



Rethinking the policy of contracting out Social Services to non-governmental organizations

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Abstract

The article describes, analyzes and evaluates the lessons and dilemmas resulting from the Government's policy of contracting out with non-governmental organizations for the provision of three types of services: foster care, adoption and home care services for the elderly. The dilemmas are: structural tension between governmental control and autonomy of provider organizations; power–dependence relations between the Government and the providers, the choice option available to clients; the ethical, moral and professional aspects of contractualism; the myth of innovative programs initiated by provider organizations; service quality versus price of services; and accountability of provider organizations to their stakeholders. Based on the lessons learned, the article highlights the need to rethink the strategy of contracting out and reassess the role of the Government in providing social services.

Key words

Contracting out, non-governmental organizations, organizational and structural dilemmas, social services

RETHINKING THE POLICY OF CONTRACTING OUT SOCIAL SERVICES TO NON-GOVERNMENTAL ORGANIZATIONS

Lessons and dilemmas

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BACKGROUND AND LITERATURE REVIEW

The past two decades have witnessed changes in policies governing provision of social and health services in the United States, England and other European countries as well as in Australia and Israel. These changes are mainly evident in Purchase of Service Contracting (POSC). However, while contracts were introduced in the United States as a means of expanding welfare provision, they have been accompanied in Britain by a commitment on the part of government to reduce statutory provision (Judge and Smith 1983; DeHoog 1984; Demone and Gibelman 1989; Kettner and Martin 1989, 1990; Lipsky and Smith 1989–90; Smith 1989; Gutch 1992; Kramer 1994; Deakin 1996a; Lewis 1996; Yeatman 1996; Seidenstat 1999). The literature of the 1980s deals mainly with the motives behind contractualism and the adoption of this strategy by governments. This perspective is used as a basis for analyzing the new division of labor between the Government and provider organizations in for-profit and voluntary non-profit sectors. According to this division of labor, the Government is responsible for policymaking and oversight as well as for determining the standards and quality of services, while the provider organizations are responsible for the direct provision of the services (Stewart and Clarke 1988; Gaster 1993; Deakin 1996b; Christensen and Læg Reid 2001). Analysis of the motives for contracting out with non-governmental organizations indicates that governments are guided by both ideological and utilitarian considerations for adopting this strategy. On the ideological level, governments seek to reduce their role in direct provision of social and human services. In that respect, non-governmental organizations act as a buffer between the Government and citizens, and are directly involved in negotiations for service provision. Governments also perceive themselves as big, formal and rigid bureaucracies that are not efficient or effective in responding to the needs of clients. In that respect, they are more process-oriented and less task-oriented than non-governmental organizations, which are more flexible in responding to specific needs of clients (LeGrand and Bartlett 1993). Moreover, government employees are characterized by lower levels of motivation, higher rates of turnover and absenteeism and poorer performance that is difficult to evaluate. Contracting out, therefore, makes it possible to bypass bureaucratic constraints and improve the delivery system (Sharkansky 1989; Kramer 1994). It is also believed that non-governmental organizations, mainly for-profit organizations, are better market actors than public and governmental ones. Thus, the most effective way of doing business for the public sector is either to create organizational forms that attend more systematically to commercial functions, or to create their own alternative forms (Boston *et al.* 1996). Moreover, it has been argued that contracts enhance both efficiency and accountability because they combine market competition with a more rigid performance control system. Accordingly, it is believed that dividing politics and business by use of contracts and statements of corporate intent facilitates competition between public enterprises and attracts market expertise (Boston *et al.* 1996; Deakin 1996b; Nagel 1997). Concomitantly, the Government believes that non-governmental

organizations have the ability for fundraising and innovation. It can encourage volunteers to provide services and thus lower the cost of the services for clients in order to increase accessibility of government services and expand the number of eligible recipients.

Contractualism is also associated with political perspectives and normative values. As to the political aspect, transferring responsibility for direct service provision to non-governmental organizations alleviates political pressures on the Government from different interest groups, which maintain direct contact with the provider organizations (Donahue 1989; O'Regan and Oster 2000). From a moral point of view, transferring the burden of responsibility for service delivery to provider organizations means that governments are no longer accountable for the welfare of their citizens. This may arouse hostile reactions and low commitment to government's policies, goals and actions (Gregory 1999; Smith 1999; Schwartz 2001).

The literature of the 1990s focuses on these issues, and examines the implications of the new policy on the behavior, strategies and structure of provider organizations, as well as on the mutual dependence between governmental agencies, providers and quality of services. In addition, recent literature includes comparative analyses of organizations (Lewis 1996) providing different types of services such as home care, child day care, residential treatment, group home placement counseling, foster care, adoption services and rehabilitation services (Kettner and Martin 1989, 1995; Schmid 1998).

The literature highlights several interesting issues such as equity in allocation of resources for non-governmental organizations (Lipsky and Smith 1989–90), empowering clients and enabling them to choose their providers and relative efficiency and effectiveness of non-governmental providers compared with governmental agencies (Judge and Smith 1983; Lipsky and Smith 1989–90; Smith and Lipsky 1993; Kramer 1994). Other issues addressed in the literature include transparency of the provider organizations' obligation to the Government, clients and various interest groups (Schwartz 2001). As for the efficiency and effectiveness of contracting out, research findings are inconclusive. Some researchers emphasize the relative advantages of non-governmental providers compared with governmental agencies (Donahue 1989; Lachman and Keinan 1997). According to this perspective, private contractors improve efficiency through more flexible use of labor, a wider array of incentives and penalties and more precise allocation of accountability. In the same vein, Gibelman (1989) found that purchase of services can have a positive impact on the services that clients receive. Compared with services delivered under the auspices of public organizations, agencies that contract with voluntary agencies offer clients a more diverse range of services, more frequent visits, more phone calls and closer contact with caseworkers and higher professional staff.

Other researchers, however, argue that increased use of contracts reduces cooperative relationships and increases the wages of executive officers (Christensen and Lægread 2001). It was also found that contracting out weakens traditional values of

public service, personal responsibility and professionalism. Other findings indicate that the quality of policy consultation and policy services is deteriorating, and the level of policy coordination has been reduced (Scott *et al.* 1990; Verheijen 1998). Lipsky and Smith (1989–90) view the question of efficiency from a different perspective and argue that high quality of services is not reached in this type of strategy because it is inherently difficult to hold human service providers accountable for quality of performance outcomes. They argue that improvement in service quality and increased savings while holding quality constant are unlikely to be achieved in contracting for human services. It was also found that the increasing formality and specificity of contracts has not resulted in the delivery of high quality services—in part because public agencies lack monitoring capabilities and professional qualifications (Gurin and Friedman 1989).

In sum, the research findings are inconclusive or equivocal, largely owing to the diversity of funding sources, disparate organizational goals, varied constituencies and variety of clients. Recent studies focus on the need to propose a set of standards and measurable criteria for assessing the performance of non-governmental provider organizations before the Government proceeds with the POSC policy. These standards will address issues such as cost-effectiveness, productivity and fiscal control (Kettner and Martin 1993; Martin 2000; Gordon 2001).

The literature deals primarily with various aspects related to implementation of the POSC strategy. However, an integrative theoretical framework for examination of the strategy is clearly lacking, as well as a discussion of the organizational dilemmas inherent in this strategy. In an attempt to fill this gap, Cnaan (1995) proposed four theoretical approaches for the examination of contracting: government-market failure; voluntary failure; local culture and traditions and changing needs; and cultural-organizational isomorphism. According to Cnaan, the cultural-organizational approach is most relevant for the analysis of POSC. In an attempt to continue exploring issues that have not been dealt with in existing research, the article discusses dilemmas associated with the purchase of service contracting.

The following sections review the services that non-governmental organizations provide human services through contracts with the Government. The discussion will deal with the impact of POSC on the Government, the provider organizations and the clients, in addition to analyzing the inherent structural dilemmas of the strategy. The concluding section highlights the need to rethink the strategy, and offer recommendations for further research.

POSC – THE ISRAELI CASE

In Israel, the last fifteen years have witnessed major changes in the provision of human and social services. Based on government decisions, it adopted the strategy of purchasing services by contracts (POSC) to voluntary non-profit organizations and for-

profit providers. The most notable services contracted out are home care for frail elderly Israelis under the Long-Term Care Insurance Law (1986), adoption services, foster care, services for people with mental retardation and physical disabilities, assistance to battered women and day care centers for children. Of these services, the article focuses on home care, foster care and adoption services.

The description and analysis of the organizations and the dilemmas they encounter is based on a longitudinal study conducted from 1988 to 2000, which dealt with delivery of home care services to tens of thousands of frail elderly through non-profit and for-profit organizations. The study focused on the relationships that have developed between the Government and the provider organizations, as well as on the care plans they provide, their relationships with clients, their functioning and the extent of their efficiency and effectiveness. The data collected from three main sources – provider organizations, home care workers and clients – provided the basis for a comprehensive comparison of the performance of these organizations. Regarding foster care and adoption services, the analysis is based on a case study methodology, which investigated the developments related to the transfer of responsibility for provision of services to non-profit organizations. Furthermore, in-depth interviews were conducted with the directors and clients of these organizations in order to supplement the systematic review of the formulation and implementation of the POSC strategy.

Home care services in Israel are provided to 108,000 frail elderly by voluntary non-profit organizations and for-profit organizations. The services are provided according to the Israeli Long-Term Care Insurance Law, which was enacted by the Israeli Parliament in 1986 and took effect in 1988. The Government serves as the main source of funding for the services, and provides organizations with 75–80 percent of their income. The Government is responsible for determining care plans and setting standards for service quality, as well as for control and supervision of service provision. The providers themselves are responsible for the direct provision of services to respond to the elderly clients' needs. To date, there are 150 home care organizations in Israel, with 420 branches throughout the country. Fifty-seven percent of the organizations are for-profit organizations, and 43 percent are non-profits.

Foster care services are provided to 1,602 children, who are placed with 1,153 foster care families. Of these children, 15 percent are removed from their families of origin and the remaining 85 percent are placed in residential boarding schools (Israel Ministry of Labor and Social Affairs 2001). The total annual expenditure for foster care in Israel in 2000 amounted to NIS 48.5 million (about \$10 million), and average expenses per child in foster care amounted to NIS 2,500 (about \$550).

The Government's decision to transfer responsibility for service delivery to non-profit organizations can be attributed to several reasons, including: difficulties encountered in recruiting foster families; lack of an efficient system for supervision and control that meets the growing needs of children for placement; and lack of the skills and competency needed to mobilize resources for the development of new services.

Adoption services are related mainly to intercountry adoptions. While the Israeli government is directly responsible for adoptions within the country, it decided to contract out to non-profit organizations for intercountry adoptions. Those organizations are responsible for negotiations with governments and corresponding organizations in the children's countries of origin (including Russia, Moldavia, the Ukraine, Beloruss, Lithuania, Romania, Bulgaria and the Philippines). In contrast to home care and foster care, the Government does not finance adoption services. Thus, parents who wish to adopt a child from abroad pay for it themselves, while governmental agencies are responsible for oversight, policymaking, professional supervision and support.

THE IMPACT OF POSC ON THE GOVERNMENT, PROVIDER ORGANIZATIONS AND CLIENTS

Contracting of service delivery to non-governmental organizations affects the Government, the provider organizations and the clients. The following section discusses the effects of POSC from each of these perspectives, and analyzes the dilemmas that have arisen as a result of that strategy.

The Government

- The Government provides home care to thousands of clients who did not receive those services in the past due to lack of legal or normative arrangements. Prior to the Long-Term Care Insurance Law, these services were provided on a voluntary basis. For example before the law was enacted, only 2,000 elderly clients received home care services, compared with 108,000 today (fourteen years after the law took effect).
- The Government hires relatively very few workers to operate services. Clearly, the staff has not grown (and has even decreased). Had the Government chosen a different strategy, it would have employed thousands of workers (50,000 home care workers, social workers, nurses and administrative staff) in home care services as well as in the other services.
- The Government is not responsible for actual provision of the services or for direct relationships with the clients. Thus, the provider organizations serve as a buffer between the Government and clients in order to minimize friction between them.
- The Government directs efforts toward development of knowledge, service technologies, care plans, standards of service quality and performance measures, as well as toward supervision and control. Government agencies act as professional staff units in charge of policymaking and oversight.

- Governmental agencies have developed a business-like, instrumental and task-oriented approach as a result of their relationship with non-governmental organizations, mainly in the for-profit sector. Thus, they have become more goal-oriented than process-oriented in order to avoid obstructing the development of efficient and effective services.

The provider organizations

- Ensuring a steady flow of resources – 75 – 80 percent of the income of home care organizations derives from government funding. Compliance with governmental policy and standards of service quality ensures these organizations of the resources they need for their survival. Notably, the percentage of organizational death in home care organizations is very low, as is the case in non-profits dealing with foster care services, which benefit from substantial government funding. In the case of adoption, the providers are highly dependent on the payments from adoptive parents (\$20,000 for an adopted child), but since parents seeking to adopt are largely a captive audience, a steady flow of resources is ensured for the providers.
- Professionalism – providers acquire knowledge, information and experience in their domain of services, as a result of the direct relations they maintain with their clients whose needs they are obligated to satisfy.
- Changing power–dependence relations with the Government (‘power revolution’). Power is determined according to the location of know-how and information relevant to the process of decision making. Based on this assumption, providers gather and accumulate knowledge based on their close relationships with their clients, and maintain control of the information needed for provision of services.
- As a result of changing power–dependence relations, provider organizations have begun to promote interest and pressure groups to influence governmental policy on issues such as the terms of contracts, and especially the cost and price of services. These organizations also protect smaller and weaker entities, which are susceptible to governmental rulings that threaten their survival.

The clients

- Exposure of new target populations that did not receive services from the Government in the past.
- Exposure and availability of a more diversified supply of services and programs.

- Receiving standardized services established in the law, with no discrimination between clients.
- Establishing direct relations with the provider. Home care clients report high levels of satisfaction about developing close relations with their home care workers rather than with the Government. Research has found a low rate of complaints registered by elderly clients receiving home care services (Schmid 1998).
- Changing the status of 'client' to a status of 'consumer' who expects high quality services. Competition between providers may improve the status of consumers and change power–dependence relations by enabling them to choose the provider. The choice given to consumers provides them with power vis-a-vis the provider organization.

ORGANIZATIONAL AND STRUCTURAL DILEMMAS

The first dilemma relates to structural tension between government control and organizational autonomy. Contracting out of service delivery to provider organizations is not only intended as a mechanism for service delivery. It is also aimed toward developing the organizations as autonomous entities that have a solid organizational infrastructure, as well as the capacity to provide services efficiently and effectively. In order to achieve this, provider organizations seek to reduce their dependence on governmental resources, while the Government seeks to control their activities and programs.

Control refers to the fulfillment of contractual terms in the procedural and technical aspects, and especially with respect to service quality. The Government can choose either to impose tight control over the organizations and processes, or to maintain loose control with emphasis on attaining results. Tight control characterized by a task-oriented approach and intervention in the organizations' internal processes may threaten their growth and development as autonomous entities. This pattern of control requires a considerable investment of time and other resources. Moreover, it reduces the time-span of discretion at the disposal of the provider organizations, which need to submit lengthy reports to the governmental agencies. When organizations are subject to excessive control, they may try to circumvent government rules and fail to cooperate with supervisory agencies in order to avoid the investment of human and financial resources that these requirements entail. Moreover, research findings indicate that the cohesive power of governmental agencies as the main source of funding affects the organizational behavior of providers (Schmid 2001). Governmental agencies impose procedures that are stipulated in laws and regulations. Organizations that fail to comply with these procedures are often subject to sanctions that might influence the steady flow of resources needed for their survival. Consequently, they adopt

conformist behavior which, in turn, leads to processes of institutionalization, formalization, standardization and bureaucratization (Cnaan 1995; Schmid 2001). It also generates isomorphism, which ultimately blurs the distinctions between the providers (DiMaggio and Anheier 1990). Ultimately, these organizations may lose their unique organizational identity as well as their advantage of flexible operation compared to governmental agencies, which are typically characterized by lengthy bureaucratic processes. Clearly, the non-governmental providers need to operate under the constraints dictated by government regulations and directives. At the same time, however, they need to maintain their 'copeability' by preserving their unique organizational identity and culture while adapting themselves to the demands of changing environments. If these organizations choose any other direction, they will most likely fail to achieve their goals.

The second dilemma is rooted in the power – dependence relationships between the Government and the provider organizations. It appears that the two parties are mutually dependent, since each one needs the other. The providers need government funding, while governmental agencies rely almost solely on providers to supply the services mandated by the law. The Government has not developed its own infrastructure, mechanisms and technologies, and has therefore become increasingly dependent on providers (Schmid 1998, 2001; O'Regan and Oster 2000). Providers have succeeded in developing networks with other organizations, building coalitions and gathering information on clients while maintaining close relations with them. As a result, they develop intervention technologies, even if those technologies are few and limited. In the case of intercountry adoption, providers have developed relations with governments and organizations in the countries from which the children are adopted. Consequently, the governmental agencies have lost their power and become more reactive than proactive. They have to respond to the initiatives of providers, which mainly entail changes in contract terms, fees for services and care plans. At the same time, the dependence of provider organizations on government may cause them to mitigate their criticism of the Government. As non-governmental organizations, they are expected to represent the ideology of a civil society that serves as a counterweight against governmental agencies and protects the rights of citizens. They are expected to advocate for and promote the rights of disadvantaged populations, whose access to resources is limited. However, their goal of ensuring a steady flow of resources may cause them to conform to government policies and regulations while neglecting their responsibility to protect the populations they represent (Cnaan 1995).

The third dilemma relates to the options available to clients under contracting with different non-governmental providers. Research findings indicate that the choice option is only partially exercised by the elderly clients (Schmid 1998, 2001). These clients, as well as families waiting to adopt a child, usually become highly dependent on their caregivers or home care workers and tend to resist change. Thus, for example even if elderly clients are dissatisfied with the services they receive, they usually do not complain. Moreover, the choice option is only for those clients that control the

appropriate resources, i.e. high education levels and money, and have access to information relevant to their needs. Those who lack sufficient and accessible information are unable to compare the different organizations and evaluate their performance, so that their ability to make a choice is limited. Moreover, there are few organizations that publicize their activities in a way that allows clients to compare different providers and make choices. In addition, information asymmetry exists between providers and clients. The provider organizations have more information on the quantity and quality of services than do their clients, who are highly dependent on the providers for receipt of services. As a result, the clients are prevented from making the right decisions. It should also be noted that studies on for-profit and non-profit providers of human services indicate that clients express considerable trust in church-based organizations compared with other for-profit and non-profit providers (Mauser 1998; Weisbrod 1998). However, recent evidence of child abuse by clergy in church-based organizations in the USA raises questions as to the amount of information that is actually available to clients about the organizations. By the same token, this evidence attests to the limitations of research on the clients' choice option. Moreover, research has clearly shown that elderly clients who receive home care services are often unfamiliar with the organization that provides the services (Schmid 1998). In the same vein, parents who send their children to day care centers do not base their choice on type of ownership. Rather, their main consideration is whether they can afford the fee charged by the center (Mauser 1998). These findings are also supported by other studies, which indicate that contracting has led neither to increase in user choice, nor to greater user control (Flynn and Common 1992).

The fourth dilemma concerns the ethical and professional aspects of POSC. Most of the contracts examined in the study relate to the economic and financial status of the provider organization, as well as to administrative arrangements and employment conditions of executives and workers. However, the contracts hardly relate to the professional qualifications and skills of the workers who provide the services. Moreover, processes of accreditation and socialization to the unique domain of services are short-term and insufficient. Consequently, specialized human services are often provided by unskilled and non-professional staff. In most cases, the organizational, administrative and structural infrastructure for service provision exists, but the workers lack the specific knowledge and expertise needed to provide high quality services. Organizations also seek to economize on expenses in order to increase their profits. Thus, they consider training of workers as an expense rather than an investment – an approach that may have a detrimental effect on the quality of services and well-being of clients. The lack of essential professional insight has caused the organizations to act as matchmakers and mediators, rather than as professional authorities that encourage provision of high quality services (see also Bernstein 1991). There are also severe ethical problems that concern non-profit and for-profit organizations. Executives in these organizations are not chosen for their positions on the basis of their social ideology and orientation or the social values they represent.

Rather, they are chosen on the basis of their administrative skills and management ability while their professional integrity and commitment to clients of welfare services are not considered. Executives in both the non-profit and for-profit sectors often aim to increase their private assets and improve their own salaries, even under the non-distribution constraint that applies to non-profit organizations. Thus, training programs for executives and workers should focus on the ethical issues related to management of social service organizations, as well as on commitment to clients and stakeholders as a condition for accreditation of provider organizations.

The fifth dilemma relates to the myth of innovation in care plans and service technologies under POSC. According to the myth, non-governmental providers are viewed as efficient, effective and innovative. However, the research findings indicate that when providers are highly dependent on governmental resources they tend to provide services mandated by the law and according to government policy. Thus, they do not offer new programs or service technologies and 'the penalties for failing to meet standards may inhibit innovation' (Deakin 1996b: 119). Providers have found that as long as they conform to governmental policy and regulations, they ensure themselves of the resources they need for their survival. Hence they do not see development of new programs and innovative service technologies as a priority (Hoyes and Means 1991; Davis-Smith and Hedley 1993). Moreover, non-governmental provider organizations often lack creative and innovative thinking as to their organizational structure, owing to their relatively high dependence on governmental resources (coercive isomorphism). Thus, while it would have been reasonable to expect that these organizations would develop new structures to meet the changing needs and variety of clients (polymorphism), they have become increasingly similar to each other and are characterized by relatively high levels of structural formalism and administrative bureaucracy (see also Clarke and Estes 1992; Billis 1993; Schmid 2001). The blurring of the distinctions between these organizations can also be attributed to the adoption of similar service technologies (mimetic isomorphism) as well as to the transfer of workers with similar professional values from one organization to another (normative isomorphism).

The sixth dilemma concerns service quality versus the price of services. With regard to this question, research has found that quality and price may be antithetical (Lewis 1989). Thus, providers seek to increase profits by reducing the quality of services for which prices are fixed and determined by the Government. Under these conditions, home care workers provide less hours of care to elderly clients and are inconsistent about the making of home visits. Workers report low levels of job satisfaction and commitment, as well as low motivation to provide efficient and effective services to their clients. In addition, there is considerable anecdotal evidence that workers may try to compensate themselves for their low salaries by devoting less attention to the elderly client, reducing the actual number of work hours, inflating the number of work hours reported, arriving late at the client's home and changing care schedules. This obstructs the continuity of care, impairs relationships with clients and lowers the quality of

services. Similar behavior was found in foster care and adoption services. In the case of foster care, the attempt to increase profits is given priority over finding an appropriate foster family. In the case of intercountry adoption, the organization's attempts to economize on costs for medical examinations related to the child's physical and mental health may increase the risk of adopting unfit children. This is also true of voluntary non-profit organizations, which benefit from a high level of trustworthiness, especially under conditions of information asymmetry and the non-distribution constraint (Hansmann 1980, 1987). In this regard, researchers have questioned findings regarding the relatively high level of trust expressed by clients of these organizations. Specifically, proponents of this view express doubts about the behavior of directors of voluntary non-profit organizations, who embrace commercial and business practices and are better suited for the for-profit sector (Barras 1994; Young 1995). Provider organizations compensate their executives with high salaries as a substitute for their inability to share profits. Corruption and misuse of the organization's resources was also found among executives and workers in these organizations (Gibelman and Gelman 2001).

The seventh dilemma relates to the accountability of the organizations, which are accountable to a variety of stakeholders including the Government, beneficiaries, staff, partners and others. Because they are highly dependent on government funding, the providers may seek to conform to the regulations and practices of government agencies. At the same time, they should be accountable to their clients, who often belong to populations at risk. The demand to be accountable to the governmental agencies and clients generates a conflict that contractors may try to exploit for their benefit.

Moreover, Kettner and Martin (1993, 1995, 1998) propose that accountability consists of two major approaches – the process approach and the performance approach. In their view, the process approach focuses on the mechanics of service delivery. It may ensure that quality services are provided to eligible clients, and that requirements for administration and proper documentation are satisfied. Considerations such as efficiency, productivity and effectiveness of POSC services are seldom addressed. This is the situation in the three services described in this article. Thus, provider organizations are required to report mainly on technical, administrative and financial issues concerning the number of clients served, number of families recruited for foster care number of children to be placed with families, etc.

The government agencies' evaluation reports contain few assessments of the quality of services or their effect on the clients. Nor have longitudinal studies examined the status of clients and their well-being under POSC. One explanation might be that these agencies tackle the dilemma of defining quality and assess it, so that contractors are not evaluated from this point of view and are not required to report on the outcomes of their service. In addition, it has been found that organizations refrain from evaluating their activities and programs, since this requires additional resources that they are not interested in investing. Measurable outcomes

can also expose their inefficiency and ineffectiveness, which may obstruct the flow of resources they need. Moreover, as mentioned, the Government's tight control and its demands to report on technical and administrative tasks encourage providers to adopt non-normative behavior and to ignore or circumvent those requirements. Tight control also encourages fallacious and unreliable reports that reflect, to some extent, social desirability, which is intended to satisfy the officials of governmental agencies.

Accountability is also associated with power–dependence relations between the Government (as the principal actor) and contractors (as agencies). Although Brown and Moore (2001) argue that contractors should be accountable to the moral aspects of the services they provide irrespective of the demands of the funding agents, they also state that power differences or degrees of trust affect the willingness of the contractors to be accountable to the Government. As power–dependence relations change in favor of contractors (due to their control of information, knowledge, experience and relations with clients), and as mistrust increases, they become reluctant to fulfill their commitments and may even ignore their obligation to governmental agencies that are not powerful enough to enforce the terms of the contract.

CONCLUSION

The considerations that motivate governments to contract with non-profit and for-profit providers are largely ideological and utilitarian. From an ideological perspective, governments should not be involved directly in the provision of the services, and governmental involvement in the economy should be minimal and limited. As Thomas Jefferson stated, 'he who governs least, governs best'. In other words, it was accepted that governments should steer, but not row. From the utilitarian point of view, the Government's inefficiency in providing services was emphasized, as well as the rigid bureaucratic systems that characterize governments. A review of the literature on the topics discussed in this article and analysis of the cases at hand indicate several important issues that cannot be ignored.

First, governments have in fact been relieving themselves of the burden of service provision on the one hand and have substantially broadened the scope of services offered on the other.

Second, the non-governmental organizations serve as buffers and mediate between the Government and clients entitled to services. The clients are in direct contact with the service provider, while contact with the Government is reduced.

Third, as the main provider of resources to organizations, the Government forces them to conform to its norms of bureaucratic behavior. Thus, it causes the organizations to lose their advantage of operative flexibility and rapid response to the

needs of clients. In this way, these organizations may even become like governmental agencies themselves, contrary to the interests of the Government and the clients.

Fourth, there is a risk that the clients will not receive the services they are eligible for, since the Government seeks to relieve itself of that responsibility while the organizations themselves often seek to make a profit and increase their revenue to the detriment of service quality and clients' well-being.

Fifth, not enough attention has been devoted to the moral and ethical perspectives associated with contractualism. In this context, the article focused on the professional level of the providers and their ethical and moral behavior. Despite the efforts invested by the Government to improve the functioning of the providers and train workers, there are still 'islands' of professional ignorance and inexperience in responding to the needs of clients. Moreover, the transfer of responsibility for providing the services to non-governmental agencies may result in greater inequality and social and economic gaps between different clients. It was found that non-governmental agencies ignore equity in delivering services and contribute directly to the increase of sectoralism and differentialism between different services and clients. These findings are supported by Lipsky and Smith (1989–90), who describe non-profit agencies as being less concerned than the Government with serving all clients in a specific target group. Instead, non-profit agencies focus on serving clients who fall within the definition of the agency's service mission. This statement is also supported by Knapp *et al.*, who contend that purchase of service contracting has the potential for 'fragmentation, discontinuity, complexity, low-quality outputs, poorly targeted services, productive inefficiencies, horizontal and vertical inequities, wasteful duplication and inappropriate replication, sectoralism, and paternalism' (1990: 213–14).

Consideration of the dilemmas also raises questions regarding the roles and responsibilities of the Government in providing social and human services. Is it justified to relieve governments of the responsibility for providing specialized personal services such as adoption and foster care? Can that function be transferred almost completely to non-governmental agencies, considering the prevalence of child abuse and neglect in foster families, and the low levels of scholastic achievement that may damage the child's prospects for the future?

In order to deal with these issues, which are inherent in the POSC process, it seems that a more appropriate strategy would be to develop partnerships between the Government and non-governmental organizations for the provision of social services. In the broad sense, partnership refers to shared responsibility and joint investment of time and resources to maintain the well-being of clients. However, this topic warrants further comparative studies on the different alternatives for service provision. Each of the dilemmas described here provides important directions for further research on the main questions inherent in each alternative. Theoretical development of the topic is also important, given the absence of a comprehensive integrative theory for analysis of the relations that develop under POSC.

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