



Policy advice through the market: The role of external consultants in contemporary policy advisory systems

M. Howlett^{a,b,*}, A. Migone^a

^a Department of Political Science, Simon Fraser University, Burnaby, BC, Canada V5A 1S6

^b Lee Kuan Yew School of Public Policy, National University of Singapore 469C Bukit Timah Road, 259772, Singapore

Abstract

The use of external policy consultants in government has been an increasing focus of concern among governments in the U.S., the UK, Canada and Australia, among others. Concern has arisen over the costs incurred by governments in this area and over the possible rise of a ‘consultocracy’ with the corresponding diminishment of democratic practices and public direction of policy and administrative development that could entail. However, current understanding of the origins and significance of the use of policy consultants in modern government is poor with some seeing this development as part of a shift in the overall nature of state-societal relations to the ‘service’ or ‘franchise’ state and away from the ‘positive’ or ‘regulatory’ state, while others see it as a less significant activity linked to the normal development of policy advice systems in modern government. This article surveys the existing literature on the phenomena, in general, and identifies several methodological and data-related issues germane to the study and understanding of the activities of this set of external policy advisory system actors.

© 2013 Policy and Society Associates (APSS). Elsevier Ltd. All rights reserved.

1. Introduction: policy consultants and the externalization of policy advice

As the articles in this theme issue demonstrate, it is very useful to examine professional policy work as existing within larger “*policy advice systems*” which transcend the boundaries of internal government expertise and knowledge transmission activities (Halligan, 1995; Nicholson, 1997). Recent studies from New Zealand, Israel, Canada and Australia, among other countries, have shown that government decision-makers sit at the centre of a complex web of policy advisors which include ‘traditional’ political and policy advisors in government but also a range of external non-governmental actors. These external sources of advice include NGOs, think tanks and other similar organizations but also less formal or professional advice obtained from decision-makers’ colleagues, friends and directly from members of the public and political parties (Dobuzinskis, Howlett, & Laycock, 2007; Eichbaum & Shaw, 2007; Halligan, 1995; Lahusen, 2002; Maley, 2000; Peled, 2002; Vaitsman et al., 2013).

Among these advisors are private sector consultants brought into governments on a more or less temporary basis to provide advice and expertise. Page’s (2010) study of regulatory policy-making identified four types of expertise relevant in government: (1) scientific expertise; (2) policy expertise; (3) process expertise and (4) instrument expertise. Page and Jenkins (2005) stressed how internal government policy experts are usually process experts, and more recent work confirmed a distinct lack of scientific, policy and instrument expertise among bureaucrats,

* Corresponding author.

E-mail addresses: Howlett@sfu.ca (M. Howlett), amigone@sfu.ca (A. Migone).

potentially opening the door to external experts to exercise a great deal of influence in these areas (Page, 2010; see also Howlett & Migone, 2013a).

Understanding the nature of this ‘external’ professional policy analysis community is thus an important task in better understanding modern policy advice systems. Discerning their influence, and effectiveness in different analytical contexts, is linked to how a policy advice system is structured and operated in a specific sector of policy activity. However, the role that external analysts and advisors play in policy-making has been little studied and is not well understood.

The common wisdom is that for-hire consultants play a significant role in contemporary policy-making, arguably an increasingly significant one (Dent, 2002; Guttman & Willner, 1976; Howlett & Migone, 2013a, 2013b; Kipping & Engwall, 2003; Martin, 1998; Wagner & Wollman, 1986). European studies, for example, have noted the explosive, though unevenly distributed, growth of contract consultants in all areas of government over the last several decades (FEACO, 2002). A 2007 UK government survey, for example, estimated their cost at approximately \$5 billion in 2005–2006 (House of Commons Committee of Public Accounts, 2007, p. 1) representing a 30% increase in this estimate over the three-year period 2003–2006. Similar figures have been reported in New Zealand and Australia (see ANAO, 2001; State Services Commission, 1999).

While it is not yet clear if their use in the public sector has reached the levels attained in the private sector, it is clear that the number of consultants in government has grown since the issue was first flagged in the 1970s (House of Commons Committee of Public Accounts, 2007, 2010; House of Commons Committee on Health, 2009; National Audit Office, 2006, 2010; South Australia, 2005). However, information on *policy* consultants is scarce and better studies of policy advisory activities originating outside of government are required to better situate these policy workers within the context of alternate sources of policy advice to governments (Adams, 2004).

In this article we explore the complex nature of policy consulting work and the difficulties associated with gauging its influence. We examine the roles policy consultants undertake and examine the reasons for them.

2. Consultants’ policy work

Tisdall (1982) lists the activities of private sector management consultants involving the subject areas covered in Table 1. This work can be done on a contract or fee for service basis, as very short term or as multi-annual commitments. Services can be provided by individuals or large multi-national firms with thousands of employees and contracts and they can be delivered on a project or on-going basis.

Which of these modalities is in place in public sector consulting activity is a key question. Often, consultants perform tasks or deliver services identical with those provided or delivered by government employees (MacDonald, 2011; Project on Government Oversight, 2011). However in many areas they take on important ‘change management’ or other roles, providing insights into the nature and modalities of contemporary ‘best practices’ agencies wish to adopt (Lapsley & Oldfield, 2001). Howlett and Migone (2013a) found that policy consultants working for various levels of the Canadian government, undertake a variety of tasks like preparing briefs, studying and presenting policy options are generally engaged in what can be described as ‘process’-driven activities.

These consulting activities occur with their own timetable and sequence of events. Pattenaude (1979) breaks down a typical “consultant episode” identifying ten phases from problem recognition to evaluation (see Table 2). As this timetable shows, significant government management activities surround employment of a consultant and incorporation of their work into government deliberations.

Brint (1990) identified four somewhat contrasting ‘principle positions’ or roles experts such as policy and management consultants can play in public policy processes. He focused on key variables affecting the experts’ ability

Table 1
Activities of Management Consultants.

Business administration	Company policy and development
Distribution and transport	Economic and environmental planning
Finance	Marketing
Personnel	Production
Information systems	Data processing

Source: Tisdall (1982, p. 86).

Table 2
Pattenaude's stages of consultancy.

Phase I	Problem recognition
Phase II	Generation of solution strategies
Phase III	Decision to seek a consultant
Phase IV	Problem specification
Phase V	Search for consultant
Phase VI	Consultant selection and contracting
Phase VII	Utilization of consultant
Phase VIII	Evaluation of consultant product
Phase IX	Integration of consultant product to organization
Phase X	Evaluation of experience with consultant

Source: Pattenaude (1979, pp. 203–205).

to affect policy-making, including their capacity to frame issues as technical ones, and whether or not the political environment is organized in such a way as to allow them to continually exercise their technocratic proficiencies. The four resulting consulting situations he identified are:

1. *Technocracy* – where experts are seen as having an increasing influence on policy-making as the subjects of government action become more complex and technical.
2. *Servants of power* – where experts exist as mere ‘servants’ of the powerful, providing ‘window dressing’ or a legitimate gloss on decisions taken for non-technical reasons.
3. *Limited mandates* – an intermediate position, where experts can be expected to overrule or dominate policy-making, but only in specific area, which require technical knowledge.
4. *Extensive mandates* – another intermediate position but closer to the technocracy one where professional non-governmental bodies are seen as having a large impact on more than just areas of policy-making within their specific range of expertise, but not upon all topics as suggested by the technocracy thesis. In general Brint found most consultants to work with limited mandates or as ‘servants of power’ rather than to form technocratic elites with extensive mandates and influence.

Czarniawska and Mazza (2003) also suggested that consultants are likely to play only a limited mandate role, arguing they are generally poorly organized to exercise any kind of permanent influence, relying strongly on a variety of appropriate political and institutional characteristics in order to exercise any influence at all. This latter, contingent, view of contractor's influence is supported by Houten and Goldman's (1981), Saint-Martin's (1998a), and National Audit Office (UK) (2006) findings. That is, regarding professional policy analysts in general, these authors suggest consultant's activities are very closely tied to available resources in terms of personnel and funding; the demand they face from clients and managers for high quality results, and the availability of high quality data and information on future trends. This is similar to the situation encountered by their internal government counterparts (Howlett, 2009; Riddell, 1998). This suggests the influence of external consultants on policy-making is likely to vary by issue and circumstance and that understanding the sources and direction of these variations are important information for both policy theorists and practitioners interested in understanding the role of this ‘hidden’ or ‘invisible public service’ (Druckman, 2000; Speers, 2007).

Explanations found in the private sector literature for the use of contract consultants fall into three categories: supplying needed technical skills; symbolic impression management; legitimization and change management (Ernst & Kieser, 2002; Rosenblum & McGillis, 1979). These same rationales can be found in the public sector. The most benign explanation for the increased use of consultants in government centres on skill shortages or the need for temporary augmentation of the internal skill sets available to organizations. Although this is often tied, for the public sector, to concerns about such shortages being made more acute by rounds of downsizing in which core competencies suffered, generally, this view sees few problems employing temporary workers to supplement or enhance in-house talent (see Bloomfield & Danieli, 1995 for such a discussion in the case of IT consultancies). However others see this as an inherently wasteful practice, as private firms charge high rates for their talent and public managers often gravitate towards this quick solution to their human resource shortages rather than develop sufficient in-house human capital

(Kline & Buntz, 1979; Project on Government Oversight, 2011). Continual recourse to external expertise is also thought to lead to a gradual shift in in-house competences (Page, 2010; Page & Jenkins, 2005).

Another common thread in the literature, also, regards the use of consultants less benignly but downplays the significance of the expertise issue in their selection and activities. Clark (1995), for example, argued that in both the private and the public sectors consultants can be used as tools in bureaucratic in-fighting over preferred courses of action, budgetary allocations and the like, through a process of ‘impression management’. They can be used to heighten the legitimacy of specific proposed courses of action (Clark & Salaman, 1996), often leading to ‘duelling consultants’ advocating specific possible activities (Houten & Goldman, 1981). However, sometimes consultants also are brought in simply to offset complacency. That is, to ‘stir things up’ without necessarily being attached to a specific agenda for action (Czarniawska-Joerges, 1989). Utilizing outside experts to evaluate ongoing programmes is also a common technique in government utilized to bring more ‘neutrality’ and ‘objectivity’ into the evaluation process, with consultants frequently employed for these tasks (Speers, 2007).

In general terms, three views of the effects that consultants have on the organizations that employ them have emerged in the literature. One argues that consultants lead organizations towards the same models and ideas and thus act as significant change agents, the second maintains that the organizations themselves will ‘hybridize’ the advice they receive from consultants, and finally a third sees consultants as providing only ‘fashionable’ – and thus changing and relatively superficial – advice to organizations (Kipping & Clark, 2012, p. 9).

These are potentially very significant roles in policy-making processes and the influence and use of external policy consultants not surprisingly has been an increasingly important focus of concern among governments in the U.S., the UK, Canada and Australia, among others (ANAO, 2001; Bakvis, 1997; House of Commons Committee of Public Accounts, 2010; MacDonald, 2011; Project on Government Oversight, 2011).

Most of this concern, however, has arisen over the costs incurred by governments in contract activity which tend to escape careful oversight and scrutiny through traditional means established for permanent employees (Craig, 2006). Others, however, have raised larger issues, going so far as to suggest the rise of a private-sector based ‘consultocracy’ may have led to a diminishment of democratic practices and of the public direction of policy and administrative development (Saint-Martin, 2004, 2005). Saint-Martin (2005, p. 671), for instance, has noted:

Some have written about the ‘new cult of the management consultant’ in government and have described consultants and ‘intellectual mercenaries’ as ‘hired guns’ that ‘politicians can use to bypass reluctant civil servants, while others have coined the term ‘consultocracy’ to underline the growing influence of consultants on the public management process.

Other accounts, however, are less worried and more sanguine about the contracting phenomenon and its growth. They include policy consulting in a more general shift in overall state-societal relations – away from the ‘positive’ or ‘regulatory’ state (Majone, 1997) and towards the ‘service’, ‘franchise’, or ‘competition’ state (Bilodeau, Laurin, & Vining, 2007; Butcher, Freyens, & Wanna, 2009; Perl & White, 2002; Radcliffe, 2010). This approach centres on the idea that the contemporary ‘service state’ is based on many more external–internal links in the provisions of services – where contracting is often the norm – than the pre WWII ‘autarkic state’ which relied on “in house provision of all kinds of services” aiming to deliver ‘consistency, reliability and standardization’ in service provision (Butcher et al., 2009, p. 22). This old system has been replaced, it has been argued, by the contemporary service state; “a hybrid mixture of part public part private activities, delivery chains that do not remain in neat boxes or organizational settings, loose combination of actors and providers who are each necessary to see something delivered” (Butcher et al., 2009, p. 31). Here, the state is the chief contractor and the extension of contracts to policy and administrative matters should neither be surprising nor unexpected. Adherents of this position acknowledge for-hire consultants play a role in policy-making, arguably an increasingly significant one, but view this generally in a positive light (Dent, 2002; Guttman & Willner, 1976; Kipping & Engwall, 2003; Martin, 1998; Wagner & Wollman, 1986).

Whether or not consultant advice has a significant impact of policy-making and policy outcomes is thus a significant question and more and better empirical research is required in order to resolve the different views on its origins and impact held by different scholars and investigators. At present, however, the state of empirical data and research into the consulting phenomenon in government is very poor and does not allow a clear determination to be made.

3. Empirical and Methodological Problems in clarifying the subject: data issues in comparative government reporting on the use of consultants

While increasingly concerned about the use of consultants, governments and outside scholars alike have found it very difficult to ascertain the exact amount of government consultancy spending, let alone its use and its impact, and those attempting to get a handle on the subject – whether from within government or outside it – continue to face several critical data and methodological challenges in researching these subjects.

This was made clear in several studies undertaken in different countries in the 1990s and 2000s as concerns with the ‘hidden’ costs of the ‘corporatization’ of the public service led to efforts to expand benchmarking measures for government efficiency to assess the efficacy of external consulting and professional service contracts and contracting practices (Bilodeau et al., 2007). These studies mainly argued the use of consultants in government had increased substantially in the recent past and often did not represent ‘value-for-money’ compared with utilizing internal government expertise (House of Commons Committee of Public Accounts, 2010).

These studies, however, faced several critical challenges given the weak current state of governmental financial and personnel reporting on contracts and consulting which undermine confidence in their findings. While parliamentary and government accounting office inquiries often concluded that in many cases more value would be gained by governments reducing the number of external contracts, the data used to draw these conclusions is very weak, ironically, as the inquiries themselves acknowledged. Reports in this area, for example, often conflated different types of consulting, making it extremely difficult or impossible to separate policy advice from the other areas of consulting for governments. Below we summarize some recent efforts to investigate the extent of government consulting activity in the United States, Australia, the UK, and Canada which illustrate these problems.

3.1. USA

Growth in the government’s use of contractors in the USA in recent years is high profile and undeniable. The Bush Administration oversaw “the most significant increase in recent history in the largely hidden workforce of contractors and grantees who work for the federal government” (Light, 2006, p. 1). Light identified \$400 billion in contracts and \$100 billion in grants in 2005, leading him to conclude that official estimates of the size of the US federal government were much under-estimated (see Table 3). The study concluded that in 2005 over half of federal employees (a number estimated at 7.6 million) were contract employees (Light, 2006, p. 1).

Of course this study conflated all types of contract employees regardless of their area of activity or the kinds of tasks they undertook. The same is true of a Project on Government Oversight (2011) study which analyzed the total compensation paid to US federal and private sector employees, and annual billing rates for contractor employees across 35 occupational classifications covering over 550 service activities and found significant wastage. In 33 of these classifications it found federal employees were less expensive, with external rates as much as five times higher than those of government employees performing the same work. In some cases it found the federal government in some cases to have paid contractors 1.83 times more than federal employees in total compensation, and more than twice the total compensation paid in the private sector for comparable services (Project On Government Oversight, 2011, p. 1). However the study also noted that “all of the increase in contract employees is due to increased spending at the

Table 3
True size of US Government 1990–2005.

Measure	1990	1993	1999	2002	2005	Change 1999–2002	Change 2002–2005
1. Civil servants	2,238,000	2,157,000	1,820,000	1,818,000	1,872,000	–2000	54,000
2. Contract jobs	5,058,000	4,884,000	4,441,000	5,168,000	7,634,000	727,000	2,466,000
3. Grant jobs	2,416,000	2,400,000	2,527,000	2,860,000	2,892,000 ^a	333,000	32,000
4. Military personnel	2,106,000	1,744,000	1,386,000	1,456,000	1,436,000	70,000	–20,000
5. Postal service jobs	817,000	820,000	872,000	810,000	767,000	–62,000	–43,000
The true size of government	12,635,000	12,005,000	11,046,000	12,112,000	14,601,000	1,066,000	2,489,000

Source: Light (2006, p. 11).

^a Grant data are from 2004 the last year for which complete data were available at the time of this analysis.

Department of Defense” (Light, 2006, p. 1), a fact which highlights the misleading nature of much existing aggregate data on government’s contracting out of services—which is difficult to apply to specific activities such as policy of management consulting.

3.2. Australia

Howard (1996) attempted to estimate expenditures on consultants by Australian governments over the period 1974–1994 and found the following general picture (see Table 4). The total reported spending on consultants in the Australian Commonwealth government for the period 1988–1989 to 1993–1994 was AUS\$2.459 billion. However, total reported spending on consultants fluctuated widely over the period and, as in the US, was distorted by the activities of a small number of agencies. As Howard noted:

This pattern, however, gives a quite artificial impression as it results from distortions to an underlying trend produced by two agencies, AIDAB and DAS. Excluding these two cases, spending by all other Commonwealth departments increased steadily over the period — from \$58.95 m. in 1988–89 to \$126.83 m. in 1993–94 — with a downturn occurring in only one year (1991–92).

While apparently much more detailed and precise than the US data, however, as Howard acknowledged, he had to painfully reconstruct the data from individual contracts and only four departments presented totals for number and cost of consultancies from the first year of reporting. He also found in some cases that itemizations provided by departments were not consistent with regulations governing them and that the data collected by Departments pertained “only to consultancies commissioned by departments, not by statutory authorities in the same portfolio” (Howard, 1996, p. 69). He also found that departments had not been required to “distinguish between consultants engaged during the year and those paid during the year” (about 10–20% of consultancies occurring over several reporting periods) until quite recently but only two departments fully complied with new requirements to report such activities. Furthermore, he found that idiosyncratic reporting practices by various units made it difficult to assess the precise nature of consulting activity. He estimated the amount of double counting involved because of these differences to range from 5 to 15% in the particular year concerned.

As a result, Howard concluded that much of what he had thought was a pattern of rapid growth in Australian government consulting was more apparent than real and depended on data reporting issues rather than changes in government practices. Similar data and reporting problems were found in a state-level investigation in South Australia (South Australia, 2005).

3.3. UK

By 2005–2006 the public sector in England spent approximately £2.8 billion on consultants, with central government accounting for £1.8 billion or three times the 1999–2000 rate. Between 2003–2004 and 2005–2006 spending on consultants rose by a third, from £2.1 to £2.8 billion, mostly from increases spending by the National Health Service. Again, however, this varied by Department. Only two departments had shown a consistent decrease in their spending on consultants over entire the period. This changed somewhat over the next several years as Chart 1 shows.

In 2009/2010 the British Treasury, the Department for Transport, and the Department for Education all spent more than 50% of their total staff cost on consultants. The Departments of Energy and Climate Change and the Home Office spent 40% of their budget on consultants. The NAO concluded that “central government is repeatedly using consultants for core skills, including project and programme management and IT, and is increasingly turning to a select list of suppliers”.

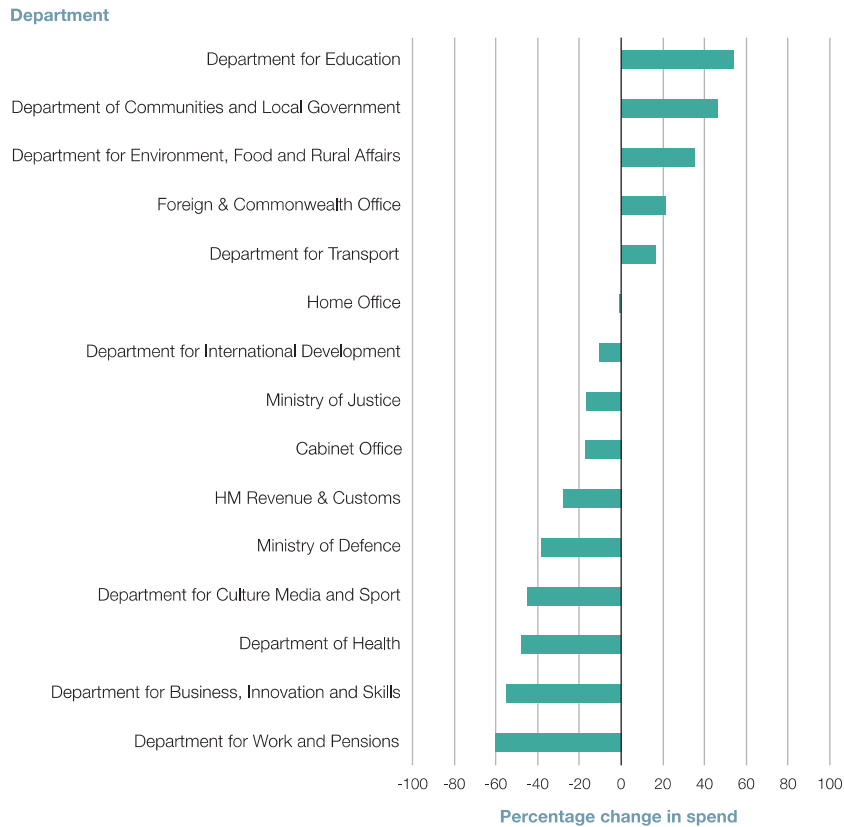
Similar problems to those reported by Howard in Australia, however, plagued these National Accounting Office studies. For example, a survey of 152 departments in October 2000 found that in purchasing professional services in 1999–2000 that there had been an increase of only 7% in real terms compared to 1993–1994. Of this, 38% (£231 million) was spent on management consultancy; 11% (£67million) on legal services; 5% (£28 million) on financial; and 3% (£21 million) on human resource advice and assistance.

The NAO found the pattern of contracts to roughly parallel relative Department budget sizes. More significantly though, they found most contracts to be quite large in size as 55% of all departments’ spending on

Table 4
Commonwealth departments: expenditure (\$'million) on consultancies, 1987–1994.

Department/portfolio	Years							Total 1988/ 1989–1993/1994	% Increase 1988/ 1989–1993/1994	Av. annual % increase 1988/ 1989–1993/1994
	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994			
DFAT–AIDAB		122.078	405.398	575.299	194.581	116.197	182.380	1595.933	49.40%	9.88%
Admin. services	70.300	65.634	58.146	47.016	30.918	33.907	33.230	268.851	–49.37%	–9.87%
Defence	6.646	18.890	23.061	31.940	20.875	39.953	33.235	167.953	75.94%	15.19%
Empl., educ. and training		9.551	9.352	17.390	19.600	9.551	7.608	73.052	–20.35%	–4.07%
Health, hous and comm. serv.	3.052	4.013	6.638	10.902	9.578	13.758	14.766	59.655	267.94%	53.59%
Transport and commun.	4.282	3.228	8.047	7.871	9.051	6.302	6.291	40.789	94.86%	18.97%
Prim. ind. and energy	1.804	3.348	4.796	8.316	8.403	8.357	7.262	40.483	116.89%	23.38%
Arts, sports, env., tourism and territories	4.481	4.481	5.778	5.369	5.366	6.244	7.957	35.195	77.58%	15.52%
Finance	0.472	0.802	0.764	1.372	3.578	10.938	17.991	35.446	2142.87%	428.57%
Industry and technology		4.110	8.622	5.694	3.087	3.103	3.532	28.148	–14.07%	–2.81%
Immig. and ethnic aff.		2.458	6.834	4.424	5.821	2.672	6.479	28.688	163.58%	32.72%
Veterans' affairs		1.445	2699	2.167	2.548	4.240	4.074	17.173	181.85%	36.37%
Prime min. and cabinet		1.360	1.732	1.975	3.000	4.655	4.007	16.729	194.64%	38.93%
For. affairs and trade	0.747	1.035	1.659	3.757	1.031	1.795	4.190	13.468	304.73%	60.95%
Attorney-General's		1.397	1.398	1.328	3.041	2.889	2.614	12.666	87.09%	17.42%
Social security		1.939	1.412	2.089	2.265	2.355	2.514	12.574	29.66%	5.93%
Industrial relns.		0.847	1.162	0.884	1.107	1.385	2.530	7.915	198.68%	39.74%
Treasury		0.042	0.218	0.566	0.518	1.368	1.780	4.492	4116.31%	823.26%
All	91.784	246.661	547.716	728.357	324.367	269.669	342.441	2459.211	38.83%	7.77%
All (bar DFAT–AIDAB)	91.784	124.583	142.318	153.059	129.786	153.471	160.061	863.278	28.48%	5.70%
All (bur DFAT–AIDAB, DAS)	21.484	58.949	84.172	106.042	98.868	119.565	126.831	594.427	115.15%	23.03%
All (bar DFAT–AIDAB, DAS. Defence)	14.838	40.059	61.111	74.102	77.994	79.612	93.596	387.414	9259.61%	1851.92%

Source: Howard (1996, p. 70).



NOTES

- 1 Ministry of Justice did not exist in 2006-07. The percentage change at Ministry of Justice is based on spending between 2007-08 and 2009-10.
- 2 Department of Energy and Climate Change was established on 6 June 2008 and is not included in this analysis.
- 3 HM Treasury has been omitted from the figure as its increase in gross spending on consultants is over 1,000 per cent. This does not take account of the fact that in 2009-10 HM Treasury recovered over 90 per cent of its gross spending by re-charging financial institutions.

Source: National Audit Office survey

Chart 1. Change in UK government spending on consultants 2006–2010 by department.

professional services was covered by contracts worth over £149,000 and only 6% less than £10,000. And they found these to be quite concentrated as twenty-five suppliers accounted for 37% of all departments' expenditures in these areas. Only half of the contracts were awarded following full competition. However, once again, data quality was poor. The NAO acknowledged, for example that "the responses to our survey revealed considerable variation in the quality of departments' information on their expenditure on professional services." Departments lacked detailed data on their expenditures on professional services including fee rates, quality of services and suppliers' information, all critical data for the efficient management of these contracts (NAO, 2010, p. 5). Previous reports had found very similar problems in the management of consulting (NAO, 2006, p. 1):

Departments were found not to assess properly whether internal resources could, in the long term, be better suited than external ones and generally to have adequate processes in place to review post-project performance and share this information across departments. They were also found lacking in exercising adequate controls especially when awarding single tender contracts and to have little in depth knowledge of the array of contracts they let or to transfer skills from external consultants to internal agents (NAO 2006: 17).

Table 5
Top 10 Canadian Government Contract Areas 2005–2010.

Description	Total (April 2005–June 2010)
Other Professional Services	\$3,833,835,461
Architectural and Engineering Services	\$3,629,932,477
Computer Equipment	\$3,319,088,496
Management Consulting	\$2,422,039,296
IT	\$2,179,246,399
Business Services	\$1,329,298,953
Telephone and Voice Services	\$1,085,863,138
Software	\$988,382,443
Temporary Help	\$845,899,781
International Development Goods & Services	\$697,115,212

Source: MacDonald (2011).

3.4. Canada

While the level of detail in official accounts of consultants activity in Canada before 2006 was also poor (see Howlett & Migone, 2013b)¹ several secondary studies examined the role of policy and management consultants specifically (Bakvis, 1997; Saint-Martin, 1998, 2005, 2006; Speers, 2007). Perl and White (2002), for example, found “evidence for a growing role played by policy consultants at the national government level is compelling in Canada.” Annual, government-wide, expenditure on “other professional services” reported in the Public Accounts of Canada for fiscal years 1981–1982 through 2000–2001 showed “a continuous increase from C\$239 million in 1981–1982 to C\$1.55 billion in 2000–2001” a 647% increase over twenty years. As a share of total government expenditures it rose steadily from 0.35% to 0.97% over the same period.²

Perl and White, however, noted the difficulties this data entailed in terms of its use with respect to ‘policy consultants’ since it dealt with all kinds of professional services, many of which are, for example, are in non-policy related areas such as information technology. A Public Service Commission of Canada study regarding the use of temporary help services in eleven Canadian public service organizations also highlighted these same data issues (PSC, 2010).

Drawing on new data, MacDonald (2011, p. 5) was able to argue that the cost of federal personnel outsourcing of temporary help, IT consultants and management consultants between 2005 and 2010 ballooned by almost 80%, to nearly \$5.5 billion (see Table 5 and Chart 2). He also found this growth in personnel outsourcing to be concentrated in four large departments – Public Works and Government Services Canada, National Defence and Canadian Forces, Human Resources and Skills Development, and Public Safety and Emergency Preparedness – which together make up half of all federal government outsourcing (see Table 5 and Chart 2). He also found a strong concentration of outsourcing in very few companies. In their work examining the activities of policy and management consultants in

¹ In Canada access to the data about government expenditures in this area has become somewhat easier since the implementation of the Federal Accountability Act on December 12, 2006. The Act has legislative, procedural and institutional facets that are designed to increase the transparency and accountability of the government spending. From the institutional point of view the Act also introduced some important changes, for example creating the Office of the Procurement Ombudsman, which addresses perceived fairness issues in procurement. The office has relatively little information on the topic of policy consulting and policy management as it pertains to external advisors, however, its focus is mostly on ensuring a fair and competitive business environment for the companies that bid on government contracts.

² Only very limited provincial data exists despite their significant policy-making role in key areas such as education, health and welfare, transportation and others. In 2001, the Office of the Auditor General of British Columbia reports that BC government ministries spent about \$46 million over the previous three years on advisory services. The BC audit, however, covered only a sample of management consulting engagements across five ministries due to the same data problems found in Australia and the UK.

We initially intended to take a statistical sample of such contracts across government. However, the nature of the information maintained in the ministries made this impracticable. There is no central contract management system for government. In fact, every ministry has its own system and each varies from the next in terms of the type of information collected. For this reason, and because ministry contract management systems do not differentiate between management consulting contracts and other professional service contracts, it was impossible to determine the population size from which to draw a statistically representative sample (Office of the Auditor General of BC, 2001).

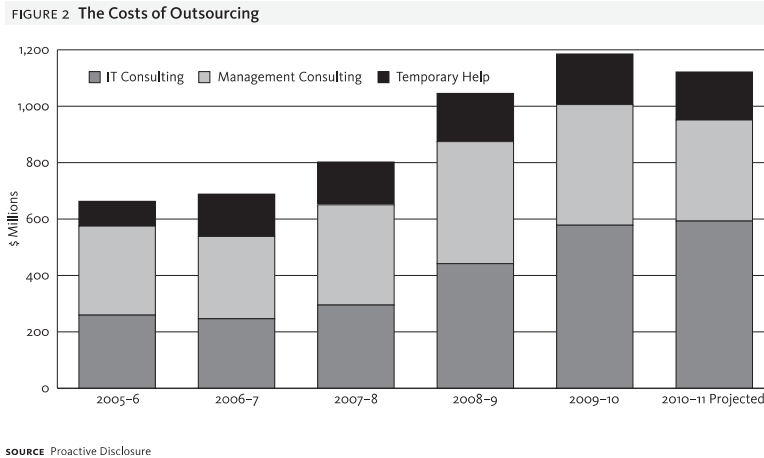


Chart 2. Sources of outsourcing costs: Canada 2005–2011.

Source: MacDonald (2011, p. 9).

Canada over the 2004–2013 period, Howlett and Migone (2013a, 2013b) also found a very similar picture, but again encountered difficulties distinguishing the two kinds of consulting activities.

4. Conclusion: policy consulting and its analytical vicissitudes

Concerns about the role and use of consultants in government are not recent, as numerous publications on the subject from the 1970s attest (Guttman & Willner, 1976; Kline & Buntz, 1979; Meredith & Martin, 1970; Rosenblum & McGillis, 1979; Wilding, 1976). Several issues adhere to the management of consultants in government which makes them an important area of public policy research. Government studies (House of Commons Committee of Public Accounts, 2007; South Australia, 2005), have focused on six areas of interest using survey and interview data. These are:

1. The Extent of use of external consultants;
2. The Rationale for engaging consultants;
3. The Selection process;
4. How external consultants were engaged;
5. How external consultants were recorded and reported and;
6. How the use of consultants was reviewed and evaluated.

Several of these have received detailed treatment in the literature. The selection/engagement process and management of consultants once hired have been examined and some work analyzes how governments select consultants (Corcoran & McLean, 1998) and their impact in bolstering or undermining internal government advisors and capacities (Kline & Buntz, 1979; Rosenblum & McGillis, 1979; Wilding, 1976).

However, more recently concerns have emerged not just about the size and number of consultancies, subjects which animated older studies, but about their apparent recent rapid growth as both a percentage of government employees and expenditures (Speers, 2007; MacDonald, 2011) and concomitantly about their increased influence and impact on the content and direction of government decision-making (Saint-Martin, 1998; Speers, 2007). In general, unfortunately, only very few authors have examined these latter questions (Lippitt, 1975; Rehfuss, 1979).

Very few, if any, studies have developed or tested theories of the policy influence of outside experts against empirical evidence of the role consultants have played in actual policy-making instances (Lapsley & Oldfield, 2001; McGivern, 1983; Mitchell, 1994). As a result policy and management consultants continue to be sometimes seen as independent ‘agents of change’ (Lapsley & Oldfield, 2001; Tisdall, 1982) and sometimes as weak, ‘liminal’ subjects dependent for any potential influence on allowances made for this by their employers (Bloomfield & Danieli, 1995; Garsten, 1999) different positions continue.

This is due at least in part to the fact that overcome. First, as Howard noted in the case of Australia, the quality of existing data on government contracting in most countries is very poor (Howard, 1996; Lahusen, 2002; Perl & White,

2002), with existing data being either non-existent or where it does exist, very inconsistent and generally biased towards detailing the growth of expenditures on contracting involved rather than its influence or impact (ANAO, 2001; FEACO, 2002; House of Commons Committee of Public Accounts, 2007; State Services Commission, 1999). The UK House of Commons Committee of Public Accounts (2010, p. 5), for example, noted “the Cabinet Office’s argument that it is impossible to measure whether government’s use of consultants represents value for money.”

Second, as some of the Canadian studies cited above have shown, even when enhanced reporting has been implemented, it remains very difficult to separate out ‘policy consulting’ from categories of expenditures and activities recorded by governments in areas such as information, engineering or technical services consulting or even from ‘management consulting,’ the category often used to capture policy consulting in official government reports and documents (Jarrett, 1998; Perl & White, 2002; Saint-Martin, 2006).³ It is also often difficult in official statistics to distinguish ‘consultants’ from other kinds of ‘temporary and part-time workers’ (MacDonald, 2011; Project on Government Oversight, 2011; McKeown & Lindorff, 2011). These are important distinctions which are often glossed over in much of the literature and can lead, for example, to the over-estimation of the number of policy consultants. Policy consultants’ numbers are also overestimated when using the numbers of management consultants as a proxy measure, since this category also often includes figures for large numbers of IT and other kinds of consultants (MacDonald, 2011; Perl & White, 2002).

Third, while there may be concerns with growth in terms of the impact of consultants on public service unionization, professional standards, accountability for funds and the like, it is difficult to determine the extent of *policy* influence from government expenditure numbers. Even when policy consultants are properly identified the question of their influence over policy processes and outcomes remains unclear. Some studies, for example, have stressed the role played by a few large companies in monopolizing the consultancy market and suggested the record of these firms in providing good advice is shaky at best (O’Shea & Madigan, 1998). Others noted the large numbers of smaller firms involved in the industry and the often very weak position they find themselves in when advising large clients such as government departments (Sturdy, 1997), again leading to poor advice and poor outcomes. Similarly while some studies focus on the reputational aura that some consultants can muster given their status as experts and professionals (Evetts, 2003; Evetts, 2003a; Kipping & Engwall, 2003), others note the disregard with which their credentials are held by many employers (Bezes et al., 2010; Brint, 1990; Czarniawska & Mazza, 2003).

Ultimately, these challenges present both a theoretical framing and a data challenge to researchers. The practical challenge is that there is relatively little written about policy consultants in part because of the poverty of the data in many situations, while at the level of framing the role of policy consultants has been scantily researched and much of the extant literature is actually focused on management consultants rather than policy ones. So the field suffers from a relative lack of well-established, dynamic theoretical frameworks that would support practical research and analysis and vice versa.

Nevertheless, there is no denying external consultants play a major role in government policy deliberations and that externalization of policy advice has altered the nature of preferred policy advisory system structures. Halligan (1995), for example, argued, “the conventional wisdom” for many years with respect to policy advice in government was that a good policy advice system should consist of:

“at least three basic elements within government: a stable and reliable in-house advisory service provided by professional public servants; political advice for the minister from a specialized political unit (generally the minister’s office); and the availability of at least one third-opinion option from a specialized or central policy unit, which might be one of the main central agencies.” (p. 162)

This largely internal vision now competes with one in which, as Anderson (1996) noted, “a healthy policy-research community outside government can play a vital role in enriching public understanding and debate of policy issues, and it serves as a natural complement to policy capacity within government.” External policy consultants play an

³ In Canada, for example, the new Proactive Disclosure project (which publicizes federal contracts over \$10000.00 of value) provides information for the Departments and Agencies of the federal public administration. However, only a very small percentage of these include a more detailed breakdown of the services provided that would allow researchers to assess whether the contracts have a policy dimension at all. Only the following administrative units provide detailed information about the nature of the contracts that have been let: Canadian Environmental Assessment Agency, Infrastructure Canada, National Parole Board, Office of the Auditor General of Canada, Parks Canada, Privacy Commissioner of Canada, Public Safety Canada, RCMP External Review Committee, Western Economic Diversification Canada.

important bridging role in these new systems and overcoming data and conceptual limits to their analysis and study is essential for this field of study to move forward.

References

- Adams, D. (2004). Usable knowledge in public policy. *Australian Journal of Public Administration*, 63(1), 29–42.
- ANAO. (2001). *Developing policy advice, auditor-general audit report No. 21 2001–2002 performance audit*. Canberra: Australian National Audit Office.
- Anderson, G. (1996). The new focus on the policy capacity of the federal government. *Canadian Public Administration*, 39(4), 469–488.
- Bakvis, H. (1997). Advising the executive: Think tanks, consultants, political staff and kitchen cabinets. In P. Weller, H. Bakvis, & R. A. W. Rhodes (Eds.), *The Hollow Crown: Countervailing trends in core executives*. New York: St. Martin's Press.
- Bezes, P., Demazière, D., Le Bianic, T., Paradeise, C., Normand, R., Benamouzig, D., et al. (2010). New Public Management et professions dans l'État: Au-delà des oppositions, quelles recompositions? *Sociologie du Travail* <http://www.sciencedirect.com/science/article/pii/S0038029611000537>.
- Bilodeau, N., Laurin, C., & Vining, A. (2007). Choice of organizational form makes a real difference: The impact of corporatization on government agencies in Canada. *Journal of Public Administration Research and Theory*, 17(1), 119–147.
- Bloomfield, B. P., & Danieli, A. (1995). The role of management consultants in the development of information technology: The indissoluble nature of socio-political and technical skills. *Journal of Management Studies*, 32(1), 23–46.
- Brint, S. (1990, September). Rethinking the policy influence of experts: From general characterizations to analysis of variation. *Sociological Forum*, 5(3), 361–385.
- Butcher, J., Freyens, B., & Wanna, J. (2009). *Policy in action: The challenge of service delivery*. University of New South Wales Press.
- Clark, T. (1995). *Managing consultants: Consultancy as the management of impressions*. Open University Press.
- Clark, T., & Salaman, G. (1996). Telling tales: Management consultancy as the art of story telling. In David Grant & Clifford Oswick (Eds.), *Metaphor and organizations* (pp. 166–183). Sage Publications Ltd.
- Corcoran, J., & McLean, F. (1998). The selection of management consultants: How are governments dealing with this difficult decision? An exploratory study. *International Journal of Public Sector Management*, 11(1), 37–54.
- Craig, D. (2006). *Plundering the public sector*. Robinson Publishing M/D.
- Czarniawska, B., & Mazza, C. (2003, March). Consulting as a liminal space. *Human Relations*, 56(3), 267–290.
- Czarniawska-Joerges, B. (1989). Merchants of meaning: Management consulting in the Swedish public sector. In A. Barry & Turner (Eds.), *Organizational symbolism* (pp. 139–150). Berlin: Walter De Gruyter Inc.
- Dent, H. (2002). Consultants and the public service. *Australian Journal of Public Administration*, 61(1), 108–113.
- Dobuzinskis, L., Howlett, M., & Laycock, D. (Eds.). (2007). *Policy analysis in Canada: The state of the art*. Toronto: University of Toronto Press.
- Druckman, A. (2000, August). The social scientist as consultant. *American Behavioral Scientist*, 43(10), 1565–1577.
- Eichbaum, C., & Shaw, R. (2007). Ministerial advisers and the politics of policy-making: Bureaucratic permanence and popular control. *Australian Journal of Public Administration*, 66(4), 453–467.
- Ernst, B., & Kieser, A. (2002). In search of explanations for the consulting explosion. In K. Sahlin-Andersson & L. Engwall (Eds.), *The expansion of management knowledge: Carriers, flows, and sources* (1st ed., pp. 47–72). Stanford Business Books.
- Evetts, J. (2003). The construction of professionalism in new and existing occupational contexts: Promoting and facilitating occupational change. *International Journal of Sociology and Social Policy*, 23(4/5), 22–35.
- Evetts, J. (2003, June). The sociological analysis of professionalism: Occupational change in the modern world. *International Sociology*, 18(2), 395–415.
- FEACO. (2002). *Survey of the European management consultancy market*. Brussels: FEACO.
- Garsten, C. (1999, July). Betwixt and between: Temporary employees as liminal subjects in flexible organizations. *Organization Studies*, 20(4), 601–617.
- Guttman, D., & Willner, B. (1976). *The shadow government: The government's multi-billion-dollar giveaway of its decision-making powers to private management consultants, "experts," and think tanks* (1st ed.). Pantheon Books.
- Halligan, J. (1995). Policy advice and the public sector. In B. Guy Peters & *Governance in a changing environment* (pp. 138–172). Montreal: McGill-Queen's University Press.
- House of Commons Committee of Public Accounts. (2007). *Central government's use of consultants. Thirty-first Report of Session 2006–07*. London: House of Commons.
- House of Commons Committee of Public Accounts. (2010). *Central government's use of consultants and interims*. London: The Stationery Office Limited.
- House of Commons Committee on Health. (2009). *The use of management consultants by the NHS and the Department of Health. Fifth Report of Session 2008–09*. London: House of Commons.
- Houten, D. R. Van, & Goldman, P. (1981, October). Contract consulting's hidden agenda: The quest for legitimacy in Government. *Pacific Sociological Review*, 24(4), 461–493.
- Howard, M. (1996). A growth industry? Use of consultants reported by commonwealth departments 1974–1994. *Canberra Bulletin of Public Administration*, 80(September), 62–74.
- Howlett, M. (2009). A profile of B.c. provincial policy analysts: Troubleshooters or planners. *Canadian Political Science Review*, 3(3), 55–68.
- Howlett, M., & Migone, A. (2013a). Searching for substance: Externalization, politicization and the work of Canadian policy consultants 2006–2013. *Central European Journal of Public Policy*, 7(1), 112–133.

- Howlett, M., & Migone, A. (2013b). The permanence of temporary services: The reliance of Canadian federal departments on policy and management consultants. *Canadian Public Administration* Forthcoming.
- Jarrett, M. C. (1998). Consultancy in the public sector. In P. Sadler (Ed.), *Management consultancy: A handbook of best practices* (pp. 369–383). London: Kogan.
- Researching management consulting: An introduction to the handbook.* (2012). Kipping, M., Clark, T., Kipping, M., & Clark, T. (Eds.). *The Oxford Handbook of management consulting*. Oxford University Press.
- Kipping, M., & Engwall, L. (Eds.). (2003). *Management consulting: Emergence and dynamics of a knowledge industry*. USA: Oxford University Press.
- Kline, E. H., & Gregory Buntz, C. (1979, June). On the effective use of public sector expertise: Or why the use of outside consultants often leads to the waste of in-house skills. *Public Administration Review*, 39(3), 226–229.
- Lahusen, C. (2002, January). Commercial consultancies in the European Union: The shape and structure of professional interest intermediation. *Journal of European Public Policy*, 9, 695–714.
- Lapsley, I., & Oldfield, R. (2001). Transforming the public sector: Management consultants as agents of change. *European Accounting Review*, 10(3), 523–543.
- Light, P. C. (2006). *The new true size of government*. Brief no. 2 New York: NYU Wagner School Research.
- Lippitt, R. (1975). *Consulting process in action: Examining the dynamics of the client–consultant working relationship*. Development Publications.
- MacDonald, D. (2011). *The shadow public service. The swelling ranks of federal government outsourced workers*. Ottawa: Canadian Centre for Policy Alternatives.
- Majone, G. (1997). From the positive to the regulatory state: Causes and consequences of changes in the mode of governance. *Journal of Public Policy*, 17(2), 139–167.
- Maley, M. (2000). ‘Conceptualising advisers’ policy work: The distinctive policy roles of ministerial advisers in the Keating government, 1991–96. *Australian Journal of Political Science*, 35(3), 449.
- Martin, J. F. (1998). *Reorienting a nation: Consultants and Australian public policy*. Aldershot: Ashgate.
- McGivern, C. (1983). Some facets of the relationship between consultants and clients in organizations. *Journal of Management Studies*, 20(3), 367–386.
- McKeown, T., & Lindorff, M. (2011, June). Temporary staff, contractors, and volunteers: The hidden workforce in Victorian local government. *Australian Journal of Public Administration*, 70(2), 185–201.
- Meredith, H., & Martin, J. (1970, December). Management consultants in the public sector. *Canadian Public Administration, Administration publique du Canada* 13(4), 383–395.
- Mitchell, V.-W. (1994). Problems and risks in the purchasing of consultancy services. *Service Industries Journal*, 14(3), 315.
- National Audit Office. (2006). *Central government’s use of consultants: Methodology*. London: National Audit Office.
- National Audit Office. (2006). *Central government’s use of consultants: Market analysis a paper presented to the NAO by Fiona Czerniawska*. London: National Audit Office.
- National Audit Office. (2010). *Central government’s use of consultants and interims*. London: National Audit Office.
- Nicholson, J. (1997). Monitoring the efficiency, quality, and effectiveness of policy advice to government. In J. Maybe & E. Zapico-Goni (Eds.), *Monitoring performance in the public sector: Future directions from international experience* (pp. 237–252). New Brunswick, NJ: Transaction Publishers.
- Office of the Auditor General of British Columbia. (2001). *Management Consulting Engagements in Government*. Victoria: Office of the Auditor General of British Columbia.
- O’Shea, J., & Madigan, C. (1998). *Dangerous company: Management consultants and the businesses they save and ruin* (First Edition). Penguin Books.
- Page, E. C. (2010). Bureaucrats and expertise: Elucidating a problematic relationship in three tableaux and six jurisdictions. *Sociologie du Travail*, 52(2), 255–273.
- Page, E. C., & Jenkins, B. (2005). *Policy bureaucracy: Governing with a cast of thousands*. Oxford: Oxford University Press.
- Pattenaude, R. L. (1979, June). Introduction to symposium on consultants in the public sector. *Public Administration Review*, 39(3), 203–205.
- Peled, A. (2002). Why style matters: A comparison of two administrative reform initiatives in the Israeli public sector, 1989–1998. *Journal of Public Administration Research and Theory*, 12(2), 217–240.
- Perl, A., & White, D. J. (2002). The changing role of consultants in Canadian policy analysis. *Policy & Society*, 21(1), 49–73.
- Project on Government Oversight. (2011). *Bad business: Billions of taxpayer dollars wasted on hiring contractors*. Washington, DC: Project on Government Oversight.
- Public Service Commission. (2010). *Use of temporary help services in public service organizations*. Ottawa: Public Service Commission.
- Radcliffe, S. (2010). Non-rational aspects of the competition state – The case of policy consultancy in Australia. *Policy Studies*, 31(1), 117.
- Reh fuss, J. (1979, May). Managing the consultancy process. *Public Administration Review*, 39(3), 211–214.
- Riddell, N. (1998). *Policy research capacity in the federal government*. Ottawa: Policy Research Initiative.
- Rosenblum, R., & McGillis, D. (1979, June). Observations on the role of consultants in the Public Sector. *Public Administration Review*, 39(3), 219–226.
- Saint-Martin, D. (1998). The new managerialism and the policy influence of consultants in government: An historical–institutionalist analysis of Britain, Canada and France. *Governance*, 11(3), 319–356.
- Saint-Martin, D. (1998a). Management consultants, the state, and the politics of administrative reform in Britain and Canada. *Administration Society*, 30(5), 533–568.
- Saint-Martin, D. (2004). *Building the new managerialist state: Consultants and the politics of public sector reform in comparative perspective*. Oxford University Press.

- Saint-Martin, D. (2005). The politics of management consulting in public sector reform. In P. Christopher & L. Lawrence (Eds.), *Handbook of public management* (pp. 84–106). Oxford: Oxford University Press.
- Saint-Martin, D. (2006). Le consulting et l'Etat: Une analyse comparée de l'offre et de la demande. *Revue française d'administration publique*, 120(4), 743–756.
- South Australia. (2005, June). *Use of External Consultants By Government Departments*<http://www.parliament.sa.gov.au/Committees/Standing/HA/EconomicandFinanceCommittee/CompletedInquiries/07ReportExternalConsultants/>.
- Speers, K. (2007). The invisible public service: Consultants and public policy in Canada. In L. Dobuzinskis, M. Howlett, & D. Laycock (Eds.), *Policy analysis in Canada: The state of the art* (pp. 220–231). Toronto: University of Toronto Press.
- State Services Commission. (1999). *Essential Ingredients: Improving the Quality of Policy Advice*. Wellington: New Zealand State Services Commission.
- Sturdy, A. (1997). The Consultancy Process; An Insecure Business??. *Journal of Management Studies*, 34(3), 389–413.
- Tisdall, P. (1982). *Agents of Change: The Development and Practice of Management Consultancy*. Heinemann.
- Vaitsman, J., Lenaura, L., & Jose, M. R. (2013). *Policy Analysis in Brazil*. Bristol: Policy Press.
- Wagner, P., & Wollman, H. (1986). Social scientists in policy research and consulting: Some cross-national comparisons. *International Social Science Journal*, 110, 601–617.
- Wilding, R. W. L. (1976). The use of management consultants in government departments. *Management Services in Government* 31(2).