8. Entrepreneurship and challenging boundaries

The concept of an entrepreneurial public organisation has been commonplace for some time, but it is unusual for a major public service agency to be perceived as operating in the market to secure existing core work as well as to seek new business. Centrelink was concerned with market share and with competition in the public and voluntary sectors, and even with extending operations to the private marketplace. This imperative derived from the government injunction to operate more like the private sector and reflected the in-vogue dictums of the 1990s about new public management and entrepreneurial government (Halligan 2003).

This chapter provides the perspective of the agency in its dealings with the other main stakeholders, reflecting an organisational imperative: the entrepreneurial model. Entrepreneurial advocacy includes building legitimacy for initiatives, shaping mandates for action, mobilising support and investing them with political support (Moore 1995). The dimensions covered here are: extending policy roles, expanding business horizontally, positioning within the Public Service and expanding out from the formal structure through governance processes to the community.

Constraints on and opportunities for positioning the agency

Centrelink originally emerged from a combination of agendas and opportunities after the election of a new government committed to rationalisation and cutbacks. In the process of formulating options that would be accepted by the government and given organisational form, those proposing its creation were constrained by the new government’s philosophical and political expectations and the interests of existing departments. The concept was then shaped by a compromise with long-term consequences for operations and relationships between client departments and Centrelink (Halligan 2004).

The continuing constraints and parameters for this new public organisation, as outlined earlier, covered changing reform agendas and expectations and contradictory imperatives. These imposed different types of discipline on Centrelink. The new government that created Centrelink was otherwise pursuing the most intense neo-liberal policies since the reform era began as it sought to address the budget deficit and to review the management and financial activities of government, including what efficiencies might be achieved. Reform was characterised by marketisation and outsourcing that included an intensification of cutbacks and promotion of the private sector over the public sector. This
agenda was supplanted in the early 2000s as its limitations were exposed and refinements became necessary (Halligan and Adams 2004).

At the same time, the policy framework took a dramatic new direction midway through this period as mutual obligation was mainstreamed by the government and welfare reform produced significant changes with ‘Australians Working Together’ (AWT) designed to establish a new balance between incentives, obligations and welfare assistance.

There were also constraints resulting from the ambiguity underlying the Centrelink concept and potential conflicts among the different imperatives. The combination of models that could be discerned in these organisational imperatives allowed for different interpretations, in particular, about the relative importance of managerial dimensions as expressed through purchaser–provider principles and partnerships. (Halligan 2004).

These differences were also established by the bureaucratic politics attendant on the entrance of an interloper. In contrast with Britain and New Zealand, where ‘agencification’—the separation of policy and delivery—was implemented across the civil service, in Australia, Centrelink was the exception. As a delivery agency, it dealt with a wide range of departments but was excluded from their club, although performing work that several of them had recently undertaken.

Centrelink was, however, an innovation of a government that conformed to the premises of the time. The ambiguity and conflicting imperatives also provided 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 delivery agency providing services to purchasing departments in social security and unemployment, but Centrelink’s unconventional character also provided a platform from which to position itself within the APS. The positions advocated, in addition to the one-stop shop, were the ‘provider of choice’ for the Commonwealth, ‘inclusive service delivery’ covering those who were marginalised and disadvantaged (Vardon 2000c), the gateway for electronic communications and the ‘premier broker’ (Tannahill 2000).

In the following discussion, Centrelink’s positioning is examined through cases in different operational spheres and different types of inter-agency interaction: one is about competing for policy and contributions to the process; a second considers positioning within the Public Service; the 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; and the final case is about the elaboration of a community relationship.
Policy innovation by an executive agency

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

The original concept was for a separation of policy and delivery to produce a large agency and convert two large departments into two smaller policy departments. One of Centrelink’s founders, Tony Blunn, had second thoughts about reducing his large DSS to a small policy bureau, which led to the reformulation of the interface between the agency and the department, which added a middle area covering program management and operational policy between policy formation and delivery. Under this revised concept, the department and the agency were to compete in the middle ground and achieve effective working relations at the interface. These choices laid the basis for the later debates about the relative responsibilities of the provider agency and its purchasing departments and the interface remained a significant source of disagreement.

The weakness with the separation model is that it is difficult to maintain in practice. Two different problems are that the separation goes too far or that it is insufficiently applied. Schick (1996) reports that ‘decoupling may be counterproductive’, citing the case of the New Zealand Ministry of Defence, where increased overhead and transaction costs resulted and the organisational linkages had to be re-established to provide policy feedback. ‘Policy and operations are not necessarily separated by decoupling because of the tendency of service delivery units to “grow” their own policy capacity’ (Schick 1996:31).

At the same time, there is an argument in favour of policy activity. An observer of different public management systems comments that the explicit separation of policy from implementation has been significant in only a few countries (New Zealand and the United Kingdom), because elsewhere delivery agencies can retain a role in policy monitoring and development. Nordic countries, particularly Sweden, have not only had long experience with agencies, they can be active in policy advice and evaluation in addition to providing service delivery (Shand 1996:6, 8).

There is a need therefore to balance the advantages of separate organisations for policy and operations while ensuring that there are effective communication mechanisms and dialogue between them on policy directions and implementation. As with other debates about separation of levels of government (for example, the federal system), is it necessarily optimal or realistic to strive for separational purity? The department may continue to intervene in implementation. The blurring of responsibilities between departments and agencies in the United Kingdom was revealed by an early review of the ‘Next Steps’ (Trosa 1994).
A core issue for Centrelink was the role that it might play in policy development and how it was perceived by other key players 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.

As discussed in Chapter 2, an official welfare review occurred in 1999 and 2000. A comparison of Centrelink’s submission to the initial inquiry on welfare reform by the McClure reference group with the recommendations indicates substantial congruence. The submission had an important impact on the inquiry’s work and recommendations, and indicated that this non-policy agency correctly anticipated the policy direction of the inquiry. The recommendations of the McClure report (2000) reinforced a new service delivery model that was already under conceptual development in Centrelink and provided a basis for the government’s Australians Working Together—Helping people to move forward (DFaCS 2001).

The main purchasing departments, DFaCS and DEWR, 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 the agency had in the development of AWT. There was, however, 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).

The contrary position was that all policy could not be left to the clients:

[Y]ou’ve got to have opinions about how the whole thing fits together. You can’t just say, ‘I deliver it and everything is passed onto me and I just deliver it’…you’ve got to provide advice about the facts that this will not work or this will affect x thousand customers. (Senior Centrelink official)

Minister Newman had often said that the best ideas came from the front line and she would listen to them. It was this capacity that was believed to be lost because DFaCS did not want Centrelink to send it ideas.

Centrelink’s proposal for a new approach to delivering services needed to be seen in this light. Senior Centrelink officials had taken a new concept to their agency’s board 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...Centrelink’s responsibility to tailor that service package to the individual. (Senior Centrelink official)

The life-events approach, as it was called (see Chapter 5), was a new approach for delivering services that was developed within Centrelink and was ‘based on the experiences of people in the community, rather than the payments, services or programs devised by government departments’ (Bashford 2000:12; Vardon 2003c).

The development of this approach by the delivery agency rather than the policy department confounded senior departmental officials. One secretary had not fully comprehended that introducing this 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...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 an alliance had been forged between Centrelink and DFaCS (see Figure 8.1 and Appendix 7). The evolution of the relationship to a closer partnership arrangement was eventually defined on the basis of a value chain of interaction. This chain specified the roles and responsibilities and value-added process interlinked along a continuum and acknowledged the mutuality of involvement in all processes, although either DFaCS or Centrelink was dominant in all but one. Accordingly, three processes were identified as belonging mostly to DFaCS (policy development, legislation and policy guidelines), three as mostly to Centrelink (service development, service integration and implementation, and program management) and one as a joint function (evaluation of policy and service delivery) (DFaCS/Centrelink 2003).

In terms of furthering the mutual but complementary objectives, a strategy was articulated for achieving the goal of accountability to government and client agencies as supporting the policy development process. This involved supporting policies with analysis of trends in customers and service delivery and providing feedback on service gaps, issues, needs and information program impacts (Centrelink 2004b).
Positioning within the Public Service

In positioning itself, Centrelink sought to be entrepreneurial within the terms of its original mandate to become a one-stop shop. At various times, the question arose as to whether Centrelink was the Commonwealth delivery agency and should have comprehensive responsibilities for multiple delivery arrangements. The competition for business is discussed in the next section.

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 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).

The government, however, did not always choose to support these aspirations. The first case of this involved a major revision of the Australian tax system in mid-2000. The design of the new system combined numerous family assistance payments to produce two enhanced family benefits. Centrelink delivered the majority of the existing types of family assistance, but the Australian Taxation Office and the Health Insurance Commission, which also had shopfront offices, delivered the other benefits. The government opted for delivery of the payments by a ‘virtual’ organisation, the FAO, which would have outlets in each of these three agencies. The following of precedent was one factor. Another was whether an agency concerned primarily with delivery of welfare payments should deliver assistance of this sort. Family assistance was seen to involve ‘horizontal equity’ between families in contrast with ‘welfare’ payments (Rowlands 2003:144). As a result, Centrelink did not become the sole provider of choice in delivering family benefits.

The second case was about becoming the Federal Government’s electronic gateway; the development of Internet portals represented an area where
Centrelink’s advocacy of its role as a one-stop shop was not officially endorsed. Centrelink had made electronic communication with customers a priority (for example, Vardon 1999a). An aim of its business plan was for Centrelink’s portal 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’ (Rowlands 2003) by the end of 2004. This portal was intended to provide direct links to all levels of government; however, the Federal Government’s 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 assigning a primary role to Centrelink for developing and supporting the portals (Rowlands 2003:144–7).

**Gateway to the welfare system**

The Reference Group on Welfare Reform report (McClure 2000) identified a new role: the need for a gateway to the new welfare system. Minister Anthony (2000) referred to Centrelink as the gateway, which was reaffirmed by the Minister for Family and Community Services, Senator Newman (2000), after the government’s response to the report in December 2000: ‘Centrelink will remain the main gateway to the participation support system.’ This became clearer in May 2001, when the government announced AWT, substantially changing the social support system for working-aged people, with Centrelink to be responsible for implementation. In their joint press release announcing the initiative in May 2001, the Ministers for Social Security and Employment declared that ‘Centrelink will be the gateway to the new system’. The ministerial statement (Vanstone and Abbott 2001a) observed that ‘a vital element in a better, more balanced system is offering personalised assistance and support. Accordingly, improving Centrelink services will be the key to making Australians Working Together a success.’

**Competing for business**

The two strands to this question are being in a contestable position for core business and competing for business.

**The contestability of Centrelink’s core business**

The government’s National Commission of Audit (NCA 1996:2.3) proclaimed the principle of contestability in terms of mechanisms ‘to ensure competitive or contestable program delivery’, defining the concept as ‘the threat of competition in areas where traditionally the market cannot accommodate a number of suppliers’.
The notion of the competitive environment was a view promoted by government ministers and officials from Centrelink and other departments. In particular, the possible applications of contestability impacted on the agency’s conception of roles and strategies. This depiction reflected the official rhetoric during Centrelink’s formative years, which accorded centrality to contestability and competition. The Labor opposition had argued during the original legislative process that the use of an agency was a step towards removing public delivery of services. The NCA (1996) regarded income support services as an option for contracting out (Rowlands 2003).

Centrelink CEO, Sue Vardon, reflected this environment in recognising that while the government had positioned Centrelink ‘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’ (quoted in Rowlands 2003:152).

This position was premised on the existence of several organisations in the private, public enterprise and voluntary sectors that had possible delivery system capacity to take on responsibilities. The question of contestability needs to be viewed within the climate in which operating like the private sector was a foremost principle. In Centrelink’s case, its operations were akin to a monopoly in relation to its major client.

One of the key players in the development of Centrelink observed that there was awareness that

> Australia Post had been playing around with idea that they could provide social security services through the Australia Post network…Or look at the health insurance people…because they’ve got a fairly extensive network and a good reputation in terms of the customer. So we’ll give you three of four years to establish but if you are not performing then you’ve got no guarantee that we won’t look [for] other ways. (Former departmental secretary)

There were also concerns about customer loyalty—that customers might go to another supplier if it were able to provide payments currently delivered by Centrelink. The customer satisfaction survey for November 1998 indicated that 68 per cent of respondents said they either definitely or probably would use another organisation if given the opportunity. Later percentages were much lower (34 per cent for November 1999, 27 per cent for November 2002, but 36 per cent for November 2003) but were still sufficiently high to cause concern.

A commonly expressed view was that Centrelink had three years (and a maximum of five) before facing competition for core business from the private sector, thereby creating the expectation that Centrelink might lose service delivery.
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). The fate of the CES, which had been converted into the Job Network dominated by non-public sector actors, was a reminder of another scenario.

These themes were carried into the organisation’s midlife: ‘Integral to the concept of Centrelink as a multi-purpose service provider [was] the notion of policy departments as purchasers of services in a contestable market environment’ (Vardon 2000b:2). By 2000, however, the tone of senior managers was becoming more qualified, with the government reported to be unwilling to introduce contestability for the time being and providing Centrelink with scope to explore its potential before further competition came into play (Bashford 2000; Tannahill 2000; Rowlands 2003).

The McClure report provided an opportunity for the government to clarify its position, with the Minister for Community Services declaring that the report was not concerned with the privatisation of Centrelink, but with the need for a central gateway for delivering the best service. The new welfare system therefore provided opportunities for Centrelink as the gateway (Anthony 2000).

**Extending the client base**

There are two different modes of business to Centrelink’s role as ‘preferred provider’. Given Centrelink’s national reach, the role of ‘convenient supplier’ is important in areas such as delivery of emergency relief. Regular use has been made of Centrelink’s capacity to deliver assistance to people (for example, drought relief and support for people affected by economic structural reforms). The second is that of ‘competitive supplier’, which involves ‘bidding for business on a competitive neutral basis’ (Vardon 2002a).

Centrelink began with two main clients (the DSS and DEETYA) and attracted numerous others, with 20 or more receiving services in several years. Each client (usually a policy department) negotiated a purchase price for specified services that Centrelink agreed to undertake.

The government has made use of Centrelink as a convenient supplier and emergency provider and many of these short-term arrangements have turned into longer-term contracts. For example, an arrangement with DAFFA involving a number of different one-off relief packages—drought, farm inheritance and so on—resulted in a continuous stream of work for Centrelink and created a longer-term relationship.
Community engagement

The final area in which Centrelink extended its role was at the community level—a new venture for a nationally based federal agency. This fitted a series of diffuse policy agendas about partnership, consultation and governance in the sense of linking more systematically with actors at different levels of government and particularly beyond government. It could be seen to serve the mutual interests of policy feedback to departments and policy inputs from community-level actors. The specific impetus came from the participation agenda in the sense of people assuming responsibility within an active welfare approach, but also from the need to improve policy and implementation communication on participation in the sense of consultation and engagement (Centrelink 2003a, 2004a).

Centrelink confronted the issue of what was its core business and had the big debates about what income support and what...tools we used to be able to enable people to participate. [So]...then the message started to change a lot...to change the understandings of how we did engage with particularly the community sector, because it was wider than who we traditionally engaged with. (Senior Centrelink official)

The catalyst was that Centrelink had ‘won the gateway role because we were large, we were everywhere, but that was no good if we weren’t linked in to where we needed to be as well, to move that next step’ (Senior Centrelink official).

This involved redefining the approach to community organisations:

We’ve had relationships with some of these organisations before, ACOSS [the Australian Council of Social Service] and welfare rights and Job Network but it’s been very much around more antagonistic ones. When things go wrong that’s when we meet, or we meet because for example with the Job Network, DEWR says we have to meet with them and work things out. It’s actually been a reactive role not a proactive and not a relationship one. (Senior Centrelink official)

It also reflected being ‘part of the same service delivery network...we are the broker of being able to send people in the right direction no matter who it is in terms of, it’s just not the employed’ (Senior Centrelink official).

The community did not regard the departments (DFaCS and DEWR, and still earlier the DSS and DEETYA) as operating on a proper consultative basis. Their modus operandi was to collect information but then to produce something that reflected their own agenda and ignored community issues and views. With policy feedback, Centrelink could report that something was not working on the ground and DFaCS and DEWR could react as they saw fit, but when there was a common voice coming through from many peak organisations as well as
Centrelink, it added substantially to the cogency of the feedback. In addition, there was the facilitation of consultation for small organisations: ‘there’s [sic] tens of thousands of these guys on the ground, and they don’t get access to that policy process. They’re too small; they don’t have the resources’ (Senior Centrelink official). Centrelink could be a means for getting ‘the right messages across about…what’s happening versus what’s not…it’s actually about getting that wider view of what’s actually not working as well, and feeding that back to government’ (Senior Centrelink official).

Centrelink’s direct role in communities involved a range of activities at different levels of engagement, which it depicted in a pyramidal form (Centrelink 2003d). These could be represented as stages that moved from developing relationships and cooperation and collaboration through to community development. At the base is the foundation of communication, which entails establishing relationships with community actors and organisations. This is followed by cooperation through making services more accessible and includes sharing Centrelink resources. At a higher level is collaboration, which extends to changing services in response to community issues (Winkworth 2005).

The activity that involves the most significant extension of Centrelink’s role is creating new opportunities. Community development involves partnerships with other organisations to support capacity building. An example is support provided to Multicultural Settlement in the Goulburn Valley in Victoria, involving resettlement of more than 2500 Arabic-speaking people.

**Conclusion**

These cases cover four different types of extension of Centrelink’s role. They involve horizontal extensions into delivery for other agencies, broader public service roles and activities beyond the Public Service, particularly in conjunction with the community. The remaining area vertically extended Centrelink’s influence in the policy process. Much of this was envisaged in the original ideas about the one-stop shop, but it still depended on the organisation’s capacity to craft new roles for itself in practice.

These cases raise questions about modes of inter-agency interaction, process design, innovation and smart practices. There are several elements of positioning and legitimising the agency and defining entrepreneurial and service delivery roles; and about evolving more collaborative inter-agency relationships, as well as functioning as an agency that reflects integration by internalising otherwise separated responsibilities.

The advocacy of Centrelink’s position was important for defining its roles and registering its place. Several themes were consistently promoted: the holistic conception of the individual and how the service delivery agency should respond; intra-agency integration of responsibilities; 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.

Centrelink was able to define a role within the APS that had hitherto been centred primarily on policy departments. In seeking to position and legitimise the agency, the core aspects were: evolving the service delivery system; consolidating, protecting and enhancing the concept of the one-stop shop and the delivery system; and expanding business through agreements with new clients. Much depended on the capacity of the organisation to define a vision and long-term objectives and then move towards realising them (Vardon 2003c).

ENDNOTES
1 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 to implementation.
2 The concept was a product of discussions between Blunn, secretary of the then DSS, and Hollway, secretary of the then DEETYA.
3 A review group produced a Green Paper known as the McClure report (2000) after its chair, which became the basis for the government’s AWT.
4 Rowland’s (2003) dissertation examines the official documents of this period.
5 The government defined the scope of the public sector in three ways: by the ‘Yellow Pages’ test (if there was more than one supplier 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.
6 Business was later added in.