The Importance of the Equity Concept in the Allocation of Public Services

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The public service delivery process is largely shaped by two related sets of decisions. Allocation decisions determine who gets what; distribution decisions dictate when, where, and how services will be delivered. These decisions are substantially influenced by the concept or standard of equity employed by decision-makers. This article explores alternative concepts of equity and their implications regarding the allocation and marketing of public services.

It has been said that “virtually all of the rawest nerves of urban political life are touched by the distribution of urban service burdens and benefits” (Lineberry 1977, p. 13). The delivery of public services is the primary function of local governments and a major responsibility of other government levels. This task absorbs far more resources than do any of the other marketing tasks (gathering information, identifying target markets, product development, pricing, communicating, or evaluating). The magnitude of resources now under federal, state, and local government control allow these governments to bestow increasingly significant benefits or penalties on their citizenry. These benefits or penalties arise primarily from the governments’ allocation of public services (Chitwood 1974, p. 30).

Two related sets of decisions are involved in the delivery of public services. They focus upon the issues of allocation and distribution. Allocation decisions address the question, “Who gets what?” (Laswell 1936). They precede distribution decisions which address the subsequent questions of “When, where, and how?” These subsequent questions are likely to be more familiar to marketers than the allocation question for they deal with traditional private sector marketing issues such as channel organization and management, location of facility and service outlets, intensity of outlets and transportation. Distribution decisions are concerned with assuring services are delivered efficiently. However, determining which of the various alternate publics should be allocated these services is clearly a prerequisite task, and it is these allocation decisions that are addressed in this article.

Evaluation of public officials made by special interest groups, influencers, and voters in general frequently is based upon their perceptions of the extent to which existing service delivery satisfies their desires. This evaluation often is based upon a fairly small number of experiences which have been satisfactory or unsatisfactory. This point was vividly illustrated in Chicago’s Democratic Mayoral primary in 1979, when Jane Byrne won a stunning victory over incumbent Mayor Michael Bilandic. Ms. Byrne capitalized on public dissatisfaction with the way Bilandic had handled snow when over 40 inches fell on the city. A month after the big blizzard, many streets were still blocked, garbage was accumulating in alleys, and buses and trains were off schedule. The weather crisis was on voters’ minds when they went to the polls.

Despite the extensive use of resources required to deliver public services, their pervasive role in citizens’ lives, and their political implications, the public service allocation function has received relatively little attention in the popular press, in the professional literature, or from empirical researchers. A primary reason for this neglect may be the lack of glamor surrounding the subject. Most decisions about
public service allocations are mundane and routine. It is difficult for most citizens to get excited about how new library books are allocated among branch libraries, how police manpower is assigned, or how the garbage is collected (Lucy and Mladenka 1977). Further, differences in service levels among areas within the same governmental jurisdiction may frequently be perceived by citizens as relatively small.

The prevailing indifference of citizens, their political representatives, and agency personnel toward service allocations is beginning to change. This emerging concern has been stimulated primarily by two factors. First, this is an era of retrenchment in government spending. In the past, government often responded to claims of inequitable treatment in service allocation by increasing the total budget and providing additional resources to alleviate the criticism. This approach enabled decision-makers to avoid having to make hard judgments as to who should get what. Today, the allocation of a greater proportion of available resources to one group will usually lead to a reduced allocation of resources to other groups. Those who expect to benefit from redistribution intensify pressure for change and those who would be worse off stiffen resistance (Hirsch 1976, p. 18). In this changed environment, the definitional questions of service allocation, “Who gets what?” may need to be rephrased to “Who keeps what and who loses what?” (Masotti and Lineberry 1978, p. 11).

When a service is offered, it nurtures a constituency and establishes a level of expectation and dependence among members of that constituency. Reduction of an accustomed service level may be expected to generate dissent and invite closer scrutiny of the fairness of the service’s allocation, because it exerts a direct and visible adverse impact on the quality of the lives of individuals who comprise the constituency. This dissent is likely to be particularly acute in urban areas where heterogeneous groups coexist in close proximity.

The second but less dominant factor stimulating interest in allocation is the potential interventionist role of the courts. In recent years, successful suits have been filed against local governments alleging inequitable allocation of a variety of public services. The most significant court decision in this area was Hawkins vs. Shaw (1971), in which the U.S. Court of Appeals held that municipal authorities could be found guilty of providing urban services in a racially discriminatory manner. After this case, it was anticipated that the judiciary would sharply curtail the discretion that local government officials have in the allocation of public services. However, this judicial role has not materialized, primarily because the judiciary itself has moved toward the position that it does not have the requisite institutional competence to deal intelligently with the kinds of problems equalization litigation raises (Rossum 1980).

Though court mandates present no clear, immediate threat, public and political pressure are factors that suggest that allocation decisions can no longer be disregarded or be made casually or haphazardly. Public officials are becoming increasingly aware of the need to develop consistent standards for allocation in order to provide concerned citizens with a rationale for their decisions.

ALTERNATIVE MODELS OF EQUITY

The term “allocation” implies that different amounts of a service are assigned to selected groups on the basis of some principle or standard. The generally accepted standard for allocating public services is equity. A conception of equity is a set of principles for choosing between alternative patterns of public service allocation. Equity is a complex concept interpreted in alternative ways by different people. It is difficult to define and often controversial when it is defined. However, “the difficulties of specifying equity neither obviate the need for equity decisions nor stop such decisions from being made... If we cannot learn to make, impose, and defend equity decisions, we are not going to solve any of our economic problems” (Thurow 1980, pp. 17, 194).

In this article, we contend that a selected model of equity has to be justified on the grounds of how public services and their benefits are ultimately apportioned among a jurisdiction’s populace. However, it should be recognized that there is another approach to judging the equity of service allocation. The alternate approach stresses the process of determining that allocation rather than the allocation pattern itself. When equity focuses on process, any
allocation by the legitimate public decision-making process is deemed equitable. In this view, whatever allocations of services emerge from the legal political processes of governments, they are by definition equitable (Chitwood 1974, p. 33). This approach may be appealing to the elected official because it is expedient and self-serving, but it offers no consistent policy guidance for service delivery decisions to the public sector marketers.

Every public service delivery pattern reflects a concept of equity. Even though it is frequently not articulated, an equity standard is implied whenever decisions are made concerning services: "Every time a tax is levied or repealed, every time public expenditures are expanded or contracted, every time regulations are extended or abolished an equity decision has to be made" (Thurow 1980, p. 17). Agreement by decision-makers and agency personnel on the appropriate equity model to be used is essential inasmuch as this governs and guides all of the subsequent distribution decisions. The appropriate equity model may be selected from three fundamentally different alternatives, each of which is described in the following paragraphs.

Equal Opportunity

This is the most widely accepted model of equity. Its wide acceptance is probably a reflection of traditional values which recognize equal protection from the law. Equal opportunity entails allocating equal amounts of services to all citizens regardless of need or the amount of taxes paid. An equal opportunity standard would suggest assignment of policy protection on a per acre, per household, or per person basis. A district with 500 residents, for example, might be allocated one policeman while a district with 1500 residents might be allocated three policemen.

Compensatory Equity

Compensatory equity involves allocation of resources so that disadvantaged groups, individuals, or areas receive extra increments of resources. The operational objective of this equity model is to increase the compensatory role of public services to improve the opportunity of the underprivileged. This requires that resources be allocated in proportion to the intensity of the need for them. Compensatory equity is redistributive in nature, for it implies that an unequal amount of resources, in terms of personnel expenditures, equipment and facilities will be devoted to those residents who have greatest need for a service. For example, equal expenditures (opportunity) for street cleaning in neighborhoods having varying amounts of litter is unlikely to result in equally clean streets in each neighborhood (Levy, Meltzer, and Wildavsky 1974, pp. 16-18).

Compensatory equity is deemed appropriate by its supporters because of the public benefits which accrue. Three such benefits are usually cited. They are: relief of poverty, facilitation of greater equality of opportunity, and the fostering of a closer sense of community by eroding substantial class and wealth barriers.

Allocations guided by the compensatory equity model will nearly always require input inequality. They will result in decisions to allocate bigger and better libraries and more parks to poorer neighborhoods whose citizens can afford fewer books and have less private recreational space; more policemen to high crime precincts to achieve more equal crime victimization rates in all neighborhoods; and more building inspectors to older sections of the city where code violations are concentrated.

If the disadvantages of selected client groups were to be fully compensated then the outcome would be perfect equality of results. This is probably not a realistic goal for the allocation of public services since the extensive resources needed to achieve it may not be available, and it may even be undesirable (Gans 1973, p. 67; Rawls 1971, pp. 78, 151; Vezez 1976, p. 11). For example, it is unrealistic to expect all pupils to score equally on achievement tests at the end of twelve years of schooling, no matter how many additional resources are allocated to the underprivileged. However, it is probably realistic to expect extra increments of resources to exert some compensatory effect by narrowing the performance gap.

Market Equity

Market equity entails allocating services to groups or neighborhoods in proportion to the tax or fee revenues that they produce. In the case of police protection, for example, each geographic area in a city would be allocated police amounts based on the relative wealth or taxpaying ability of residents.

In many respects, the market model is a more realistic approach, as it recognizes that the resources of the tax system respond to the decisions of those in power. The market model does not consider if the resources are they allocated to those who need them the most as much as it considers the input of those who can purchase those services.

Market efficiency is often cited as one of the major advantages of this model. In an attempt to promote the acceptance of this model, access to services is linked to the input of voters and decision-makers. Allen and Dressen, for example, have suggested that the modern American voter is a more informed one. Adoption of this model, they propose, could result in some services being purchased from private sources, such as cable television, which may lead to more efficient allocation of resources. The feasibility of this model is not absolute, however, as the input of those who are able to purchase may not be the same as those who actually need or value them.

Facebook of low-income areas is an example of this model. The full cost of police service in these areas may not be paid by those who receive the benefits. Hence, the model is not feasible.
police services in direct proportion to the amount of taxes paid by area merchants and residents.

In response to demands to cut local taxes, market equity has been facilitated by charging a direct price for some public services rather than fully subsidizing them through the tax system. This standard of equity enhances responsiveness of resource allocation. Citizens do not receive services they do not want, nor are they required to pay through the tax system for what other citizens consume. They can buy as much or as little of a service as they wish.

Market equity draws from the prevalent allocation model used in the private sector. Full commitment to this equity model would mean accepting that citizens are not entitled to equal access to outlets, and that citizens’ needs are not relevant unless they are backed up by “dollar votes in the market place” (Jones, Greenberg, and Drew 1980, p. 89). This approach offers the most efficient use of resources but it ignores the social issues associated with equity. Adoption of this standard would mean that some services would be almost entirely removed from poor neighborhoods and reallocated exclusively to wealthier neighborhoods. This probably would violate the public’s sense of what is appropriate, rendering it politically infeasible.

Further, it is possible that the consequences of low service levels in poor areas resulting from full commitment to the market equity model would not be limited to the deprived neighborhood. Beyond some threshold, it is likely that too little police and fire protection, inadequate refuse collection and too few recreation and transportation services would, in the long run, have a significant and detrimental impact upon adjoining and even distant neighborhoods (Lucy and Mladenka 1977, p. 26).

The goals of public agencies differ from those of private firms. One of the distinguishing characteristics of public service provision is its potential for ameliorating the extreme inequities produced by the operation of the private sector. If market equity was completely adopted, then individuals and groups deprived by the operation of the private sector would be disadvantaged by the public sector as well. Hence, full commitment to a market equity model is probably inappropriate.

Demand: An Inadequate Surrogate

Demand is not an equity model. It is included in this discussion since it is used extensively as a surrogate in lieu of a real equity model. The demand approach allocates resources on the basis of consumption and/or vociferous advocacy or complaints. It cannot serve to guide the allocation of services in a predetermined agreed direction. Rather it is a complicating factor—a pragmatic, reactive approach to which agency personnel and public officials frequently resort because it is administratively convenient. Its use is likely to result in an unpredictable and inconsistent set of winners and losers. Demand may lead to adoption of a pattern of services reflecting any of the three conceptual alternatives discussed previously or it may deviate inconsistently from them.

Demand is different from market equity. Recipients of services under the market equity model pay for the extra increments of the services they receive directly through fees or indirectly through higher taxes. There is a direct relationship between payments and services. The demand surrogate does not require direct payment for services received. Services are allocated on the basis of demands or “requests.” The word “requests” is placed in quotes because it is used not only in the direct sense, but also in the indirect sense. For example, high book circulation may be interpreted as a request to libraries to provide more books and other resources. In Houston and Oakland, for example, library expenditures, staff personnel and new acquisitions are allotted to branch libraries on the basis of circulation rates. The higher its circulation rates, the greater the share of available resources a branch library receives. Since residents of middle and upper-income neighborhoods read more, branches located in these neighborhoods receive more resources (Lucy and Mladenka 1977, p. 39). The decision to allocate resources is based upon demand, not on taxes or fees paid.

On the surface, demand sounds reasonable and defensible, but it often harbors a hidden allocation bias since if demand itself varies by, for example, race or class, services also vary by race or class. In situations where demand is used as a basis for allocation, then “if better educated people read more library books, or drive their cars more often or call the police...
more frequently, they receive more services” (Lineberry 1977, p. 157).

Because of its administrative convenience and apparent fairness, demand has been widely adopted as an operational surrogate for equity. The limited empirical evidence which is available suggests that demand is more likely to reflect market equity than compensatory equity. That is, wealthier citizens tend to be more active and assertive and hence receive more of the services that they seek than poorer citizens when demand is used as a surrogate equity model (Jones, Greenberg, and Drew 1980, p. 117).

**WHICH EQUITY MODEL SHOULD BE SELECTED?**

Three conceptually different models of equity have been described, together with the administratively convenient surrogate of demand. Clearly, they lead to very different patterns of public service allocation. It is unlikely there will be a consensus opinion that one model of equity is superior to another for all public services, not only because individuals have different values, but also because different agencies with different personnel do different things in different contexts so the same model may not be appropriate for each of them. For example, the market equity model may be deemed most appropriate for discretionary services such as cultural arts, recreation, and library services, but in the same jurisdiction for essential services such as highways, police, and fire the compensatory equity model may be selected.

Because subjective, normative judgments are involved, there probably cannot be any “right” or “wrong” concepts of equity, only different concepts. However, if self-interest is the primary determinant of preference, it seems reasonable to expect wealthy citizens to favor market equity, middle income citizens to favor equal opportunity, and poor citizens to favor compensatory equity. Ideologically, preferences might be generalized to state that the conservative tendency is toward market equity, while the liberal tendency is toward compensatory equity.

In recent years, perhaps, no other work has stimulated as much inquiry and interest into the equity dilemma as Rawls’ (1971) *A Theory of Justice*. Rawls, like other philosophers, locates equity within the larger concept of justice. The principle which Rawls offers for determining the appropriate model of equity is his Second Principle of Justice, which states:

Social and economic inequalities are to be arranged so that they are both (a) to the greatest benefit of the least advantaged and (b) attached to offices and positions open to all under conditions of fair equality of opportunity. (p. 83)

Condition (b) appears to advocate the equal opportunity model, but in fact Rawls’ arguments suggest that, contrary to conventional wisdom, one of the other two equity models which promote inequalities is likely to be more desirable. Rawls is firmly opposed to equal opportunity because this can occur only if “undeserved” inequalities of birth and natural endowments can somehow be compensated for. Without this caveat, equal opportunity in access to public services may simply be a mandate to leave the less fortunate further behind. Rawls measures equity by the extent to which natural inequalities deriving from birth, talent, and circumstance are counteracted.

Condition (a) to which Rawls refers to as the Difference Principle, offers the only legitimate reason for tolerating inequalities. This condition states that an increased share for those better situated is equitable if this serves to improve the lot of the least advantaged members of society. The Difference Principle has been termed the Maximin Criterion because it seeks to maximize the minimum (Vernez 1976, p. 21). It accepts plurality and preserves privilege. Such inequalities are justified because of the incentives they offer the more talented and productive to use their knowledge, skills, and capital to raise the level of the least advantaged.

According to Rawls, the collective efforts of society should be concentrated on behalf of its least advantaged members. Those who are endowed with talents which are much in demand will, under Rawls’ principles, be asked to accept less than they might otherwise have had, and they will be asked to accept these smaller shares in order that they may be used in a compensatory way “for the sake of others” (p. 180). He seeks to ensure that all have a “reasonable social minimum” and this minimum is defined as “whatever is necessary to prevent the undermining of self-respect by relative deprivation.”
At first glance, the Difference Principle appears to suggest that the compensatory equity model is most desirable because it would foster an increasingly egalitarian society. Indeed, Rawls states, “the greater wealth of those better off is to be sealed down until eventually everyone has nearly the same income” (p. 285). However, he immediately advises that “this is a misconception, although it might hold in special circumstances” (p. 285). In fact, under the Difference Principle either the market equity or the compensatory equity models may be justified as appropriate means by which the disadvantaged may benefit.

In the past two decades, compensatory equity appears to have been the preferred approach. This was most visibly manifested in the many federal programs which sought directly to raise the living standards and opportunities of the disadvantaged. However, the present Reagan Administration with its adoption of “trickle down economics” appears to be supporting market equity by arguing that reductions in direct redistribution via the tax mechanism will lead to increases in the well-being of all society, including the disadvantaged, through the market mechanism. The case for market equity achieving this end is succinctly made by Joseph, Sumpson, and Murray.

Ultimately the capacity of any society to look after its poor is dependent on the total amount of its wealth, however distributed. To make each increase of man’s productive effort less rewarding than the last, while at the same time reducing the effort required to sustain a tolerable existence seems likely to diminish the wealth-creating prosperity of any society. (1979, p. 23)

Support for the market equity model at the federal level is reflected at the local level by the taxpayers’ revolt against high property taxes. Less dependence is being placed on the property tax for financing public services with a consequent increased dependence on direct user payment. The final section of this article discusses some instances in which market equity is likely to benefit directly the disadvantaged by freeing them from the requirement to pay through the tax system for services they do not use.

Given the general guidelines offered by Rawls (1971), it is suggested that determination of the appropriate model of equity for a particular service should evolve through consideration of three basic principles: (1) equal opportunity should be recognized as the point of departure; (2) deviations from this point of departure should be encouraged if they benefit the least advantaged; (3) there should, in all cases, be a stated minimum level or floor for each service below which quantity and quality should not fall (see Figure 1).

This procedure enables (1) persons with special needs or deficiencies to be allocated more resources consistent with a compensatory equity model or (2) some reconciliation of the amount individuals pay for services with the amount of benefits they receive in a pattern consistent with a market equity model. However, specific justification should exist, demonstrating that the least advantaged would benefit as a result of any deviations from the equal opportunity model. If police patrol forces are allocated equally per capita or per household, they probably will not be allocated equally per crime reported or per call for service. There may be more calls for service from people in poorer neighborhoods (Lucy, Gilbert, and Birkhead 1977). This is an example of a specific justification for deviation from the norm of equal opportunity toward compensatory equity.

For each public service that is provided, a minimum floor level should be stated. For example, in Rochester, New York, police officers are assigned to districts on the basis of calls for service and crime rates (compensatory equity). However, each district also receives a minimum number of patrol officers (equal opportunity). This number exceeds the manpower level for which some districts would qualify if crime rates and calls for service alone determined resource allocation (Lucy and Mladenka 1977, p. 37).

It should be recognized that whichever equity model is selected, its full achievement is likely to prove elusive for two reasons. First, there is likely to be difficulty in securing full commitment and consistent interpretation of the standard by all the political and agency personnel involved.

Second, even if facilities and services are consistently allocated over time in accordance with a selected equity model, the desired goal is unlikely to be attained because of changes in the community profile. The needs, preferences, and perceptions of residents change as people move in and out of neighborhoods and facilities deteriorate or are created. Thus, a pattern of allocation considered equitable today may be
FIGURE 1

ALTERNATE EQUITY MODELS

BASIC STANDARD OF EQUITY

EQUAL OPPORTUNITY
goal: equal amount of service to all client groups
through: equal allocation of resources

COMPENSATORY EQUITY

DISADVANTAGED CLIENT GROUPS ARE GIVEN EXTRA INCREMENTS OF RESOURCES

UNEQUAL ALLOCATION OF RESOURCES

UNEQUAL ALLOCATION OF RESOURCES

MARKET EQUITY

CLIENT GROUPS GENERATING MOST REVENUES RECEIVE MOST SERVICES

DIRECT INCREASE IN WEALTH

REDISTRIBUTION

Adopted from Lucy, Gilbert, and Birkhead 1977.

viewed as inequitable tomorrow because of the dynamic environmental changes around it.

WHO DETERMINES WHAT IS EQUITABLE?

The apparent answer to this question is that because equity involves individual value judgments, the appropriate standard should be determined by citizens' elected representatives. The traditional government model suggests that the allocation of public services is directed through a policy process which operates in the following way: (1) community priorities and values are articulated by citizens or citizen groups who (2) influence elected representatives who (3) convert the various demands into formal policies that (4) agency personnel endeavor to carry out (Nivola 1979, p. 151).

Some argue, however, that the traditional government model does not explain the selection and implementation of equity standards:

This view suggests that inertia is a powerful ingredient in determining what is equitable. If a jurisdiction is following a particular equity standard that disproportionately rewards one group, it is very difficult for other groups to change that standard except in times of crisis. The success of President Reagan's efforts to move partially away from the prevailing compensatory equity model toward a market equity model was largely predicated on the rationale that the United States was facing an economic crisis.

Others who discount the traditional government model contend that the prevailing pattern of service allocation is a result of inputs from the administrative branch of government. The degree of service allocation is a product of community agreement.

It is considered inappropriate for officials with agendas that may not be represented are not directly involved in fixing issues. Elected officials may vote to allocate energy to areas of the city where the routine calls are made more frequently, which may not correspond to the needs of other within the community. Equitable, established planning is much more likely to decide how to allocate resources.

The appropriateness of equity in influencing a community's equity standard is debatable. It is the responsibility of the elected officials to establish and maintain equitable control over their public services.

The allocation of public services is determined by rules. A community, or its elected representatives, must provide the rules that govern public services. A community's rules must be consistent with the more macro rules that govern society: the police, but also how we allocate resources to the public schools, libraries, and welfare agencies. Rules are made and enforced by the elected officials who serve the needs of their constituents and the community.

Street-level bureaucrats, however, who interpret the rules of their jobs, are the executives with the power to execute the rules. Such executives, however, are also subject to the pressures of their job performance. Such executives may also attempts to manipulate the welfare of their employees, such as in the case of a majority minority.
from three sets of actors: elected officials, administrators, and street level bureaucrats. The degree of influence exerted by each varies from service to service and from community to community.

It has become increasingly apparent that considerable decision-making discretion resides with agency personnel, because public managers are not subject to direct control by the elected officials for whom they work (Lipsky 1980). Elected officials are unlikely to have the time or energy resources to supervise personally the routine everyday implementation of their policy which results from the large number of decisions made by many individuals in the agency. In other words, elected officials may nominally establish an equity model, but agency managers decide how to execute the model.

The elected official is likely to have most influence on achievement of a given equity standard through the budgetary process which may mandate the type of service or facility to be offered; its capacity, scope, or range; and its location. In subsequent decisions, the relative influence of administrators and street-level bureaucrats will depend upon the amount of discretion inherent in the service, instead of the degree of control which the administrator can exercise over street-level bureaucrats.

The primary influence of the administrator in determining an equity model lies in the decision rules which he or she formulates in response to, or in the absence of, the policy directives provided by elected representatives. The empirical work of Lucy and Madenka (1977) has confirmed the profound importance of decision rules used to make the task of allocating services more manageable. The rules by which police patrols are assigned, streets are repaired, new books are allocated to branch libraries, street lights are installed, and fire stations are built are all decisional rules affecting the allocation of public services.

Street-level bureaucrats are public employees who interact directly with citizens in the course of their jobs and have substantial discretion in the execution of their work (Lipsky 1973). Such personnel would include officers on the beat, sanitation workers, classroom teachers, welfare case workers, lower-court judges, parole officers, prison guards, park maintenance employees, housing inspectors, and so on. Indeed, a majority of public services offer considerable discretion to personnel interacting directly with citizens.

Even after decision rules have been established by administrators, street-level bureaucrats are still likely to have considerable discretion in determining an equity model for two reasons. First, those decision rules are likely to be relatively general, rather than specific, in order to embrace a wide range of contingencies; they are more likely to provide guidelines than to dictate behavior. Hence, there is still flexibility for low-level personnel to routinize their own procedures, modify goals, ration services, assert priorities, and limit or control clientele (Weatherley and Lipsky 1977). Second, even if an administrator’s decision rules are relatively specific, the discretion often remains with a low-echelon bureaucrat to define a situation and hence categorize it so the appropriate decision rule is invoked.

The decisions of street-level bureaucrats clearly have profound influence on who gets what. The actual model of equity implemented may be largely the result of their cumulative actions. Indeed, it has been argued that “in a significant sense, street-level bureaucrats are the policy-makers in their respective work arenas” (Weatherley and Lipsky 1977, p. 172).

The important role of street-level bureaucrats in determining an equity model emphasizes the importance of gaining understanding of, and commitment to, a common standard by all agency employees. A consensus on decision rules and procedures to be used in implementing the equity model is essential. Without it the pattern of services an agency delivers is unlikely to resemble the pattern which it is expected to deliver by elected representatives or senior administrators.

**IMPLICATIONS AND CONCLUSIONS**

There appears to be reasonable consensus that a legitimate function of government is to use some public resources to offset adverse social conditions. Hence, at least some services should be allocated unequally in order to compensate the disadvantaged. In implementing such a model there is a real danger of agencies lapsing into a product orientation in answering the question “What constitutes need?” A product orientation states “People need what I think they need.” A marketing orientation
directs that interpretation of needs should evolve from an assessment of citizens' needs and wants.

Clearly, the model of equity that is selected by an agency has important implications regarding the parameters within which marketing decisions must be made, particularly those relating to evaluation, segmentation, pricing, and promotion.

Although public services often are justified on the basis of their compensatory contribution there has been a tendency to evaluate them almost exclusively in terms of their efficiency. Two factors have contributed to this tendency. First, because efficiency measures are generally more readily available than equity measures, it is expedient to measure public service delivery only in terms of efficiency. Second, budgetary constraints have forced public agency managers to increasingly focus upon efficiency. In time of financial scarcity it is relatively easy to secure increases in cost efficiency in public service delivery by trading off a reduction in equity. It is not sufficient to evaluate services only in terms of efficiency because this may result in an equity model deemed to be totally inappropriate. For example, in many jurisdictions it is likely that an additional dollar may increase book circulation, and hence efficiency (maximum use of books), if spent in one neighborhood, but will produce greater equality of opportunity or greater compensatory results to disadvantaged groups if it were spent in a different neighborhood. On the other hand it can be argued that efficiency leads to freedom of choice; and when all exchange is voluntary, it is also equitable (Falkenberg and Wish 1980, p. 140).

Figure 2 suggests that segmentation may be particularly useful in situations where market equity or compensatory equity models have been adopted, but less useful when an agency is guided by an equal opportunity model. The equal opportunity standard views all citizens as equally important and having relatively similar service needs. Hence, an undifferentiated strategy offering a universally consistent service may be appropriate.

The equal opportunity model and undifferentiated segmentation strategy assume that a large proportion of the total market have common service needs. This approach provides economies of scale and resultant cost efficiencies. Such community services as police, fire, sanitation and public works are common examples of the equal opportunity model being implemented with an undifferentiated strategy. However, as Rawls (1971) observed, equal opportunity has few virtues and it is fallacious to regard all citizens as equal with similar service needs. It is unrealistic to expect all members of a potential market to respond similarly to a service offering. Typically, populations are characterized by their plurality. Some client groups will always have different product and distribution needs, exhibit different levels of sensitivity to price, be more exposed and responsive to communication efforts, and be more likely and able to make more use of particular services than other client groups. A government agency may attempt to treat all its potential market as if it were homogeneous, but in its daily operations it will inevitably (albeit unintentionally) favor some groups over others.

The market equity model is most commonly used in cases where services are perceived to be discretionary and exhibit the characteristics of a private service. Benefits are received primarily by those who are willing to pay for them rather than by those whose needs are being met by public agencies. A market equity model for health services appears to be based on the assumption that people will not use the services if they are not remunerated.

The market equity model is directly related to the equal opportunity model, as Figure 2 demonstrates. It is the relationship between equity models and segmentation strategies that is beneficial to the economy of the market. The market equity model is the one that is generally associated with the public sector. The equal opportunity model is the one that is generally associated with the private sector. The market equity model is the one that is generally associated with the non-profit sector. The equal opportunity model is the one that is generally associated with the for-profit sector.

**FIGURE 2**

**THE RELATIONSHIP BETWEEN EQUITY MODELS AND SEGMENTATION STRATEGIES**

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<th>EQUITY MODEL</th>
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<th>UNDIFFERENTIATED</th>
<th>DIFFERENTIATED OR CONCENTRATED</th>
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<td>SEGMENTATION STRATEGY</td>
<td>MARKET EQUITY</td>
<td>EQUAL OPPORTUNITY</td>
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by those who are willing to pay for the service rather than by the entire community. Differentiated and concentrated strategies enable an agency to adapt its services to the particular needs of those segments of the population willing to pay.

The compensatory equity model also uses differentiated or concentrated strategies. It identifies underprivileged groups and provides them with especially intensive treatment. The type and intensity level of service may differ between these targeted groups.

Selection of an appropriate equity model is almost synonymous with the issue of differentiating between public and private types of services, which is the key to formulating rational pricing policies for government services. The relationship between these issues is shown in Figure 3. Public and private types of services constitute opposite poles on a continuum. Much of the debate about pricing public services revolves around whether a particular service exhibits the characteristics of private or public services (Crompton 1980, 1981).

**FIGURE 3**

**THE RELATIONSHIP BETWEEN EQUITY MODELS AND PRICING STRATEGY**

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<th>EQUITY MODEL</th>
<th>MARKET EQUITY</th>
<th>TOWARD MARKET EQUITY</th>
<th>COMPENSATORY EQUITY</th>
<th>EQUITY OUTCOMES</th>
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<td>TYPE OF SERVICE WHICH GUIDES PRICING STRATEGY</td>
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<td>PRIVATE SERVICE</td>
<td>QUASI PRIVATE SERVICE</td>
<td>QUASI PUBLIC SERVICE</td>
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<td>WHO BENEFITS?</td>
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<td>INDIVIDUALS WHO PARTICIPATE</td>
<td>MOST BENEFITS ACCRUE TO USERS BUT SOME ACCRUE TO THE WHOLE COMMUNITY</td>
<td>MOST BENEFITS ACCRUE TO THE WHOLE COMMUNITY BUT EXTRA INCREMENTS ACCRUE TO USERS</td>
<td>ALL CITIZENS IN THE COMMUNITY</td>
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<td>WHO PAYS?</td>
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<td>INDIVIDUAL USERS PAY FULL COST</td>
<td>INDIVIDUAL USERS PAY MOST BUT THE COMMUNITY PAYS SOME THROUGH TAX SUBSIDY</td>
<td>THE COMMUNITY PAYS BASIC COSTS THROUGH TAX SUBSIDY BUT USERS PAY FOR THEIR INCREMENTAL BENEFITS</td>
<td>THE COMMUNITY PAYS THROUGH TAX SUBSIDY</td>
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DIRECT INCREASE IN WEALTH

REDISTRIBUTION
If a service exhibits the characteristics of a private service, its benefits are received exclusively by participating individuals rather than by the entire community. Public agencies provide a substantial number of what are essentially private types of services, but which, because of historical accident, the failure of the private sector to enter the field, or the need for quality controls, now are provided by government. Water and sewerage, public transport, parking spaces, refuse collection, electricity, public marinas, and golf courses are examples of services and facilities which frequently exhibit private service characteristics. The market equity model is likely to be deemed most appropriate in such situations since it requires those who benefit to pay a price which covers the full costs associated with delivering those benefits.

The market equity model has considerable merit in situations where a distorted income redistribution would otherwise occur. That is, in situations to provide those services which are predominantly used by wealthier elements of society. For example, many recreational and cultural arts services are used by predominantly middle-class citizens, and relatively little by poorer citizens, but they are subsidized out of tax money collected from all citizens. The primary source of tax revenues for most local public services is the property tax which often tends to burden low-income groups much more than higher income groups. This is because property taxes frequently represent a larger proportion of a poor family's total income than of a wealthier family's total income. For this reason, low-income groups would often benefit if the market equity model were adopted for this would impose direct user charges for delivering services which low-income groups do not use extensively. They may be better off if they are charged user prices and given the option of not participating in the service, and therefore avoiding payment for it, rather than being mandated to pay for services they do not want through the property tax.

There are likely to be very few government services in which a pure market equity model is applied because if users are willing and able to pay a price which covers all capital and operating costs, the service should probably be offered by a private sector organization. It is more likely that a "towards market equity" model will be adopted which recognizes the service as being quasi-private rather than totally private. This suggests that individual users should pay a price which covers most of the costs, but that the community should partially subsidize the service through tax subsidy.

At the other end of the continuum a public service benefits all citizens in the community. Air pollution controls and national defense are frequently cited as examples which exhibit public service characteristics. Since all citizens are perceived to benefit from such public services, these services are paid for by a system of compulsory payments through the taxation system and offered to beneficiaries at zero price. In the case of pure public services such as these, the compensatory equity model is taken to the extreme of equal results or equal outcomes inasmuch as all citizens receive equal benefit outputs irrespective of the amount they pay through the tax system.

However, other services offered by agencies which take on some of the characteristics of public services adapt the compensatory model but to a less extreme extent. For example, all citizens are perceived to benefit from services such as food stamps and medicaid because without these compensatory efforts it is argued that society would be less likely to be stable and peaceful. In the case of services like food stamps, only some minimal level of support is offered to target groups, and if members of those groups seek equal outcomes they have to pay extra increments themselves for additional or superior quality food.

The test for whether or not the compensatory equity or market equity models meet Rawls' (1971) criterion of benefiting the least advantaged is, "If the tax subsidy required to offer this service or facility were removed would the majority of disadvantaged citizens be worse off?" In many instances, the answer is likely to be "no," the majority of the disadvantaged would not be worse off, they would be better off, particularly if the tax support originated from a regressive tax such as a sales or property tax. In those cases where the service is supported by a progressive income tax, the litmus test becomes "Are these scarce resources being allocated where they service the disadvantaged best?"

The model of equity selected also has implications for promotional strategies. Market equity models are most likely to be directed to better communications with customers to pay for services, retailing, public relations, advertising, and so on, all strategies which need to be carefully thought through to maximize the benefits of the service. Communications can also help disseminate information on the benefits of community services, such as Blackwells.

If the equity model takes on the characteristics of a public service, it is not likely to result in a very satisfying or equitable situation to be said the service is "equitable" in the conventional sense. The service's availability is not the important issue in this case, but the manner in which the service is offered to citizens and the benefits accruing to whom it is offered. The community in this case is more likely to be the equity model with a strong focus on promotion, advertising, and marketing.

Different countries and societies have different views of what constitutes a good service. The equity model is likely to be less applicable here. Equitable means that there is an equitable division of costs and benefits. That is, the cost of a service to a particular group is not only deadly high but also is not likely to be of the "best" for the group in question (pp. 140). The concept of equity is more likely to lead to the conclusion that "the best" is not always the same for all groups. It is not likely to lead to the conclusion that the "best" is the same for all groups, which is the result of this analysis. The best approach is likely to be the one that is most equitable overall and not just for a particular group. This means that the equity model is likely to be less applicable here.
better educated groups or areas, since these markets are most likely to be able and willing to pay for extra increments of service. Communicating to such groups is likely to be relatively easy for they are more likely to be active information seekers and responsive to desired communication messages (Engel, Kollat, and Blackwell 1973, p. 382).

If the equal opportunity model is selected, it is not enough just to provide a service; it is also incumbent upon the agency to ensure that all have equal knowledge of the service's need-satisfying potential. Only then can all citizens be said to have an equal opportunity to take advantage of the service. In the case of compensatory equity, the communication of a service's availability and its potential for meeting the target market's needs becomes even more important. Yet these markets in which communication is most necessary are those for whom it is most difficult to design effective communications. When either of these two equity models are adopted, considerable thought and effort will be required to develop effective promotional strategies.

Different equity models will be preferred and selected by different communities and subcultures because society is not a homogeneous mass whose tastes and values can be treated as uniform. Each individual's notions of what is equitable are tempered by his or her background and social position. Given this, it would be futile and arrogant for a particular individual to assert that the model he or she prefers is "best" for society. It is, in the final analysis, a question of values (Falkenberg and Wish 1980, p. 140). This question is likely to be the subject of lively and on-going debate. As Hirsch (1976, p. 152) has noted, this discussion of who should get what is only beginning to grapple with the conflicts among various desiderata, and among various ways of looking at equity.

Nevertheless, marketers interested in applying their concepts and techniques in the public sector need to understand, address, and empirically investigate the implications of the equity issue, inasmuch as it is a fundamental differentiating factor in marketing public and private services. Consideration of equity in public service delivery is a prerequisite to effective marketing or public services, not only because of its impact on allocation and distribution decisions, but also because of its relationship to evaluation, segmentation, pricing, and promotion decisions.

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