Abstract

The move from government to governance and the corresponding rise in the number and use of third-party tools by government has led to a new paradigm variously called New Public Management or “new governance.” While this paradigm provides a strong framework for tool management and evaluation, it initiates a political paradox: how then do governments secure legitimacy? At the same time, it also fails to explain the high use of third-party governance by governments. This paper develops the notion of “distancing and blaming” and argues that part of NPM appeal lies in its ability to provide a new answer to an old problem – the need to legitimize policies. Trade unions in Singapore provide a relevant case study.

Keywords: Singapore, Trade Unions, governance, policy tools.
Introduction

Since the early 2000s, public policy literature has seen a proliferation of a new governance model of policy making – with ‘new’ depicting a revolutionary departure from the past, and ‘governance’ depicting its essentially collaborative nature. (Salamon, 2002) These theorists argue that the need for this new paradigm is drawn by the revolution, not just to the scope and scale of government, but also to its basic forms. This discussion can be located within the wider discourse of moving from ‘government to governance’, which defines the emergences of New Public Management.

Dunleavy and Hood (1994) identifies NPM as an emerging paradigm along two lines – it is less ‘public’ because it the public sector is “less distinctive as a unit from the private sector” and it is less administration than management, that is, public officials work through a less dense grid of rules and regulations and have more discretionary use of their powers. There is too, an emerging consensus about governance – that it works through a thin network. It does not turn on traditional institutions, or on highly trained professionals. It gives rise to flexible arrangements, and differing forms of authority structures, including new legitimization processes (Garvey 1997; Kettl, 2000).

Empirically, this can been seen in two ways. One is the increasing use of third parties (Salamon 2002), second the decline of hierarchy within government. (Frederickson and Smith 2003) But while empirically investigations are rich and prevalent, the normative investigation remains thin. Hill and Lynn (2004) for example, have shown from an examination of 800 research cases, a decline in the structure of hierarchy itself does not mean that governance itself is actually any flatter. They write:

“...this seemingly ‘paradigmatic’ shift away from hierarchical government and toward horizontal governing is less fundamental than it is tactical – new tools or administrative technologies are being added that facilitate public governance within a hierarchical system... Hence, shedding the strictures of hierarchy may seem ‘refreshing’ only in a normative or symbolic sense” (2004:17).

But where does this normative attraction lie? Pollitt and Bouckaert (2004) tackle this issue as it relates to NPM specifically. They note that any government faces two problems – a fiscal one of not overspending on resources, and a political one of maintaining or increasing its legitimacy. We see quite quickly however, that one is reducible to the other. The fiscal problem only arises because being fiscally irresponsible reduces legitimacy. The writers themselves acknowledge this by saying that if the economic system suffers, the electorate will become more and more ‘disorientated’.
Therefore, the basic political problem posed by NPM can be captured in a series of paradoxes:

- Promote innovation or increase trust in the system?
- Reduce paperwork or increase accountability?
- Decentralize or improve coordination?

Hood (1976) uses the notion of a ‘trade off’ to illustrate this zero-sum game. For example, how can we increase trust in the system while advocating innovation, which increases risk to the system? The first aim of this paper is to resolve such paradoxes by viewing this through the lens of legitimation.

Pollitt and Bouckaert (2004) write: “The NPM is ... a bundle of many disparate elements but one of those elements has certainly been a process of distancing and blaming by political leaders.” This is, in fact, one of the reasons why ‘management reform’ has been often linked to increased legitimacy by politicians. Empirically, they note, this “blaming and distancing strategy” has been used far more in some regimes - those that are “sympathetically attuned to suspicions of government competences and motivations” – than others (2004:186). In short, if policy choice is a political decision, then policy makers choose tools that given them greatest legitimacy from good policies, and the minimal blame for bad ones.

But this tactical argument can be widened to a normative one. It can be argued that this distancing (if not blaming) is an integral part of how governments increase their legitimacy under NPM and indeed in the various forms in which the retreat of the state appear to have taken place, including TPG and the ‘hollow state’.

Salamon describes ‘third party government’ (TPG) as a way of governing through third parties, and argues that it represents a substantial change in the ways and means (the ‘technology’) of public action. These third parties including contractors, private companies and non-profit organizations, all of whom use an increasing part of the public budget, and are more closely involved in the formulations as well as implementation of public policies. Salamon notes that TPG has “proceeded especially far in the United States, where hostility to government has long been a staple of political life, and where the expansion of governmental programmes consequently has had to proceed in a highly circuitous way”. (2002:3)

This notion of the use of third parties has been taken up in literature on governing the ‘hollow state’, where much of the work has been concentrated on the important empirical investigation of the various incentives and structures that the state is employing to meet their goals. Milward and Provan (2000) for example have spent a decade investigating the use of third parties in delivering public utilities or social services, by organizations acting in the name of the state. They raise but do not attempt to answer, an important normative question “What effect does government contracting with third-party providers have on the perceived legitimacy of the third?” It is gap that the current paper is trying to fill.
It is suggested here that TPG agents appear to have greater acceptability among the public because they are considered to possess greater legitimacy or policy buy-in than government agents. But this answer merely raises more questions: How do TPGs legitimize exactly? Does this legitimizing only operate in developed, democratic countries such as America? Or can it operate equally well for other regime-types? This paper attempts some answers. First, it examines definitions of policy tools, and argues that TPG as a class can be considered a policy tool. Using the Institutional Analysis and Development (IAD) framework, it finds that one of TPGs defining characteristics is an ability to legitimize policies (or the converse, to minimize the fallout from politically-difficult ones). This hypothesis is tested on trade unions in Singapore.

**Legitimacy and policy tools**

First and fairly quickly, we see that paradoxes outlined above disappear if we place NPM within an explicitly political theory of legitimacy. For example, do we encourage innovation or increase trust? If we do not conceive of this as an either-or game, but increased as an overall attempt to increase legitimacy, then we see that we can do more of both at the same time, or at least, not play one off against the other. That is to say, can we do one or both at the same time, if we use the language or ‘more or less’ legitimate. So such political paradoxes of NPM disappear. This is not just useful itself but analytically helpful since it shows how the norms of governance (as opposed to government, or administration) can be advantageous, not just for reasons of speed, efficiency but as a viable alternative for situations in which the traditional structures of government are absent. That is to say, the norms of governance and government both confer legitimacy but very differently. This difference stems in large from the different tools employed.

A policy tool can be understood fairly simply as the means by which a public goal is achieved. Salamon defines it as “an identifiable method through which collective action is structured to address a problem.” (2002:20) He further says tools are a bundle of attributes – a type of good or activity, a delivery system and a set of rules. Among these tools is a subset engineered for indirect government. These tools, which can take the form of grants, vouchers and contracts, rely heavily on third parties such as commercial banks, private hospital and social service agencies. The rise in number and occasions of use of these new tools, is one of the characteristics of the ‘new governance’ paradigm.

Going by the definitions above, TPG itself can easily be considered policy tool. What then are the defining characteristics of TPG as a policy tool? Clearly, it is an indirect governing tool. According to Leman’s (Salamon, 2002) analysis, there are four basic features of tools – directness, automaticity, coerciveness and visibility. Almost analytically, the characteristics of TPG are high indirectness and high automaticity. Further, Salamon (2002) thinks there is an inverse relation between the directness of government and legitimacy. Indeed for very low degrees of directness, there appears to be low scores in terms of effectiveness, equity and manageability, leaving high legitimacy and efficiency to carry the ground. Now, Salamon’s (2002) is a conceptual and not an empirical analysis. For example, we do not know that direct government always has a low degree of legitimacy and indeed it would be worrying if this were so. In the neo-liberal school however, there is an assumption that indirect government
is almost always intended to possess a high degree of legitimacy, at least in the planning stage.

Nearly 30 years ago, Houten and Goldman (1981) made the same case, albeit in a limited way, in an examination of the US governments’ record in contract consulting. The Houten-Goldman study defined ‘legitimacy’ in the narrow sense of providing political support to the government agency under consideration, and they performed it only on one sort of TPG – consultancy. They argued that the hiring of outside consultants was motivated by a ‘hidden agenda’ which they saw as “the quest for legitimacy” (1981:461). This legitimacy, they observed, came from the consultancy process as well as the substance of the expert finding.

We can now put their findings in a wider context. This paper proposes the following two hypotheses. First, TPG is a policy tool that has a legitimizing function and fits into the new governance model as a meta-policy tool. While TPG arrangements often have specific ends to achieve (e.g. distribution of a specific public service or good) they almost always have a general or political goal - to legitimize the government of the day. Second, this ‘arm’s length’ legitimizing function can be fulfilled for all governments with a need for legitimacy, not just in neo-liberal countries with hostility towards big government as Salamon (2002) seems to suggest. For example, a need for legitimacy appears to exist in Singapore, not (or at least, not merely) because there is hostility to large government activities, but because the country is dominated by one political party.

The figure below illustrates this view of TPG, which makes explicit Salamon’s (2002) legitimacy-building assumption.

**Figure 1**

The Institutional Analysis and Development Framework: Patterns of Legitimacy Conditions

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<table>
<thead>
<tr>
<th>Attributes ? Rules in use</th>
<th>Action Situations Participants</th>
<th>Patterns of Interaction</th>
<th>Outcomes</th>
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<tbody>
<tr>
<td>Governance Norms and Rules</td>
<td>Third Party Tools</td>
<td>Legitimization Processes</td>
<td>Improved Outcomes</td>
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Adopted from Ostrom, 1999

The above is based on the Institutional Analysis and Development (IAD) framework which allows us to examine the legitimisation function of third party tools. This framework allows us to shift our critical lenses slightly, to look at TPGs not just producing policy outcomes, but also political ones.
NTUC as TPG in Singapore

The National Trades Union Congress (NTUC) is an umbrella body of more than 500 unions in Singapore. Since the late 1980s, when Singapore embarked on a major restructuring of its economy to cope with increasing global competition, the Ministry of Manpower implemented policies with severe repercussions on the local workforce. Two of the most far-reaching are the opening up of the local market to foreign workers and wage cuts during recessions. These two sets of policies shall be examined below.

The relationship between the NTUC and the government has often been called a ‘symbiotic’ one. It is argued here that NTUC can be seen to be third-party tools of the government because of its heavy involvement in the process of labour policy implementation. The trade union network provides both a ‘delivery system’ and ‘a set of rules’ by which labour policies are implemented. It may be useful to note that this view of NTUC is neutral between political theories of trade union-state relations and does not supplant any of them. The TPG argument is not a reductionist one – that NTUC is a TPG for the government does not mean it is merely a tool. Conceptually, there is nothing to prevent it from being a powerful force in countering anti-worker policies by the Government. Indeed, it would be difficult to see how it can maintain its legitimizing function without maintaining its standing within the traditional trade unionist norms of representing workers’ interests.

The following scenarios are two instances in which NTUC can be seen has having a TPG role.

**Wage Cuts:** The NTUC plays a vital role in wage cuts, not just in getting its members to agree to them, but in the implementation process itself. In the 1997 Asian Financial Crisis, the NTUC resisted a wage cut (by way of a cut to the superannuation retirement fund, the Central Provident Fund or CPF) for the whole of that year as it felt the situation did not warrant it. By 1998, the economy continued to slow and 7,000 workers were retrenched in the first quarter and in July of that year, the Government again mooted the idea of wage cuts. NTUC again resisted. By November 1998, it was clear that wage cuts would be needed to stave off further job cuts. The CPF was cut to 10 percent. The NTUC agreed. It can be conceived as a TPG in three ways:

1. Worked with the unions to negotiate with companies
2. Distributed and publicised ‘off budget’ measures to help affected workers
3. Introduced and increased its own aid schemes to help workers.

**Immigrant workers:** In the late 1980s, Singapore decided to open its doors to immigrant workers or ‘foreign talent’, targeting professionals from Hong Kong, but in general, high-skilled workers from all countries. In July 1989, it announced that foreigners can qualify for permanent residence if they have a secondary education, earn at least $1,500 a month and have five years’ working experience. This was a politically-courageous policy for obvious reasons. The NTUC took on a TPG role in this new immigration policy in the following ways:

- Help set the parameters for new skilled workers
• Increase training of local workers so that they will not be disadvantaged.
• Help foreign workers to adapt to the local environment, minimize friction with local workers.

This latter role has increased over the years as the numbers of foreign workers of all levels continue to grow in Singapore. This is evidenced most recently in the setting up of a 'Migrant Workers Centre' to manage foreign workers concern and to plan social and recreational activities for these workers. (NTUC News, May 08, 2009, Strait Times, 2009).

From the above therefore, it is clear that the NTUC was a TPG partner for the Government for these two important policies. But did its role increase the Government’s legitimacy and how?

First, how do we measure legitimacy? One acceptable empirical tool in political science cross-country comparison is to adopt a hedonic approach in measuring attributes – that is reduce legitimacy to its constituent parts and measure these parts as proxy. One of the more successful attempts is that made by Gilley (2006), who defines legitimacy as follows: “a state is more legitimate the more that it is treated by its citizens as rightfully holding and exercising power.” (2006:48) He surveyed the field and found that there were some 34 variables which are hypothesized to have a casual relation to legitimacy, a range which captures political, social and economy variables. In an econometric analysis across 72 countries, Gilley (2006) showed that seven variables were thrown out by bivariate regressions. Of the 26 remaining, ten (including decentralization, environmental sustainability and education level) had very low R2s.

The remaining sixteen shall be considered here. Of these, four (foreign aid, poverty reduction, poverty level [although poverty reduction in a personal sense, is captured under ‘income level’] non-Latin American or non-eastern European) cannot be used for this analysis because they do not relate to a country-specific analysis. 'Welfare gains' duplicate 'welfare level' in the current unit of analysis and are dropped because of multi-collinearity. This leaves us eleven key variables then to measure legitimacy. These are: income level, gender quality, welfare level, social capital, economic governance, general governance, decreasing authoritarian stance, political stability, happiness, support for government.

The variables are used specifically to answer these questions:

What are the impacts of the key labour policies on the legitimacy of the government?

How has the NTUC influenced the variables relating to increasing the legitimacy level of the Government?

The difference between the two is the legitimating effect of the NTUC.

**Analysis of legitimisation effects**

The method used here is based on a straightforward score - +1 for enhancing an legitimacy variable, -1 for detracting from it, and 0 for no effect. The scores are obtained from public
information – media clippings were used in this case, but for any public information including government statistics, speeches and press releases would have served the same purpose. Two analyses are done – one with the naked effect of the policy on workers, the second with the ameliorating effects of the NTUC. If there latter had no effect, then the scores are identical with the first, if the latter had some impact, an explanation will be given for this impact and a scoring given.

Whenever possible, such as in the case of income increases, objective facts are used for scoring. These variables which bear objective scores are considered first-level variables. For more subjective parameters such as ‘happiness’, a positive score is given if public reports demonstrate that the NTUC has framed the issues such the workers will have grounds to believe the point of view that increases the legitimacy. Whether workers in fact take this point or not, is a matter for further investigation. One immediate objection to the scoring method is that there is a gap between an intended argument, and the effect on the audience (in this case the worker). This is true, but applies most strongly to only two of the variable – happiness and decreasing authoritarian stance.

In general, the assumption is that NTUC’s arguments have some force on workers because these workers voluntarily join the NTUC. There is no pressure to join unions in order to secure a job. That is to say, the increasing membership of the NTUC is proxy to the fact that its arguments will find support among the majority of workers. This is analogous to Gilley’s use of voter turnout as proxy for the support for the political legitimacy of the government’s electoral process. If this proxy is not acceptable, then the weakest interpretation of the analysis results is that of Salamon’s (2002) to consider these as ‘likely’ impacts, rather than empirically true.

**Policy: Wage cuts**

This policy is a general unpopular one, with a negative score of -4 of impact on workers (income level (-1), gender inequality (0), welfare level (-1) social capital (0), economic governance (+1), general governance (+1), decreasing authoritarian stance (-1), political stability (-1), happiness (-1), democratic rights (0), support for government (-1). There is no effect from the NTUC on the 7 of these, but it succeeded in increasing legitimacy on welfare level (0), decreasing anti-authoritarian stance (0), political stability (4) and support for government (0).

In terms of welfare level, the NTUC’s message is that the cuts in wages have not reduced education and training opportunities (Business Times, 1998; Straits Times, 1998defg. Instead, more subsidies and programmes are in place, with an increase in welfare expected in future (Straits Times, 1999b, 2002). In dealing with support for Government, decreasing anti-authoritarian stance, and political support, the NTUC’s message is that the Government is doing the right thing even though it may be costly in terms of political capital (Business Times, 2003abc; New Paper, 2003; Straits Times, 2003abc, 2008b).

Overall, therefore, the interaction with NTUC improves the legitimacy of the policy from -4 to 0.
Policy: Immigrant workers

This policy is also a difficult one, with the influx of cheap foreign labour been seen as a threat to the livelihood of the local workers. The impact is largely negative (income level (-1), gender inequality (0), welfare level (-1) social capital (-1), economic governance (+1), general governance (+1), decreasing authoritarian stance (-1), political stability (-1), happiness (+1), democratic rights (0), support for government (-1) There is no effect from the NTUC on the 4 of these, but it succeeded in increasing legitimacy in income levels (+1), welfare level (+1), social capital (0), decreasing anti-authoritarian stance (0), political stability (+1), happiness (+1) and support for government (+1).

In terms of income, it may have fallen from a free flow of competitive immigrant workers but in the long run, this will help Singapore remain as an attractive investment destination, and help Singapore workers remain employable (Straits Time, 1998c, 1999a, 2009abcef; Sunday Times, 2009). NTUC argued that foreign workers have special skills which are needed for the continued growth of the Singapore economy (New Paper, 1998; Straits Time, 1998ab, 2008c, 2009a). Foreigners also include high income earners who bring in new business and generate new growth (Straits Time, 2009d).

In raising the happiness level, NTUC’s message is that local workers will feel the heat from this competition and may face some adjustment problems, but overall, this will result in a gain for workers, as foreign workers are not replacing locals, take jobs that locals shun, and are enlarging the economic pie. In terms of social capital, it was argued that social cohesion and participation can be improved by careful management of local workers concerns and strategic segregation of social spaces for the immigrants. In terms of the welfare level, NTUC’s argument was that Singaporeans will continue to gain in terms of job security during a crisis, and continued strong spending by the Government on social welfare.

Overall therefore, the score was increased from - 5 to +7.

On the surface, both these key policies were overwhelmingly negative, with - 6 scores in terms of legitimacy impact. But by engaging the NTUC as a TPG, the scores improved to +8 and 0. The scores improved in 10 out of 20 cases, held constant in 7 others. This shows that the NTUC was unable to improve the legitimacy scores in only three instances, and is thus an effective legitimacy builder.

This analysis can be seen as a special sort of tool evaluation, suited for all TPG tools. This framework, although preliminary, allows us to make several interesting observations. First, some policies are apparently more amenable to the legitimacy effect than others. Comparing immigration and wage cuts policies, for example, the ability of the NTUC to move the latter appears to be far less in the wage cut issue. That is to say, for policies that require ‘blame minimization’ such as wage cuts, the best that we can hope for would be to neutral the legitimacy-diminishing effects rather than to increase the sum of legitimacy. This leads to another interesting question as to is whether policies with a higher political content more amenable to the shaping from TPG.
Conclusion

In short, TPG agents appear to have greater acceptability among the public because they are considered to possess greater legitimacy or policy buy-in than government agents, especially “in a political culture which abhors big government.” But this answer merely raises more questions: How do TPGs legitimize exactly? Does this legitimizing only operate in developed, democratic countries such as America? Or can it operate equally well for other regime-types?

This paper examined definitions of policy tools, and argued that TPG as a class can be considered a policy tool. Using the Institutional Analysis and Development (IAD) framework, it finds that one of TPGs defining characteristics is an ability to legitimize policies (or the converse, to minimize the fallout from politically-difficult ones).

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So such political paradoxes of NPM disappear. This is not just useful itself but analytically helpful since it shows how the norms of governance (as opposed to government, or administration) can be advantageous, not just for reasons of speed, efficiency but as a viable alternative for situations in which the traditional structures of government are absent. That is to say, the norms of governance and government both confer legitimacy but very differently. This difference stems in large from the different tools employed. This represents a step towards addressing the normative question about how the move towards governance has affected the legitimacy of the state. In answering the question of how TPG legitimates, we have seen that this function can operate in most regimes. Therefore it is possible that TPG can be used by most governments to increase legitimacy, not just the ones whose citizens harbour a hostility to big government. TPG possesses a general power to confer legitimacy, somewhat paradoxically, because it is a policy tool held at arm’s length.

Acknowledgement

The writer is grateful for valuable comments and suggestions made by two anonymous referees.
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