EXITS, VOICES AND SOCIAL INVESTMENT

Over fifty years ago, Albert Hirschman argued that dissatisfied consumers could either voice complaint or exit when they were dissatisfied with goods or services. Loyal consumers would voice rather than exit. Hirschman argued that making exit easier from publicly provided services, such as health or education, would reduce voice, taking the richest and most articulate away and this would lead to the deterioration of public services. This book provides the first thorough empirical study of these ideas. Using a modified version of Hirschman's account, examining private and collective voice, and viewing loyalty as a form of social investment, it is grounded on a dedicated five-year panel study of British citizens. Given government policies over the past decade or more which make exit easier from public providers, this is a timely publication for all those who care about the quality of government services.

Keith Dowding is Professor of Political Science in the School of Politics and International Relations, Research School of Social Sciences, and Research Director of the College of Arts and Social Sciences at the Australian National University, Canberra.

Peter John is Professor of Political Science and Public Policy, School of Public Policy at University College London.
Theories of Institutional Design

Series Editor
Robert E. Goodin
Research School of Social Sciences
Australian National University

Advisory Editors
Russell Hardin, Carole Pateman, Barry Weingast, Claus Offe,
Susan Rose-Ackerman, Keith Dowding, Jeremy Waldron

Social scientists have rediscovered institutions. They have been increasingly concerned with the myriad ways in which social and political institutions shape the patterns of individual interactions which produce social phenomena. They are equally concerned with the ways in which those institutions emerge from such interactions.

This series is devoted to the exploration of the more normative aspects of these issues. What makes one set of institutions better than another? How, if at all, might we move from the less desirable set of institutions to a more desirable set? Alongside the questions of what institutions we would design, if we were designing them afresh, are pragmatic questions of how we can best get from here to there: from our present institutions to new revitalized ones.

Theories of institutional design is insistently multidisciplinary and interdisciplinary, both in the institutions on which it focuses, and in the methodologies used to study them. There are interesting sociological questions to be asked about legal institutions, interesting legal questions to be asked about economic institutions, and interesting social, economic and legal questions to be asked about political institutions. By juxtaposing these approaches in print, this series aims to enrich normative discourse surrounding important issues of designing and redesigning, shaping and reshaping the social, political and economic institutions of contemporary society.

Other books in the series
Brent Fisse and John Braithwaite, Corporations, Crime and Accountability
Itai Sened, The Political Institution of Private Property
Mark Bovens, The Quest for Responsibility: Accountability and Citizenship in Complex Organisations
Bo Rothstein, Just Institutions Matter: The Moral and Political Logic of the Universal Welfare State
Jon Elster, Claus Offe and Ulrich K. Preuss, Institutional Design in Post-Communist Societies: Rebuilding the Ship at Sea
Adrienne Héritier, Policy-Making and Diversity in Europe: Escape from Deadlock
Geoffrey Brennan and Alan Hamlin, Democratic Devices and Desires
Eric M. Patashnik, Putting Trust in the US Budget: Federal Trust Funds and the Politics of Commitment
Benjamin Reilly, Democracy in Divided Societies: Electoral Engineering for Conflict Management
John S. Dryzek and Leslie Templeman Holmes, Post-Communist Democratization: Political Discourses across Thirteen Countries
Huib Pelikaan and Robert J. van der Veen, Environmental Dilemmas and Policy Design
Maarten A. Hajer and Hendrik Wagenaar (editors), Deliberative Policy Analysis: Understanding Governance in the Network Society
Jürg Steiner, André Bächtiger, Markus Sporndli and Marco R. Steenbergen, Deliberative Politics in Action: Analyzing Parliamentary Discourse
Bo Rothstein, Social Traps and the Problem of Trust
Mark E. Warren and Hilary Pearse (editors), Designing Deliberative Democracy: The British Columbia Citizens Assembly
Graham Smith, Democratic Innovations: Designing Institutions for Citizen Participation
EXITS, VOICES AND SOCIAL INVESTMENT

Citizens’ Reaction to Public Services

KEITH DOWDING

AND

PETER JOHN
Exits, Voices and Social Investment: Citizens’ Reaction to Public Services
Keith Dowding and Peter John

First published 2012

This publication is in copyright. Subject to statutory exception and to the provisions of relevant collective licensing agreements, no reproduction of any part may take place without the written permission of Cambridge University Press.

© Keith Dowding and Peter John 2012

Library of Congress Cataloguing in Publication data
Dowding, Keith M.
Exits, voices and social investment : citizens’ reaction to public services / Keith Dowding, Peter John.
p. cm. – (Theories of institutional design)
Includes bibliographical references and index.
ISBN 978-1-107-02242-3 (hardback)
HV40.D69 2012
361.0068—dc23
2011052106

ISBN 978-1-107-02242-3 Hardback

Cambridge University Press has no responsibility for the persistence or accuracy of URLs for external or third-party internet websites referred to in this publication, and does not guarantee that any content on such websites is, or will remain, accurate or appropriate.
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>List of figures</td>
<td>vi</td>
</tr>
<tr>
<td>List of tables</td>
<td>vii</td>
</tr>
<tr>
<td>Preface and acknowledgements</td>
<td>ix</td>
</tr>
<tr>
<td>1 Hirschman’s original idea</td>
<td>1</td>
</tr>
<tr>
<td>2 Exits, voices and the object of loyalty</td>
<td>25</td>
</tr>
<tr>
<td>3 Exit, voice, loyalty and neglect</td>
<td>51</td>
</tr>
<tr>
<td>4 The structure of UK public services and some simple relationships</td>
<td>75</td>
</tr>
<tr>
<td>5 Evidence of the major EVL relationships</td>
<td>102</td>
</tr>
<tr>
<td>6 Exit, voice and welfare</td>
<td>130</td>
</tr>
<tr>
<td>Appendix A: Summary of the empirical literature testing EVL</td>
<td>142</td>
</tr>
<tr>
<td>Appendix B: Note on statistical methods</td>
<td>150</td>
</tr>
<tr>
<td>Appendix C: The survey instrument</td>
<td>152</td>
</tr>
<tr>
<td>Bibliography</td>
<td>175</td>
</tr>
<tr>
<td>Index</td>
<td>188</td>
</tr>
</tbody>
</table>
Figures

1.1 The voice–exit decision tree
1.2 Dynamic relationship between voice and exit
3.1 EVLN responses to dissatisfaction
3.2 The Lyons et al. EVLN framework
5.1 Intentions to exit geographically following previous individual voice
5.2 Intentions to exit privately following previous individual voice, NHS
5.3 Private school if previously complained and did not like state secondary school
## Tables

1.1 Responses to decline in quality  
1.2 Decline primarily arouses  
2.1 Sub-game perfect Nash equilibriums from the EVL game  
2.2 Sub-game perfect Nash equilibriums from the extended EVL game  
2.3 Types of goods provision  
2.4 Types of exit in public provision  
2.5 Types of voice in public provision  
3.1 Hypothesized relationships between propensity to invoke responses to dissatisfaction and the determinants of responses  
4.1 Numbers and response rates during the panel  
4.2 Characteristics of respondents in the panel and in the UK population  
4.3 The incidence of exit and voice  
4.4 The dynamics of exit and voice  
4.5 Rotated factor loadings for voice and exit using principal components (N=9944)  
4.6 Voice and exit compared  
4.7 Factor analysis: voice and exit compared  
4.8 Change in satisfaction by change in individual voice (complaints)  
4.9 Change in dissatisfaction by change in intention to exit geographically  
4.10 Change in dissatisfaction by change in intention to exit jurisdiction
## List of Tables

4.11 Cross-tabulation of change in expectation of timely treatment for an illness or injury by change in intention to private exit

4.12 Change in expectation of timely treatment for an illness or injury by change in intention to locked into the NHS

4.13 Dissatisfaction, voice and exit

5.1 Change in intention to exit geographically by change in individual voice to schools and satisfaction

5.2 Satisfaction by geographical exit in current year and income

5.3 Change in intention to exit geographically by change in individual voice sorted out or not

5.4 Multilevel mixed-effects linear regression on intention to exit geographically (voicers only)

5.5 Multilevel mixed-effects linear regression on intention to exit and actual exit in health care

5.6 Multilevel mixed-effects linear regression on use of private education

5.7 Multilevel mixed-effects logistic regression: local voting

5.8 Multilevel mixed-effects Poisson regression: participation

5.9 Multilevel mixed-effects Poisson regression: individual voice

5.10 Multilevel mixed-effects logistic regression: individual voice to the NHS

5.11 Multilevel mixed-effects logistic regression: individual voice in education

5.12 Summary of main EVL relationships

A.1 Main empirical relationships found in the literature

B.1 Summary of BIC/AIC values for the variance–covariance for models of intentions to vote
Preface and acknowledgements

We started looking at the sorts of issues considered in this book as far back as 1989 when we drafted a paper, 'Rational Choice Approaches to Local Government' (delivered at the Political Studies Association conference in Durham, 1990) on the functional distribution of goods and services in urban communities. Our aim was to consider the efficient nature of public service provision in terms of the characteristics of different goods and services, and the changing demands of the public in differing economic conditions. One side of that efficiency question is the possibility of mirroring market efficiencies through choice of providers, either through quasi-markets or through competition at the local level through 'Tiebout exit' that we briefly discuss in this book. Armed with an Economic and Social Research Council (ESRC) grant (R000 23 3815 'Population Movements in Response to Taxes and Services') in 1993, with a follow-up grant four years later ('Citizen Choice and Population Movements: The Impacts of Local Taxes and Services on Location Decisions', R000 9000 236658), we examined the ‘exit’ side with studies of geographical mobility in response to local tax and services. A number of articles resulted from those grants (Dowding et al. 1994; John et al. 1995; Dowding 1996; Dowding and John 1996; 1997; John 1997; Dowding and Mergoupis 2003; Dowding 2008; 2008) including a piece that examined Hirschman’s exit, voice and loyalty relationship (Dowding et al. 2000) as it became increasingly clear that the politics or ‘voice’ side of citizen satisfaction was crucial in considering efficiency in public services.

The current research was conducted under the ESRC public services initiative directed by Professor Christopher Hood, Gladstone Professor of Comparative Politics at Oxford University. We received two grants: ‘Public
Preface and Acknowledgements

Services: Exit and Voice as a Means of Enhancing Service Delivery’ RES-153-25-0056, and ‘Public Services: Exit and Voice as a Means of Enhancing Service Delivery: Phase II’ RES-166-25-0012. This enabled us to collect the five-year panel data on attitudes to public services that our empirical results in this book are based upon. We thank the Economic and Social Research Council for its support of our work over the years, especially the latter awards under the Hood programme. This is the first of two planned books based upon these research awards.

The survey reported on in Chapters 5 and 6 was conducted by YouGov over a five-year period from 2005 to 2009. We would like to thank all the people at YouGov, especially Briony Gunstone, for their advice and help in facilitating the reasonably smooth process of conducting the survey and providing the data in the form we required. The data are lodged at the ESRC data archive for replication purposes and further research (www.data-archive.ac.uk/).

A number of people have been helpful over the years. We would first like to thank Thanos Mergoupis, who worked with us on our second ESRC award, ‘Citizen Choice and Population Movements: the Impacts of Local Taxes and Services on Location Decisions’, and from whom we learned much. Together with Mark Van Vugt he helped us draft ‘Exit, Voice and Loyalty: Analytic and Empirical Developments’ (European Journal of Political Research vol. 37, no. 4, 2000, pp. 469–95). Parts of that review appear in a few paragraphs especially in Chapter 3 and Appendix A, which precisses some of the review. We thank Thanos and Mark for allowing us to use parts of the original article.

The bulk of this book was written at the Australian National University in Canberra, when Peter John was a Visiting Fellow of the Politics Program at the Research School of Social Sciences for eight weeks in July and August 2009 and he would like to thank the ANU for supporting that visit. We profited from the unique opportunity it gave us to complete the first draft of the book, prising Peter John away from his many projects in the UK. We thank Emlyn Williams (ANU Statistical Consulting Unit), Tony Bertelli and Ian Plewis for their advice on the modelling.

We also thank Stephen Biggs, George Boyne, Patrick Dunleavy, Dave Lowery, Ken Newton, Lin Ostrom, Mark Schneider, Bob Stein and Paul Teske, for discussions of some of the issues concerning efficient public service provision over the years. We would also like to thank Perri 6, André Alves, Alan Fenna, Anne Gelling, Andrew Hindmoor, Oliver James and three anonymous reviewers for their comments on the manuscript of this book. We also thank Bob Goodin and John Haslam for advice on restructuring the original draft to its present form.