When public-private partnerships are not what they might seem
Findings from The Netherlands

Accountability is an under researched aspect of public-private partnerships. For partnerships to be successful, they must incorporate mechanisms that ensure that partners are answerable for their performance. Although it is often assumed that rendering an account is a straightforward process of monitoring contractual obligations, the literature suggests that many issues may arise in relation to holding service deliverers accountable in the context of partnerships. In this article we discuss findings of research conducted in The Netherlands in the social housing field. We argue that public-private partnerships, in the context of a quasi-market, did not introduce greater responsiveness through the accountability mechanisms of exit and voice. The reality was rather more complex, as accountability between local government and social landlords was ensured through sustained dialogue, fostered by a situation in which the two parties have found themselves in stable and enduring relationships of mutual dependence.

1. Introduction

From the 1980s onwards, several European countries have introduced public-private partnerships (PPP) into the implementation of social policy. In these contexts, it was envisaged that service deliverers, rather than being preferred suppliers, would compete for funding and be subject to ‘hard’ contractual relationships. Such developments are described in other contributions to this themed issue.

For partnerships to be successful, they must incorporate mechanisms that ensure that partners are answerable for their performance (Johnston/Romzek 1999: 386). Although there is a host of literature on hierarchical accountability relationships between governments and service deliverers, there are few empirical studies on accountability in partnerships – even though, as noted in this theme issue, partnerships are increasingly common.

Unfortunately for governance [...] many of the shifts and reforms in government programs are undertaken without much attention to accountability. [...] The presumption made is that market mechanisms will impose cost and quality discipline on contractors and that contracting monitoring, through auditing of expenditures of public funds, will be sufficient to assure fiscal accountability to government for contractual obligations (Johnston/Romzek 1999: 386). In fact, the empirical studies undertaken so far reveal critical issues such as failing market mechanisms, lack of transparency, cultural barriers and administrative burdens. Whilst policymakers and administrators may consider that accountability is a straightforward aspect of partnerships, they might find that it may become their
Achilles' heel. The way in which accountability is shaped within a partnership reflects the underlying mechanisms that govern the relationship. As a consequence, examining accountability helps to debunk false assumptions about how partnerships operate in practice. In this article, we will therefore examine PPP through the lens of accountability.

We will contribute to knowledge on accountability in public-private partnerships by drawing on a case study in which social housing partnerships in The Netherlands, are examined using Hirschman's (1970) concepts of 'exit' and 'voice'. Our findings are that partnerships did not, as was the intention of policy makers, introduce greater accountability and responsiveness through market mechanisms. The reality was, in fact, rather more complex. The organisations were (to a great extent) accountable to government at the local level, through sustained dialogue in which competition played only a supporting role.

2. Theoretical approach and methodology

2.1 Theoretical approach

Our analysis emerges from a social constructivist perspective — a view that reality is created by social action. In Weber's terms, social action is action that is invested with meaning and one that takes account of the actions of others (Weber 1968: 4). The creation of a socially constructed reality through action and interaction occurs because human beings have no biological mechanism that naturally selects and organises the relevant 'meaningful' aspects of the world. Since the actions undertaken serve as a reference point for the actions of others, effectively, reality is constructed jointly (Berger/Luckmann 1966). It can only exist as long as there is a degree of order, which consists of predictable and regular behaviour of actors at the level of the collective. Individual social actions can reinforce or violate these collective regularities.

The conceptual frame through which social realities are viewed fall squarely within neo-institutionalist organisational theory and specifically its cognitive pillar (for an overview of this literature, see Scott 1995). This conceptualises social reality in relation to views and methods of sense-making, which in some cases can acquire a 'taken-for-granted' character. In this, it draws its inspiration from the work of Simon (1945) and his followers. It presupposes that the behaviour of actors is bounded by cognitive and moral templates for action, filters for interpretation, even when the actions pursued within those templates are rational. It is therefore not at odds with rational choice theory, but aims to reconstruct the cognitive frames within which preferences and actions are shaped and which reduces the uncertainties associated with action. There are two ways in which institutions reduce uncertainty. Firstly, actors are aware of their problems and how to handle them. Actors

...live in murky worlds where it is never clear which actions have which consequences. Yet, actors must construct an account of the world that interprets the murkiness, motivates and determines courses of action, and justifies the action decided upon (Fligstein 1996: 659).
Routines save actors from complexities they may not be able to handle. Secondly, the very fact that other actors have internalised the same concepts means they are bound to act in a predictable manner. This in itself reduces uncertainty.

Our interpretation of accountability is informed by this perspective. We do not treat it, in Scott’s terms, primarily as a regulative type of institution (i.e., with reference to procedures in a formal relationship), but rather as a relational concept, in which the institutional context shapes how accountability is perceived and enacted.

2.2 Accountability as a relational concept

Accountability is referred to in the literature as a difficult, complex and confounding term that eludes any clear and simple definition (Kramer 1989; Day/Klein 1987; Simey 1985). It is one of the “most loosely used” (Starks 1991: 135), ambivalent, elusive, ambiguous, problematic, “multifaceted” (Kearns 1996: 179), complex and confusing terms; a concept “that has been extended in a number of directions well beyond its core sense” (Mulgan 2000: 555) and “that is taken to mean everything ... [which] ... effectively means nothing” (Cutt/Murray 2000: 1). Accountability is referred to as a “chameleon word” (Day/Klein 1987: 32) which evades any simple definition and a “vexed issue” (Hunter 1992: 436) that has “exercised academic observers ... [among others] ... for many years” (ibid) since the accountability concept encompasses “many meanings and dimensions” (Day/Klein 1987: 249). In fact, the only agreement about accountability appears to be that: there is little agreement about what it means and it embraces a range of meanings.

For instance, for Simey (1985: 20), accountability is a moral principle – the “basis for a relationship between ... those who govern and those who consent to be governed”, whilst for Stewart (1992: 4), to be accountable means to be able to “account for actions taken and being held to account for those actions”. Mulgan (2000: 555) suggests that Stewart’s approach, where one is called to account, is one aspect of accountability “on which all are agreed” and given this agreement about accountability as a relationship between ‘those who account’ and ‘those who are accounted to’, we analyse the concept in these terms. Accountability as a relational concept can be enacted at many levels and can be between individuals, groups and (or) organisations. This definition acknowledges that the concept refers to a pattern of behaviour, where obligation is a key element. Accountability is a complementary, though unequal relationship, where one is obliged to account to the other (at the individual, organisational or inter-organisational levels).

Although accountability has received attention in the context of hierarchical relationships, relatively little is known about how it is enacted in the context of public-private partnerships.

Compared to what has been written about accountability in and of single, autonomous, hierarchic organizations, little has been written on accountability in the context of interorganizational networks and public-private partnerships (Acar/Robertson 2004: 331).

The small number of empirical studies on the topic suggest a wide variety of complex issues: a lack of clearly agreed upon targets; the absence of performance data; dis-
gruntled professionals who feel they are being held to account by people with less training than they have; administrative burdens that are expensive and exceed capacity (Johnston/Romzek 1999; Romzek/Johnston 1999; Acar/Robertson 2004; Flinders 2005). Fundamentally, these issues can be traced back to the absence of well-functioning mechanisms of accountability. Here, these mechanisms are theoretically specified in relation to the work of Hirschman (1970).

2.3 Mechanisms of accountability

Hirschman (1970) suggests two alternatives for action within accountability relationships by which customers can express dissatisfaction with services or products they receive. For Hirschman (1970: 4) the “exit option” is the ability to find an alternative: “Some customers stop buying the firm’s products or some members leave the organization”. The “voice option” is the way customers or members can influence an organization through: (a) articulating their views; or (b) ensuring that their dissatisfaction and complaints are registered through protest. This results in management attempting to address possible causes of customer/member dissatisfaction, which is the case irrespective of whether or not the ‘exit’ option exists (Hirschman 1970: 92).

Within our approach, exit and voice are interpreted as social actions shaped by the institutional environment. This institutional environment includes not only the system of governance (e.g., formal accountability procedures) but also current understandings of accountability and the significance that specific types of action, such as exit and voice, have in relation to it.

The exit option means that government or users of services have the option to switch to other providers when services delivered are judged not to be at the appropriate or requisite quality. For instance, when a procurer of a service is dissatisfied with the price/quality ratio of a provider in the fields of health care or education, such as a hospital or school, for instance, it can direct its patients or clients (and the money that follows them) to another. The same may apply at the individual level: when a patient or client is dissatisfied with services received, he or she may switch to another facility. Greater accountability is therefore ensured by the possibility of exit and its consequence — the service deliverer’s loss of revenue. Of course, this mechanism only functions if the procurer is able to leave.

Voice potentially offers an alternative mechanism to exit, by allowing users to express dissatisfaction about services whilst remaining loyal — at least for the time being. For instance, in the health care context patients may be members of committees, which include representatives of management, where management and service quality issues are discussed. The issue here is that this can only work if users of services are actually in a position to exert real influence over the nature of services — by which we mean that they are able to articulate their interests and that management listens — whether in response to the possibility of exit, or for other reasons.

2.4 Methodology

Empirical findings are based on research conducted in The Netherlands comprising twelve organisations in four localities and a total of 42 semi-structured interviews
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(approximately one third with employees of social housing, one third with local government representatives and one third with users of services – tenants). The interviews, which ranged between 1.5 to 3 hours, covered the six themes (i.e., interventions in stock, distribution, interorganisational collaboration, legal structure, tenant consultation, and internal structure) and were transcribed verbatim.

These themes captured the relationships with most of the major actors in the local network and formed the basis for the reconstruction of the cognitive schemes underpinning decision-making patterns. Interview data were supplemented with extensive documentary analysis and observation of user-management meetings. Data were analysed using an advanced coding system. Cases varied according to size of locality and the degree to which there was available accommodation in relation to demand in local housing markets.

After a brief description of the policy field studied, we discuss the concept of accountability in relation to exit and voice in the context of public-private partnerships, as well as alternative mechanisms that appear to have emerged.

3. The Policy Field: Dutch Social Housing

Over 40% of the Dutch housing stock consists of rental housing, of which approximately 80% is social housing (Ministry of Housing 2004). The latter is virtually monopolised by private non-profit (third sector) landlords, which were the preferred suppliers in the post-war reconstruction boom, unlike other countries (such as Germany and the UK) where this role was fulfilled by municipalities. The legal form is usually that of a foundation, which is both independent and not formally linked to either local or central governments.

The origins of this system can be traced back to the 19th century when the quality of housing in many Dutch cities was deplorable. When Holland’s industrialisation brought increasing numbers of workers to the major urban areas, great shortages arose. Housing that private landlords were able or willing to offer was either insufficient or too expensive or of poor quality. The result was that major cities were frequently confronted by disease and social unrest – plagues and riots. Such public health and social problems finally led social and political elites to pay attention to the housing question. This was not regarded as an issue of significance in itself, but rather as part of the more general ‘social question’ of pacifying the working class and integrating them into existing social structures. Attention to housing issues was generated then not solely by compassion and notions of solidarity, but also by self-interest. After all, the establishment could only benefit from an economically adequate resource pool of labour, and they feared further social upheaval.

The first initiatives for improving housing did not come from the state. Rather, at the local level, wealthy citizens made efforts to alleviate the worst problems. From the mid-19th century onwards, members of the upper classes and the industrial elite founded housing associations – which were private philanthropic organisations – providing rental housing for the working class. That said – rents were pegged at levels that were unattainable to all but the ‘rich poor’ – the educated and well-paid work-
ing class. Until after the Second World War, this remained a relatively small segment of overall housing provision and did little to alleviate the shortages.

This dramatically changed in the period of post-war reconstruction. At the end of the Second World War, the country faced immense housing shortages, higher than that of most European countries. During the occupation, construction had ground to a halt and many dwellings had been destroyed. These developments had added significantly to the great shortages that had already existed before the war. In other words, it was time to start building. However, the housing market of the time was still wholly incapable of meeting need. The government needed to act. With broad support, it enacted a large-scale construction programme with extensive financial support. From this point, private housing associations gradually developed into the most important agents in the implementation of national housing policy favoured by both the right and the left.

During post-war reconstruction, the originally philanthropic housing initiatives received major subsidies and were drawn into the public housing sphere, to the point where they had little autonomy left, even though they remained formally private.\(^1\) The period of 1945–1989 was one of explosive growth and bureaucratisation. Due to major planning errors, housing reconstruction in The Netherlands dragged on far longer than in most other countries, eventually resulting in a social housing stock of well over a third of the total housing stock. Despite the important role of private non-profit organisations, public policy in this area was very much centralised, especially in the early post-war period. The state hierarchically determined the size and nature of the building programmes on the basis of estimates of need and building capacity. Regulation of rents diminished the scope for negotiation between tenants and landlords, which led to an extension of tenant protection. Housing distribution was strictly regulated through a system of permits and distribution criteria, so that scarcely available space might be allocated as fairly as possible. In short, nearly all phases of housing provision were under direct state control. Housing associations became in effect little more than extensions of government.

However, during the late 1980s and early 1990s, public regulation and funding of social housing were significantly scaled back, and social landlords were effectively re-privatised (Ministry of Housing 1989). Housing regulation was liberalised, both for supply and demand. On the demand side, the freedom for individuals to choose their place of residence was also increased considerably. It was no longer as easy for local authorities to refuse access to their local housing markets. On the supply side, social housing providers gained greater freedom in making their own decisions. Their ability to set their own prices was significantly increased. They used to be obliged to increase their prices by a fixed annual percentage; after a period of gradual relaxation, the government only set maximum and average rent increases, with providers free to create variation in their overall stock.

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\(^1\) The Dutch welfare state is a hybrid of corporatist and social-democratic regime types, according to the typology of Esping-Andersen (1990), but the governance of social housing was traditionally clearly organised along corporatist lines. Originally, there were links to religious and ideological pillars, which have now all but vanished.
Since then, social landlords have operated with a great measure of autonomy. Although central government sets performance targets, which are enshrined in the Besluit Beheer Sociale Huursector (BBSH, Regulation on the Governance of the Social Rented Sector), these are broadly defined, and monitoring and supervision are limited. Since they are able to finance their activities from the revenues of rents and sales, they can operate virtually without subsidies from national government. Funds for new construction are acquired through the private market. Whilst local government remains an important partner to social landlords, by virtue of their legal responsibilities in urban planning and local social policy, the former has no control over the latter. The change of system was a deliberate attempt to shift policymaking to the local level. Targets emerging from the negotiations were meant to strike a balance between public and private responsibilities.

Social housing is typically for rent, though there is an increase in sale and intermediary forms of ownership. By virtue of its size, Dutch social housing is not targeted at the poorest at the bottom of the socio-economic ladder, as in many other countries. Since social landlords own over 30% of all housing stock, they cover a broad segment of the population, including the middle classes. Increasingly, they are developing tailored housing for groups with specific needs, such as for older people or for people with disabilities. That means that it is virtually impossible for government to initiate urban regeneration programmes or social interventions without involving social landlords.

All in all, the housing market that emerged was a complex quasi-market, which remains fundamentally unchanged (Ministry of Housing 2003). The basic features of the system can be summarised as follows.

- **Competition** was the result of the decentralisation of financial risks, with providers that operate in one local market potentially competing for the same clients.
- **Regulation** circumscribes the discretionary freedom of the parties involved and broadly defines the goals to which they should aspire, as defined in the BBSH.
- **Local negotiation** – the third basic ingredient and it is through this mechanism that the broad goals must be specified and realised.

There currently are less than 500 independent social landlords, located mostly in urban areas. In recent years, there has been renewed debate about their performance, the scope of their activities, and their relationship with local and central government. Social landlords increasingly work with a variety of governmental, third sector and business partners to realise projects in the fields of social services, care for older people and neighbourhood planning (Brandsen/van Hout 2006).

4. **The Empirical Findings**

4.1 **The Exit Mechanism**

To reiterate: the central assumption behind contractual partnerships is that the exit mechanism will ensure accountability to purchasers by service deliverers. For exit to work there has to be sufficient levels of competition between service deliverers.
However, empirical findings from The Netherlands research tends to indicate that competition was, at best, limited.

In a competitive market, there is more than one buyer and one seller, and by implication there would be several procurers and service deliverers. However, the study found that as the exit mechanism was weak, there was no actual market, defined in these terms. Prior to social landlords being given increased financial and regulatory autonomy in the early 1990s, many local areas were served by only one, or a few, social landlords. This concentration allowed for more efficient supervision by local government.

During the 1990s, the social housing system shifted from one based on direct hierarchical government control to a market-based one. This concentration effectively produced local monopolies and oligopolies. Subsequent developments did not significantly alter the situation. Whilst on the one hand, the introduction of new regulation made it easier for tenants to move to neighbouring areas, thereby raising the potential for exit, on the other, landlords simultaneously engaged in mergers. This effectively reduced their overall numbers from just over 800 organisations in 1990, to approximately 500 at present. In urban areas especially, the number of housing providers decreased dramatically. This was visible not only in the structure of regional housing markets, but also in the striking lack of any ethos of competitiveness among providers.

For tenants dependent on social housing this, in effect, left them with little choice. It also meant that local government was, in practice, dependent on a small number of social landlords in their area, which, especially in large cities, control a major part of the housing stock. These social landlords are not under local authority control, but have financial resources that local government must mobilise if it is to realise plans for urban regeneration. This places social landlords in a strong negotiating position. There have been attempts to invite new entrants into local housing markets, but this has had little effect since it has usually related to the construction of new housing, which makes up only a tiny fraction of the overall housing stock. Both tenants and local governments must therefore deal with a small number of existing social housing providers.

In this market then, there were few ‘exit’ opportunities for either. Thus, local government effectively had no choice but to collaborate with these particular organisations, at least in the short and even the medium term. The exit mechanism fails to guarantee accountability. Since the exit mechanism was the foundation of the quasi-market system, this has serious implications. The finding that the choice of service providers remains limited and had not, as perhaps envisaged, been improved by the process of contracting, is supported by earlier studies by Le Grand et al. (1998), Spurgeon et al. (1997), Walsh (1995), and Flynn and Hurley (1993).

4.2 The Voice Mechanism

In theory, in the absence of a functional competitive market the voice mechanism might be an alternative, albeit partial, means of ensuring accountability to purchasers. For an overall assessment of accountability, it is therefore necessary to judge the strength of voice together with the exit mechanism.
Although provision for beneficiaries of social housing to be accounted to through certain voice and bureaucratic mechanisms exists, the research found, like Le Grand et al. (1998: 27), that there was only "... anecdotal evidence" of such accountability mechanisms and there was "... no systematic information on the type, extent and consequences of such activities ...". Moreover, even when the voice mechanism existed, users were often effectively excluded from using it. Reasons for this included: (i) lack of a democratic structure/culture in the providers of social housing services; and (ii) opportunities for 'voice' which in practice were symbolic rather than operational. Tenant participation in such consultation meetings, where they existed, was tokenistic at best.

During the 1990s, nearly all social landlords adopted the 'foundation' as their legal form, abandoning their associative structures, because these were regarded as inappropriate for the new system of governance. As one manager argued,

[A]n association is no longer adequate in this day and age. For a start, you're absolutely inflexible. We had skinned the procedures to the point that it was rarely necessary to consult our members and still a small group managed to veto our budget for an entirely unrelated reason, simply because they wanted something we were not prepared to give.

In order to compensate for the perceived loss of democratic accountability, national government introduced regulatory measures. Legally prescribed tenant associations were established to negotiate with managers about decisions affecting tenants. Shortly after financial risks were decentralised to social landlords, a new law on tenant consultation was introduced to allow "tenants the opportunity to voice their opinion on matters that could be of real consequence to them" (Ministry of Housing 1993, article 18). However, in practice, the research found that rights of these associations varied widely. Some tenant associations were found to have formal voting rights in relation to major decisions, whereas others only had the right to express their opinions in relation to certain issues - without the social landlords having any obligation to respond to, let alone take account of, the tenants' views. Tenants were in many cases effectively excluded from key strategic or investment decisions.

Moreover, in practice tenant participation was found to be stifled through organisational mechanisms which included few/no structures for them to raise concerns and, when such structures existed, discouraged them from contributing agenda items for discussion. Furthermore, their concerns, when raised, were often not recorded in the minutes. Tenants also felt excluded and their voices silenced by: the formality of meetings; the use of jargon; the defensiveness of professionals; and their perceptions they were being ignored and not listened to. Another issue was the lack of recognition by managers of service users representing views other than their own. Housing management was increasingly discussed in instrumental terms, which left no room for dissonant perspectives and matters perceived as irrelevant from within that paradigm. Tenants' voices were rendered effectively mute because social housing provider representatives operated as cliques (Dalton 1959). This was found to be the case across the board and emerged from analysis of the data including documents, interviews (with tenant representatives and housing managers) and observation (of
consultation meetings) , during which it became clear that tenants had little influence on managerial decision-making and conflicting perspectives were not voiced.

But it was not simply a question of ill-will among managers. In those cases where managers did actively try to involve tenants in decision making, the voice mechanism also tended to function weakly. Even managers ardently committed to democratic decision making expressed disappointment at what they considered to be poor feedback and lacklustre participation. Suggestions put forward by tenants tended to focus on (what managers considered to be) trivial issues such as the removal of graffiti and maintenance; not on what they regarded as major issues, such as organisational strategy and major decisions in relation to construction and regeneration. Furthermore, managers were often concerned about whether tenant representatives actually 'represented' their constituency as the majority of tenant respondents were men and very few were under fifty years of age. Finally, both tenant representatives and managers argued that tenants found it difficult to use the voice mechanism when faced with highly technical decisions in relation to, for example, investment and rent calculation. However, it was precisely for this reason that many tenant associations were supported by professionals, funded either by the landlord or local government. When asked about this external professional support, one tenant replied:

Thank God, yes. We wouldn't have been able to cope otherwise. Especially not at the beginning. What would I know about an issue such as rent differentiation?

Yet there were concerns that this additional layer of professionals was, by virtue of their expert knowledge, too dominant within tenant associations, and that it was they who effectively made decisions on behalf of tenants.

All in all, voice mechanisms, as indeed Hirschman (1970) predicts, do not on their own appear to constitute a credible alternative to choice. As with exit, there appear to be structural impediments to user participation, which are discussed here.

4.3 Alternative Mechanisms?

If exit and voice fail, are there any other mechanisms to ensure that service providers are responsive to users and accountable for their actions? The research findings indicate that there may well be. Service providers and local government are interdependent. They are partners in actual need of active support of the other – without which each could not operate effectively. This interdependence ensured, at the very least, a measure of accountability in their relationship.

Social landlords are legally required to negotiate and agree performance measures with local government, which are enshrined in a binding document. In this, local government acts as democratically mandated representatives of local citizens. That said, only a minority had actually initiated such agreements at the time of the research. One reason for this may be that the formal contracting process is, in effect, merely a sideshow of broader informal negotiations in relation to urban development. Although historically the position of local government in relation to social landlords has steadily weakened, the former retain key competences in relation to urban planning and key services required to make property investment work. For instance, the physical renovation of poor/disadvantaged neighbourhoods is unlikely to be effective
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when there is no simultaneous investment in social services and crime prevention. At
the same time, local government cannot ignore social landlords since they own most
of the housing stock in ‘problem’ areas and are major potential investors. They are in
a mutually binding relationship.

In many localities, the two parties settled uncomfortably into their new positions
and had problems agreeing the terms of their relationship. As an official noted at the
time,

[When I got involved with the programme in [...] everyone kept wishing me
good luck. I was surprised to see what they were doing. Time appeared to have
stood still in that place. The local authorities haven’t yet made the transition.
People still think in terms of their traditional roles.

Local government had particular difficulty in adapting to its new role. It had lit-
tle formal power over social landlords, but considered that it should have, given its
democratic mandate. Landlords, for their part, were keen to assert their new inde-
pendence and were unwilling to tie themselves up through contracts or other far-
reaching agreements. It was only from the second half of the 1990s onwards that,
new patterns of stable working

relationships were beginning to emerge. By this time,
a new generation of bureaucrats had begun to rise through the ranks. They tended to
adopt a pragmatic approach and appeared to be far more willing to think in terms of
collaboration.

This development has continued, albeit gradually. Although there are still locali-
ties where relationships can be characterised as antagonistic, it is becoming more
usual – especially in large urban areas where the need for joint action is highest – for
enduring relationships to become established and developed through plans for long-
term investment. Written agreements continue to be drawn up, although rather than
a market tool, they are increasingly tools for structuring the negotiation process
which was found to be conducted through dialogue.

Accountability between local government and social landlords was therefore
mainly ensured through the ‘clan’ mechanism (Ouchi 1980; 1979), through discourse
as a form of mediation. New sets of relationships and new forms of ‘partnership
accountability’ between the state and non-profit providers emerged as a result of the
introduction of the quasi-market. Unlike the neo-classical economic notion of one-
off, arms-length exchanges, these relational accountability forms evolved as a result
of the imperfections in the market. Specifically, given the ongoing working relation-
ships, conditions of incomplete information, and the necessarily incomplete and
often largely implicit relational contracts that could not be specified fully in advance,
local government and landlords became interdependent. The approach to the ac-
countability and contracting process by both parties was ensured through a two-way
dialogue; to return to Sack’s typology, it resembled an organisational partnership
rather than a contractual partnership.
5. Analysis: The shift from contractual to organisational partnerships

In our discussion so far we have concluded that exit and voice mechanisms in the contexts of our studies have failed to ensure accountability. Is it possible for us to discern the reasons for this? Our research identified characteristics of the services and the institutional legacy of previous governance systems as the main reasons. However, these same characteristics encouraged dialogue and enduring relationships, which created new forms of accountability. These are discussed in the next section.

5.1 Obstacles to Voice and Exit

Initially, specific characteristics of the services researched appeared to be barriers to effective exit. In Dutch social housing, barriers to entry are high, given the enormous investment required over a prolonged period. As a consequence, it is disadvantageous for government to allow providers to exit from the market, as this would result in an even higher concentration of housing stock in the hands of fewer social landlords. The institutional heritage tended to exacerbate such effects. As already noted, social landlords had historically been ‘clustered’ together to allow efficient bureaucratic supervision by local governments, which retained regulatory control over social housing during much of the post-war reconstruction period. With the introduction of the quasi-market, this concentration led to an overall fragmentation of the social housing market into regional clusters. Since most tenants tend to move only within certain geographical limits, this is a distinct disadvantage, as it has left them with little if any option to switch providers.

Service characteristics also inhibited voice. Services were managed by professionals with specialist knowledge which most users lack, e.g., about property investment. It therefore required tenacity, knowledge and a serious investment of time on the part of tenants to participate actively. Yet many were either not able or unwilling to participate, at least not to the extent required to influence major organisational decisions effectively. This was because of lack of time, knowledge and/or confidence, or simply at times due to a lack of perceived interest. When people who were users or recipients of the services did participate, some managers expressed concern over how representative they were of tenants. One manager noted that “it’s always the same [people] who come along to things, you’ve probably met that, the articulate ...”. Notions of representative democracy were viewed as critical and were privileged over participative democracy.

Only under certain specific conditions were a minority of organisations found to be ‘properly accountable’ (Leat 1988) towards users. This was when there was an organisational culture of cultivating voice and participation. This ‘culture’ occurred in only a small number of organisations, where service users indicated they felt they

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2 A qualification is that there are various interpretations of when voice is effective. A common complaint of managers is that users mostly address ‘details’, yet those may be what users care about most. Also, voice implies influence on decision making, yet dialogue may in itself strengthen relationships between users and providers by giving a sense of shared concerns, even if the actual influence of users on decision making is limited.
were really being listened to. Indeed, at times, there was open disdain in relation to user voice participation in decision making. One housing manager laughed and said:

Tenants have these rights of consent and advice, but we forget half the time. [...] Like when we entered [a merger]: we completely forgot to consult them! We rectified it afterwards, but it hasn't improved our mutual relations. I've often told them, as bluntly as I tell you now: 'Of course I will submit this decision to you, but whatever you think of it, I'm going to do it anyway.' They can continue to play the game if they want, but it is only a game.

5.2 Drivers underpinning new types of partnerships

Overall, conditions were neither favourable for exit nor for voice. Yet this same environment was conducive for the emergence of new governance forms. Specifically, the new external environment created a high degree of interdependence between independent service providers, from the third sector and local government.

Whilst the relationship between local government and landlords may at times have been antagonistic, it was virtually impossible or, at the very least, difficult for each party to avoid the other. Although landlords were in practice financially independent, they could not embark on large-scale investment without the support of local government, because of both formal requirements (i.e., planning permission) and complementary investment in other public services necessary for making physical renovation effective. Local government could not engage in urban regeneration without including organisations that both owned most of the housing stock in areas of high deprivation and could raise the necessary capital. Each party had specific assets that the other could not do without. Local government and social landlords increasingly and necessarily therefore entered dialogue as the key mechanism of accountability. Had it not been for a historically uncomfortable relationship and an uneasy transition, it is likely that dialogue would have deepened at an earlier stage.

Whilst not part of the original system design, this inter-organisational dialogue was flawed in terms of accountability in that it was partial and excluded arguably the most important constituency to whom government and social housing organisations owe accountability – tenants. The reasons for this exclusion from the process and content of accountability are complex and the subject of a separate publication, as here we lack the space to discuss them in depth.

6. Conclusion

Our article examined public-private partnerships in social housing in The Netherlands and concluded that they did not function as originally designed. Whilst the main mechanisms of ensuring accountability between partners in the quasi-market – exit and voice – were imperfect, accountability was found to be operating through a new form of inter-organisational accountability: the emergence and development of ongoing dialogue and enduring relationships within the context of local networks. This finding is quite striking, because public-private partnerships are generally estab-
lished on the basis of a (quasi-)market system in which relationships are supposedly based on short-term contracting.

Although similar issues are raised in the burgeoning literature on governance (for an overview please see Bevir et al. 2003) – particularly in terms of network governance – the emergence of accountability relationships between local government and social landlords – based on mutual interdependence and dialogue rather than exit – have largely been overlooked.

We suggest that this might be because the original design of the partnerships rested upon a belief in a principal-agent relationship in which accountability of the agent to the principal was ensured through the exit mechanism. Considered from this perspective, enduring and horizontal relationships could be interpreted as market failure. However, that is only one side of the story. Many PPP that are formally contractual in practice appear to be organisational in nature, sometimes in effect continuing the essence of the former system of governance in the guise of a new one.

Whilst it is not our intention to suggest that this is the only way that accountability relationships develop in a PPP, other social policy literature (see for instance Mackintosh 2000) suggests that a number of newly established partnerships may have developed in similar ways. This may be of interest in Germany because, if the conditions for exit and voice are unfavourable, a number of accountability issues may arise in relation to public-private partnerships. Whilst future research is necessary to ascertain whether ‘relational accountability’ holds up in other settings, we consider that the Dutch case sheds light on the challenges faced by partners when accountability is very dependent on collaboration and co-operation. As Romzek and Johnston (2005: 446) note, accountability “looks very different in a system that is highly dependent on … co-operation than it does in a market like system”. Partnerships, even when they are seemingly clear and unambiguous on paper, may be rather more dynamic and complex in practice.
References


