

## 7 | SOCIAL DEMOCRATIC PUBLIC SERVICES

Rick Muir

*An incoming Labour administration will face a public service landscape that will have changed radically following the coalition's reforms: as well as having no money, Labour will have few immediate levers for improving quality and meet a fragmented delivery system at the local level.*

*While the public may not be interested in the detail of public service reform, they do want to know that a party is enthusiastic about service improvement, intellectually creative about how to bring it about and energetic about delivery. Ed Miliband should dig deeper into Labour's own intellectual traditions for sources of inspiration and put Labour clearly on the side of giving citizens greater power.*

While Labour has been right to oppose misguided and ideologically driven reforms by the coalition, it has so far said little about what it would do differently. Since becoming Labour leader, Ed Miliband has focused largely on the economy and has yet to develop a clear narrative on public services. This will need to change in the next eighteen months. While the current focus of public debate remains on the economy and the deficit, by the 2015 election most of the big economic and fiscal decisions will already have been made. Attention

will shift to other areas, such as who will do most to improve the health service, raise standards in our schools and reduce crime.

As it crafts a new agenda on public services, Labour will have to wrestle with three big challenges.

First, it will need to find ways of improving services without being able to spend more money. Even after the current deficit has been eliminated, the Office for Budget Responsibility (OBR) projects that there will continue to be major constraints on public spending. As the large baby boom cohort reaches retirement and as longevity increases, we will live in a country with proportionately fewer workers paying tax and proportionately more retired people with significant health, pension and long term social care needs.

It is worth reflecting on the scale of this financial challenge. The OBR projects that between 2015–16 and 2060–61 health spending will have to rise as a proportion of GDP from 7.4 per cent to 9.8 per cent, long term care spending from 1.2 per cent to 2 per cent and spending on state pensions from 5.5 per cent to 7.9 per cent. Overall these age-related costs add up to an extra 5.4 per cent of GDP that needs to be found by 2060 – or an extra £80 billion a year in today's money. Given that the OBR also projects tax revenues to increase by just £13 billion a year, that leaves a fiscal gap of £67 billion a year to find by 2060. This will heavily constrain spending across public services and means that if Labour wants to improve standards and invest in new priorities, it will have to spend less in some areas or at least find ways of raising productivity in the big mainstream services such as the NHS, schools and the police service.

Second, Labour will have to adjust to a public service landscape that will have changed radically by 2015. Services will have been through five years of big spending cuts, with some – such as local authorities and probation services – almost 25 per cent smaller in financial terms

than in 2010. Forms of top down performance management such as the plethora of targets introduced by Labour will have largely been cut back. Instead there will be a more diverse range of autonomous service providers held accountable largely through the mechanisms of competition and user choice. There will be many more private and third sector providers in areas like health, policing and criminal justice. The vast majority of secondary schools will be academies, as will a growing minority of primary schools, and there will be hundreds of free schools. The police will be held to account by directly elected police and crime commissioners.

This new landscape will raise a number of issues for an incoming Labour administration. As well as having no money, a Labour government will have few immediate levers for improving quality. The coalition was right to curtail the use of centrally-set targets that outlived their use and started to stifle innovation and reduce responsiveness. However some targets worked (most markedly in the NHS) and they were especially appropriate in taking very weak services from 'poor to good' The coalition has instead relied on the naïve assumption that market competition will drive big improvements in quality. While choice and managed competition can, in appropriate areas, make systems more responsive to the individual citizen, it is less convincing as a way to drive big system change. Under the last Labour government, the big things that drove improvements in quality were: money, targets (though there were too many of them), workforce innovation (such as Teach First) and institutional reforms (academy schools, for example). A future Labour government will have to find ways of reintroducing strategic public management of services without returning to a regime of excessive targets.

Added to this, there will be an even more fragmented delivery landscape at the local level. The price for greater

autonomy and diversity will be more disconnected local systems and as a result fewer opportunities for partnership and pooling budgets. Labour will want to think hard about how it can achieve more integrated service delivery in this context.

A Labour government would also have to be clear which reforms introduced by the coalition it would reverse and which it would retain. For instance, it is unlikely to want to reverse schools' academy status or abolish elected police and crime commissioners. It will want to put limits around the role of competition in the NHS, but is unlikely to want to go through further organisational upheaval by radically changing the commissioning framework.

The third major challenge for Labour is to craft a reform agenda that not only makes sense in policy terms, but that also works politically. While it is true that the public are not really interested in the detail of reform, they do want to know that a party is enthusiastic about service improvement, intellectually creative about how to bring it about and energetic about delivery. This is why a reformist agenda is so important, particularly for a party that has (unfairly) been labelled as careless with public money.

But any reform strategy must also speak to the party. Under Tony Blair 'reform' became far too synonymous with markets and introducing private providers, which many in the party opposed. Ed should dig deeper into Labour's own intellectual traditions for sources of inspiration. Labour's collectivism does not always have to be equated with a faith in the power of the central state to cure all social ills. There is a long tradition of bottom-up democratic collectivism in Britain, embodied in the work of the early trade unions, the co-operative movement and self-help organisations such as the Workers Educational Association. Labour should look to its own traditions to develop an alternative to *dirigiste* statecraft.

## New directions

### 1. Strategic choices

The coalition has failed to think strategically about what mix of public services Britain will need in the 21st century. As a country we need to ask: which services best support full employment and an affordable welfare state? What challenges does an ageing society pose for reform of the NHS and social care? How can real innovation and productivity be secured in universal services that face enormous cost pressures and depend on skilled labour?

Labour should make strategic choices about which services to prioritise. If we want to secure full employment, prepare for an ageing society, and help raise family living standards, then universal, affordable childcare must come centre stage. Children's centres are also popular institutions that help build community life and, once established, are hard for future governments to cut, unlike income transfers. The universal services provided at children's centres, like 'stay and play' clubs and breastfeeding classes, mix social groups and bond communities together. And the evidence that high-quality early years services boost children's life chances and strengthen their school-readiness is overwhelming. They are a win-win for investment.

IPPR has demonstrated that in the long term universal childcare pays for itself, generating a return to the government of £20,050 (over four years) in terms of tax revenue minus the cost of childcare for every woman who returns to full-time employment after one year of maternity leave. The initial up front cost could at least be partially met by removing some benefits from wealthier pensioners, such as by restricting winter fuel allowances and free bus passes to pensioners in receipt of pension credit.

This switch to universal childcare, plus the necessary growth in spending on long-term social care and the NHS,

means we will also need to focus on ways of making public services more productive and efficient. This is hard: public services are labour intensive and require a skilled workforce. Despite big increases in spending between 1997 and 2010, there was little improvement in productivity. We will have to find a way of making the big mainstream public services – the NHS, education and the police – more efficient.

## 2. Empowerment

In his 2011 party conference speech, Ed said: “You know what it’s like. You stand in the queue. You hang on the phone. You fill in the form. And then all you get? Computer says no. We need to change that. To give power to the public ... So I will take on the vested interests wherever they are because that is how we defend the public interest.”

Here Ed recognises that the public interest is not the same thing as the interests of the state, or indeed those who work for it. We know that too often public bureaucracies can become ossified, unresponsive and depersonalised. In order to counter this, he argues, power needs to be handed to the citizen in order that they can hold providers to account and shape the kind of services they want.

In part this involves empowering citizens as individuals. It is right that patients should be able to choose their GP, that parents should be able to choose their children’s school or nursery and that disabled people should be able to design their own care package by using a personal budget. Indeed I would advocate a major extension of the use of personal budgets in the health service.

However, there are limits to individual choice as a means of empowerment. This is sometimes for resource reasons. For example, there are financial limits on providing the surplus number of good school places that would

really give parents a reasonable choice of where to send their kids. Similarly a social housing tenant has limited choice over a new home because of the chronic shortage of affordable housing.

There are also inequalities in terms of who exercises choices, with many studies showing that choice can privilege those with a higher level of education and a higher income. Because of this citizen empowerment requires more than just the ability to exit, it must also equip citizens with other ways of holding local services to account for their performance. This can include minimum service guarantees, forms of democratic local control and direct citizen participation.

Social democrats should also want to build collective institutions in which local networks, social capital, community cohesion and a sense of shared agency can develop. This is the case for local community institutions such as schools, pensioner's lunch clubs and children's centres. An excessively consumerist approach to public service reform is insensitive to the importance of people mixing and working together to promote common ends. This requires a very different way of looking at public services: not just in terms of inputs delivering outputs, but in terms of the quality of human relationships and sense of shared purpose that they engender.

What might this mean in practical terms? Labour should look at how new forms of community-owned public services can be promoted. One area that is ripe for this is adult social care: we rightly worry about the quality of relationships in private care homes or in meagrely funded home care, and we also know that people are willing to help and look out for elderly neighbours and relatives. Could community-owned care trusts be established to provide home care for example, mobilising local people to offer some voluntary time to help older people with day-to-day problems, like doing their shopping or cutting their grass?

### 3. Democratic accountability

The coalition government believes that the best way to drive improvement across services is to open services up to competition. It is true that in some cases *managed* competition in public services can improve outcomes, as with Tony Blair's 'choose and book' reforms in the NHS which did help to reduce mortality rates in NHS hospitals.

And yet competition has a mixed record in public services. For example, the OECD has shown unequivocally that across the developed world competition does not systematically improve outcomes in schools systems. National case studies on the impact of introducing voucher reforms to increase school competition show very mixed results.

In the health service it was not competition that reduced hospital waiting times, but rather additional resource plus a 'reign of terror' in terms of top-down waiting times targets for which managers were held accountable. This conclusion is reinforced by the fact that waiting times did not fall anyway near as fast in Wales and Scotland where there were similar increases in resource but where targets were not imposed. Given this strong evidence that raising standards requires the direct exercise of public authority, Labour will have to find ways of strengthening the democratic accountability of an ever more diverse range of different service providers. Where Labour went wrong in office was to try to do things almost exclusively from Whitehall.

The introduction of police and crime commissioners shows the way and Labour should now embrace this important constitutional reform. Labour should also explore the creation of local schools commissioners and devolving more powers to local government to hold service providers to account. There is evidence from the Total Place pilots that devolving more budgets to local authorities can allow for the pooling of funding streams,



which could help generate significant savings. In particular, housing benefit could be devolved locally, schools budgets no longer ring-fenced and local authorities or police and crime commissioners could be given a share of the savings from the prison budget in return for taking responsibility for reducing re-offending. In the long run, putting some local prisons under the control of the police and crime commissioner would help clarify responsibility for offender management and free up resource to develop innovative local solutions.

## **Conclusion**

Ed Miliband should grasp the opportunity of the next eighteen months to recapture the agenda on public services. He should set out what mix of services the country will need in the decades to come, put Labour clearly on the side of giving citizens much greater power and strengthen forms of strategic democratic management. Labour now has the opportunity to develop a reform agenda that both protects universal services in the face of the tough fiscal realities of the next decade, while making those services more responsive and accountable to the public.