New development: managing and accounting for sustainable development across generations in public services - and call for papers

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New Development: Managing and Accounting for Sustainable Development across Generations in Public Services

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Abstract

Social and environmental justice across generations is a fundamental attribute of sustainable development. In this article, which is also a call for papers for a future theme in Public Money & Management, we develop our case for further research on how governments and public service organizations seek to address sustainable development in their decision making processes. We believe that accounting for social and environmental aspects is an underdeveloped area of research and practice that is worthy of further critical enquiry. We therefore call on researchers and practitioners to submit their research to a themed issue of PMM on managing and accounting for sustainable development in public services.

Keywords: intergenerational equity, social and environmental justice, accounting-sustainability hybrids

Introduction

In this paper we present a case for greater critical research on managing and accounting for sustainable development by governments and other public service organizations. Intergenerational equity on social and environmental aspects is under-researched relative to fiscal aspects, such as the maintenance of service delivery over time (see, for example, Rodríguez Bolívar et al., 2014). A broader definition of intergenerational equity incorporates considerations such as fairness and distributive justice, as well as a stable climate, clean air, unpolluted water and biodiversity both now and in the future (Gray et al., 2014). If societies are to develop more sustainably, there are increasing challenges for
governments and providers of public services to address social and environmental aspects in policies and decision-making (Broadbent, 2013).

Although there is a growing body of research on sustainable development in the management and accounting literature, much of this considers the sustainability effects of activities in commercial organizations. In comparison, there is a relative lack of research on social and environmental management and accounting in the public sector (Ball and Grubnic, 2007; Ball et al., 2014; Gray et al., 2014; Guthrie et al., 2010) (see themed issue of PMM edited by Ball and Bebbington, 2008 as an example of an exception). However, there is a wealth of research that investigates the efficiency of public services that, utilizing the ‘new public management’ (Hood, 1991; 1995) frame, seeks to understand the appropriateness or otherwise of private sector practices in contributing to fiscal sustainability (e.g. Hood and Dixon, 2013). The development of public sector accounting-sustainability hybrids (Thomson et al., 2014) (see below) also recognizes the potentially problematic influence of private sector accounting-sustainability practices in engendering change.

**Scope of future PMM themed issue**

We will be editing a PMM theme which will publish work that critically considers the management and accounting of social, environmental and fiscal sustainability in public services, with a particular on intergenerational equity (Broadbent, 2013). In particular, we invite submissions, on the one hand, of the actions of national governments and, on the other, regional and local public service organizations. In other words, we are interested in the policy initiatives and strategic decisions of the State and, importantly, the accounting that informs these, and the interpretations of policies, processes and practices of more front-line services.

**Intergenerational equity and the State**
In 1987, the Brundtland Report defined sustainable development as “development that meets the needs of the present world without compromising the ability of future generations to meet their needs” (World Commission on Environment and Development, 1987). However, since publication of the report, the environmental state of the planet, levels of inequality, numbers of children in poverty and stress-related illness, amongst other afflictions, have continued to deteriorate (Gray et al., 2014).

It is well documented in the literature that threats to future generations arise from the ecological impacts of human (including organizational) activities and the earth’s capacity to absorb these impacts (see, for example, Bebbington and Larrinaga-González, 2008; Deegan and Unerman, 2011). The Intergovernmental Panel on Climate Change (IPCC), in its fifth assessment report (AR5), state that warming of the climate system is unequivocal and detail many of the unprecedented changes to the atmosphere and oceans (IPCC, 2013). In April 2013, the average carbon dioxide concentrations in the Earth’s atmosphere exceeded 400 parts-per-million, surpassing what is regarded as ‘safe’ for the first time in human history (Carrington, 2013). Scientists warn of more heat waves, droughts, floods, cyclones and wildfires and, relatedly, disruption to food production and water supplies in the future (IPCC, 2014). Given a duty to protect citizens, it falls naturally to governments to consider how impacts and risks associated with climate change can be managed (Ball and Grubnic, 2007; Ball et al., 2014).

There is evidence that governments are attempting to attend to the long-term resilience of the planet and its people through policies and legislation relating to environmental sustainability. The UK Labour Government (2006-2010), for example, introduced radical policy change on climate change (see Carter and Jacobs, 2014) centred on the landmark Climate Change Act in 2008. The Act sets a legally binding commitment on governments to reduce carbon dioxide emissions by 80 per cent by 2050 against 1990 levels,
with an interim target of at least 26-32 per cent by 2020. On the other side of the Atlantic, in an address to university students at Georgetown University, President Obama of the United States refused to condemn the present generation and future generations “to a planet that’s beyond fixing” (Goldenberg, 2013).

More recently, encompassing a wider definition of sustainable development, the Welsh Government introduced the Well-being of Future Generations (Wales) Bill in July 2014. This seeks to combat climate change and contribute to social issues such as prosperity, health, equality and community-building. These are but a sample of government responses explored in the academic literature published in the public policy and management, and accounting fields.

There is scope for further research to account for the actions of governments to reduce and manage these intergenerational risks through climate change adaptation and mitigation processes and practices. In particular, there is a need for research from independent and critical perspectives on how (or whether) governments balance the short-term and long-term needs of citizens. For example, the implementation of carbon pricing and other environmental taxes could potentially have significant impacts on intra-generational and intergenerational equity, due to changes in the re-distribution of costs across different generational groups, yet is under-researched.

In terms of other responses, the UK Coalition Government, as part of the European Union Emissions Trading Scheme (EU ETS), introduced a carbon price floor, signalling a commitment to achieving a 30% cut in carbon by 2020. The price of carbon permits was accepted as too low to incentivize investment in low carbon technology, hence the Treasury requiring a minimum price per tonne of carbon emitted. However, rather than raising the price annually to reduce carbon pollution, the UK Government capped the price from 2016 to
2020. Meanwhile, the Australian Government introduced legislation to repeal their carbon tax in July 2014 having brought this into effect two years earlier. The decisions by the respective governments to cap and abolish the carbon taxes were partly justified in terms of retaining current industry competitiveness and reducing energy bills for home owners. It could be argued that these decisions privilege existing powerful social stakeholders at the expense of increasing future risks of climate catastrophe and intergenerational inequity. The decisions imply the need for robust evidence on the impact of green taxes on social justice, income inequality, employment, fuel poverty as well as changes in the renewable energy sector (for example) and energy consumption patterns.

The above examples demonstrate the need to investigate how governments account for and manage the complex inter-relationships between social, economic and environmental issues, the factors that influence decision making processes, and how to navigate between short and long term time horizons. From a more radical sustainability perspective there is also a need to explore how to hold governments and public service organizations accountable for the intergenerational consequences of policies and actions implemented.

Whilst governments across the globe are engaged in proactive planning to manage climate change risks there is also evidence of reactive policy making in relation to climate-related disasters. In a recent paper on the floods in England (from December 2013 to March 2014), Moran and Russell (2014) unpick the shifting boundaries of the State, both in terms of State and individual responsibilities and public and private provision. Their analysis conveys potentially problematic intergenerational consequences in that the UK Coalition Government focused on an immediate response that seemed to exclude debate on causes and the development of more long-term capacities and capabilities. This is pertinent as reactive government responses to environmental events are likely to become more prevalent due to continuing uncertainty on the severity and timing of climate-change impacts (IPCC, 2014).
Critical research would be useful as to how governments respond to such events, evaluating adaptation measures in place and revising risk management frameworks and accounting practices that guide decision-making from the perspective of intergenerational equity.

Our call for research on intergenerational equity is intended to address the relative gap in the public management and accounting literature on the social aspects of sustainability and the consequences of, for example, State focus on the long-term affordability of services (see, for example, Unerman, 2011 and Watson, 2013 for exceptions). There is growing evidence in the public health literature that inequality in a society is divisive and socially corrosive. For example, the seminal work of Wilkinson and Pickett reveals that inequality has a bearing on people in every income bracket, demonstrating impacts across a spectrum of health and social problems (Wilkinson, 1997; Wilkinson and Pickett, 2006; 2009). Lower life expectancy, proportions of the population in prison, mental illness and infant mortality, amongst other problems, tend to be more common in countries that have higher income differences and higher levels of relative deprivation. In more equal societies, with lower disparities in the distribution of wealth, evidence suggests less marked problems across all social groups. From the above, we can infer that intra-generational inequity is linked to inter-generational inequity. For example, we argue that families in poverty are less likely to be able to support their child’s education, affecting social mobility and, therefore, development across generations. Moving toward a “trinity of distributive justice, social equity and intergenerational equity” (Carney, 2014) is well justified and, as argued by the Governor of the Bank of England, fundamentally political.

Although the need for actions on social sustainability has been the subject of extensive inter-disciplinary research and public policy developments (for example, by national governments as well as the United Nations and European Union), there has been a lack of accounting (academic and practice) consideration of these initiatives. As argued by
Gray *et al.* (2014), governmental and public sector social accounting is in its infancy despite public services presenting fertile ground for experimentation and development. There is both a problematic gap and an opportunity for future research and practice innovation, particularly given that governments and public service organizations have responsibilities (sometimes explicit public duties) to take account of intergenerational equity in their policies, processes and practices.

There is increasing recognition of the inter-relationships between economic, social and environmental sustainability, although these are yet to be more fully explored on a systematic and theoretically-informed basis in accounting (Hopwood *et al*., 2010; Unerman, 2011; Unerman and Chapman, 2014). The following arguments have been advanced on the aspects of sustainability and intergenerational equity:

- “The evidence shows that ignoring climate change will eventually damage economic growth. Our actions over the coming few decades could create risks of major disruptions to economic and social activity, later in this century and in the next....” (Stern, 2007: 2).

- In a similar vein, academics at University College London’s (UCL’s) Green Economy Policy Commission put forward the case for a Green Economy, arguing in favour of long-term investment in both infrastructure and innovation (Ekins *et al*., 2014). This would help break current patterns of high carbon lock-in and strengthen the UK economy.

- Austerity policies over the world are having a disproportionate impact on the poor, further increasing social inequality restricting the sustainable development of nations (see, for example, Belfield *et al*., 2014). Resurgence in levels of child poverty could
have a negative bearing on the long-term social, economic and environmental well-
being of societies.

In summary, with regard to the themed issue, we invite papers that afford greater exploration of government responses (policy, legislation and strategic decisions) that impact upon the well-being (or otherwise) of present and future generations. Whilst we welcome submissions on how governments are attempting to reduce long-term environmental risks or improve social justice across generations, we are also interested in papers that disentangle how governments manage short-term and long-term needs. We also seek papers on whether and how governments are incorporating the interactions between social, environmental and economic sustainability into decision-making frameworks.

Public management and accounting for intergenerational equity at organizational level

More research is required on the framing of sustainable development by regional and local public services, and the selection, construction and embedding of processes and practices that help toward achieving intergenerational equity. It is recognized that accounting, in all of its manifestations, impacts on organizational change (e.g. Hopwood, 1983) and can both contribute to promoting and restricting efforts toward sustainability (Thomson et al., 2014).

In particular, more research is needed on developing new or evaluating existing accounting-sustainability hybrids and their role in shaping and reshaping sustainability (ibid, 2014). Hybrids have been defined as “new phenomena produced out of two or more elements normally found separately” (Miller et al., 2008: 943). In public services, there is evidence on the use of many accounting hybrids such as biodiversity audits (e.g. Tregidga, 2013), carbon accounting (e.g. Bulkeley and Kern, 2006), environmental budgeting (e.g. Omori, 2006), social return on investment (e.g. Millar and Hall, 2013), and sustainability
balanced scorecards (e.g. Grigoroudis et al., 2012). The possibility of interdisciplinary hybrids of accounting and intergenerational equity, incorporating environmental and/or social justice, is intriguing and worthy of further investigation.

Accounting-sustainability hybrids in the research of Thomson et al. (2014) were seen as playing a constitutive role in mediating between government sustainability strategies and policies on the one hand and local service imperatives on the other (Thomson et al., 2014). We would speculate that accounting-intergenerational equity hybrids could also play a substantive role in the embedding of intergenerational equity in local accounting and governance practices. Our review of public sector accounting-sustainability practices suggests a substantive absence of accounting-intergenerational equity hybrids which restricts the potential for intergenerational equity to form part of decision making processes and practices.

However, as highlighted by the research of Thomson et al. (2014), little is known on how (or whether) such hybrids are selected as mediating instruments. Although their research presents an in-depth analysis of the selection process in the Environment Agency and West Sussex County Council (see also Grubnic and Owen, 2010; Thomson and Georgakopoulos, 2010), more research is needed in the area to establish more generalizable conclusions. In these cases mediating instruments were selected according to the existing local expertise in the respective organizations, (non-) involvement of the accountants, (non-) availability of resources and legal responsibilities. This research suggests that different public service organizations, in different countries, will be influenced by a different mix of factors. Nevertheless, the research of Thomson et al. (2014) does suggest a bias towards home-grown, internally constructed accounting compared to general accounting hybrids constructed by external bodies. We argue that, if an organisation does not have local
knowledge of intergenerational equity the possibility of external accounting practices changing local practices could be diminished.

The interim report of the UK Coalition Government on progress toward ‘Mainstreaming Sustainable Development’ (DEFRA, 2013) makes reference to a number of such tools developed by government departments and suggests applicability to general public service organizations. The use of best practice on, for example, procurement, is likewise suggested by the UCL’s Green Economy Policy Commissions as a way forward (Ekins et al., 2014). However, given preference for local hybrids in the research of Thomson et al. (2014), more research is required on (a) factors that contribute to the effectiveness or otherwise of external tools and (b) how internal actors can better construct local hybrids that are intended to transform local practices.

On the framing of sustainable development generally and intergenerational equity in particular, contributions on the following are suggested:

• How organizations interpret and prioritize government policies and construct local strategies in societies characterized by greater economic equality (for example Nordic countries and Japan). How do such organizations view and seek to enact social justice across generations?

• The interpretation and prioritization of government policies by two or more organizations charged with or voluntarily progressing sustainable development. For example, how do local government organizations in partnership with health care organizations interpret intergenerational equity?

In short, we are interested in papers that seek to understand the role of accounting-sustainability hybrids in shaping views and practices in regional and local public service
organizations. We encourage submissions from a range of public bodies, working on their own or joint initiatives, and from a variety of contexts.

Conclusion

Submissions of critical research on managing and accounting for social and environmental sustainability in public services are invited to a themed issue of PMM. Specifically, research that exemplifies a sustainability case in the decision-making of governments and public service organizations, in contrast to importing a business case for sustainability, would be welcomed.

References


