



# **Reform in an age of austerity**

## **A journey, not a destination**

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## **1. Reform is dead, long live reform?**

Public sector reform, as a term, has become both empty and awkward.

'Empty' because earlier reforms to public services have replaced bureaucratic simplicity with localised complexity and flexibility, which renders 'reform' as a catch-all, too unsubtle a term for both individual and systemic changes. Many, though not all, of the services we are hoping to 'reform' have changed significantly in this direction over the last two decades, which means that a single universal agenda of 'reform' becomes less and less relevant to individual services.

'Awkward' because, in a time of limited funds, a single, overarching 'reform' programme is far harder to deliver effectively. Past successful reforms of public services have usually been accompanied by additional resources.

Furthermore, public demands for improved services will create a managerial pressure to control budgets in some services in order to allow the funding of reform in others. Here, we will need to learn from the experiences of Labour councils, who have faced a sharp reduction in funding, and have had to make sharp choices in both the extent and configuration of services.

This may lead to public service reforms that appear complex, even contradictory, as centralised control and budgetary rigour is pursued in some areas, while devolution and institutional autonomy is prioritised in others.

Recognising these limitations does not mean that public service reform should be regarded as a secondary priority, or abandoned altogether.

The ever-rising expectations of citizens should be enough for us to reject knee-jerk conservatism, however temporary and budgetarily minded. The status quo is not an option given the rising demands on services – not just demography and an ageing society but rising inequalities and 'scarring effects' fuelled by the recent recession.

Services will have to be ever more adept at reaching out to, and improving, the lives of our most vulnerable and excluded citizens. Moreover, public services are the lifeblood of the Labour party – they express our most basic instincts about the need for solidarity and equal life-chances. They protect people from the vagaries of markets so dramatically underlined by the financial crisis of 2008-9.

A recognition of the complexity and obstacles to reform places a strong emphasis on the need for strategic choices about what and where reforms should be pursued, and how they should be delivered. Where and how to pursue reform itself becomes a matter of prioritisation.

It is obvious that health will be a major focus for the next Labour government given rising demands on NHS services coupled with rising costs. But education, too, is crying out for serious attention – not just greater resources for the state sector but modernisation of the school curriculum to ensure that the next generation of young people is adequately prepared for life and work. Then there are the new frontiers of the welfare state – social care, childcare, services

for excluded young people – where service innovation is urgently needed.

This paper argues that underlying the sometimes-divisive rhetoric there is relative commonality in principle among those discussing public service reform on the centre-left.

Different emphasis on the terms of this debate disguises this commonality and the very real differences in practical outcomes that result from crucial choices about where and how reform should be pursued.

The debate on whether or not to ‘reform’ has therefore become sterile. Making legitimate objections to a proposed reform does not make any group or trade union part of the ‘forces of conservatism’. On the other hand, it would be fatal for Labour to abandon the fundamental principle that we exist to give people more power and control over the services they use. It is not so much about being ‘pro-’ or ‘anti’-reform that matters, but identifying a consistent pan-governmental approach about where one wishes to adapt and reform public services, why, and how it should be done.

This paper outlines a new approach: a strategy for public services which pursues improvement through ‘disciplined pluralism’, recognising the vitality of diverse institutions, communities and places.

## **2. The roadblocks to reform**

Public service reform is perhaps the most overused and least precise term in British politics. Consider the naked phrase itself: ‘Public service’ includes, or could include, every real or desired provision of government to citizens. ‘Reform’ is simply deliberate change.

Therefore, when politicians and advisers talk of ‘public service reform’ we are considering changes in every function of the state, from firefighting to accident and emergency, from primary schools to universities. Centralise recycling and refuse collection across London? That is a public service reform. Allow schools to be set up by parents? So is that. Are such moves related, ideologically or in intent? Are they contradictory, or complementary?

Faced with this vast panoply of potential policy choices, it is perhaps no surprise that the attempt to find a common, coherent ideological thread sometimes retreats into vacuity. The last Labour government enunciated four principles of public service reform in a 2002 [paper issued by the Office of Public Service Reform](#).

It is rare for these four principles to be clearly recalled by anyone, even those involved in writing the government’s strategy. For the record, they were: national standards, devolution, flexibility and choice. It is worth recalling that, even then, both national standards and the granting of autonomy to local providers to reconfigure services was positioned alongside choice as a crucial element of reform.

The current government has tied itself to five principles of public service reform in the 2011 white paper [Open Public Services](#). These are choice, decentralisation, flexibility of provision,

fair access, and accountability. These were described as representing a 'decisive end to the old-fashioned, top-down, take-what-you-are-given, model of public services'.

It is debatable whether this is the actual experience of either users or providers of public services, whether in universal credit or affordable housing. From health to housing, the actual process of delivering change has been driven in a highly centralising, top-down fashion; users of these services have usually had to take what they have been given. The coalition's approach to local government has been among the most centralising of any administration since the second world war.

Even in areas, such as education, where a case can be made for the reforms being genuinely 'bottom-up', there is an intriguing contrast between the demands of the centre for the 'old fashioned' provision of schooling (note, for example, the enthusiasm for school uniforms, traditional methods of teaching, and even Latin on the curriculum) and the avowed policy intention to allow a diverse, free-wheeling provision of education driven by the preferences of parents. As long as, that is, the parents are enthusiasts for blazers, the classics, and a particular view of English history.

Various waves of public service reform over the last 30 years have also left a tidemark of structural differentiation across swaths of our services. To the outsider, and perhaps even to insiders, these changes have made the structure of public services ever hard to comprehend. While the 'old-fashioned, top-down, get-what-you're-given' approach was clearly and demonstrably imperfect, it did have the benefit of a relative simplicity of structure. It also was transferable across bureaucracies and administrations.

The jibe of 'Stalinist' public services was overdone, but touched a nerve because the mechanisms of central state provision were more uniform than they are today. Whether providing schools, health or transport, a uniform entity, largely controlled centrally in budget and planning terms, but with local managerial autonomy in the delivery of those services, was easily comprehensible. British Rail was clearly and recognisably related to the NHS in a way that a clinical commissioning group is not in any way comparable to a train operating company.

This is no longer the case. There are, for example, no more 'bog standard' comprehensive schools. Even those that retain the old structures are now a variety, not a dominant trend. This means the modern state is both more complex and more varied than three decades ago. To enter into a discussion on the nature of healthcare structures is to absorb yourself in a world of QIPPs, CCGs and DGHs, funding streams and structures, of varied responsibilities and fiefdoms, of questions of budgetary control and quality assurance.

Surface from this and move your focus on to the provision of skills to school leavers and the ground shifts further beneath your feet. This is hugely significant. Fail to comprehend properly the current nature of the service you seek to reform, and the reform you propose will be ill-fitting, ill-targeted and even counterproductive as the coalition government has discovered in its reforms of the NHS.

Furthermore, this institutional variety means it is entirely possible that you might wish to

'reform' each service very differently rather than applying a blanket 'one size fits all' approach. If we take the Labour government's 2002 public services paper, one could argue that the balance between 'national standards' and 'local flexibility' was too tilted towards 'national standards' in the NHS and 'flexibility' in further education (or vice versa). The result was an NHS too often poorly attuned to the needs of local communities, and an excessively fragmented further education sector. So a consistent, values-based reform programme will result in apparently conflicting reform agendas being applied in different public services. This recognition of the need for 'disciplined pluralism' in how services are reformed is a strength, not a weakness.

Against this background, it is understandable that scepticism of public service reform is high, even as the need for improvements in public services is broadly accepted.

Rhetorically this is expressed by creating a differential between 'top-down' reform, and what is presumably an organic, people-focused approach, whether through the 'openness' of the government white paper, or the 'relational' approach of current centre-left thinking.

One might observe that the irony of our current debate on public services is that the critique of the public services that drove New Labour public sector reformers has now been applied to the reform process itself. The advocates of the 'big society' or the 'relational state' declare that their programmes are not 'the old-fashioned, top-down, get-what-you're-given reform of the past'. They are pursuing a reformed notion of reform.

On top of all of this, there is also the perennial question of money. Change in any public service structure and system is hard. Change without the lubricant of extra resources is even harder. It is difficult to imagine the academies programme being accepted, even reluctantly, if it had not occurred during a period of relative budget munificence in capital and current budgets. The promise of shiny new school buildings in economically disadvantaged communities 'sweetened the pill' of radical education reform.

It is no coincidence that Tony Blair prefaced his 2003 speech on public service reform with the defensive statement that 'money matters' and then listed how much the salaries of public servants had increased under his premiership.

'Motivating staff matters which is why starting salaries for nurses are up by 16 per cent in real terms since 1997; up 19 per cent for GPs; and newly qualified teachers' pay is up 15 per cent. For those experienced teachers who pass the performance threshold pay is up 22% since 1997 (and 32 per cent for secondary teachers in inner London).'

The Labour governments of 1997 to 2010 injected the largest increase in spending on health and education as a proportion of national income since the second world war. What is now condemned by coalition ministers as fiscal profligacy corrected the damaging underfunding of the Thatcher-Major years, as waiting times skyrocketed in the NHS and school buildings steadily crumbled.

Nonetheless, if the Blair-era reforms had involved a reduction in existing school place capacity,

or required a public sector pay freeze, the 'scars on the back' of reformers would have cut far deeper. One challenge for those with experience of government is to name a single successful reform British government programme, from the creation of the NHS onwards, that did not involve 'stuffing somebody's mouth with gold'.

So is it worth pursuing broad-scale public sector reform at all? There is a coherent case against. First, the reforms of the last and current government are dramatic, and are still being calibrated. There is a significant hunger for peace and quiet, at least among service managers who would like to get on with the job of providing services, not trying to work out how to implement the latest edict from the centre.

Second, it is less clear than in the past what the common thread between a public service reform agenda might be. Does the police service need the 'same' reform principles as the NHS? Are local government services such as social housing in any way comparable to schools? If not, is there any meaningful 'reform agenda' for public services at all?

Finally, if such managerial and ideological arguments can be surmounted there remains practical concern. Is reform deliverable in straitened times? Would it not be easier to squeeze more out of the current system, rather than enduring the 'creative destruction' of radical change in the structure and organisation of public services?

### **3. A reformed concept of reform?**

In fact, these valid concerns should not militate against an emphasis on public service reform, but instead stress the importance of doing reform effectively, of focusing resources and attention, and understanding deeply the connections that exist between highly differentiated and complex systems.

If the first stage of public service reform was about dismantling the rigid, centralised, direct provision of services in favour of a multifaceted, highly differentiated, more personal and variable 'offer', then the next wave of reform will be about exploiting the connections between and across services and finding ways to better understand and respond to the demands of service users and communities in order to radically improve them. This requires an approach to reform characterised by 'whole systems thinking', tracing the pathways through which users engage with public services.

This will necessitate an in-depth understanding of both the structure of individual services, and how users interact and use them. One question might relate to the role of police and crime commissioners. Are they an example of local, autonomous, directly accountable public service reform, or a burdensome extra cost which does not add to the efficacy of cutting crime, increases complexity, and even fails to represent local opinion effectively? Would their replacement by some recreation of police authorities be a step forward, or a step back?

This points less to a single monolithic 'reform agenda' based on relatively broad concepts such as 'choice', 'openness' or 'relationality', but to an emphasis on the reform process itself which emphasises understanding the detail of how organisations work, the actual use of services, and

their impact on the lives of citizens.

Already, the real leaders here have not been the centre, but the locality. Council leaders and cabinets have had to face these choices, and have responded by innovating in both the process of reform and in focusing resources to deliver change, even while controlling costs and limiting service provision elsewhere.

Haringey created the £1.5m One Borough One Future social innovation fund, designed for the explicit purpose of attracting ideas both from within and beyond the borough to tackle inequality. It generated in excess of 300 applications and winning ideas have included a mini-fostering programme to prevent youth homelessness, and an outreach programme to promote financial inclusion. Both have the attraction that they should reduce costs and improve outcomes for individuals.

Nottingham has developed an employer hub which matches local demand with supply. It has got 200 people into work by offering a specialist service that offers employers account-managed services that deal with all their needs including advertising, application advice, administration and pre-interview training. In addition it has managed to get a further 400 young people into work by offering subsidies for employers taking on potential employees for a year. Such services are being seen by residents as both more aspirational than the Job Centre Plus offer and therefore offering more potential success.

By investing in a new Telecare system, Blackburn with Darwen has managed to integrate its systems with those of the local NHS. The technology enables round-the-clock, rapid response emergency alarms and fall detectors. This has enabled older people to stay in their homes longer and maintain their independence. By reducing the number of people needing to go into residential care facilities by 18 per cent, they have saved in excess of £2m

Both Stoke-on-Trent and Liverpool are offering empty homes for £1, combined with low-interest loans to upgrade the property. In return the owners must promise to live in the homes for five years. This not only helps encourage home ownership, but helps regenerate blighted communities in a way that top-down government expenditure might not be able to deliver.

It is now clear that many of the arguments between and against reform become if not irrelevant, then somewhat obscure. Certainly it becomes hard to identify any single model that one can apply to all services.

But if we are to devolve power and responsibility further, it becomes crucial to be clear what this implies for services. In a recent essay on the 'relational state' Rick Muir of IPPR wrote:

'Rather than a tired debate of public versus private, the focus should be on a supply-side revolution led by a new wave of autonomous providers. Self-governing not-for-profit institutions, bounded from the over-reach of both bureaucracy and profit, are most likely to foster strong relationships and service innovation.'

This seems eminently sensible. In intent, it is also hard to differentiate from the following statement from Blair in 2003:

‘Our aim is to open up the system – to end the one-size-fits-all model of public service, which too often meant one-supplier-fits-all, with little diversity, irrespective of how good new suppliers – from elsewhere in the public sector, and from the voluntary and private sectors – might be.

‘The public, like us, want education and health services free at the point of use – but they don't want services uniform and undifferentiated at the point of use, unable to respond to their individual needs and aspirations.’

There is, however, one major difference. Muir's article emphasises 'not-for-profit institutions. Blair's speech clearly allows for private providers. It is here that the advocates of the 'relational state' differentiate themselves from both New Labour and the 'big society', which shares much of the relational critique of 'top down, state-led, target-driven' approach to reform. There is an inherent scepticism about market solutions, alongside an emphasis on community and cooperation.

In the introduction to Muir and Graeme Cooke's 'relational state' (2012) this is more explicit:

‘A relational state would require continuous innovation and adaptation, as it would be driven by human rather than bureaucratic or commercial concerns. As Nick Pearce suggests, this requires the nurturing and protection of certain spaces bounded off from both the restrictive compliance culture of the state and the profit-seeking ethos of the market. Relational life is likely to be best fostered by institutions that have both a public interest ethos and a capacity to innovate and adapt.’

Yet this differential can only go so far. After all, the self-governing, autonomous institutions that Muir, Cooke and Pearce emphasise would be free to foster 'service innovation', without central interference:

‘Service providers, like schools, can be given greater control over their own budgets. Individuals can be offered the chance to purchase the services that they want, through personal budgets, rather than merely getting what they are given. Councils can be allowed greater freedom to use their revenues as they see fit, such as through the devolution of housing benefit expenditure. Neighbourhoods can also be empowered to take decisions about how money allocated to their area is spent.’

In such a schema, the state will need to restrain itself from overinterference in how this is done. As Marc Stears argues in the same publication:

‘The state will nonetheless need to take self-denying ordinances of this sort, if only because relationships require both risk and contingency and the state is extraordinarily poor at allowing these things. The endowment model – whereby initial seed funds are provided to organisations that then become more-or-less self-supporting – is one way of



doing so.'

However, the autonomous locally endowed institutions might choose to pursue their aims not by providing services themselves, but by asking others to do so, whether through a private company, a charity, or an existing public service. Otherwise, there is no end to the 'tired debate' over public versus private, rather a swerve around it.

Here lies the rub: would we tell these autonomous bodies that they could not contract with private sector companies to meet their aims, and, if so, in what sense are they actually autonomous with the capacity to be adaptive and innovative?

Those who argue for a state that rejects standardisation and targets cannot also dictate how their autonomous bodies choose to deploy resources. They might favour cooperatives, or non-commercial models, but they cannot mandate them, as this would simply take them back to where they began, with the state acting as an agent of standardisation and central control. 'You will have a cooperative, like it or not,' says the minister for relationality from Whitehall.

The challenge for the relational state comes when the first locally democratically accountable autonomous body asks a private company to run their school or, indeed, sets up grammar schools, or does something that challenges the ethos of the cooperative, non-commercial model.

The response might be that citizens are unlikely to desire such an outcome, but citizens do not always behave in the way service providers, politicians or theorists expect. To adapt an example from Stears, if global sportswear manufacturers feel they can create relational ties with their audience, why, theoretically, might a private schools business not do the same? EtonforYou might even have a certain appeal to parents no public service reformer can anticipate.

In this analysis, the apparently fundamental difference between advocates of the 'relational' state and new public management gives way to a fundamental convergence around the notion that there is never one way to organise, structure, and provide public services.

If no one is to be forbidden from providing public services, and the central state's challenge is to oversee national standards and outcomes while funding public provision and ensuring quality, then there becomes little meaningful difference between the 'old' reform and the new, except that there will be less standardisation and structural clarity across services and more freedom for local institutions.

The relational state might seek to encourage autonomous institutions to behave in particular ways, just as targets were used by an earlier generation of reformers, and quasi-markets are used by the current government, but they cannot mandate it without corrupting their own relational values.

Equally, both the 'old' reform agenda and the 'big society' were often suffused with favourable mentions of voluntary sector service provision, cooperatives, mutuals and the like. They were

more explicit about the role of the private sector, but not exclusively wedded to it.

Yet despite this apparent dissolving of difference the argument of the 'relational' reformers of the state is crucial in one vital way. It is in the locality, granularity and detail of change that we will find the answers, in the mechanisms that are established by users and providers of services, and how we find ways for these to interlock with national and local political priorities. As Cooke and Muir argue, 'the journey counts as much (if not more) than the destination.'

It is in the debate about who precisely should be permitted to be an autonomous public service provider, exactly what services they should provide, and the extent of their autonomy that the real battles will be fought, not across the broad front of public services. It means working through service by service, community by community how innovation can be unleashed: GP surgery by walk-in centre, specialist school by academy, police station by licensing enforcement office, care home by charity meals service.

The ideological battle for public service reform, for flexible, people-centred, non-directed, user-focused services has been won. The battle to do public service reform well has only just begun.

#### **4. The language of priorities is the religion of reform**

Where does all this leave the next Labour government?

First, it will be vital to appreciate the sharp constraints ministers will be operating under.

Even optimistic projections for the public finances, with room for significant tax increases or growth revenues, project that most departmental budgets will be significantly cut, and the remaining few will be effectively frozen in real terms.

As the Institute for Fiscal Studies has warned, despite the economic recovery, whoever wins the next general election will be forced to make the deepest cuts since 1948 to Whitehall, local government and welfare spending. Indeed, as the IFS went on to suggest, we still have not seen the worst of public sector austerity: by the end of this financial year 60 per cent of planned spending cuts will be still to come.

As the [IFS green paper](#) makes clear, the current fiscal plans for public services mean that with protection for the NHS, schools and international development, departmental spending in other areas (including local government) will face an average cut of 31.2 per cent to 2018-19. We would also be foolhardy to rely on a faster return to growth since the IFS assumes there is significant downside risk of a eurozone crisis plus further turbulence in the global economy.

However, such limitations will not mean reduced pressures or demands on public services. Demographic pressures will add to the challenge. Because of the rising number of people over 65, even if the NHS budget continues to be frozen in real terms, the IFS calculates that, even with protection of the NHS budget, population ageing means that real terms age-adjusted per capita spending on the NHS will be 9.1 per cent lower by 2018-9. In schools too, there will be around 700,000 more pupils in English schools between 2015 and 2020, [according to the](#)

[National Audit Office](#), which will create pressure for more education capital spending.

Nor will increased public spending be a straightforward answer to such challenges. At the end of the current spending review period in 2017-8, public spending as a proportion of national income will be at the same level as it was in 2003-4, midway through Labour's second term in government.

Furthermore, with growth not yet fully established, living standards and real wage growth still weak, and public debt still high, it will be challenging to argue popularly for either increased borrowing or higher taxes to fund more spending, even with an emphasis on long-term capital investment, not current services.

Even if do we campaign for significant extra spending at the next election, this will not remove the pressures on public sector budgets. The Fabian Society's [Commission on Future Spending Choices](#) argued for a £20bn increase in spending over the current government's projections, but recognised this would still mean tight budgets even in priority areas:

'We want to see education and economic spending prioritised. However given the constraints implied by scenario 2 [this involves a projected £20bn increase in spending over coalition plans] this might mean these areas received only flat real settlements for as long as deficit reduction continued.

'In the short term this would make it very difficult to introduce new programmes which many have advocated, for example: increased childcare; adult skills programmes; support for innovation; or jobs guarantees. Any major spending commitments of this sort will probably need to be paid for within existing budgets.'

This means that any public sector reform programme will require a clear setting of priorities.

As we have observed, most successful reform requires at least some financial lubrication. If we wish to advance the provision of state services, then we also need to understand that withdrawal from some areas of service provision might be necessary, and where the correct approach is not innovation, but, at least in the short term, greater budgetary control.

Labour needs to begin to indicate how it will shift public spending towards its priorities, and make it clear why those priorities require sacrifice elsewhere. For example, the Fabian review argued for cuts in social security spending, ending the pensions 'triple lock' and extending personal independence payments capability testing for disability benefits to over-65s, while reducing local council budgets by one or two per cent each year.

If such room is created, where should the extra 'space' be used? Investment in schools and hospitals was the priority of the last Labour government. The next should prioritise social investment in childcare, adult social care and skills.

As the experience of the Nordic countries suggests, high-quality universal childcare is a win-win: for the Treasury, families and children, working parents, and society as a whole. It increases the female rate of employment, helping to underpin the sustainability of the welfare

state at a time when the population is ageing; high-quality childcare shrinks the gender pay gap and helps more women provide for their retirement; and reduces child poverty while boosting social mobility.

Similarly, investing in improved social care services not only increases the wellbeing and independence of elderly people, it also helps relieve heavy financial pressures on the NHS by delaying the need for costly high-intensity or institutional care.

A third area that deserves close attention is the provision of education and skills training to over-16s and adults. Apprenticeships, vocational, skills and adult education represents a crucial area for improving the living standards, opportunities and meeting the aspirations of many hundreds of thousands of people, while also helping to meet the economic challenges for the future. This is a world where middle-class as well as manual jobs are disappearing to Asia and the east: every worker will need to engage in continuous lifetime learning. Moreover, if Britain wants a fairer, more productive and enlightened capitalism, upgrading the skills of all our people will be vital.

If Labour wishes to be bold, it must also be politically brave in identifying where it might withdraw provision to create the fiscal space for such expansive reforms.

Since the early 2000s, for instance, spending on pensioner benefits has risen by 37 per cent. Means-testing benefits such as the winter fuel allowance, free TV licences and free bus travel for affluent elderly people would raise over £2bn per annum. A property tax on homes worth more than £2m would further help to unleash the proceeds of wealth. Although means-testing older people's benefits would be a largely symbolic move – shifting this £2bn would still leave the government to find another £5bn a year if it wanted to create universal, Nordic-style childcare – it would dramatise that Labour is willing to fight for its priorities by renegotiating the social contract affecting a politically powerful section of the electorate: wealthy pensioners.

There is, indeed, a political and philosophical link between this agenda and Ed Miliband's desire to change the way the British economy works and who it rewards.

Politically, there is strong evidence to show that public concern about concentrations of power in the economy is mirrored by a lack of belief that the state can operate as an effective counterweight.

For Labour to win its argument about reforming the market, it first needs to prove that it is capable of reforming the state. The philosophical link is one that the head of Labour's policy review, Jon Cruddas, instinctively understands.

As he [told the Local Government Association last year](#):

'Our country has suffered from decades of excessive centralisation in the market and the state. People feel that their opinions are ignored and their interests as workers and citizens excluded.'

By talking about his reform agenda in terms of power – and the need to bust concentrations of power in both the state and the market – Miliband can demonstrate that Labour's concern with vested interests goes beyond the boardrooms to public sector bureaucracies. Statism has

dominated Labour's discourse for much of the postwar period; now is Miliband's chance to disinter the party's 'decentralist tradition', that of the cooperative and mutual movements; of the municipal 'gas and water socialism' of the interwar years; of GDH Cole, Robert Owen and the Rochdale Pioneers.

It is an older tradition that is right for new times: one that replaces the notion that Labour should grab the reins of Whitehall with the idea, as Paul Richards argued in *The Purple Book*, that its task is to 'create new centres of governance, power and wealth creation, as alternatives to both the centralised state and the private sector'.

That governing philosophy then needs to be turned into practical policy.

Nick Pearce, director of IPPR, [has suggested](#) Labour should advocate a major devolution of power to local authorities and city-regions: on economic development, skills and apprenticeship funding, welfare-to-work services, schools commissioning and house building.

That should be accompanied by a move towards long-term budgetary planning and pooled budgets. Given certainty over spending for a five-year period, local areas can realise efficiencies by integrating provision, shifting investment into preventative services.

Some powers will rest well with existing local authorities, some need to be transferred to city-regions. But more power for the big five city conurbations beyond London – Greater Birmingham, Greater Leeds, Greater Liverpool, Greater Manchester, and Greater Newcastle – should not mean more power for unelected quangos. Instead, we need to revisit the question of directly elected mayors to strengthen local democratic accountability.

And, if Labour is serious about giving local authorities more power, we need to ensure that more of what they spend is raised locally. That requires a shift in the balance of taxation from national government to local government, including an end to arbitrary rate-capping.

But Labour's agenda for public service reform must not simply be about empowering institutions, albeit ones that are closer to people. After all, that is the mistake of the 'big society'.

Instead, the party needs to show that it is serious about empowering public services users. The use of mutuals and cooperatives – owned by staff, users and local communities – to deliver new child and social care services, sure start and primary care should be encouraged and incentivised. 'Micro-mutuals' of personal budget holders in adult social care should also be assisted so that users can gain strengthened purchasing power through their pooled resources.

Yet simply encouraging such relational reforms is itself not enough. While new institutions are important, ultimately there needs to be a drive for higher standards. Creating new institutions, empowering them, and then asking them to deliver a significant reduction in budgets while improving services could, unkindly, be seen as attempt to dodge the fiscal pressures facing the state.

For devolution to localities to be more than an austerity hospital pass, then more is needed to drive improved services. If micro-targets are a flawed approach to achieving higher standards on limited budgets, then another mechanism or lever is needed.

This should be the demands of citizens themselves. Those who use public services should have new rights where services are not meeting their needs. If, for instance, schools fail to meet minimum attainment standards for three successive years, parents should have the right to trigger a competition to bring in new providers. In schools that are officially assessed as 'poor' by Ofsted, parents should have the right to choose an alternative state school, armed with an education credit worth 150 per cent of the cost of educating their child in their current school.

Finally, while some now decry the alleged 'marketisation' of the NHS over which the last government supposedly presided, we should never forget the positive impact of patient choice and managed competition. Studying the effect of Labour's reforms, Zack Cooper of the London School of Economics concluded: 'Publishing data on how hospitals are performing, and allowing every patient in England to go to the best hospitals in the country, improves standards across the NHS.' Moreover, research by the University of York showed Labour's approach had not undermined the vital principle of equity, either.

## **5. A roadmap for reform**

These pressures indicate that how reform is pursued will matter as much as the agenda itself.

As Andrew Adonis [has argued](#), successful public service reform is marked by its character and approach as much as by the ideological theory which underpins it.

He points out that successful reforms are iterative, learning from the mistakes of past reforms, and are incremental rather than trying to achieve 'whole-system' transformation. They are based on existing best practice (whether in the UK or abroad), so that practical lessons are understood, engaged with and stakeholders are encouraged to participate, even when there is initial suspicion, never neglecting the reaction of the public to these changes.

Policy has to focus not just on the organisational supply-side, the traditional preoccupation of reformers, but reshaping patterns of demand for public services. This is first and foremost about people, their individual and collective behaviour, what they are able to do for themselves, and how they interact with services. This goes well beyond the myopic focus of the 'big society' on dismantling public institutions in the name of austerity. It is about a new partnership between citizens, communities and the state.

This process, as Adonis notes, takes huge political will. There will be little fiscal, and therefore political, capital to spend.

This emphasises the strategic imperatives of focused public service reform for the next Labour government. While education, health, social care and skills will be crucial to Labour services reform, there will not be, indeed should not be, a single agenda that is applied to every department uniformly.

It will be hard (though not impossible) to at once substantially reconfigure the structure and reduce the costs of a service. The two processes tend to work against each other, as reconfiguration adds to costs.

In some public services a period of bedding down, of managerial control of budgets to get 'more from less' will be the best route, at least in the short term. For example, in both schools

and health provision, previous reforms of services have meant significant changes that allow new types of provision of services, whether in local commissioning of healthcare or the creation of academies. Fundamentally, these freedoms are not problematic in themselves, but do require far greater accountability and oversight to ensure standards are being delivered and improved. Here, the challenge for reform is not structural but in developing improved mechanisms for accountability that extend well beyond the office of a secretary of state but which resist any impulse to 'producer-capture conservatism'.

In others, outright budget reductions may be needed in order to create funding flexibility elsewhere. In priority areas, this will create the fiscal space to expand services, but these expansions must be designed in a way that puts local flexibility at their heart, even if this is disruptive to traditional models of service delivery.

This points in a clear direction for a Labour reform agenda for the next government.

### **1. Identify strategic public service reform priorities with a clear economic and social rationale.**

This might mean a focus on social care, childcare, and the provision of post-16 education. In each area it is vital to draw on evidence about which interventions are likely to have the greatest efficacy and impact. In the early years, for example, structured pre-school provision improves outcomes for children from low-income households. Nonetheless, it is vital to ensure that the gains are sustained throughout the primary school years and into secondary education – emphasising the importance of understanding the pathways through which pupils interact with public services, while directing resources to those who need them most.

### **2. Secure the resources to make changes in these areas, while understanding upfront that this requires both reductions in funding and strategic direction elsewhere.**

There will be no value in hiding from the consequences of prioritisation, and Labour needs, before the election, to have begun to set them out in order to win consent for changes in the shape of state provision.

### **3. Create or support local institutions and organisations with the capability to develop tailored and personalised services.**

It will be crucial to give both users and service providers a role in the creation of their services, underpinned by high-level national standards, but also by clear rights to demand more from public service institutions that have the freedom and autonomy to respond to the needs of users. These bodies will need to be both independent of government direction, and immune from either producer or commercial capture.

### **4. Offer those institutions sustained political support while these changes progress.**

This will not always be easy, or comfortable. They will need the ability to challenge ingrained methods of providing services; this will inevitably create tensions. They will need the freedom to do things differently in ways central government is naturally unsure of, or feels challenged by. Disciplined pluralism will require a proper understanding of the relationship between local and central accountability, only workable if central government finally learns to let go.

## **Conclusion**

These are not merely principles, or values of public service reform. The concept of disciplined pluralism underpinning our approach represents a roadmap for reform, not an ideology, though it is a roadmap clearly rooted in Labour values and aspirations.

The strategy results from iterative, incremental learning through past success, as well as acknowledging previous inadequacy and failure. This approach is deeply aware of the limitations of reform programmes, the inherent trade-offs in the reform process, and the challenges that await reformers in a future Labour government .

The rejection of monolithic, one-size-fits-all methods is not a weakness but a strength of reform in an age of austerity. It is a strategy for improvement that is clear what it seeks to achieve, and accepts that government can neither change everything overnight, nor be successful without harnessing the energies of public service staff and their organisations. More than anything, it seeks to put the individual user, citizen and their community back where they belong – at the heart of thriving, high-performing public service provision.



## **About the authors**

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