

Governance Beyond The Horizon Leadership & Innovation in WCBs'

School of Public Administration
&
IPAC

Monitoring & Reporting on Agency Activities The Impact of Boards of Directors on Information Flows To the Public

Sept 27, 2006
David Stuewe
Prof of Public Admin
david.stuewe@dal.ca
(902) 494-2149



Research Context-

New Public Management Agencies &
Public demand for improved service

- NPM-use of single focus delivery agencies to improve service
- WCB's 90 years was such a single focus agency
- Significant changes in WCB Governance Model
- Case study of the impact on the flow of information to public re service quality

Agenda

- What is Governance
- What is Distributed Public Governance
 - (Arms Length or Independent Agency - Steering Versus Rowing)
- Literature on Information Flows
 - policy admin dichotomy - principal agent & -new public management
- The Research – The Agency & The Results
 - Workers Compensation Boards' public information on service delivery
- Implications for the Public Service

Evolution of Society

- "A society built on its people's ability to manipulate complex symbols attains cohesion at a much higher developmental level than one built on primitive urges like fear ...
- In that type of society, people are encouraged to invest their energies into structures and processes by which they are governed ..."
Stanley Greenspan

OECD Definition of Governance

- rules and processes for directing & controlling
- Constitutional, legal & admin arrangements for Gov't to exercise power & mechanisms for:
 - rule of law,
 - public accountability,
 - transparency and
 - citizen participation.

Governance is a Big Idea

- People delegating power to others (starting with Public to Politicians)
- **Accountability for action or inaction**
- By agents to their principals:
 - Politicians to Public (citizens, consumers, clients, stakeholders)
 - Public Servants to Politicians
 - Other service providers to decision makers up the line regarding interaction with citizens, consumers, clients, stakeholders
- Engagement of Citizens & Administrators in the process

Governance in The Current Public Policy Context

- “a differentiated polity and policy networks controlling/
influencing the Government’s exercise of its “legitimate
monopoly of coercive power” R. A.W. Rhodes
- Is the ‘right’ information being gathered, distributed &
evaluated for decision making
- Who determines right information – user of the service,
provider of the service, overseer of service provider?

Governance Developments

Distributed Public Governance

- Governance involves:
 - Government –decision making
 - & delegation of some decision making
 - Management- implementation
- Politicians –Agency Boards - Public Servants

Steering

versus

Rowing

Policy

versus

Administration/Mgnt (Delivery)

Governance

changing traditions, institutions and processes for

making decisions on public issues

- how society & its agencies steer itself **to achieve goals**
- how organisations relate to each other
- how citizens are given voice- many engagement options
- **Agency Option-** delegate responsibility for specific issues plus admin capacity to agencies with Stakeholder Board

Balance

Who is responsible for what

- Can responsibilities be split:
 - Policy vs Admin (Management / Delivery)
- accountability for service delivery
- plus ? Boards of Directors (BoD) & administrators role in policy development- given their information & time (focus) advantage

Bureaucracy – The Administrative Rulers

- legitimizes the relationship between
the ruler and the ruled
- systems of procedural correctness.
- rational - control based on knowledge of:
 - spheres of competence;
 - operates by analyzable rules;
 - calculability of its operation; &
 - technically knows how to achieve an objective

Alternative View of Bureaucracy & Government

- Control of government is in the hands of officials.
- Bureaucracy difficult to move with a history of focusing on institutional survival and controlling information
- Their power jeopardizes liberties of citizens but is superior to all other possible forms of organizations
- Charismatic leaders check the aspirations of the bureaucracy... to break up its deadly rule of routine to set new goals and to open new patterns in societies hampered by political stagnation and bureaucratic routine. Max Weber

Principal - Agent View

- Agents share with principal info that is positive
- Agents can control type & timing of information
- Information risk - If agent has interests & incentives not compatible with the principal - agents may not faithfully pursue interests of the principal or need to be encouraged to share certain info not supportive of the agents view.

The Research

- Old model -Gov't delegated responsibility to Commissioners they appointed with day to Mgmt responsibility for staff
- New model Gov't delegates oversight responsibility and policy making responsibility to Board of Directors but day to day Mgmt responsibility for Staff to CEO
- Has the flow of Information to the public on staff's service performance changed?

Workers Compensation

The Agency what is it?

- No-Fault & Publicly Administered Workplace Insurance -mandatory for 70 to 80 % of firms
- Has Taxing Power of Government & authority to, with out reference to court, confiscate property - \$7 Billion Annual Premiums
- Dispute settlement authority (Quasi-judicial Body)

Workplace Accident Insurance

- Assists injured workers return to work by providing financial, health-care and vocational rehabilitation benefits
- Employer-funded (employees do not contribute to insurance plan)
- Worker cannot sue employer for workplace injury or illness

Original Context for WC Governance

- Established as Quasi –Judicial Agencies post 1915
- OIC Appointment of Commissioners & Board of Directors
- Membership –some representatives of agency stakeholders
- yearly report to Legislative Assembly through Minister
- 2 step Gov. Process- Government to Board - Duties:
day to day mgmt, establishes budget, hires & directs staff
 - Established Policy to guide officials to Implement Legislation
 - Adjudicated appeals of staff decisions
 - Annual report to legislature & members full time employees

Governance change 1980s & 1990s

- **3 step Gov. Process-** Government to Board to CEO
- Part Time Boards of Directors (BoD)*
- BoD hires **CEO -responsible for day to day operations:**
 - hires & directs staff
- Previously- Chair & BoD was responsible for day to day
- Appeals adjudicated by outside agency*

*Except Sask.

Lines of Argument

- WC agencies have responsibility for service –the BoD has control of the admin budget and the ability to raise funds
- WC agencies responsible for 90 years to report on activities & the vehicle is Annual Reports
- Therefore Annual Reports should contain information on Service provision

Lines of Argument

- Principal/ agent literature suggests the BoD when responsible for service may not be inclined to share all service information with their principals.
- when **BoD is no longer directly responsible** for day to day management " service" -principal agent literature suggests an increase in service info could be expected
- BoD has the time, control over Mgmt and independent interest in having information on service made public as they are tasked with overseeing management

Hypotheses

- Reporting of customer service measures will be enhanced when the responsibility for day to day management of WC agencies is further separated from institutional governance

Methodology

Compare Corporate Performance Measurement information in Annual Reports from 1981 to 2001 of 4 WC of similar size

- CPM recorded for 21 years for :
 - Saskatchewan,
 - Manitoba,
 - New Brunswick and
 - Nova Scotia.

Empirical Findings (to date)

- Four categories of annual report corporate information 25 items:
- 1 Reporting of financial statements and investments
- 2 Inputs - # staff, # of claims, # of employers & types of injuries
- 3 Outputs - # of long-term awards, # of VR cases handle
- 4 Outcomes- % funded, assessment rate, rates of returns
 - # & % of returns to work, # of appeals & % overturned
 - **internal process efficiency** - the length of time to process a claim and administrative expense ratios
 - **customer service measures** -- timeliness of service, quality of knowledge offered by staff, courteousness of staff, perceived fairness and final outcome

Conclusions CPMs

- Empirical results indicate reporting of customer service measures, represented by customer service surveying, started after CEO assumed day to day management responsibility in all four WCB's
- Provincial Auditors (BC & NS) – indicate WCB's leading the way on generating & sharing customer service info
- Change in governance model appears to have contributed to the focus on customer service occurring, at least sooner, than it would have otherwise occurred

Conclusions Stakeholder Reps

- Independent yet stakeholder representative agencies when governed in a transparent and accountable fashion, can add depth to democratic decision making and focus on customers.
- This may however present a challenge to Ministers whose government delegated the power to the agency
- Different forms of Gov't oversight & Ministerial support are required for Distributed Public Governance – Yearly Framework Agreements
- Requirement for BoD training in terms of their verification activities

Conclusions \$

- Self-financing capacity had a role to play in advancing the development of corporate performance measurements.
- The advent of lower cost customer surveying has advanced accountability.
- Independent (Part time) Boards and their related information development and distribution activities increase 'corporate' costs. It is not clear if this is greater than the increase due to the general increase in public consultation activities

Conclusions Politician

- Bureaucratic Bargains

- The changes in Gov. occurred when there were :
 - Bad financial conditions and
 - Poor service reputations
- In the absence of similar moves in other policy fields and no framework documents to suggest a comprehensive strategy, the establishment of Boards & politicians giving up some control, suggests blame avoidance motive as uncertainty costs had risen dramatically and most BoDs had to recommend legislative changes that were viewed as a reduction in benefits.

Public Service Implications

- Service Agency Oversight Boards or Advisory Boards appear to have a positive impact on the flow of service delivery information to the public
- Agency Boards may challenge existing power structures given their singular focus
- Higher corporate level costs given the need to develop, report on and evaluate the information

Advisory

- Research only addresses compensation related corporate performance information (CPMs). Certain institutions had, or came to have, some responsibility for injury and illness prevention and the operation of a medical rehabilitation centers. The CPMs for these services were not included in this analysis.
- Authors Potential Conflict of interest -11 Years as CEO of NS WCB –risk controlled by using public info only

Thank you

- Questions & Comments welcomed