

# 1 *Policy Consultancy in Comparative Perspective*

## 1.1 Introduction: Between Consultocracy and the Contracting State

While the role of consultants in the policy process has long been a concern for scholars of public administration, public management and political science, empirical studies of policy-related consulting are scarce, with little quantitative data. The country-level case studies in this book shed light for the first time on a number of important but as yet under-researched questions. The first is the actual extent of the use of government consulting in a number of countries, and what have been cross-time developments: to what extent has the use of consultants grown over time, and what are the (political, fiscal-economic, society, policy-related) factors that explain greater or lesser growth in a particular country or sector? The second is the question of what role(s) consultants play in the public sector and how large is the share of these consultants in policy work (policy analysis, policy advice, implementation and evaluation). A third is how large is the portion of consultancy work that is management consultancy, or other types of consulting, such as ICT-architects, legal advisers and accountants? The fourth is how much of consultants' work is concerned with substantive policy advice, and how much is procedurally oriented, i.e. organizing policy support, collecting input from external stakeholders, communicating the policy, etc.?

The core arguments of the book are: 1) policy consultancy has been a problematic blind spot for scholars, politicians and other commentators who are concerned with the substantive and procedural quality of the policies that shape our societies; 2) policy consultancy is a far more important and sizeable component of the work that happens within government than the literature currently acknowledges; 3) the use of policy consultants is unevenly distributed across types of policy

organizations and policy sectors; 4) the use and role of policy consultancy needs to be understood in terms of the political-administrative culture and structures of a given national polity.

The chapters in this book examine governmental use of consultancy services from a comparative perspective. They aim to bring more conceptual and empirical clarity to the type and extent of policy consultancy, the role and impact of consultants on public policy, and the similarities and particularities in the use of policy consulting in and across various countries and political-administrative systems including the UK, the USA, Australia, the Netherlands, Canada and Sweden. Thus, comparatively, the book will provide insights into the importance, role and implications of policy consultancy in

- (a) Westminster-style systems (UK, Canada and Australia);
- (b) a traditionally contracting-oriented system (USA);
- (c) Weberian, consensus-driven systems (the Netherlands and Sweden).

This selection of cases gives a firm spread across Western developed nations with a good variety of characteristics in their political-administrative and policy advisory systems that are likely to have an impact on the use and implications of policy consultancy. Therefore, each chapter gives ample attention to country-specific mechanisms and dynamics. In the concluding chapter, the authors reflect on the comparative findings and contribute to theory development relevant to the aforementioned academic fields.

Conceptually and theoretically, the book addresses the current debates in a number of relevant academic disciplines:

- public administration (the relationships between consultants and the standing administrative apparatus),
- public management (particularly public personnel management),
- policy sciences (how do policies come about and on what substantive and political input are they based?),
- political science (what political factors explain the increase in policy consultancy, and what are the implications of increasing policy consultancy for political accountability and government legitimacy?).

In order to understand and explain policy consultancy, we draw on theories and literature from a number of disciplines. First, the rising use of policy consultancy may in part be explained by mechanisms central to the study of *public administration*. Weber's (1968) and Merton's

(1949) work on bureaucratization suggests policy consultants would in part be a remedy for the excesses of bureaucracy (rigid, inward looking, over-protected, minions), although in another sense consultants are even more prone to lapse into the pitfalls of bureaucracy (defending their own interests rather than those of the organization, let alone the public cause). In addition, public administration highlights the political-administrative considerations that help explain the rise of policy consultancy, such as civil service politicization, a lack of trust between political leadership and the standing administrative apparatus (Suleiman 2003), and the perceived benefits of appointing outsiders to give legitimacy to a specific policy programme (Peters and Pierre 2004, Aucoin 2012).

Second, from a *public management* angle, policy consultancy can be understood as the manifestation of an alternative public sector human resource management (HRM) system that of classical government. That is, one more closely inspired by the business-like and short-term results orientation of New Public Management (Hood and Peters 2004; Pollitt and Bouckaert 2011), addressing the fiscal pressures on governments when policy consultancy is a welcome answer to shrinking standing policy capacity.

Literature from the *policy sciences* would suggest that policy consultancy is a part of the administrators' toolkit for taming wicked problems, and sudden and urgent policy challenges (Head 2008; Ferlie et al. 2011). Temporary added expertise and capacity may help to forge windows of opportunity to promote otherwise unrealistic policy solutions (Kingdon 1993; Howlett 1998).

Lastly, *political science* informs us of political considerations that may explain the rise of policy consultancy, including an issue's political salience, the political symbolism of hiring external experts and considerations of timing regarding the electoral cycle (Hood 2013). In addition, comparative political science helps us to understand cross-national variation regarding policy consultancy: i.e. differences in the degree of reliance on consultant: their specific roles: and how they are perceived by politicians, administrators and the public at large. Here we expect to find a marked difference between those countries that have a strong tradition of contracting (USA) (Howlett et al. 2016), a Westminster-style system strongly impacted by New Public Management (UK, Canada and Australia) (Halligan 2003) and Weberian, consensus-driven systems with an open policy-making system in the *neo-corporatist* tradition (Lijphart 1999; van den Berg 2011, 2017).

Setting out to address the above questions leads us to a number of more reflective and theoretical questions. In general terms, this study examines the consulting phenomenon as falling between the popular notion of ‘consultocracy’ and that of the ‘contracting state’. Arguably, the former is the notion of the implicit or explicit rule of an ever-increasing legion of consultants who have replaced many traditional administrative and civil service positions on a more or less full-time and permanent basis, thereby usurping their decision-making power and ability to influence governments, without the traditional means of accountability of civil servants to elected representatives (Davies 2001; Freeman 2000). Meanwhile, the latter is a more dispassionate critique of the results and impact of various forms of contracting, such as private–public partnerships (PPPs) and the different forms of contracting various types of goods and service delivery and internal government processes to private sector firms (Vincent-Jones 2000, 2006).

This perspective informs each chapter’s evaluation of a series of subordinate questions about to what extent the use of consultants and the size of the standing civil service apparatus are related (Saint-Martin 1998a, 1998b, 2005, 2013) and whether consultants replace permanent public servants when bureaucracies shrink (waterbed effect), or if they are hired in policy areas in which political priorities shift in much the same way as the standing apparatus grows in those areas (proportional add-on). The chapters investigate phenomena such as how many temporary external practitioners are consultants and how many work on policy issues. They use various data sources (such as budgetary) to assess the length of contracts and the range of suppliers of various kinds of services. They also – for the first time – attempt to assess the price of consultancy in financial terms (compared to permanent hires), the extent to which the use of consultants erodes departments’ and agencies’ control over their policy agenda, and the costs involved in the erosion of in-house knowledge, continuity and institutional memory.

## 1.2 Policy Consultants and Policy Advisory Systems

It is very useful to examine professional policy work as existing within larger *policy advisory systems* which transcend the boundaries of internal government expertise and knowledge transmission (Nicholson 1997). Recent studies from New Zealand, Israel, Canada and Australia argue that government decision-makers sit at the centre of a complex web of

policy advisers (Dobuzinskis, Howlett and Laycock 2007; Maley 2000; Peled 2002; Eichbaum and Shaw 2007), which includes ‘traditional’ political and policy advisers in government, non-governmental actors in NGOs, think tanks and other similar organizations, as well as less formal or professional forms of advice obtained from colleagues, friends and relatives, and members of the public and political parties, among others.

At their most basic, we can think of policy advice systems as part of the knowledge utilization system of government, itself a kind of marketplace for policy ideas and information, comprising three separate components: a supply of policy advice, its demand on the part of decision-makers and a set of brokers whose role it is to match supply and demand in any given conjuncture (Lindquist 1998). We can see these systems as arrayed into three general ‘sets’ of analytical activities and participants linked to the positions actors hold in the ‘market’ for policy advice.

The first set of actors is composed of ‘proximate decision-makers’ acting as consumers of policy analysis and advice: actors with actual authority to make policy decisions, including cabinets and executives as well as legislatures, and senior administrators and officials delegated decision-making powers by those other bodies. The second set are those ‘knowledge producers’ located in academia, statistical agencies and research institutes who provide the basic scientific, economic and social scientific data upon which analyses are often based and decisions made. The third set comprises ‘knowledge brokers’ serving as intermediaries between the knowledge generators and the proximate decision-makers, repackaging data and information into usable forms. These include, among others, permanent specialized governmental research staff, their temporary equivalents in commissions and task forces, and a large group of non-governmental specialists associated with think tanks and interest groups. Although often seen as ‘knowledge suppliers’, policy consultants almost by definition exist in the brokerage sub-system, which is where most professional policy analysts can be found (Verschuere 2009; Abelson 2002; Dluhy 1981).

This model suggests that different types of ‘policy advice systems’ exist depending on the nature of the knowledge supply and demand, and that what consultants do in brokering information, how they do it, and with what effect, is largely dependent on the type of advisory system present in a specific government or area of interest. This helps to explain why we find different policy analysis styles in different

policy fields (Mayer, Bots and van Daalen 2004; Lindquist and Howlett 2004), since these can be linked to cultural *doxa* and practices of political actors and knowledge suppliers conditioning how policy advice is generated and deployed (Peled 2002; Howlett and Lindquist 2004; Bevir and Rhodes 2001; Bevir, Rhodes and Weller 2003; Aberbach and Rockman 1989; Bennett and McPhail 1992; Gunter 2012).

Some of this variation in advisory systems is temporal in nature, and is due to the fact that the introduction of elements of formal or professional policy analysis into the brokerage function has a different history in each jurisdiction (Prince 1983, 1979, 2007). Given its reliance on existing institutional arrangements for political decision-making, however, an advisory system's exact configuration can be expected to vary not only temporally, but also spatially, by jurisdiction, especially by nation-state and, somewhat less so, by policy issue or sector. That is, personal and professional components of the policy advice supply system, along with their internal and external sourcing, can be expected to combine in different ratios, in different policy-making situations (Prince 1983; Wollman 1989; Hawke 1983; Rochet 2004). Understanding these variations is critical in understanding the role consultants play in the policy advisory, and policy-making, processes.

Generally, however, four distinct 'communities' of policy advisers can be identified within the policy advice system depending on their location inside or outside of government, and by how closely they operate to decision-makers: core actors, public sector insiders, private sector insiders and outsiders (see Table 1.1).

The actual jobs and duties performed by each set of policy advisers in either type of organization must be empirically determined in each instance. Understanding how the four communities do or do not relate to and reinforce each other is a critical, and very much understudied, determinant of the system's overall capacity and effectiveness. Important aspects of the functioning of policy advice systems include factors such as whether or not, or what type of, 'boundary-spanning' links exist between governmental and non-governmental organizations (Weible 2008). Additionally, attention is given to whether or not employees have opportunities to strengthen their skills and expertise (O'Connor, Roos and Vickers-Willis 2007), or to outsource policy research to personnel in private or semi-public organizations and consultancies.

**Table 1.1** *The four communities of policy advisers*

	Proximate Actors	Peripheral Actors
Public / Governmental Sector	Core Actors: <ul style="list-style-type: none"> <li>• <i>Central Agencies</i></li> <li>• <i>Executive Staff</i></li> <li>• <i>Professional Governmental Policy Analysts</i></li> </ul>	Public Sector Insiders: <ul style="list-style-type: none"> <li>• <i>Commissions, Committees</i></li> <li>• <i>Task Forces</i></li> <li>• <i>Research Councils/ Scientists</i></li> </ul>
Non-Governmental Sector	Private Sector Insiders: <ul style="list-style-type: none"> <li>• <i>Consultants</i></li> <li>• <i>Political Party Staff</i></li> <li>• <i>Pollsters</i></li> </ul>	Outsiders: <ul style="list-style-type: none"> <li>• <i>Public Interest Groups</i></li> <li>• <i>Business Associations</i></li> <li>• <i>Trade Unions</i></li> <li>• <i>Academics</i></li> <li>• <i>Think Tanks</i></li> <li>• <i>Media</i></li> </ul>

Consultants form one of these types of actors to whom policy research can be outsourced. They are non-civil servants brought into governments on a more or less temporary basis to augment existing internal expertise and personnel, including that related to public policy-making. Generally, consultants can play a highly significant role as ‘privileged outsiders’ similar to that of political party staff or pollsters with special access to key insiders, thereby linking the external and internal parts of the advisory system (Clark 1995; Druckman 2000). Like the other members of this quadrant, this makes them potentially highly influential in policy debates and outcomes. Unlike the other two, they have been studied little.

The scale of the use of consultants is a key issue, and the use of a threefold typology, distinguishing small-, medium- and large-scale use of policy consultants, is helpful in understanding the variation in the use of policy consultants (see Table 1.2).

Understanding the nature of this ‘external’ source of policy analysis, its various types and their influence, and its effectiveness in different analytical contexts involves discerning how a policy advisory system is structured and operated in the specific sector of policy activity under

**Table 1.2** *Three types of consultancy*

	Type I Consultancy	Type II Consultancy	Type III Consultancy
<i>Level of policy or structural disruption</i>	Small	Moderate	Large
<i># of consultants involved</i>	Small	Moderate	Large
<i>Description</i>	Small-scale, one-off, time-limited consultancy, not intended to be ongoing / repeated	Instrumental or process consultancy work changing rules / norms / legislation, etc.	Major consultancy exercise of massive scale, which changes the landscape / culture / political-administrative dynamics
<i>Aim (example)</i>	Advising on a particular issue; fixing a specific problem	Legislative change or changing a policy setting in regard to a constituency	Paradigm changes from old-style regulation to self-regulation

examination and how professional policy work is conducted within this system. The role that analysts and advisers existing *outside* of government play in policy-making has been less studied and is little understood, although the common wisdom concerning consultants is that for-hire consultants play a significant role in policy-making, arguably one that has increased significantly in recent decades (Dent 2002; Guttman and Willner 1976; Kipping and Engwall 2003; Martin 1998; Wagner and Wollman 1986). European studies, for example, have noted their explosive, though unevenly distributed, growth in use across countries and policy sectors (FEACO 2002). A 2007 UK government survey estimated their cost at approximately £5 billion in 2005–2006 (House of Commons 2007: 1), representing a 30 per cent increase in this estimate over the three-year period 2003–2006. Similar figures have been reported in New Zealand and Australia (see State Services Commission 1999; ANAO 2001). However, information on budgets and contracts is generally scarce, and more research studies are



required to situate policy workers more firmly within the context of alternate sources of policy advice to governments (Adams 2004; Gunter and Mills 2017).

### 1.3 Policy Consultants, Consultocracy and the Contracting State

Due to a variety of issues around decision-making secrecy and lack of transparency in the interactions of external advice-givers, little is known regarding non-governmental policy advice in most countries (Hird 2005), except for the general weakness of actors such as think tanks and research institutes in most jurisdictions (Smith 1977; Stone and Denham 2004; McGann and Johnson 2005; Abelson 2007; Stritch 2007; Cross 2007; Murray 2007). Page's (2010) study of regulatory policy-making identified four types of expertise relevant in government: (1) scientific expertise; (2) policy expertise; (3) process expertise; and (4) instrument expertise. In earlier work, Page and Jenkins (2005) stressed how internal government experts are usually process experts, and more recent work confirmed a distinct lack of scientific, policy and instrument expertise among bureaucrats, opening the door, again, for external experts to exercise influence in these areas (Page 2010). However, due to a lack of data (and often, until recently, privacy and other laws around contracts), even less is known about the growing legion of consultants who work for governments in the 'invisible public service' (Speers 2007; Boston 1994). Much more research into these areas has been needed, and is provided in this book.

While the exact dimension of the policy consulting phenomenon is unclear, the *use* of external policy consultants in government has been an increasingly important focus of concern among governments in the USA, the UK, Canada and Australia, among others (ANAO 2001; House of Commons Committee of Public Accounts 2010; Bakvis 1997; MacDonald 2011; Project on Government Oversight 2011). Some (e.g. Saint Martin 2005) have written about the 'new cult of the management consultant' in government and have described consultants and 'intellectual mercenaries' as 'hired guns' that 'politicians can use to bypass reluctant civil servants', while others, such as Hood and Jackson (1991), have coined the term 'consultocracy' to underline the growing influence of consultants on the public management process. Another point of focus emerged with more fine-grained analyses of

spending patterns related to the difficulties governments encountered in assessing precisely how the money has been spent (Macdonald 2011), and in creating structures capable of monitoring this activity (House of Commons Committee of Public Accounts 2010).

Some of this concern arose over the costs incurred by governments (Craig and Brooks 2006) as an offshoot of ‘the contracting state’, while others have suggested that the rise of the *consultocracy* has led to a diminishment of democratic practices and public direction of policy and administrative development (Saint-Martin 2004, 2005). Some accounts include policy consulting in a more general shift in overall state–societal relations – away from the ‘positive’ or ‘regulatory’ state (Majone 1997) and towards the ‘service’, ‘franchise’ or ‘competition’ state (Butcher et al. 2009; Perl and White 2002; Radcliffe 2010; Bilodeau, Laurin and Vining 2007). This approach centres on the idea that the contemporary ‘service state’ is based on many more external–internal links in the provisions of services – where contracting is often the norm – than the pre-WWII ‘autarkic state’, which relied on ‘in-house provision of all kinds of services’ aiming to deliver ‘consistency, reliability and standardization’ in service provision (Butcher et al. 2010:22). This old system has been replaced, they argue, by the contemporary service state: ‘a hybrid mixture of part public part private activities, delivery chains that do not remain in neat boxes or organizational settings, loose combination of actors and providers who are each necessary to see something delivered’ (Butcher et al. 2010: 31). Here, the state is the chief contractor, and the extension of contracts to policy and administrative matters should be neither surprising nor unexpected including that for-hire consultants play a role in policy-making, arguably an increasingly significant one (Dent 2002; Guttman and Willner 1976; Kipping and Engwall 2003; Martin 1998; Wagner and Wollman 1986).

Others see the use of consultants in policy-making as less significant, linked to the normal development of policy advisory systems in modern government as business groups and others require specialized expertise in their efforts to lobby governments, and government agencies in turn require similar expertise in order to deal with businesses, NGOs and other active participants in policy-making processes as interest intermediation grows increasingly professionalized and institutionalized (Halligan 1995; Lahusen 2002: 697). Czarniawska and Mazza (2003), for example, suggest that consultants are likely to play a limited mandate