Exodus Foundation in Sydney; the other on a work programme for uneducated juveniles by Noel Pearson, an aboriginal leader and thinker.

Prof Shergold was interested in looking for new ways to effectively deliver services, and how the government could create the structures and cultures needed to take the next step forward. He felt that citizens should, as far as possible, take control of the services that they needed, which the government was already committed to provide. He acknowledged that while not all citizens were willing or able to make sensible decisions themselves, the principle behind it was unarguable: when empowered to take charge of the resources given to them, people were more careful and more thoughtful than if they had just been passive recipients of the services.

A participant asked if the best way to support social innovation was to develop the capability of the social sector, since awarding contracts to NPOs to deliver public services implied the existence of a strong social sector. Another participant asked if there was a good way of measuring the size of the social sector, and if there was a way to determine an

“optimal scale” that would instruct the government as to which areas it needed to focus on developing.

Prof Shergold stressed that it was the role of the government to decide on policy direction, and the level of government funding to be made available. The role of the civil service was to provide policy advice to government, to set government decisions into regulation, legislation, and administration, and to deliver government policy. However, increasingly, the delivery of public policy would not be done directly by the civil service, but through various NPOs and SEs, with local communities or directly to citizens. Prof Shergold contended that these were exciting new challenges to remake the role of the civil service. In terms of the third sector, while it was true that it was difficult for small community organisations to scale up, and those which needed or wanted to do so should be assisted, many should not be required to scale up at all, as what they did best was done at the community level. As such, there was no ‘best size’ for the social sector or the social economy. The issue was not about size, but about recognition of the role of the social economy—with its networks of friendship, camaraderie, and citizenship—in creating an “organic democracy”.