BUILDING TRUST BY TREATING PEOPLE FAIRLY

By Shayne Kavanagh
Local governments depend on trusting relationships, and fairness is essential to trust. If people feel that they’ve been treated unfairly, trust breaks down, and they may withhold their support from their local government. This makes it more difficult for the government to maintain a strong financial foundation.

To learn more about how finance officers can enhance their trustworthiness, GFOA surveyed the members of two large state/provincial GFOA associations, asking them to identify other finance officers who were particularly trustworthy. We then conducted face-to-face interviews with the finance officers who received the most nominations, seeking to learn which of their behaviors helped them build trust with others.

Finally, we organized our findings into the five elements of trustworthiness suggested by the GFOA’s Code of Ethics (www.gfoa.org/ethics). The code is focused on enhancing the trustworthiness of the local government finance office. One of these five elements is “treating people fairly.” In this article, we’ll first explore how people perceive fairness and then focus on what we learned in our interviews about treating people fairly.

DEFINING FAIRNESS

“Fairness” is a multifaceted concept, and the definition of what is “fair” can differ among people and circumstances. But psychological research provides insights into how people generally conceive of fairness, and finance officers must be mindful of two basic components.

The first is “procedural justice,” which concerns the process used in making decisions and distributing resources. Perceptions of procedural justice are influenced by how the decision is being made: Is it objective? Perception is also influenced by how people are treated during the process: Do they have the opportunity for serious input?

The second component is “distributive justice,” which means that people get what they deserve and what is fair. In other words, the distribution of resources is equitable (but not necessarily equal). Equitable means that the outcomes that someone experiences (e.g., budget allocation, public services) are roughly proportionate to the inputs they provide. An example of an inequity in local government finance might be a public safety department that consistently gets budget increases, while the other departments get none or are asked to make cuts — even though the public safety department has not provided strong justification that the increases are warranted, and other departments have made a strong case for the services they provide. Another example would be a neighborhood of historically marginalized people that does not get good public services for the taxes they pay, compared to other neighborhoods in the same jurisdiction.

For people to perceive a situation as fair, they must believe that at least one of these two components of fairness is present. In the next sections, we’ll see examples of how these two components have been applied in local governments.

PROCEDURAL JUSTICE

To see procedural justice in action, consider the case of a midsized city that needed to update its system of internal service charges to departments for vehicle replacement. The chief finance officer (CFO) could see that the city’s vehicle replacement fund was not on a sustainable trajectory and that departments would need to contribute more. The finance department’s method for calculating these charges wasn’t transparent, and since other departments didn’t know how it worked, there was little trust in the process. As a result, an increase in charges would not be well received.

The starting point for the CFO was to explain to the departments how the charges would lead to a healthy vehicle replacement fund, why that was important, and how the charges were calculated. This removed some of the mystery behind the fund.

Next, the CFO convened a cross-departmental committee to help redesign the city’s approach to vehicle replacement. Bringing other departments into the decision-making process demonstrated that the finance office wanted their perspectives. The committee put together a set of criteria for evaluating whether or not to replace a vehicle, using a transparent
and agreed-upon set of criteria. This approach brought a sense of objectivity to deciding which vehicles to replace.

After examining all of the vehicles in the city’s inventory, the committee became aware of a number of vehicles that had originally been seized by the police department and had then made their way into the city’s motor pool. These vehicles added unplanned maintenance costs, and departments were often expected to replace these vehicles when their useful lives ended. The city resolved to auction off seized vehicles instead, a solution that increased revenues while eliminating the expense associated with maintaining the extra vehicles. Because the committee had gone through the examination in a transparent manner, every department felt they had input into the decision.

Ultimately, the city was also able to make the fund healthy by increasing revenues through higher charges, increased auction proceeds, and decreased expenses, achieved by reducing the number of vehicles in the pool. Departments were supportive of this change, and the initiative helped build trust with the finance office.

We can also see how a lack of perceived procedural justice played out in a different government’s budget process. In this county, departments are asked to submit an annual “status quo” budget for performing the same level of service as the year before. If they want to add or expand services, projects, etc., those changes must be submitted as a separate package that is considered at the end of the budget process. Once the status quo budget has been found to be affordable and the county budget office knows how much discretionary revenue is left, requests for new spending are considered.

These requests must be well justified, and the budget office fully reviews all of the data submitted — but there are no established criteria to determine how the requests will be prioritized. Rather, the factors the county administrator’s office uses to determine which requests will be included in the budget aren’t made clear to people outside the central administrative office.

Departments only hear about the fate of their requests at the end of the process, and they never see the details of the other requests or take part in the decision making. Some departments feel that their request was unfairly denied and make an appeal to the county board at public budget hearings. The board will then sometimes overturn the county administrator’s decisions on the spot at a very late stage in the budget preparation process, further reinforcing the impression that the process is capricious and unfair.

To provide an illustration, a small office of emergency management (OEM) wanted to add five staff members to its existing staff of ten. The budget office asked for a rigorous justification for such a prodigious expansion in staffing, and the county’s budget officer didn’t think that the data the OEM provided about its workload justified the new staff. Therefore, the request was not approved.

Although the decision was based on the data the OEM provided, the criteria that would be used in making the decision were not described clearly. The head of the OEM, not willing to take the budget decision at face value, contended that the
chief administrator disliked him and denied the request for that reason. In other words, he felt that the decision was not objective. And because the criteria were not transparent, it was impossible to show otherwise. The county board even got involved in the dispute and began to question this and other decisions about requests for new and expanded projects that year.

**DISTRIBUTIVE JUSTICE**

Earlier in this article we described two situations in which distributive justice could be a particularly relevant concern in public finance. In the first situation, certain departments are perceived as getting an unfair advantage in the budget process. Being mindful of procedural justice concerns, as described above, would certainly help here. An even more fundamental point is to make sure that all departments participate in the budget process under the same rules. For example, municipal governments commonly exempt public safety departments from participating in budget cutbacks when the municipality needs to reduce its total expenditures. Our interviewees made a point of rejecting this practice and requiring all departments to participate. The public safety department might ultimately lose fewer resources than some other departments, but that would be determined based on a fair examination of the relative merits of the services each department offers.

The second situation in which distributive justice could be an important concern is when people who live in historically marginalized neighborhoods or are part of historically marginalized populations do not receive an equitable amount of public services for the taxes and fees they paid, compared to other neighborhoods or people in the same jurisdiction. Many local governments are becoming more cognizant of this kind of equity in their budgeting.

Perceptions of equity have real implications for trust in government. If resources are perceived as being distributed inequitably — according to family background, ethnicity, political affiliation — then trust in the institutions responsible for distributing those resources will decline. If the public perceives the standard of fairness as being reasonable and not unduly benefiting one group at the expense of another, they get the impression that public officials care and can be reasoned with.

A government should be clear about the way it defines “equitable” and also show how it implements that value. For example, the City of Portland, Oregon, adopted equity as an overarching goal in its strategic plan (see Exhibit 1). From there, the city council decided to focus on racial equity...
and equity for people with disabilities. The city adopted three specific equity goals, covering the representativeness of the city’s workforce; outreach and engagement of marginalized groups; and elimination of inequities in service provision. Each city department developed a racial equity plan to show how these goals would be implemented, and the plans were adopted by Council resolution.

To identify where services are provided equitably—or not—Portland uses a series of performance measures that it breaks down by geographies. Population information (e.g., race or disability) is overlaid on maps of the city. For example, a map of pavement quality index shows that the east side of Portland, traditionally an underserved area, has some of the best quality streets in the city. But a map of traffic fatalities shows that this same area has a relatively large number of fatalities. A more equitable distribution of resources might therefore entail more investment in traffic control devices than more street maintenance. Additionally, Portland’s maps and performance measures are available online. Some of the maps are interactive, allowing the public to pursue their own lines of inquiry about equity.

Portland also has a “budget equity assessment tool” to help departments think through how their base budget and any requested additions (or subtractions) affect equity. Over the years, this tool has been made more effective as departments become more acclimated to it and as the guidance from the city’s Budget Office and Office of Equity and Human Rights has become more refined. Taken together, the performance measures, maps, and budget equity assessment show how important equity is to city officials in the way the city government allocates resources and the subsequent results produced by city services.

**CONCLUSIONS**

Treating people fairly is essential for building trust. Finance officers need to be mindful of two basic components of fairness: 1) procedural justice, which concerns the process by which decisions are made and whether people feel the process was objective and took their views into account; and 2) distributive justice, which is about providing equitable outcomes (e.g., the outcomes people get from a system should be reasonable, given the inputs they provide into that system). For the finance officer to build trust, others must see and feel that decisions are fair. That means that the process has to be transparent and people need to be involved. Being objective behind the scenes isn’t enough—it needs to be out in the open.

**Notes**

1. Many states and provinces have their own GFOA associations, which are separate from the GFOA of the United States and Canada.
2. The information in this section is based on work by Jonathan Haidt, the Thomas Cooley Professor of Ethical Leadership at New York University’s Stern School of Business.

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