Advocacy and Innovation in Inter-agency Management: The Case of Centrelink

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The paper examines an agency that has been developing a service delivery model and seeking to position itself within an operational regime defined in principal-agent terms while subject to other objectives. This occurred during a period of intense new public management and under a range of constraints and obstacles.

Australia's Centrelink was established as a one-stop shop, multi-purpose delivery agency to provide services to several purchasing departments. The agency's services, mainly in the areas of social security and unemployment, account for approaching one third of the federal budget. Centrelink is an organisation that has been identified with ambiguity and contradictions by detractors (Rosalky 2002, Rowlands 2003) and conflicts between organisational imperatives. It has been required to balance a mandate to focus on service delivery to customers with both client expectations and responsiveness to government for specific policy and general reform agenda.

The paper examines three cases of inter-agency interaction that involved conflict and collaboration with smart practices leading to innovation: policy innovation by an executive agency; client relationships under purchaser-provider; and competing for and securing business within the wider public service. Questions are raised about how a broadly conceived agency – one that integrates a range of responsibilities that might otherwise be separated – operates in evolving more effective inter-agency relationships with client departments. Consideration is given to smart practices, organisational positioning and the use of capacities that both draw on internal resources and lever off other political and bureaucratic capacities (Bardach 1998; Barzelay and Campbell 2003).
Defining relationships and organisational positioning

Vertical and horizontal separation: choices about structure and relationships

Choices about the integration or disaggregation of functions and delivery streams have been the stuff of perennial debates about organising for public policy. The vertical separation of the policy and implementation has been fashionable over the last decade.

The limitations of this division raises questions about where to demarcate boundaries, how to retain separation in practice and about the problem with achieving effective communication. Separation may either go too far or be insufficiently applied. The decoupling of policy and implementation can be counterproductive if it increases overhead and transaction costs and produces policy feedback failures. In addition, policy and operations are not necessarily separated by decoupling either because service delivery agencies tend to develop policy capacity or policy ministries intervene in implementation. At the same time there is an argument in favour of policy activity. The systemic separation of policy from implementation has been significant in relatively few OECD countries (eg New Zealand and the UK). Delivery agencies may retain a role in policy monitoring and development (eg Sweden)(Schick 1996, Shand 1996, James 2003b).

The original concept was of an agency that would merge two networks and have two major clients but with the potential to serve others. The agency is located within the core public service and within the Family and Community Services (FaCS) portfolio, but is a separate entity from the FaCS Department and has its own accounting and reporting requirements.

In contrast to the standard departmental model, Centrelink is responsible to the Minister for Family and Community Services through an appointed Board of Directors. The Board of Directors is appointed by the Minister, and the practice has been to incorporate private sector advisers and sets the overall objectives, gives strategic direction and sets broad business rules for the organisation (CSDA Act 1997). The agency is subject to the
legislative requirement that it performs any function directed by the minister in writing to the chairman of the board.

The client departments are the purchasers of services detailed in negotiated agreements with the agency. Each client – usually a policy department – negotiates a purchase price for specified services that Centrelink agrees to undertake. The agreement details the services, the funding arrangements, agreed performance outcomes and related reporting mechanisms. From the point of view of the primary purchaser, FaCS, the only direct relationship with Centrelink is that established by the agreement. For an agreed price, FaCS purchases specified services from Centrelink, and the relationship may require the provision of performance information. Centrelink is responsible to FaCS for service delivery in accordance with the agreement.

Specialised agency and complexity
Several models underpin Centrelink provide different lens for viewing the organisation’s functioning and a basis for considering the potential conflicts identified between them (Halligan 2004). The first model conceives of Centrelink as a customer-driven organisation that is responsive to recipients of its services, operates in markets and is driven by customer relationships and satisfaction. Through surveying and benchmarking, feedback is meant to stimulate continuous improvement and realignment of the organisation.

Secondly, Centrelink is an agent and service provider in purchaser-provider relationships and is expected to behave in specified quasi-contractual ways. Its existence is defined in terms of relationships with client departments, the purchasers of its services. The link to new public management is strong (eg disaggregation and contractualism), but also to principal-agent theory and specifically to the concept of executive agencies (Hood 1996, James 2003a, Pollitt and Talbot 2004).

The third model is of an entrepreneurial organisation, which must compete in the market to secure existing core work as well as seeking new work. Centrelink is concerned with
market share and with competition in the public and voluntary sectors, and even with extending its operations to the private marketplace. This imperative derived from the government injunction to operate more like the private sector and reflects new public management and entrepreneurial government dictums in vogue (Halligan 2003).

Finally, the political model derives from being directly or indirectly subject to ministerial direction, although operating under special governance arrangements. Centrelink must recognise both the top-down authority relationship and government agendas, and function as a public organisation that is subject to public service legislation as a statutory authority. This model is ultimately grounded in traditional, but still central, ideas about responsible government (Aucoin et al 2004).

Each model captures an organisational imperative that is externally grounded and usually has a basis in the agency’s empowering legislation. Each has a different external driver, respectively: customers, clients, competitors and politicians.

The existence of the four models within one organisation creates interesting results. It is if the four models identified by Peters (1996) are concentrated within one organisation. The incorporation of conflicting models in a complex approach to institutional design is well recognised as potentially problematic (Aucoin 1990). In the case of Centrelink several models have had either to be reconciled or to be resolved in order to address the sharper conflicts and contradictions.

*Constraints on and obstacles to innovation*

Centrelink originally emerged from a combination of personalities, agendas and opportunities following the election of a new government that was committed to rationalisation and cutbacks. In the process of formulating options that would be accepted by government and given organisational form, freedom of choice was constrained by political expectations and preferences that reflected the interests of existing departments. The concept then was shaped by a compromise with long-term consequences for operations and relationships between client departments and Centrelink (Halligan 2004).
The ongoing constraints and obstacles take three forms: general reform agenda, specific policy agenda and contradictory imperatives. These impose different types of discipline on Centrelink.

Australia has been an exponent of the new public management in the reform era that emerged in the 1980s (Campbell and Halligan 1993, Halligan 2003), but the reforms had never embraced and applied the range of NPM principles. By the mid-1990s market principles were assuming centrality with competition and contestability becoming the currency of reform; and there was acceptance of more flexible approaches to delivery systems for public services and of entrepreneurial government and purchaser-provider.

Following the its election in 1996, the neo-conservative government sought to address the budget deficit by establishing a National Commission of Audit to review the management and financial activities of government, including what efficiencies might be achieved through, inter alia, the adoption of more cost-effective personnel practices; greater use of competitive tendering and contracting out; and rationalisation of departmental networks between and within agencies (NCA 1996). This produced the most intense neo-liberal policies since the reform era commenced. Reform was characterised by marketisation, contractualisation, performance and even politicisation that included an intensification of cutbacks and promotion of the private sector over the public sector.

The policy framework took a dramatic new direction mid-way though this period as mutual obligation was mainstreamed and welfare reform produced significant changes.

There were also constraints from both the ambiguity underlying the Centrelink concept and potential conflicts among the different imperatives. The basis for subsequent debates about the roles of purchasing department and provider agency were laid by the combination of models that could be discerned in Centrelink’s organisational imperatives. In particular, there were the different interpretations about the relative
importance of purchaser-provider principles, partnerships and political direction (Halligan 2004).

These differences were also established by the bureaucratic politics attendant on the entrance of an interloper. Unlike Britain and New Zealand, where the separation of policy and implementation was applied systemically, Centrelink was the exception as a delivery agency\(^3\). It dealt with a wide range of agencies but was excluded from the departmental club, although performing work that they would traditionally have undertaken.

*Advocacy and positioning*

At the same time, obstacles need not preclude the creation of opportunities. They may exist within constraints if an agency can lever off other attributes. Centrelink was an innovation of the government that conformed to the premises of the time. The ambiguity and conflicting imperatives also provide scope for initiative. Through advocacy and smart practices opportunities could be turned to advantage providing organisational longevity could be ensured.

The original mandate was as a one-stop shop delivery agency designed to provide services to purchasing departments, mainly in the areas of social security and unemployment. Its unconventional character also provided several bases by which to position itself within the Australian public service. The positions advocated, in addition to the one-stop shop, were the ‘provider of choice’ for the Commonwealth, ‘inclusive service delivery’ covering those who are marginalised and disadvantaged (Vardon 2000), the gateway for electronic communications, and the ‘premier broker’ (Tannahill 2000).

*Inter-agency cases*

Of the three cases, one is about competing over policy and contributions to the process; a second addresses inter-agency conflict that eventually evolved towards a more integrated alliance; and a third examines the process of employing entrepreneurial and advocacy skills to consolidate and expand the agency’s role while evolving a distinctive service delivery focus.
1. Policy innovation by an executive agency

Centrelink’s role as a policy advocate needs to be located within debates about the decoupling of policy formulation (ministry or department) and implementation (executive agency), and the associated experiments with separate delivery agencies (Halligan 1998; Rowlands 2003).

The original concept envisaged a policy–delivery split that would produce a large agency with two smaller policy departments. The head of the then Department of Social Security, however, had second thoughts about a department confined to policy, and this led to the demarcation of the interface between the two new organisations, a reformulation that added a middle area between policy formation and delivery that essentially represented program management or operational policy. Under this revised concept, the department would retain product design of delivery and control of the program, and the department and agency would compete in the middle ground, with the challenge being to achieve the effective working of the interface. The use of purchaser-provider was to be a central to this process.

The choices made in 1996 produced the structural features of Centrelink, and laid the basis for later debates about the relative responsibilities of purchasing department and provider agency. The interface – the intermediate zone between policy formation and service delivery covering program management or operational policy – continued to be a significant source of disagreement, which was at times acute.

A core issue was the role that Centrelink might play in policy development, and how it was perceived by other key player to be shaping the policy agenda. The main instance was a proposal for significantly developing the service delivery model and Centrelink’s policy advocacy of it. Officials took to the Centrelink’s board a new concept that contained several principles, including the fundamental aspect that customers should only have to tell their story once, they shouldn’t have to repeat their story if they are eligible for more than one benefit or … entitlement … Up until then, there had been … an ethos that the customer was expected to know what they were
coming to Centrelink to ask for … The idea was that as long as the customer was prepared to come to us and tell us the truth, and tell us what they were experiencing in their own lives, it was then . . . Centrelink’s responsibility to tailor that service package to the individual (Senior Centrelink official).

The life events approach, as it was called, was a new approach for delivering services that was ‘based on the experiences of people in the community, rather than the payments, services or programs devised by government departments’ (Bashford 1999: 12).

An official welfare review occurred at this time. A comparison of Centrelink’s submission to the McClure reference group and the recommendation indicate substantial congruence. The submission had a major impact on the inquiry's work and recommendations, and indicated that this non-policy agency clearly understood the policy direction of the inquiry. The recommendations of the McClure report ultimately became the blueprint for the new Life Events service delivery model that was already under development in Centrelink and provided a basis for the government’s *Australians Working Together—helping people to move forward* (2001).

The purchasing departments accepted a role for Centrelink in providing advice on the delivery aspects of specific policy proposals. This was regarded as a secondary role and one that the agency had in the development of *Australians Working Together*. However, there was strong opposition to leading on policy agenda. Centrelink ‘should be consulted and should argue very forcibly in terms of the implementation of the policy agenda. And that may even mean that the policy agenda gets . . . amended . . . But I don’t think they should be taking the initiative in terms of driving policy (Senior departmental official).

With the shift to the life events model, and the use of a one main contact approach, one senior departmental official commented how he did not fully comprehend

that to introduce that delivery mechanism actually has a reflection back on the policy, and therefore, it’s very important for them to accept that they have to really consult with, and . . . be led by the policy departments. Often, in the past, Centrelink had developed these strategies, and only belatedly and rather grudgingly
gone and consulted the policy departments, almost after the event, about what they think about these new delivery mechanisms. I was outraged at how far Centrelink had gone along the track of . . . the life events model, and the one main contact. . . before there were meaningful consultations with the department.

The resolution of the policy–implementation conundrum occurred – at least for the main relationship – once a proper alliance had been forged between Centrelink and FaCS. The evolution of the relationship to a closer partnership arrangement (discussed below) was eventually defined on the basis of a value chain of interaction. This chain specifies the roles and responsibilities and value-added process interlinked along a continuum and acknowledges the mutuality of involvement in all processes but with either FaCS or Centrelink being dominant in all but one. Accordingly, three processes are identified as mostly FaCS (policy development, legislation and policy guidelines), three as mostly Centrelink (service development, service integration and implementation and program management) and one as joint (evaluation of policy and service delivery)(FaCS and Centrelink 2003).

2. Client relationships: purchaser-provider to alliance

The agency’s relationships with its client departments have been through purchaser-provider arrangements, governed by a form of contractual agreement with each agency. These agreements, evolved from Service Agreements into more comprehensive documents entitled Business Partnership Agreements (BPAs). The BPAs establish the scope and provide the detail of a formal purchaser-provider relationship between two organisations. The details cover the services, the funding arrangements, agreed performance outcomes and related reporting mechanisms. BPAs are used to manage and review the operating and performance relationships between them4.

For several years these relationships were the subject of wrangling and debate. A central agency view was that Centrelink was monopolist and did not have genuine competitors. The purchaser-provider model had not worked with Family and Community Services because they were insufficiently at arms length. There was a lack of transparency in
Centrelink pricing, so it was difficult for FACS to understand the pricing of particular services being charged by Centrelink. ‘The budget just flows through FaCS, more or less as a lump sum grant, to Centrelink’ (Senior Finance official). The interface between policy formation and service delivery covering program management or operational policy continued to be a source of disagreement. The Centrelink position was that departments continued to micro-manage what it does. As one senior Centrelink official observed, ‘there’s a fine line between micro-policy and implementation. So there’s a nice grey area there where we need to sort it out together’. In contrast with the ‘true’ policy department overseas, the client department mainly focuses on micro policy ‘or another way of saying it is micro management … FaCS can never decide where that boundary is, the difference between defining micro policy inevitably leads them into micro management’ (Senior Centrelink official).

Looking across the life of Centrelink, the tensions in the relationships were significant in the formative years. The rhetoric from an early stage was couched in terms of partnership, but the basis was defined and operated in formal purchaser-provider terms. Over time the partnership conception acquired more centrality.

The official view in 1999 was that the relationship was purchaser-provider, which the two organisations ‘choose to operationalise through a partnership’ (Rowlands 1999: 192). There were however continuing problems arising from the competition over the middle ground and the mutual concern that both organisations were either insufficiently engaged in each other’s primary responsibilities or too involved in their respective roles.

This tension could be ‘tolerable and creative’ but had been ‘destructive’ in the late 1990s. ‘So the model shifted then, from pure purchaser provider, to partnership underpinned by the elements of purchaser provider’ (Senior departmental official). The official view was expressed in the Business Partnership Agreement between FaCS and Centrelink, which stated that the relationship had evolved over four year into ‘a dynamic, mutually beneficial association. FaCS and Centrelink are committed to the continued mutual development of the partnership … a unique arrangement, which blends elements of
purchaser/provider responsibilities with elements of partnership and alliance’ (DFACS 2001). But even then the relationship did not mature until the development of a more systematically worked through ‘alliance’.5

Alliance 2004 has emerged from a complex project running for the past year that has involved inter-agency teams working at different levels on specific elements. These elements address weaknesses in the previous relationship between Centrelink and FaCS: Outcomes Outputs Framework (a joint version of the standard public service requirement), Business Assurance Framework (providing a framework for risk management strategies and controls), Centrelink Funding Model (providing a pricing structure for services, Information Evidence base (covering responsibilities for reporting). A new Business Partnership Agreement incorporates these business tools.

3. Competing for business
In positioning itself, Centrelink has sought to be entrepreneurial within the terms of the original mandate to become a one-stop shop. There are two strands to this question: being in a contestable position for core business and competing for business. A related issue is whether Centrelink is the Commonwealth delivery agency and should have comprehensive responsibilities for multiple delivery arrangements.

Establishing limits on the one-stop shop
Centrelink advocacy has been centred on being the ‘provider of choice’ and the electronic gateway. Its mandate was to improve service delivery and customer service. The agency had consistently represented itself as being established by the government to improve customer service by providing a one-stop shop. It aspired to be the ‘provider of choice’ for government services (Rowlands 2003: 143)6.

However, there were limits to which this aspiration could be realised. The first case involved the major revision of the Australian tax system in mid-2000. The design of the new system combining numerous family assistance payments to produce two visible compensations to a large proportion of the populace through enhanced family benefits.
Centrelink was delivering the majority of the existing types of family assistance, but the other benefits were delivered by the Australian Taxation Office and the Health Insurance Commission, which also had shopfront offices. The government opted for delivery of the payments by a ‘virtual’ organisation, the Family Assistance Office (FAO), which would have outlets in each of these three agencies. The following of precedent was one factor (several agencies already being involved in the original family assistance). A second issue was whether an agency primarily concerned with delivery of welfare payments should deliver assistance of this sort. Family assistance was seen to involve ‘horizontal equity’ between families in contrast to ‘welfare’ payments (Rowlands 2003: 144).

The second case was about becoming the federal government’s electronic gateway; the development of internet portals represented an area where advocacy as a one-stop shop was not officially endorsed. Centrelink had accorded centrality to electronic communication with customers (eg Vardon 1999). An aim of its Business Plan was for Centrelink’s to be established by 2004 as the important gateway between citizens and the federal government and eventually state governments. In particular, ‘Access Australia’ would be deployed as the ‘principal individual–to-Government portal’ by the end of 2004. This portal was intended to provide direct links to all levels of government. However, in late 2000, the National Office for the Information Economy supported development of a range of internet portals to provide a single electronic point of access to available online information and for transacting services. Responsibility for each portal was assigned to ‘lead agencies’ rather than a primary role for Centrelink in developing and supporting the portals (Rowlands 2003: 144, 146-7).

**Contestable position for core business**

The view of Centrelink operating ‘in a competitive environment is a part of the view that Centrelink management, ministers and others have projected of the organisation and its environment’ (Rowlands (2003: 150). He examines the idea of contestability in the development and operation of Centrelink and inquires about the rationale because of its impact on role conceptions, strategies and perceptions of the agency.
This concept reflected the rhetoric of Centrelink’s mid-1990s establishment, and the centrality accorded to contestability and competition by a neo-liberal government’s advent to office. Its establishment was part of a process that eventually produced the privatisation of much of the Commonwealth Employment Service’s operations. The Opposition had argued during the original legislative process that the use of an agency was a step towards removing public delivery of services (Rowlands 2003: 151). The National Commission of Audit was specific about income support services as an option for contracting out (NCA 1996, Rowlands 2003).

The new CEO reflected this rhetoric and the emphasis on competition as well as responsiveness to customers

The Agency is conscious that although the Government has positioned it within the public sector, there are many potential competitors. Overseas experience identifies these competitors. To retain our competitive edge we must deliver on cost and quality and excellent customer service will prove to be that competitive edge (Vardon 1997: 2, quoted in Rowlands 2003: 152).

The view in circulation was that Centrelink had three years (five maximum) before facing competition for core business from the private sector, thereby creating the expectation that Centrelink might lose service delivery (eg Australian Financial Review, 9 May 1998: 61). That it could face future competition was expressed in annual reports at this time. In addition, many senior staff in the main client department, Family and Community Services, believed in the inevitability of competition in delivering income support (Rowlands 2003: 152-3).

These themes were maintained to the organisation’s mid-life: ‘Integral to the concept of Centrelink as a multi-purpose service provider is the notion of policy departments as purchasers of services in a contestable market environment’ (Vardon 2000: 2). Centrelink’s ‘strategic services team’ observed during an internal management meeting that ‘it is likely that potential competitors are currently positioning themselves and influencing key stakeholders to take over some or all of Centrelink’s business’ (‘Guiding
Coalition’ meeting, minutes 2–3 December 1999). By 2000, however, the tone of senior managers was more qualified with the government reported as unwilling to introduce contestability for the time being and providing Centrelink with scope to explore its potential before further competition (Bashford 2000: 4, Tannahill 2000, Rowlands 2003: 154-5).

The question of contestability for an agency that is operating akin to a monopoly in relation to its major client needs to be viewed within the climate where operating like the private sector was a foremost principle.

_Competing for business_

Centrelink began with two main clients and has attracted numerous others since, with around twenty now receiving services. Each client (usually a policy department) negotiates a purchase price for specified services that Centrelink agrees to undertake.

Centrelink’s revenue comes overwhelmingly from client departments, with a small percentage coming as a direct appropriation from the government. The overwhelming majority (91 per cent in 2004–05) of business is undertaken for FaCS, with the Department of Employment and Workplace Relations a distant second (5.5 per cent). The remaining 14 purchasers account for about three per cent of Centrelink’s revenue, although the sums involved may still be substantial and arrangements complex. The main relationships with agencies, summarised in Table 5.1, indicate these other contractual arrangements involve may not be stable over time: they involve purchasing services that may fluctuate, decline or even terminate once the task has been completed.
Table 1: Centrelink relationships by revenue

<table>
<thead>
<tr>
<th>Department/Other source</th>
<th>2004-05 $'000</th>
<th>%</th>
<th>2007–08 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family and Community Services</td>
<td>2,073,675</td>
<td>91.3</td>
<td>2,062,750</td>
</tr>
<tr>
<td>Employment and Workplace Relations</td>
<td>79,892</td>
<td>5.5</td>
<td>106,000</td>
</tr>
<tr>
<td>Agriculture, Fisheries and Forestry</td>
<td>17,364</td>
<td>1.0</td>
<td>4,443</td>
</tr>
<tr>
<td>Education, Science and Training</td>
<td>13,443</td>
<td>0.6</td>
<td>13,862</td>
</tr>
<tr>
<td>Health and Ageing</td>
<td>7,036</td>
<td>0.5</td>
<td>11,002</td>
</tr>
<tr>
<td><strong>Subtotal Service Delivery</strong></td>
<td><strong>2,191,411</strong></td>
<td></td>
<td><strong>2,198,057</strong></td>
</tr>
<tr>
<td>Revenue from other sources*</td>
<td>17,687</td>
<td>1.0</td>
<td>17,350</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,209,098</strong></td>
<td></td>
<td><strong>2,215,407</strong></td>
</tr>
</tbody>
</table>

Source: Portfolio Budget Statements, Family and Community Services Portfolio 2004–05.
*Revenue from other sources includes directly appropriated amounts and anticipated revenue from new business outside existing agreements with clients.

Analysis and explanations

What can be learnt from these three inter-agency cases involving Centrelink? They raise several questions about interaction and collaboration, and innovation and smart practices. There are several common elements about positioning and legitimising the agency, defining its role in service delivery and as an active entrepreneurial agency, evolving more effective inter-agency relationships, and its functioning as an agency that reflects integration by internalising otherwise separated responsibilities.

The place of advocacy is important as detractors perceived it as overstated or unrealistic. The mantra consisted of several themes that were consistently maintained: the holistic conception of the individual and how the service delivery agency should respond; intra-agency integration of responsibilities and the one-stop shop concept; dealing with numerous clients simultaneously; competing for work (and the alternatives available); pushing policy agendas although a delivery agency; and provision of choice through channel management.

With the positioning and legitimising of the agency, the context was one in which the new and atypical entrant was having to define a role within the federal public service that
had hitherto been centred on policy departments (often with their own delivery capacity). As a large agency that developed its own capacity for taking the initiative, it was perceived as threatening by policy-focused departments that had experienced contraction of their responsibilities. The core aspects of this agenda were evolving the service delivery system; consolidating, protecting and enhancing the concept of the one-stop shop and the delivery system; and expanding business.

The role of the Centrelink board as a buffer and an intermediary between the public service agency and the politicians was often important. With the Life Events case it was about affirming the extension of a service delivery role that had major policy implications. The secretaries of the two main client departments were members of the board yet presumably obliged to support Life Events within that arena. Securing the support of the board was tantamount to tying in key departments as well as the government’s business sector appointees who had access to the minister.

On the political side there has been a close symbiotic relationship between the ministers and Centrelink. There was a need to be highly responsive to new political requirements, particularly those with public implications, and to reflect more generally government priorities. In these respects Centrelink was poised to respond like a department of state.

The footprints of Centrelink were apparent in the diagnosis of the former secretary of FaCS for much of Centrelink’s existence. This department at times was seemingly either marginalised for some purposes or at least out-maneuvred: ‘The minister intervened directly with Centrelink regularly in a direct one-to-one link with the CEO, overriding the roles of the [departmental] secretary and the board’ (Rosalky 2002: 10).

Given that Centrelink has responsibilities for one of the largest components of the budget with programs that can be highly sensitive, this forging of a direct relationship with its minister is not unexpected. Ministers routinely accepted public responsibility for Centrelink’s activities. There are expectations and pressures to respond to government agenda and public crisis. The government has regularly made use of Centrelink’s
capacity to deliver assistance to people (for example, following the Bali bombing, drought relief and support for those affected by economic structural reforms). However, a difficulty arises in relation to other imperatives that also drive Centrelink. Since Centrelink is part of the FaCS portfolio, the responsible ministers regard it as a department of state rather than a separate service delivery agency that is operating at arms length. Reconciling general and specific agendas is also problematic. Major cutbacks in staff (mandated by government expectations of efficiencies) have coincided with the demands of major policy change. According to the former secretary of FaCS, the priorities of portfolio ministers produced ‘frequent changes in Centrelink outputs which could not reasonably be captured in a purchaser-provider relationship and which undermined the terms of business agreements between the two organisations’ (Rosalky 2002: 10).

The acceptance of Centrelink’s agenda by the political executive is an important element. Take the four key priorities for the current three years, ‘set’ for Centrelink by the Minister for Family and Community Services: ‘protecting the integrity of outlays’, ‘supporting participation outcomes’, ‘providing more flexible services for business, customers and government’, and ‘demonstrating … value for money’ (Centrelink 2003).

With regard to relationships defined in principal-agent terms, there was consensus among the purchasers and the provider about the limitations of this approach. The commercial approach underlying the purchaser-provider model required an arm’s length relationship between the two with regard to financial results. However, because of Centrelink’s character and the shortage of financial data, the model was seen to be ‘artificial and inimical to the primary portfolio purpose. The government’s fiscal interests are tied more closely to effective joint management of program funds than to a competitive model aimed at reducing administrative costs’ (Rosalky 2002: 14).

The changing stance of central agencies is also apparent. Not so long ago, Finance perceived the relationship in formal terms and took issue with regard to Centrelink’s location within the FaCS portfolio as to whether it was a separate service agency model
or a traditional departmental model. The minister was seen to appreciate the ‘big mushy-looking bucket of money … But it’s not a purchaser-provider relationship’ (Senior finance official). It is now generally accepted that this type of relationship is problematic if the two parties are located within the same portfolio.

The organisation’s smart practices have produced more effective relations based on the value chain conception of responsibilities and a more integrated alliance approach to the most important relationship, that between FaCS and Centrelink. A new funding model has now been produced by a group that includes clients and the key central agency. Broader issues about the transaction costs arising from the original structure (ie those of both purchaser and provider in managing a complex contractual relationship), and maintaining the elements of the new alliance, are not explicitly factored in because the separation remains a given.

Two main elements have been Centrelink leadership (both internally and externally) and advocacy from a base set of values and imperatives about mission and purpose. Effective use has been made of its internal capacity – a product of scale of operation, internal organisation and strategic decisions about agenda setting – to compete with policy and service delivery ideas and innovation in public management.

Positioning is ultimately about the question of organisational survival, growth and adaptation. In a number of respects, Centrelink has managed to reflect the tenor of the time: reading and adapting to the general government agendas and projecting its relevance to the contemporary philosophy. In Centrelink’s first four years the mantra of competition and choice reigned supreme with the government and Centrelink’s stance reflecting this. There was something of a turning point around the year 2000, when some limits to the completeness of its vision emerged from decision-making within the executive branch.

As the fashion moved from markets towards partnering, governance and whole-of-government, Centrelink was again seeking, both by its activity (eg new relations with
communities) and representation of the organisation, to be relevant. There is a sense of evolution over time from advocacy of a distinctive position, accompanied by substantial success in increasing its business and playing a significant role in setting agendas. Since then its relationships with a range of agencies has evolved to a reciprocal collaborative basis. Centrelink’s smart practices then were adjusted accordingly: policy competition in a period of marketplace analogies; cooperative alliances in a period of whole-of-government in the 2000s.

Conclusion
Structural reform of government organisation involving functional boundaries designed to improve performance can still leave public officials with the problem of how to bridge vertical separation and horizontal divisions. In Centrelink’s case, the basis for subsequent debates about the roles of purchasing department and provider agency were laid by embedding several models in its organisational imperatives. The models have also provided opportunities for advocacy of a distinctive agenda and employing smart practices in pursuit of public management innovation and improved inter-agency collaboration.

The three cases of inter-agency relationships have been examined: the shift from purchaser-provider to alliance; competing for policy roles to value chain; and competing for and expanding business. Centrelink has developed a new service delivery model and reformulated relationships despite obstacles and the need to balance the several imperatives of customers, clients, competitors and politicians.

There remain issues about the separation of policy formation and implementation and in particular the value of a multi-purpose service delivery agency. On the vertical dimension, Centrelink was confronted by the limitations of basic purchaser–provider as the means for handling relationships. The potential for the horizontal connecting of welfare delivery was internalised in the original concept and has been expanded upon through new partnerships for delivery services on behalf of a range of clients.
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Commonwealth Services Delivery Act 1997


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1 Centrelink was launched in September 1996 as the Commonwealth Service Delivery Agency and formally established in July 1997 as an independent statutory authority. The new agency took on (from the Social Security Department) delivery of government services to recipients of social welfare benefits and services. In 2003, this amounted to $55.3 billion, or about 30 per cent of total Commonwealth expenditure, and Centrelink employed over 27,000 staff spread across over 1000 service delivery points across Australia. These range from full customer service centres to visiting agents in remote localities.

Parts of this paper draws on and reflect a larger research program involving several colleagues including Jules Wills and Jill Adams and the doctoral research of David Rowlands (2003).

2 ‘The Minister may . . . give directions to the Board about the performance of its functions, the exercise of its powers or the conduct of its meetings, or in relation to the terms and conditions of appointment of the Chief Executive Officer’ (CSDA ACT, Sect 13).

3 A few other cases existed such as the Australian Taxation Office, but it was not a product of the move towards new-style executive agencies, but simply a conventional pragmatic solution for implementation.

4 BPAs take the form of a memorandum of understanding because the Commonwealth cannot enter into contract with itself where both purchaser and provider are its agencies.

5 This was not the case with the other key relationship, that with the Department of Employment and Workplace Relations, where there had been some movement in the direction of ‘a more mature partnership’, but this progress continued to be retarded ‘because of this endless argument about funding for the delivery of services, which constantly undermines that partnership arrangement’ (Senior departmental official). More recently, inter-departmental conflict over policy and delivery has been a factor.
David Rowland’s (2003) dissertation examines closely the official documents and reports of this period.

The scope of the public sector was defined in three simple ways: by the 'Yellow Pages' Test (if a supplier is listed in the telephone book supplement, the public sector role should be questioned), the emphasis on choice, and contestability. The provision of policy advice by departments was also contestable (Halligan 2003).

The full list of federal departments is Agriculture, Fisheries and Forestry; Attorney-General’s; Communications, Information Technology and the Arts; Education, Science and Training; Employment and Workplace Relations; Family and Community Services; Finance and Administration; Foreign Affairs and Trade; Health and Ageing; Immigration and Multicultural and Indigenous Affairs; Transport and Regional Services; and Veterans’ Affairs. Other federal agencies are: Australian Electoral Commission and the Australian Taxation Office. State and territory government relationships cover housing authorities and Service Tasmania.