Public Policies for Service Quality

Service quality public policy refers to all those actions that allow the provision of better services for society. Sometimes these actions are related to the regulations included in other types of policies. When actions that facilitate competition or the opening of markets provide incentives for the promotion of services, the consequence should be an increase in quality. However, quality can be a specific object of a policy affecting numerous aspects of the relationships between suppliers and customers, which is the case with standardization.

Quality policy aims to eliminate barriers to the provision of quality services (Lapuente and Van de Walle, 2020). For instance, a business services policy that influences prices and quality could address problems arising from market segmentation and lack of transparency. Prior to making policy changes, it is necessary to study the market and observe the mechanisms it offers to solve these problems. Intervention in the market is only justified if the market is not capable of adequately solving the various problems.

Four policy areas are proposed in Figure 1 to improve the quality of services. The first area refers to market measures, which encompass all those activities that seek to protect the consumer when looking for a service in the market. Among the actions that fall within the scope of market measures are legal strategies, such as contractual clauses that seek to ensure that services guarantee a minimum level of quality for consumers. A
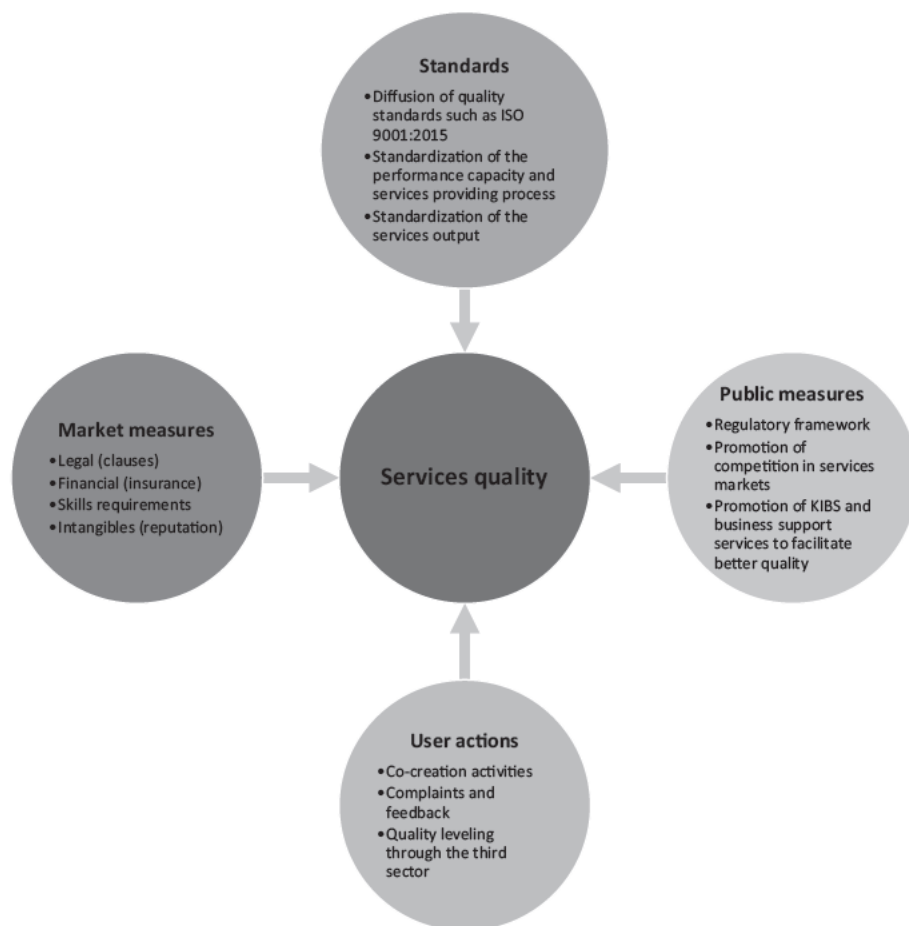
Standards
- Diffusion of quality standards such as ISO 9001:2015
- Standardization of the performance capacity and services providing process
- Standardization of the services output

Market measures
- Legal (clauses)
- Financial (insurance)
- Skills requirements
- Intangibles (reputation)

Services quality

Public measures
- Regulatory framework
- Promotion of competition in services markets
- Promotion of KIBS and business support services to facilitate better quality

User actions
- Co-creation activities
- Complaints and feedback
- Quality leveling through the third sector

Figure 1   Four ways to ensure quality in services

classic example of this is an agreement between a lawyer and his or her client stipulating that the lawyer will receive payment only in the event of winning the lawsuit. This type of contract reduces moral hazard (the incentive to take risks because one is protected from the consequences). Beyond contract compliance, courts and law do protection too and many types of service quality issues.

Another type of market measure could be the contracting of insurance. Buying service-linked insurance is one way to reduce the problems caused by imperfect information: the insurance sector protects service providers and service users from bad service provisions. Besides, market information also acts as quality check for many services (websites, users' opinions on providers,

magazines, business directories, member lists, etc.); consulting or publishing these works reduces the amount of imperfect information that exists in the market. The same applies to the quality control market mechanism through the promotion of the right skills and capabilities to perform a service and through the use of controllers in companies. Reputation is the final market mechanism for which providers establish informal but robust levels of quality.

The second area refers to public measures, which include all those actions that seek to generate an adequate context for the provision of services, in which economic agents have institutional security that allows them to develop their activities and provides them with incentives to offer

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services quality. The regulatory framework that the government creates must take into account that the state cannot always provide a service in the most efficient way and that coordinated work between the public and private sectors is essential. Another important action in this area is providing incentives for competition in the service markets. Having a large market with a lot of competition should create incentives to provide quality services for the population. Finally, promoting knowledge-intensive business services (KIBS) and support services for companies can help the private sector improve the quality of services

The third area refers to standardization, which encompasses all those actions that seek to establish formal quality standards for services. Quality standards can be used as a measure to guarantee the quality of services (Blind 2006, 2016); for this, the International Organization for Standardization (ISO) 9001: 2015 rules are quality standards that can be used in the economic policy of countries. Standards reduce imperfect information in service markets by ensuring the provision of services through certain protocols and quality mechanisms so users can fit their expectations into what the standards indicate, such as in the case of hotels providing services according to the number of staff they have.

The fourth area refers to users' actions, which encompass all those actions by which individuals or civil society can influence the quality of a service, either through an organized and coordinated action or through the simple use of services. This field includes all the value co-creation methods by which organizations include users in the production process of a service, making it adapt to the user's needs and expectations and thereby co-designing a quality-oriented service. Also, the fact that users complain about the quality of a service can make organizations take more care and improve the quality of what they offer. Finally, civil society can allow users to organize and demand quality standards.

In short, there are four main areas necessary to reduce market imperfections and ensure quality. The role of public policies is particularly related to the public measures areas. But the other three areas—market mechanisms, standards and users' actions—can also be supported by public measures. A suitable legal framework, innovation policies, data protection policies and public procurement all may provide incentives for promoting quality mechanisms in markets, users and standards.

As has been shown, and building on previous work (Rubalcaba, 2007), three key challenges in quality measures can be mentioned.

1. *Market mechanism versus public mechanisms.* Government is not necessarily more efficient than the market in providing incentives for the improvement of quality of service. Furthermore, individual incentives cannot be regulated by the state; therefore, its work in this field must be secondary to the work of the market and standards promoted by the service industries themselves. In the context of imperfect information, regulation by the state will have effects that will not be effective in the Pareto sense—it will be necessary to carry out interpersonal utility comparisons, evaluating who will benefit and who will be harmed by a particular measure. Government can and should support the actions of private agents who create mechanisms for reducing information problems.

2. *Efficiency and effectiveness in public intervention.* A good public intervention requires efforts to maximize its performance. This can be done in all key areas such as regulatory reforms, promoting certifications and standards, improving the educational system and skills, fostering the internationalization and deregulation of the sector and promoting digitalization as a way to increase quality. Government should also endeavor to maintain quick and efficient courts and legal operations. In this way, possible conflicts would have a quicker resolution and the number of potential violations of service contracts would be reduced.

3. *Coping with key sectorial issues.* The state has a direct responsibility to foster mechanisms for the promotion of quality in public services and services of general economic interest (network services for which quality goals should be aligned with universal access). This also applies to services with implications for sustainability and environmental concerns, becoming part of the concept of quality nowadays, for which the role of policies is essential.

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