
Integrating Innovation Ideas

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This is the fourth in a series of articles dealing with government innovation. Article 3 dealt with "Win-Win Performance Pay." The examples included:

1. Paying stock brokers a percentage of the dividends and/or resale profits.
2. Giving manufacturers an incentive to adopt cleaner processes by making those processes more profitable.
3. Paying employment agencies commissions after welfare recipients have been on the job for at least a few months.
4. Providing bonuses to police officers based on percentage of crimes solved by police units and individual officers.

Article 4 dealt with "Win-Win Vouchers." The examples included:

1. Vouchers to cover the difference between a sub-minimum wage and a minimum wage, provided that the employer offers on-the-job training to bring the worker up to at least the minimum wage level.
2. Vouchers to cover the difference between what workers can afford to pay for food and what farmers need to supply the food, provided that both the workers and the farmers upgrade their productivity.
3. Housing vouchers to get inner-city residents to move up one concentric circle in economic neighborhoods so that their children will go to better schools.
4. Training vouchers to be used by any adult to upgrade his or her productivity through training, but the vouchers cannot be redeemed unless the trainee passes a test and can be redeemed in double if the trainee obtains a new job for at least six months.

Article 5 dealt with "Win-Win Contracting Out." The examples included:

1. Contracting out state factories or state farms with provisions for protecting workers, consumers, and the environment or else the contract is terminated or not renewed.
2. Contracting out legal services for the poor with provisions for law reform activities, clarifying and enforcing existing rights, affirmative recruitment, public education, seeking legislation, law school interaction, and the writing of the appropriate articles and books.
3. Contracting out prisons with specifications that they should be operated at 80% of former cost and the recidivism rate should be improved by at least 10%.
4. Contracting out some or all of the public schools with provisions requiring cost reduction rather than production, test score improvement, and integration.

The purpose of this article is to provide further illustrations of win-win performance pay, vouchers, and contracting out.

I. MORE WIN-WIN PERFORMANCE PAY: HEALTH

The additional example of win-win performance pay relates to the use of health management organizations (HMO's) as a key part of healthcare policy.

Medicare and Medicaid emphasize individuals who go to whatever doctor will service them and then the government pays all or a high percentage of each case-by-case doctor bill. Such a system tends to be much more expensive than salaried government doctors and is inequitable if it only covers the poor and the aged.

Government-owned hospitals or salaried government doctors tend to be inefficient due to lack of competition. Such a system is also inequitable if it only applies to veterans or poor people since health care expenses can

no longer be easily afforded by lower middle-class people or middle-class people in general.

Subsidized HMO's in this context means the government provides health care vouchers to poor people, aged people, and middle-class people who can qualify. Such vouchers supplement the premiums which HMO's require in order to provide HMO coverage. The HMO's compete with each other, thereby generating lower prices and better quality service. The money for the vouchers can come mainly from employers to cover their own employees, with a provision for covering the self-employed and the non-employed. See Table 6-1.

TABLE 6-1. HEALTHCARE POLICY

GOALS	C Privatization	L Equity
ALTERNATIVES		
C Marketplace or Medicare + and Medicaid	+	-
L Government-owned hospitals	-	+
N Both	0	0
SOS OR WIN-WIN Subsidized HMO's	++	++

II. MORE WIN-WIN VOUCHERS: SCHOOLS

When people think of vouchers in the school policy context, they think of vouchers that will support parochial and private schools at the expense of public schools. This is not necessarily the case.

Privatization can be either conservative if private companies are paid to achieve conservative goals, or it can be liberal if private companies are paid to achieve liberal goals.

Table 6-2 shows the school vouchers situation in a win-win context. Conservatives tend to favor vouchers for elementary and high school. Doing so will save taxpayer money by diverting students away from the public schools with private and parochial schools absorbing some of the costs. Such schools will also be more disciplined.

Liberals object to vouchers for elementary and high schools. They argue in favor of using the money for inner-city public schools. Their goal is to improve inner-city learning and to preserve the public school system.

A win-win voucher system might provide for government vouchers to attend nongovernmental schools including those that may be run by the parochial school system. If they are run by the parochial school system, they must be in buildings that have no religious orientation such as crucifixes on the walls. The teachers must also be either non-priests or non-nuns or possibly some priests and nuns wearing secular clothing.

Such a system could be a win-win system. It would save taxpayer money especially if the secular schools run by the parochial school systems agree to a tuition rate per student that is less than what it costs per student to educate them in the public school system. While getting costs down, the learning quality could go up as a result of (1) more experienced teachers who are willing to teach in the inner-city schools, (2) salaries based on performance rather than union seniority, and (3) a more disciplined atmosphere. Those learning quality factors could appeal to both conservatives and liberals especially when there is no breach of separation of church and state as there would be in vouchers to parochial schools.

TABLE 6-2. VOUCHERS FOR SECULAR-PAROCHIAL SCHOOLS

GOALS	C	L
ALTERNATIVES	1. Save taxpayer money 2. More disciplined schools	Improve inner-city education learning
C		
Vouchers for public and private elementary and high schools	+	-
L		
1. No vouchers for any elementary or high schools 2. Use the money for inner-city public schools	-	+
N		
Vouchers only for public schools SOS OR WIN-WIN	0	0
Vouchers for public schools and secular inner-city schools run by the parochial school system	++	++

III. MORE WIN-WIN CONTRACTING OUT: SOLID WASTE (Table 6-3)

TABLE 6-3. SOLID WASTE COLLECTION

GOALS	C	L
ALTERNATIVES	1. Individual responsibility 2. Reduce taxes	1. Community responsibility 2. Clean environment
C		
Privatization	+	-
L		
Government collection with recycling	-	+
N		
Contracting out	0	0
SOS OR WIN-WIN		
1. Vouchers to reduce solid waste 2. Contracting out	++	++

Conservatives tend to favor privatization in sold waste collection in order to increase individual responsibility and reduce taxes. Liberals tend to favor government collection with recycling in order to increase community responsibility and provide for a cleaner environment.

A compromise is to provide for contracting out by the city government. That is better from a conservative viewpoint than solid waste collection by government employees, but not so good as having each residence or business arrange for solid waste collection. Contracting out is better from a liberal viewpoint than total privatization because the

government is in control of who will get the contract and what the contract provisions will be more than if the government tries to regulate the solid waste collectors, but not as much as the government doing the collecting itself.

An SOS solution would be one that reduces the cost of the contract and provides for an even cleaner environment by preventing the solid waste from coming into existence or needing collection. That can be done by giving homeowners and businesses vouchers to buy various kinds of equipment and services that will reduce the need for solid waste collection. An example would be a voucher for buying a mulcher for one's lawnmower to reduce the need for grass collection. Another example would be a voucher for buying a tin-can compactor, which substantially reduces the cost and expense of collecting and recycling tin cans.

The 1994 experience in Champaign indicates that regulated privatization may be more of an SOS alternative than contracting out. The regulation requires private haulers to pick up recyclables. If recycling is purely voluntary, it does not get done very well. The regulation also requires every business firm and household to arrange for hauling of garbage and recyclables. That is a mix of liberal regulation with private enterprise doing the work. The government is in control, but the contracting out is by business firms and households.

IV. SOME CONCLUSIONS

This series of four articles has illustrated that win-win performance pay, win-win vouchers, and win-win contracting out can be a useful form of government innovation. They are useful in the sense that they are geared toward enabling both conservatives and liberals to come out ahead of their best initial expectations simultaneously. Ordinary performance pay, vouchers, and contracting out tend to be geared more toward conservative privatization, especially with regard to contracting out, or toward liberal vouchers which may be a form of welfare handouts, like food stamps. Performance pay tends to be either conservative or liberal depending on whether people are being paid to perform conservative or liberal goals.

We would like to get readers of this journal symposium on creativity in public policy to get more involved in thinking about government innovation. Therefore, we invite readers to suggest to the symposium editor

other forms of win-win performance pay, win-win vouchers, and win-win contracting out. There may be many more government activities and goals that could benefit from this kind of useful innovation, but the applications have not been made or even suggested. These are new and useful ways of thinking about governmental activity. If two heads are better than one, then numerous readers should be better than two, without too many cooks spoiling the chicken soup for the creative soul.