

**TOUCH  
STONE**

PAMPHLET#2



# *Rethinking Public Service Reform*

*The 'Public Value' Alternative*

After almost thirty years of policies designed to make public services operate more like the market, this pamphlet argues we should now call time on an approach that has proved expensive, socially divisive and ineffective. Instead, policy makers should take note of the emerging approach of 'public value'. Not simply another fad or model, public value places the emphasis on users, staff and management working together to identify needs and develop strategies for improvement. Fundamentally, the public value approach can deliver something that the market-based approach has failed to deliver – real accountability of public services to users.

Research for this pamphlet was conducted by Mick McAteer.

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*Rethinking*  
***Public Service***  
***Reform***

*The 'Public Value' Alternative*

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# Foreword

by Brendan Barber, TUC General Secretary

It is an interesting fact that the market-based approach to public service reform is constantly presented as a new and cutting-edge solution. When we are making an honest assessment of the approach, however, we would do well to remind ourselves that successive governments have been trying to make public services behave more like the market for the last thirty years. One would have thought that the approach might have lost some of its freshness, having been around since the early 1980s, but, as this pamphlet shows, its proponents have constantly reinvented the model – in large part to address its consistent failings.

One might say then that *Rethinking Public Service Reform* is a timely intervention but it might be more accurate to describe it as overdue. Whether in its earliest incarnation as compulsory competitive tendering or in its latest as user choice, the market-based approach keeps generating the same problems: high costs; compromised quality; and weakened equality. Even the more sophisticated proponents who have claimed since 1997 that quality and equity need not suffer under a market-based approach have failed to deliver on that promise.

So it is disappointing that after early indications of a rethink, Gordon Brown has signaled his Government's ongoing commitment to market solutions to public service improvement. This is doubly disappointing given that new approaches are beginning to emerge as academics, think tanks and public service managers recognise that a different style of reform is needed.

The most important of these new approaches is 'public value'. Public value is interesting not just for what it proposes as a way of achieving change but also because it has a realism and common sense at its heart that is mightily refreshing after years of excitable Whitehall wonks dreaming up yet another initiative to make a core service behave more like a supermarket.

Public value, as developed here, is fundamentally about letting the people who can really make a service better – management, staff and users – talk to each other. And most importantly it is about making management and staff accountable to the users and communities whose needs they must meet. No-one thinks this is easy and, as the pamphlet's conclusion points out, the public value approach has a long way to go if it is really to turn its aspirations into practical guidance for change. But public value is an approach that, unlike the market-based model, starts where we should always have started: forging stronger links between producers and users based on shared principles of quality and equity.

*Market-based approaches to public service reform have been tried in a variety of forms over the last 25 years and have consistently been found wanting. It is time to embrace and develop an alternative approach: 'public value'.*

# Executive summary

## *The problems of market-based approaches*

There is no single market-based approach to public service reform. Instead a variety of techniques have been used since the early 1980s to make one or other section of the public sector operate more like the free market. Nevertheless, one significant fault line runs through the history and practice of these initiatives.

In the earliest days, the market-based approach was seen primarily as a way to cut costs and improve efficiency in public service delivery. However, a more sophisticated approach has developed since the 1980s and gathered pace since Labour came to power in 1997. In this approach, market-based approaches are promoted as a way to ensure that all citizens, no matter what their wealth or status, could have access to the high quality services available to the better off and better educated.

However, one of the most telling problems of the sophisticated market-based approach is that, despite its intentions to provide universal access to quality services, it has struggled to escape the problems that beset the simple approach. Universal access and quality *have* suffered under the more sophisticated approach in much the same way as they did under the simple approach.

Many would claim that, even if the more ambitious claims made by the sophisticated approach are flawed, market-based solutions do still offer more productive public services. In fact, this pamphlet presents a wealth of general and case study evidence to show that this is not the case.

In addition, while the market-based approach has held a strong grip over the imaginations of senior policy advisors and ministers for many years now, the wider public has never warmed to the approach. Polling data shows that while citizens expect their changing needs and demands to be met by public services, they also recognise that public services are different to private sector consumer goods and they appreciate the collective nature of public services.



## *The alternative: 'public value'*

The public value approach is based on the notion that public services, like the private sector, create value but, unlike the private sector, this value cannot be simply reduced to financial profit and loss. The approach understands the public sector as generating a wide range of beneficial outcomes including: wider economic value; social and cultural value; fairness and equity, particularly with reference to vulnerable consumers; political and democratic value by encouraging debate, participation and engagement amongst citizens; and long-term sustainability of social and economic networks.

The approach suggests that public value can only be identified and assessed through a process of democratic engagement between service providers and service users. For most public value theorists, this means the establishment of forums within which providers and users set priorities and develop strategies for public service delivery.

Public value also recognises that public services come at a very great financial cost and it acknowledges that the taxpayer is a stakeholder in any public value negotiation and value for money must be a priority.

The approach is particularly attractive because it:

- can improve the currently very low democratic legitimacy of public services
- can address the 'delivery paradox' where user satisfaction with public services tends to remain static or even decline despite the fact that objective measures show improvements in service delivery
- specifically and directly seeks to improve the responsiveness of public services to the wishes of users and citizens
- recognises that public services operate in an environment of scarce resources and that vast demand means that there is a need for constant and open deliberation and negotiation with all users because there will always be losers as well as winners when any particular strategy for the delivery of a service is agreed
- is not a 'one size fits all' model – it recognises that creating responsiveness and productivity requires a tailored response for each service.

However, there are problems with the public value approach as currently conceived. Most public value adherents tend to underestimate the role of public sector staff in not just delivering services but providing legitimacy for public services. This is a serious oversight for two reasons.

Firstly, the emphasis of public value models on complex deliberative processes to determine what users regard as public value for a particular service overlooks the less cumbersome, more precise and practical feedback that could be provided by those staff who engage in dialogue with service users on a daily basis.

Secondly, an important aim of the public value model is to legitimise public service change in the eyes of the public by engaging them in the process of change itself. The absence of staff from public value models ignores the very clear research findings that staff are actually the most effective legitimisers of change and of public services more generally in the eyes of users. Their role must, therefore, be central if this goal is to be achieved.

A further problem is the tendency amongst some public value theorists to link the approach to market-based models. If public value theory genuinely holds that core public goods can be delivered effectively by a market-based solution, then why bother proposing the public value approach in the first place? We need only design ever more sophisticated models of market-based delivery. In this case, public value becomes little more than a desirable extra which might help improve the accountability and public acceptance of market-based solutions.

In addition, this pamphlet argues in some detail that two-and-a-half decades of experience of market-based approaches and private sector involvement shows that this is precisely not the route to efficiency, fairness and accountability. The detriment to these goals is not incidental to the market-based approach but inherent.

With these fundamental qualifications in mind, it is proposed here that the public value approach needs to be enhanced by elaborating a series of core principles:

- engagement with users to determine public service delivery strategies and implementation plans with a precise focus on identifying what public value users and the wider community want a service to generate
- a commitment to deliberation and negotiation in identifying that public value
- a recognition that any conception of public value must involve not just what a service should deliver but also how it can be delivered in a cost- effective way
- the development of public service delivery strategies and implementation plans that uphold the founding principles of public services, namely: universal access; delivery according to need; services free at the point of use; and services delivered for the public good rather than for profit
- the development of public service delivery strategies and implementation plans that preserve the organisational integrity of public services and that value collaboration and integration over competition and fragmentation
- full engagement with public service staff in the determination of strategies and implementation plans
- the establishment of robust feedback mechanisms for staff and users during the implementation and delivery phase of any strategy.

Further research is undoubtedly required before a programme of public value pilots or trailblazers could be rolled out across public services in the UK. A comprehensive search for UK examples of public services that have engaged users and staff in designing delivery strategies and/or have managed to deliver highly productive and responsive services must be undertaken. This should then be followed by the establishment of a detailed set of operational principles and benchmarks for a public value approach.

# Introduction

Delivering public services in Britain is big business. A recent study by Oxford Economics found that £44 billion worth of public services is now delivered by bodies outside the public sector.<sup>1</sup> Given the size of the market it is hardly surprising that the Confederation of British Industry regularly lobbies for public service contracts to be expanded even further.

The CBI is, of course, tasked with protecting and expanding the profits its members generate from delivering public services and their lobbying is to be expected. But policy makers should take a more objective view.

Public service delivery affects everyone in the UK and it has a particularly significant impact on UK citizens when they are often at their most vulnerable. Our leaders are, therefore, obliged to make decisions about public service delivery that will genuinely serve the public good. Inertia, dogmatism or failure to consider all alternatives must be avoided in favour of genuine evidence-based decisions – something the Government has pledged to uphold since its earliest days.

In this pamphlet the TUC argues that it is time to look to other models of change in the public services. Market-based solutions have been tried in a variety of forms over the last 25 years and have consistently been found wanting. The TUC also proposes that an alternative approach now presents itself in the form of 'public value'.

The pamphlet does this in two sections. The first details the nature and the problems of the market-based approach to public service reform. The second explores the notion of public value as a new approach to reform and suggests refinements.

# *Section 1 – The problems of market-based approaches*

## *What are market-based approaches?*

There is no single market-based approach to public service reform. Instead a variety of techniques have been used since the early 1980s to make one or other section of the public sector operate more like the free market. It is worth surveying these briefly here as they will inform the wider discussion throughout the pamphlet.

### *Compulsory Competitive Tendering (CCT)*

Through the Local Government Planning and Land Act (1980) and the Local Government Act (1988) CCT became the main purchasing structure for public services, including refuse collection and street cleaning. Under CCT a local authority could only carry out certain defined activities in-house if the work had first gone out to tender and been won in open competition on the basis of lowest costs.

The aim of CCT was to try to ensure that local authority services were provided efficiently by encouraging competition between alternative service providers. However, because the criteria by which competing tenders were judged was purely cost based, the approach cut prices but it did not necessarily produce adequate public service outcomes. For example, in school catering, quality and nutrition fell to such an extent that contracts had to be renegotiated in the interests of pupils' health.

### *Market testing*

In 1992 the Government introduced a programme of market testing in the civil service for central government public services. Market testing subjected central government public services to competition in a process similar to CCT. Services were tested for their efficiency by exposing them to the cost and quality of private providers. This policy was not pursued across government as a whole and was short-lived, with other initiatives such as Private Finance Initiatives (PFI) given greater prominence. It has been used by the Labour Government in various sectors where public provision was perceived to be failing, and is intended to provide an incentive to produce a better service.

### *Quasi-markets*

The UK Government has been at the forefront of the introduction of quasi-market reforms, introducing them into healthcare, education, and housing amongst other services. In the NHS, competitive internal markets have been introduced, abolished and reintroduced.

In 1991 the Conservative administration introduced the 'internal market' in the NHS, introducing competition by dividing the service into a set of purchasers and a set of providers. Healthcare services could be provided by public and private suppliers who competed for contracts decided by the purchasers.

The reform also attempted to introduce some quality measures rather than just cost into the assessment of tenders. For example, explicit objectives about the incidence of ill health were included in tendering processes. But cost remained a primary goal. Purchasers were still expected to seek efficiency improvements each year based on a reduction in unit costs.

The incoming Labour Government abolished the internal market policy for the NHS in 1997, stressing the role of co-operation over competition based on price.

However, over the last three years, the Government has introduced a new funding regime, Payment by Results, with payment based on volume of activity at a nationally agreed tariff. The intention of this payment system is that service providers are motivated to expand services since they get paid according to their level of activity. These changes, plus the introduction of a new commissioner and provider split in the NHS, effectively re-introduced the internal market in the NHS from the mid-2000s. A commissioner and provider split has also been introduced to the criminal justice system, probation service and prisons over a similar period.

### **Best Value**

The Best Value initiative was introduced in April 2000 as a comprehensive replacement for CCT. Best Value seeks to remedy the shortcomings of the CCT approach, based on lowest costs, by considering value for money and service to citizens. To do this, Best Value procurement takes into account quality, service, training and after-sales care alongside cost. This approach also seeks to identify the most suitable partners to deliver a high quality of service, and aims to give local authorities incentives to establish partnerships with the voluntary and private sectors to deliver public services.

The Audit Commission carries out regular inspections of services to ensure that best value is being achieved. Each council is given a star rating depending on how it performs. If councils fail to demonstrate best value they could be forced to switch control of their services to other providers.

Best Value is now so commonly used and established that a market-based approach is effectively hard-wired into many public services, particularly those provided by local authorities. In effect, any number of services, can now be subject to contestability and could be contracted out to a non-public sector provider.

### **Private Finance Initiative (PFI) and PPP (Public Private Partnership)**

PFI and PPP are partnerships between the public and private sectors to provide public services. In 1992 the PFI was introduced as a system for providing capital assets for the provision of public services, for example roads, prisons, hospitals and schools. Under PFI, the private sector uses its capital to design, build and maintain capital assets on behalf of the public sector. The public purse then pays back the capital costs plus other costs over an agreed period.

The intention is that by putting its own capital at risk, the private sector delivers public services on time and to budget.

In 1997, the Labour Government developed this model further, as Public Private Partnerships. PPPs are a way to provide public services, for example in health and education, funded and operated through a partnership of government and one or more private sector companies and sometimes also voluntary sector bodies. For example, in 2000, City Academies were announced with buildings and equipment funded partly by companies and voluntary organisations such as the Church of England. PFI has also been expanded considerably under Labour as a means of building and maintaining capital infrastructure.

### *Individual user choice*

The market-based approaches to public service provision applied prior to 2004 mainly excluded the element of free choice of service or supplier for the service user. However, 'individual user choice' began to be introduced in the health service from 2004, and from 2006 patients were given a choice of four alternative providers of secondary health care under the Choose and Book initiative. Since the mid-1990s there have been a series of initiatives to enhance and widen parental choice over schooling. These ranged from the nursery vouchers scheme launched by John Major to the establishment of specialist schools under Tony Blair.

## *The simple and the sophisticated market-based approach*

As even this brief survey shows, market-based approaches are far from uniform. Indeed one particular fault line runs through the history and practice of these initiatives. In the earliest days, the market-based approach was seen primarily as a way to cut costs and improve efficiency in public service delivery. The disciplines of the market were seen as the most effective way to encourage public service managers to deliver services cheaply as it was clear, at least theoretically, that such pressures constantly exist for companies operating in the free market. This *simple* market-based approach was clearly the driver behind CCT. However, it was soon clear that the use of simple cost and efficiency measurements were undermining the quality of public service delivery. By the next phase of the implementation of market-based approaches, in the form of the introduction of the internal market to the NHS, a stronger emphasis was placed on quality as well as cost when decisions were being made about the tendering of service delivery contracts to competing providers. However, under CCT, market testing and the earlier internal NHS market, cost and efficiency remained the key drivers of reform.

By the time Tony Blair's Government turned its attention to public service reform, market-based approaches were being proposed as not only compatible with quality as well as cost but also as an even better guarantor than in-house delivery of the founding principles of public service in the UK, namely equity and universal access to education, healthcare and a decent livelihood. Thus Best Value, PFI, PPP, and individual user choice were regularly promoted by ministers as a way to ensure that all citizens, no matter what their wealth or status, could have access to the high quality services which the better-off and better educated either bought for themselves privately or which they extracted from the public sector by virtue of their greater mobility, knowledge, social skills and personal contacts. In short, the British public were now being told that market-based approaches would deliver on cost, efficiency, quality and equity. This more *sophisticated* market-based approach was certainly more resonant and politically effective than the simple approach but it claimed a very great deal for a solution which had experienced a number of difficulties in the past, as detailed below.

## *The problems of market-based approaches*

The simple market-based approach has proved highly problematic and has been largely rejected in theory.

The underlying belief of the simple approach is that the provision of health, pensions, education and other services ought to be treated no differently to consumer goods. Public providers should simply seek to provide their services as cheaply as possible. The slightly more sophisticated version of this, introduced by John Major's Government, recognised that this principle could not mean that services were provided so cheaply that quality was fundamentally undermined. Even in the private sector, of course, the market will only withstand a certain loss of quality before customers will seek other providers if they can afford to.

Fundamentally, the approach overlooked the fact that public services are not discretionary commoditised goods but are core-welfare or public goods. In this case, market principles cannot be applied for a number of reasons.

Citizens generally have rights to core welfare goods such as pensions, healthcare, education, and decent food quality. These goods meet basic human needs. Provision of core welfare goods represent a basic standard of living or quality of life in a decent society – these are not discretionary goods akin to many of the products purchased in the free market. As such, the consequences of a failure to deliver quality core-welfare goods are much greater than in discretionary goods markets. In addition, poor decisions by the commissioners or providers of a service affect not just the individual involved but others as well (taxpayers, for example).

Furthermore, and critically, in private sector market systems resources tend to be allocated to activities which generate the highest economic rate of return for investors, either because they are cheap to provide and/or because the market will bear a high charge for a service or good. This was a principle which the simple market-based approach hoped to replicate in public service delivery. But when it comes to delivering core-welfare goods – where fairness and rights are defining characteristics – it is an established principle that resources should be allocated to areas of greatest need rather than determined by financial return. By encouraging commissioners and providers to take decisions about service delivery based purely on a cost and return basis – or with only a limited emphasis on quality – the simple market-based approach fundamentally undermined the founding principles of the UK's public services and was revised wholesale in the wake of the Labour victory in 1997, as explained above, giving rise to the more sophisticated approach.

However, a telling problem of this sophisticated market-based approach is that, despite its intentions to provide universal access to quality services, it has struggled to escape the problems that beset the simple approach.

For example, in education, it has become increasingly clear that the emphasis on parental choice has led to instances of the polarisation in the quality of local schools with better resourced parents gaining easier access to good schools than less well resourced parents<sup>2</sup>. In health, the introduction of Independent Sector Treatment Centres (ISTCs) has led to 'cherry picking', whereby new and speedy ISTCs have selected patients with easy to treat ailments leaving chronic and expensive ailments to mainstream public hospitals (see page 13). And in local government, there are

regular reports of Best Value tendering processes being decided on cost rather than the wider criteria that were supposed to replace the problems of the earlier CCT.

To a certain extent, the failures of the more sophisticated approach should not come as a great surprise. A much earlier serious failure of a market-based approach to the delivery of a public service had begun to reveal itself during the 1990s. This was the pensions mis-selling scandal of the 1980s which bore a close resemblance to later sophisticated market-based approaches in that it promised not just greater efficiency and savings for the state but also a more accessible and responsive service to users that would improve the pensions of poorer members of society who would otherwise be reliant on less generous state schemes.

During the 1980s huge numbers of people were wrongly advised to transfer out of their employers' pension scheme into personal pensions, thereby missing out on valuable employers' pension contributions and other benefits. Millions also contracted out of the state run second pension scheme (known as SERPS) into personal pensions, again often on the basis of misleading advice.

The cost and consequences of this ill-fated policy were staggering and the effects are still being felt in the collapse of confidence in the pension system today.

According to the consumer group Which?, over 70 per cent of the people who contracted out of SERPS into a personal pension (an estimated 4.5 million) look likely to get less than they would have done had they stayed in the scheme. Since 1988, the Government has handed over a staggering £35 billion of taxpayers' money to the pensions industry to invest on behalf of these people who were advised to opt into a personal pension. Yet huge sums were wasted on commission and charges to no real positive benefit for consumers or taxpayers.

The marketisation of pension provision was not just seen as an economic decision – but as a defining philosophy for the government of the day. It represented a major attempt to transfer risk and responsibility away from the state and employers to the individual. It was a concerted effort to move away from the collective approach to providing pensions and sharing of risk to a more individualised approach. Personal pensions were trumpeted as a way of liberating employees from the 'shackles' of paternalistic, inflexible employer and state pension schemes.

Thankfully, in this case the limitations of the individualised market model, and the advantages of the collective approach, have now been recognised through the Government's acceptance of the need for a new national pension scheme (in the form of Personal Accounts, announced in 2006 and due to become available in 2012) – even if it took nearly 20 years to come, at great cost to current and future generations of citizens.

Despite the fact that the marketisation of pensions provision reproduced many of the failings of the simple market-based approach, the proponents of the sophisticated version still went on to claim that equity and quality could be delivered alongside cost and efficiency for a variety of other services if the market was introduced into their delivery. Unfortunately failure to acknowledge the 'bigger picture' problems of the approach has been an ongoing trait of those urging market-based solutions.

The approach's adherents always claim counter evidence to explain why one or other scheme is not proving as problematic as is claimed<sup>3</sup>. Failing that, they will claim that



particular schemes have not been implemented correctly or fully<sup>4</sup>. However, over time, a pattern has emerged which is now overriding any dispute about individual services or individual initiatives. It is a pattern of market-based approaches failing to deliver on their promises. This is because market mechanisms always seem to encourage service commissioners to over-emphasise cost and return at the expense of quality and equity – no matter what counter-mechanisms are put in place. It is also because the aggregate outcomes of the mass of individual choices of service users or commissioners of services are very difficult to control and often lead to iniquitous or undesirable results.

Even if new mechanisms and approaches could now be invented to redress these problems, it seems unlikely they would be implemented. As we enter a period of much more restrained public spending, which for some service areas will amount to spending cuts, the opportunity for elaborate and expensive extras such as greater regulation of commissioners or advice and information support to individual users also seem to be coming to an end. Under such restrictions, it is highly likely that any greater roll-out of a market-based approach would only lead to an exacerbation of the already noted problems.

## *Are market-based approaches really more productive?*

Leaving aside the more ambitious claims made by adherents of the sophisticated market-based approach, many would argue that it offers a cheaper, more efficient and hence more productive set of public services than their in-house alternative. In particular, it is claimed that the introduction of competition between public and private providers or, in some cases, just between private providers for the favour of service commissioners or of individual users will drive down costs. In fact, there is now a wealth of evidence that this is not the case.

Assessing or measuring productivity and effectiveness in public services is fraught with methodological difficulties. There is no precise definition of public sector productivity. But if the success or failure of competing models in delivering public services is to be evaluated objectively then it should incorporate effectiveness in terms of outcomes as well as basic cost-efficiency. Alternative methodologies capture the intrinsic nature of public services – for example, the 'gross value added' method<sup>5</sup>. In Australia, health sector productivity as measured by the existing 'input' method was estimated to have grown by 1.6 per cent a year from 1993 - 2000. Using the gross value added method the figure improves to 4 per cent a year<sup>6</sup>.

However, even on a narrower definition of productivity, the empirical evidence leaves market-based approaches wanting. This is, in some part, because of the rarely acknowledged funding advantages that the public sector has over the private sector. There are two sides to this advantage: firstly, the public sector benefits from availability of capital at a lower cost, i.e. because of the risk premium the private sector has to pay in comparison to government-backed financing; and secondly, private sector organisations have a primary duty to maximise shareholder returns which can take the form of dividends and/or capital appreciation. The cost of meeting the financial expectations of shareholders must therefore be built into any overall funding costs.

Indeed, there are a number of examples in the UK which suggest that private sector funding mechanisms such as Private Finance Initiatives (PFI) and Public Private Partnerships (PPP) have been more expensive than publicly financed projects.

A sample of PFI schemes (excluding NHS projects) concluded that the current weighted average cost of private sector capital on PFI projects is 1-3 percentage points higher than public sector borrowing<sup>7</sup>. Another analysis of a sample of projects found that PFI/PPP financing was 11.2-18.5 per cent of the project costs compared to 3.0-3.5 per cent annual interest on publicly financed projects<sup>8</sup>. Audit Scotland has estimated that PFI costs add £0.2-£0.3m each year for every £10m invested<sup>9</sup>.

However, the attractiveness of PFI for Government remains strong because it takes the large debts involved off the Government's immediate public sector balance sheet as the initial capital outlay comes from the private rather than the public sector. This allows the Treasury to meet its self-imposed borrowing limits.

But unlike the immediate debt, PFI does not transfer risk to the private sector. The taxpayer must still underwrite PFI projects because essential public services cannot be allowed to collapse. The taxpayer has already had to bail out private contractors running Railtrack, the Benefits Agency, Air Traffic Control, and the Criminal Records Bureau.

Of course, the extra costs of private sector delivery of public services would not matter if the private sector could deliver efficiency gains to offset costs.

Yet the available empirical evidence suggests that in practice when it comes to critical core public services the private sector is not more efficient than the public sector. Moreover, the involvement of the private sector can undermine efforts to integrate services, further limiting efficiency gains.

A clear example of the damage done to public service efficiency by private sector involvement is the recent initiative to direct patients to Independent Sector Treatment Centres (ISTCs). The Department of Health Select Committee report published in 2005 raised serious concerns about the expansion of the use of ISTCs<sup>10</sup>. The Committee concluded that ISTCs have not made a major direct contribution to increasing capacity. The Committee also concluded that NHS Treatment Centres and other parts of the NHS were just as innovative, and that ISTCs were not necessarily more efficient than NHS Treatment Centres.

The professional medical bodies that gave evidence to the Committee warned that the removal of a great deal of relatively straightforward elective surgery to an environment divorced from mainstream NHS services resulted in clinicians being denied vital experience of so-called 'bread-and-butter' procedures during their training. The Royal College of Surgeons informed the Committee that there was evidence to show that the training of surgeons in NHS hospitals adjacent to ISTCs had suffered. The Committee concluded that even though ISTCs performed a relatively small number of procedures, there can be a significant local effect on the training of junior doctors.

Professional medical bodies raised a number of other concerns about the poor integration of the ISTC programme into the NHS. The Committee concluded that these concerns were well-founded and better integration could be achieved by greater use of in-house NHS Treatment Centres.

A further salutary case study of how efficiency can be driven down by the dominance of the private sector and a market approach in the provision of a public service can be found in the social care sector.

Providing social care is one of the greatest public challenges facing society. Decisions on how care should be provided can have a significant impact on the well-being and dignity of some of the most vulnerable in society.

Increasingly, social care services are being delivered by the so-called 'independent' sector. There are an estimated 400,000 employees working in the private care homes sector. Many of the front line carers are paid the National Minimum Wage, which provides an annual salary of approximately £10,000 pa. This compares with the lowest rate for a Care Assistant employed by a local authority of £14,000. This suggests that any perceived efficiency gains are derived mainly from paring wage bills. This can clearly affect continuity of care by increasing staff turnover.

This is upheld by evidence from the UK and US that suggests that private, for-profit providers do not provide better quality, integrated care than public providers. A Commission for Social Care Inspection (CSCI) report found that when it came to providing care for older people in care homes, and home care services, private sector providers were more likely not to meet minimum national standards<sup>11</sup>.

Public providers have shown themselves to be flexible and responsive, as the experience of South Lanarkshire shows. It provides 24-hour services and has focused on offering flexible training and skills for their staff.

An analysis of the 13,941 nursing homes in the US<sup>12</sup> found that for-profit owned (investor) nursing homes provide worse care and less nursing care than not-for-profit or public homes. Investor-owned facilities averaged 6.70 deficiencies (measured against quality of care and quality of life) per home. This figure was found to be 29.8 per cent higher than not-for-profit homes and 25.2 per cent higher than public facilities.

Decent home care services are important in ensuring that people can remain in their homes. But unions have been concerned that, in reality, funding pressures mean that home care services are becoming ever more tightly rationed and there has been a relentless focus on delivering more 'units' of homecare for lower costs.

The historic underfunding of social care means that local authorities now struggle to meet demand that is rising due to demographic trends, increasing complexity of need and medical advances. Research conducted by the CSCI shows that 73 per cent of councils already have to restrict services to people whose needs are assessed as critical or substantial<sup>13</sup>. This rationing results from a £1.77bn shortfall in social care funding identified by the LGA. This trend is set to continue which means that people with low and moderate needs will no longer be able to receive home care services, which could prevent them accelerating into higher levels of need.

These funding pressures have driven decisions by local authorities about provision of home care. This has led to a focus on cost considerations, with escalating privatisation at the expense of service quality. The recent report by the Commission for Social Care Inspection (CSCI) *Time to Care* painted an alarming picture of the quality of home care service older people face<sup>14</sup>. Increasingly, the experience is

one of rushed services, with too little time allowed to provide quality, personalised care. This undermines continuity of care as well as inhibiting proper relationships forming between care workers and the people they care for.

The report also notes that the home-care sector is in a prolonged state of flux, still reliant on small private providers and struggling to compete for low-paid workers within the retail and catering industries, with staff turnover estimated at up to 36 per cent, further damaging continuity of care.

Residual in-house home-care services increasingly specialise in more complex and intensive provision, while a 'cottage industry' of private providers provide the bulk of home-care, with competition based on squeezing contact time and not paying staff for travelling time. This means that cost comparisons between in-house services and the private sector are skewed. Despite this such comparisons continue to be used to justify further outsourcing.

Moreover, the cottage industry approach identified by the CSCI results in instability, fragmentation and downward pressure on service quality. The 'market' is characterised by small providers, many of whom are inexperienced at running their own business and there are a significant number of entries and exits each year. And, of course, as with the case of many public services, private sector providers can concentrate on less difficult cases. This in turn further skews comparisons between public and private sector 'efficiency'.

Furthermore, as the recent Court of Appeal decision relating to the application of Human Rights Act to private care homes found, vulnerable people lost important protections if they are looked after by private sector homes.

In short, no matter how sophisticated the theorists of the market-based approach may have become in claiming that public service markets can deliver quality and equity, the real life experience of their operation is of cost and efficiency always becoming the primary concern – ultimately at the expense of quality and equity.

By contrast, studies of in-house services which focus on user demands and use innovative thinking resulting from collaboration between service providers and users – in a way not dissimilar to that recommended by the public value model outlined in the next section – show how super-efficiency can be combined with an ongoing and unequivocal focus on core public service values. NHS Direct is a case in point.

NHS Direct is one of the most popular health reforms of recent times and shows how major public sector health services (not just local health services) can be flexible, innovative, and responsive.

NHS Direct is a nurse-led, telephone-based, interactive health service. It started life in 1997, and since then major changes have been introduced to complement the telephone-based service, and take advantage of modern communication techniques.

NHS Direct has an authoritative health website, and 2004 saw the addition of the NHS Direct digital TV service – one of the largest interactive services in the UK.

Its performance is impressive. NHS Direct recorded its best ever performance in June 2007, exceeding all of the targets set by the Department of Health. The targets cover access, response times, and clinical sorting (where patients are given appropriate advice and signposting to other health services if needed).

According to the most recent surveys, NHS Direct answered 467,000 calls in June 2007. Ninety-eight per cent were answered within 60 seconds – breaking the 95 per cent target set by the Department of Health. Of those calls, NHS Direct completed 48 per cent of them without onward referral to another healthcare professional (the target is 38 per cent).

Of the urgent calls 98 per cent were triaged within 20 minutes – the target is 95 per cent; 100 per cent of those requiring triage within 60 minutes and 240 minutes were also dealt with within the required timescales set by the Department of Health.

Further evidence of in-house efficiency can be found within the Department of Work and Pensions (DWP).

Analysis of provision of employment-related services undertaken by the DWP<sup>15</sup> shows that public services can be more effective and responsive than the private sector when allowed the same flexibilities to innovate and the same funding as private sector companies or charitable organisations.

A government report focused on Jobcentre Plus Action Teams<sup>16</sup>. These were established in 2000 to work closely with local communities in usually quite small areas that had been blighted by long-term unemployment and which had not been receptive to other strategies.

The report shows that Action Teams have been highly effective in helping people find jobs. Between April 2004 and March 2005, Action Teams, as a whole, helped over 27,000 clients into work. Just over 8,800 of these job entries were through private sector-led (PSL) teams, and nearly 18,400 were via Jobcentre Plus Action Teams. In terms of achieving job entry targets, there were differences between Jobcentre Plus Action Teams and PSL teams. Action Teams achieved 111 per cent of their job entry targets compared to PSL teams as a whole achieving 78 per cent.

Action Teams have been innovative in both their design and delivery. In terms of design, they were the first initiative to target local pockets of unemployment and were ultimately free to operate in the wards of their choice. This allowed teams to move into areas they knew had pockets of deprivation, even where these pockets were located within more affluent wards.

Action Teams have been innovative by being located away from the Jobcentre Plus mainstream and using outreach (including mobile units, sessional outreach with community partners, and co-locating with partners) to reach their target groups and deliver services. They were able to use advisers seconded from community organisations who bring different skills and experience to the team. They could also decide their own marketing measures and use their own branding.

Teams could be innovative in their strategy to link up with organisations from the local community, and most work with a wide range of partners. Partnerships have proved to be beneficial as they can cross-refer clients, joint fund courses/training/ events, offer specialist help when needed, share premises and, therefore, costs, and have an all-round knowledge of provision in the area.

One further case study of an efficient in-house service relates to the vital area of reducing road traffic accidents.

UK transport authorities have managed to achieve a significant reduction in the number of people killed or seriously injured on the UK's roads, making great progress against long-term targets. Much of this has been achieved by focusing relentlessly on meeting public expectations, developing innovative strategies that are evidenced and entirely pragmatic, and working closely with local communities.

In 2000, the Government published a safety strategy in *Tomorrow's Roads Safer for Everyone*. By 2010, the aim is to achieve, compared with the average for 1994-98:

- a 40 per cent reduction in the number of people killed or seriously injured (KSI) in road accidents
- a 50 per cent reduction in the number of children killed or seriously injured (children are defined as being those aged under 16)
- a 10 per cent reduction in the slight casualty rate, expressed as the number of people slightly injured per 100 million vehicle kilometres.

By 2006, two of these targets had already been exceeded and another was close to being met:

- The number of people killed or seriously injured has fallen by 33 per cent.
- The number of children killed or seriously injured was 52 per cent down.
- The slight casualty rate was 28 per cent below the baseline.

These achievements are even more impressive when they are set against the fact that in this period traffic density has risen by an estimated 15 per cent.

This is also an example of how public services deliver value for the wider economy as well. Although it is impossible to put a real value on the life of a loved one, fatalities and injuries result in huge costs for the economy. For example, 2,913 fatal accidents, 25,029 serious accidents and 170,793 slight accidents were reported in 2005. In cost-benefit terms the Department for Transport estimates that if these 198,735 injury accidents had been prevented the economy would have saved £12,807million (in 2005 prices and values).

The success in reducing road deaths and injuries is down to a combination of demanding targets, along with innovation at local level, and sharing of best practice. The Department for Transport worked with a number of local highway authorities on a range of Demonstration and Partnership Projects to show how solutions to complex local road safety problems could be found. Projects were evaluated and the lessons learnt were used to produce good practice guidance for authorities wishing to tackle similar problems in their local areas.

A good example of how a strategic, coherent approach delivers real benefits can be found in the Gloucester Safer City project. The project began in April 1996 and ran for five years until March 2001. Its main aim was to reduce road casualties in the city by at least one third by April 2002 (compared to the baseline average for 1991-95). A road hierarchy was developed and a range of traffic engineering techniques were used to manage traffic onto the most appropriate roads, and travelling at appropriate speeds. Education, training and publicity campaigns and the Safer City branding complemented the approach and raised the community's

awareness of road safety issues. Over the five-year project casualties in Gloucester were reduced by around 24 per cent, with the number killed and seriously injured reduced by 48 per cent.

Good practice can be spread using this coordinated approach. Beacon status for road safety was awarded to six local authorities in 2006. These authorities showed how their effectiveness can be maximised by forming real partnerships with agencies to reduce road casualties and improve the quality of life for local people. Critical to their success is an approach that is: evidence-led, identifies problems and tailors appropriate solutions, fully involves local communities in the development of their road safety work, monitors progress and uses innovative approaches where appropriate. These authorities have been supporting others to learn and share their good practice in a range of ways, including running courses and holding open days. It could be said that these authorities have been operating to some of the key tenets of public value principles (discussed in the next section) without necessarily employing such a term.

Thus the evidence that introducing market-like competition into public service delivery must necessarily drive down costs and improve efficiency in a way that is unachievable in-house seems unsustainable in the light of this general and case study evidence.

## *Public opinion and market-based approaches*

If after 25 years of variable outcomes from the market-based approach is not enough to effect a change of policy, then one must wonder what exactly could. Possibly the polls.

It is interesting that while the market-based approach has held a strong grip over the imaginations of senior policy advisors and ministers for many years now, the wider public has never warmed to the approach.

Polling data shows that while citizens expect their changing needs and demands to be met by public services, they also recognise that public services are different to private sector consumer goods and they appreciate the collective nature of public services.

One YouGov survey found that 73 per cent of voters disagreed or strongly disagreed with more competition within the NHS, while another survey found that 89 per cent of the public thought that “public services should be run by the Government or local authorities, rather than by private companies”<sup>17</sup>. This was confirmed by another poll which found that only 17 per cent supported an increased role for private companies in public services<sup>18</sup>.

Recent research published in May 2007 by the Picker Institute for the Health Care Commission found that giving people the right to choose between NHS hospitals in England is regarded by most patients as irrelevant<sup>19</sup>.

The public also remains overwhelmingly committed to the core values of public services: universality, equity and accountability. Research conducted by The Work Foundation found that 85 per cent agree that public services should be funded by the taxpayer and free at the point of use. Only 34 per cent agree strongly or tend to

agree that what matters is the quality of services in their local area and that they are not interested in what is happening elsewhere. Sixty per cent tend to disagree or strongly disagree with this view<sup>20</sup>.

However, the adherents of the market-based approach have been right on one thing. One further argument made in favour of these approaches, is that they respond to the strong desire for public service users to be treated more like consumers. A Work Foundation study found that 81 per cent wanted public services to start treating users as consumers, and 79 per cent wanted public services to treat them more like the private sector<sup>21</sup>.

This suggests that a politician who could develop an approach to public service reform that offers greater flexibility and responsiveness to service users but avoids the mistaken nostrums of market-based approaches would find themselves far more in tune with public opinion.

This provides the context for a newer approach to public service reform known as 'public value', which has been growing in influence over the last two to three years. Public value has yet to filter into the mainstream of political discourse in the UK but if a politician is looking for a coherent alternative to the market-based approaches which is more in line with public expectations, public value might be the solution.



# Section 2 – The alternative: public value

## What is the 'public value' approach?

The public value approach was first developed in the 1990s by Mark Moore at the Kennedy School of Government<sup>22</sup>. More recently it has been taken up in the UK by John Bennington at the Warwick Business School<sup>23</sup> and by the think tank The Work Foundation<sup>24</sup>.

This new approach is based on the notion that public services, like the private sector, create value but, unlike the private sector, this value cannot be simply reduced to financial profit and loss in the way it usually is by commercial organisations. The value that is created by public services is more complex and often less tangible than that created in the private sector. It includes such factors as:

- wider economic value
- social and cultural value
- fairness and equity, particularly with reference to vulnerable consumers and different generations
- political and democratic value by encouraging debate, participation and engagement amongst citizens; and
- long-term sustainability of social and economic networks.

While commercial organisations ultimately assess their value and plan strategies with reference to the relatively simple measures of profit and loss, public value cannot be planned for or assessed so easily. For example, which aspects of public value to prioritise in any strategy is very commonly a matter of dispute. One need only think of the fierce arguments that accompany any decision taken by the National Institute of Clinical Excellence over resource allocations to different healthcare priorities or the protests that greet decisions by local authorities over whether to spend money on youth facilities or social care, for example.

As such, the model suggests that public value can only be identified and assessed through a process of democratic engagement between service providers and service users. For most public value theorists, this means the establishment of forums within which providers and users set priorities and develop strategies for public service delivery. As The Work Foundation has noted<sup>25</sup>, the public value model reinstates citizenship at the heart of public services.

This emphasis on 'negotiation' with key stakeholders in the creation of public value means that the model is more balanced and comprehensive than market-based approaches. It acknowledges that the development of any strategy for public service delivery will as a matter of course have to:

- balance the interests of the public realm and the market
- consider individuals to be citizens, not just consumers, and thus balance the interests of communities and individuals
- consider wider social concerns, not just narrow financial concerns.

However, the public value model is not naive and idealistic. It recognises that public services come at a very great financial cost. It acknowledges that the taxpayer is a stakeholder in any public value negotiation, and also that value for money must be a priority. Indeed, public value theorists have gone so far as to specifically define public value as the provision of public services to a community in a way determined by that community but in as cost efficient a way as possible<sup>26</sup>.

Substantial examples of public value initiatives in the UK are rare. This is unsurprising given the fact that this is a relatively new approach which has only just begun to win significant attention on both sides of the Atlantic. The Work Foundation has undertaken small projects to develop the notion of public value in the heritage and culture sectors<sup>27</sup> but mostly we must rely on initiatives which display elements of the public value approach even if they would not explicitly describe themselves as based on that approach. A number of these are described below.

However, one initiative it is worth mentioning here as a practical illustration of how innovative and effective a public value-style approach can be is the Advanced School Councils project undertaken by School Councils UK and endorsed by the National Union of Teachers, amongst others<sup>28</sup>. The project worked in eight secondary schools over a three-year period to encourage pupils and staff to take forward a range of issues on pupil participation. In association with staff, pupils created their own behaviour panels, researched a range of school-based matters and established 'sub-councils' to deal with specific issues such as improving the school environment.

The public value element of the project can be seen in the way a behaviour panel worked. Pupils used the panel to help staff formulate behaviour policy for the school, became integral to the implementation of policy by establishing peer mediation schemes for disruptive pupils and then spread their experience to other parts of the sector by holding good practice workshops with other schools.

The project found that the initiatives it undertook had a positive impact on the workings of the schools and, hence, on the wider public value those schools were able to deliver. Sixty-five per cent of teachers felt that teaching and learning had improved, 66 per cent felt relationships between pupils had improved and 71 per cent felt decision-making in the school was better.

Although the Advanced School Councils project did not describe itself as based on a public value approach, it clearly displays strong elements of the approach. It involved service users and providers deliberating together to identify strategic priorities, to develop and support innovative implementation plans for those priorities, and then engaged in ongoing feedback with those involved in the scheme and wider stakeholders to develop strategies and implementation further. Notably, given the recognition of

public value adherents that difficult negotiation is integral to their approach, the Advanced School Councils project sometimes involved certain pupil wishes being compromised or denied for reasons of resource or because they conflicted with other priorities and principles.

## *Why public value as a guide to reform?*

The Work Foundation has identified three reasons why public value should be considered as a guide to reform in the public services<sup>29</sup>.

Firstly, public value can play a role in addressing the 'democratic deficit' that exists in public services and, indeed, in the wider political establishment. The notion that the legitimacy of the decisions taken by public service professionals is constantly under stress has been identified by the Work Foundation's own research but it will not be news to anyone who works in public service delivery. The emphasis the public value approach places on democratic engagement and deliberation between public service decision makers and users is seen as a very direct way of addressing this problem.

Secondly, the approach provides a response to the so-called 'delivery paradox'. This is the well documented phenomena where user satisfaction with public services tends to remain static or even decline despite the fact that objective measures show improvements in service delivery. The case of the significant shortening of waiting times in the NHS alongside the stubborn levels of low satisfaction with the service is the best known example of this paradox.

The Work Foundation suggests two key reasons for the paradox. Market-based approaches have focused almost exclusively on treating users as consumers. While polling does show (as shown above) that users do want to be treated more like consumers, this does not preclude the fact that they also want to be treated as citizens. Put simply, this means that service users do not just want satisfaction from the service provided at the point of delivery but also expect some degree of influence over what is being provided. This degree of influence is something the public value approach aims to offer users.

In addition, users' dissatisfaction may result from genuine ignorance of service improvements or from misinformation about the service. However, the solution to this is not simply better public relations but a concerted attempt to involve users in the decisions about service delivery that are, of necessity, informed by consideration of more objective information. For example, innovations such as the Open Budget deliberation held by the London Borough of Harrow which involved 300 local citizens in a budget-setting forum were informed by a detailed account of how councils raise and spend revenue<sup>30</sup>. It is notable that many participants expressed surprise when told that only 25 per cent of council revenue came from Council Tax, given the emphasis that is placed on this source in vociferous political debate.

Thirdly, The Work Foundation urges public value as an approach because it specifically seeks to improve the responsiveness of public services to the wishes of users and citizens. It might be added here that it does this in a very direct and relatively uncomplicated way – it asks what users want and then tries to agree strategies and techniques to deliver that. In principle, it avoids the much greater complexity introduced by the market-based approach to encouraging responsiveness which by

emphasising contestability and the role of the private sector introduces a whole range of other factors – some of which have been dealt with above – which only seem ultimately to become barriers to responsiveness.

To these arguments in favour of public value developed by The Work Foundation we might add two more.

Public value is refreshingly non-utopian. The recognition that public services operate in an environment of scarce resources but vast demand means that there is a need for constant and open deliberation and negotiation with all users. It also means that there will always be losers as well as winners (or at best only partial satisfaction of everyone's demands) when any particular strategy for the delivery of a service is agreed. This is not to say that public value is not ambitious for improvements in services provided – indeed the seminal work on public value by Mark Moore is full of examples of how public services in America have been improved significantly through deliberation between providers and users about common sense changes and more elaborate innovations<sup>31</sup>. However, it marks a break with the evangelism of the market-based approaches which, particularly in recent years, have led politicians to make ever-greater guarantees of choice for individual users without any recognition that choice will inevitably be constrained by scarce resources.

Furthermore, public value is not a 'one size fits all' model. It recognises that creating responsiveness and productivity requires a tailored response for each service. Public value is really little more than a way of conceptualising what it is public services should be doing and proposing a deliberative process by which providers and users can determine how to add detail to that conceptualisation. The market-based approach – for all its diversity – fundamentally asserts that all or nearly all services can be improved by mimicking the market. Market-based approaches are, in truth, ideological as much as evidence-based solutions to public service problems – unsurprising maybe given their origin during the height of the New Right backlash against the post-war consensus. In this sense, market-based approaches are far less in line than public value approaches with the contemporary recognition that large organisations can rarely be improved by the application of single models and are more likely to flourish under conditions that allow autonomy for local or sectoral providers to develop a diversity of solutions best suited to the details of their specific environment.

Public value therefore offers a variety of advantages over the market-based approach and policy makers would do well to study these. However, it does have one serious flaw and one risk which need to be addressed if the model is to prove successful in its implementation.

## *Enhancing the public value approach: the role of staff and the need for core principles*

One of the key limitations of existing public value models is that they underestimate the role of public sector staff – not just in delivering services, but also in providing legitimacy for public services. In addition, because the public value model is quite an open approach which is about conceptualisation and process rather than models, it can and has been linked to continuing delivery by the private sector or has even been synthesised with a market-based approach<sup>32</sup>. This obviously risks undermining any benefit that public value could bring to public service delivery. This section now deals with each of these problems in turn. This leads to the development of a series of core principles for the approach which is described here as 'enhanced public value'.

### *The role of public service staff in generating public value*

#### **Staff and feedback**

Existing public value approaches severely underestimate the important role staff in the public services play in planning and implementing public service strategies (through providing invaluable feedback mechanisms for management and policy makers), and providing legitimacy and support for public services among users.

This is obviously a serious oversight but reflects a tendency present in market-based approaches as well as public value to understand public service delivery as a relationship between management and user. Staff are often relegated to a passive army that can be ordered to behave in a certain way or will be expected to respond in an entirely predictable fashion to targets, and positive and negative incentives. At worst, market-based approaches caricature staff as the part of the public service structure most resistant to change and, hence, the biggest obstacle to meeting the needs and desires of service users. The fact that public service staff have the closest relationship to users of any part of the structure and are indeed users of services themselves often escapes the notice of the theorists.

Public value is an approach that places a very strong emphasis on the use of dialogue between service providers and users as a way of identifying how public value should be generated by a particular service. For most public value theorists, this means making use of deliberative techniques – such as town hall meetings – to identify consensus on priorities and strategies for change. No doubt, such methods can prove useful for discussing big questions and discovering a community consensus. But as any decent public service manager knows, the identification of priorities and strategies is the easy part of the battle to create efficiency and responsiveness. Effective implementation of a strategy over lengthy periods of time and in the face of daily distractions and practical problems is the tougher call. Without feedback mechanisms to identify and address problems and to assess users' ongoing experience of a changing service, implementation can easily go awry and public value fail to be generated.

Making sure that those who deliver the service and who enter into a daily dialogue with users are engaged in the process of assessing implementation of a strategy is clearly key. Obviously, if the same staff have played a central role in deliberating with management and users on the original priorities and strategies, this will only enhance staff understanding of and commitment to the process thus motivating their role as providing feedback to managers.

This principle is upheld by two examples from public service delivery which show that developing a strategy through engagement between management, staff and users generates greater responsiveness and productivity, and hence public value. Both examples combined users' expectations of a more flexible service with a staff desire for a better work/life balance.

The Time of Our Lives was an ambitious work/life balance project which was set up because Bristol City Council was under pressure to deliver more flexible and accessible services to users and satisfy employee wishes for a better work life balance. It is a good example of 'enhanced public value' – management, users and staff interests have been taken into account and synthesised to generate public value in a way that upholds the best of the public service ethos.

The project involved the TUC, trade unions (GMB, TGWU, and UNISON), the Employers' Organisation for Local Government and the council itself working together in partnership on a European Union-sponsored project which aimed to:

- explore the potential for innovative working patterns that would improve both the quality of council services and employees' ability to balance their paid work with the rest of their lives
- develop models of partnership between trade unions and employers to enable them jointly to identify better ways of organising work and time
- develop a positive model of flexibility that was win-win for employees, employers and customers
- share experiences of different ways of reconciling work, personal responsibilities and aspirations and access to council services
- widely disseminate lessons learnt.

UNISON suggested a pilot flexible working project in the library service, where staff demoralisation was a problem because of cuts to the staffing budget. A customer survey indicated there was a demand for Sunday opening but employees felt it would be a further incursion on their time.

Employees were surveyed to see who would be willing to work on a Sunday. It was made clear that participation would be voluntary, that no-one would be compelled to continue to work on a Sunday if they volunteered, and that individuals would benefit through the usual additional Sunday payments.

Additional staff were recruited to work on Sundays alongside volunteers from existing staff, many of whom were part-time workers who wanted to increase their hours.

Sunday opening has resulted in a marked increase in library use – not only in quantity but in attracting different library users, especially families.

Moreover, the lessons learned from the project have resulted in similar initiatives being successfully replicated in other departments, including pest control and waste management.

Overall, the project demonstrates that if services are to be made more responsive and effective then involving employees and giving them a large degree of control and autonomy gives a higher chance of success and leads to better outcomes for all stakeholders.

A further example is the Inland Revenue's Our Time project. The Inland Revenue (now merged with customs and renamed Her Majesty's Revenue and Customs) was a huge national public sector organisation with around 70,000 employees.

The pilot project, run in three Inland Revenue offices in the Brighton area, was set up because changed public expectations required a more accessible Inland Revenue with extended opening hours. Moreover, Inland Revenue staff had made clear their desire to have a good balance between work and personal life.

The Our Time project was created as a partnership between the Revenue and PCS – the civil service union. The arrangement gives staff options about their working hours and allows Revenue offices to open outside 9-5 and at weekends.

The initiative resulted in improvements for users and staff, and delivered business benefits for the Inland Revenue. Users benefit from longer and later opening hours, with increased coverage at peak times. Overall the service was able to provide users with a more flexible and accessible service.

Employees are now able to balance their work and personal commitments which is leading to less stress.

The Inland Revenue also enjoyed improved management and staff morale, and increased trust between the Revenue, PCS and the workforce. Crucially, the pilot has provided a process model for the rest of the Inland Revenue and other organisations. Moreover, it has led to better use of IT systems and accommodation, leading to lower unit business costs. There are other benefits as the Revenue now has a wider recruitment pool, given its ability to be a more flexible employer.

Much of the success of the scheme can be traced to the way staff were involved in the design of the scheme. PCS representatives were part of the project team and played a key role in communicating the benefits of the scheme to their colleagues.

The Revenue and the PCS worked together to: find out what staff wanted by using surveys and focus groups; pilot new ways of working at three offices; train managers and staff in organising work to fit into the new arrangements; and train team members how to work together more effectively.

These examples show how an approach which shares key features with a public value approach can deliver real responsiveness to user concerns without losing sight of the core values of public service provision.

### ***Staff and legitimacy***

Public value models are not simply about improving responsiveness and efficiency. They have also been proposed as a way of rebuilding the legitimacy of public services by engaging users more directly in the key decisions of service providers. Once again, however, public value approaches seriously limit their likely efficacy in this area by ignoring the staff role.

At the political level, it seems fairly clear that the public simply distrusts government sources. For example, surveys suggest that a minority of people trust official statistics to give an accurate picture of the quality of public services<sup>33</sup>.

In a similar vein, people seem to refuse to give the Government credit for improving public services<sup>34</sup>. As detailed above, one of the most puzzling problems public policymakers have to contend with is the 'delivery paradox' – the gap between positive objective data and the persistence of negative attitudes towards public services. Research suggests that users' satisfaction with their own experience and local services is higher than their satisfaction with public services at the national level<sup>35</sup>. Furthermore, in certain areas there have been demonstrable increases in investment or increases in staff numbers and improvements in outcomes yet user satisfaction has barely changed.

In contrast to the cynicism about government messages and statistics, citizens are far more receptive to confirmation from public sector staff that services are genuinely improving<sup>36</sup>. People also seem to appreciate the role of staff in delivering services believing that improvements in public services are the result of staff efforts rather than the Government<sup>37</sup>. Similarly, analysis of satisfaction levels with public services suggests that treatment by staff and the quality of the explanations and communications provided by those staff are key drivers of public trust<sup>38</sup>. An Audit Commission/ MORI survey<sup>39</sup> asked people which factors were the most important in determining trust in public services. The top two answers were "whether services meet your needs" and "how you are treated by staff".

Therefore, the conclusion must be that as well as planning and delivering better public services that meet the needs of citizens, public service staff are critical to legitimising policy initiatives and the public services themselves by building trust and communicating with citizens. If public value models are serious about re-legitimising public services in the UK, then this data and the role of staff can obviously not be overlooked. Indeed it suggests that staff would have to play the central role in the process of legitimisation.

## ***Public value and the core values of public services***

There is a tendency among some public value theorists to link the public value approach to market-based models. Although Mark Moore saw public value as a definite counterpoint to new public management theory (the academic approach that spawned market-based models), more recently some UK thinkers have failed to draw the distinction so clearly.

A 2002 Cabinet Office paper on public value drawn up by political advisors to Tony Blair specifically argued that public value could best be maximised through a "combination of strong public sector institutions and competition from private and non-profit organisations"<sup>40</sup>.



The Work Foundation has argued that:

“in the context of the UK debate about who provides public services, public value theory is neutral. Whether the service is delivered by a public or a private sector organisation is either a technical judgement that turns on considerations of efficiency, fairness and accountability, or a political one based on an ideological position about the relative role and size of the state vis-à-vis the market in the delivery of health, education, criminal justice and so on.”<sup>41</sup>

The quote above illustrates why such an understanding of public value is wrong. The “efficiency, fairness and accountability” that characterise service delivery are far more than a “technical judgement”; they are among the very goals that any approach to public services must seek to deliver. If public value theory genuinely holds that these can effectively be delivered by a market-based solution, then why bother proposing the public value approach in the first place? We need only design ever more sophisticated models of market-based delivery. In this case, public value becomes little more than a desirable extra which might help improve the accountability and public acceptance of market-based solutions.

More fundamentally, this pamphlet has argued in some detail that two-and-a-half decades of experience of market-based approaches and private sector involvement shows that this is precisely not the route to efficiency, fairness and accountability. Indeed, as The Work Foundation studies themselves point out, market-based approaches have often proved detrimental to these values<sup>42</sup>. This detriment is not incidental to the market-based approach but inherent.

The value of the public value approach is that it has identified a potential alternative way of improving public service responsiveness to user needs without recourse to the market and the private sector. And as the argument and the case studies presented here have shown, it may well prove a highly effective approach.

With these two fundamental qualifications in mind, it is proposed here that the public value approach needs to be enhanced by elaborating a series of core principles.

The core principles of public value itself may be articulated as follows:

- engagement with users to determine public service delivery strategies and implementation plans with a precise focus on identifying what public service users and the wider community want a service to generate
- a commitment to deliberation and negotiation in identifying that public value
- a recognition that any conception of public value must involve not just what a service should deliver but also how it can be delivered in a cost-effective way.

However, to ensure that public value is truly effective as a method of promoting responsiveness and productivity and remains a genuine attempt to uphold the founding values of public services, it is proposed that four more core principles are added to these:

- the development of public service delivery strategies and implementation plans that uphold the founding principles of public services, namely universal access, delivery according to need, services free at the point of use, and services delivered for the public good rather than for profit

- the development of public service delivery strategies and implementation plans that preserve the organisational integrity of public services and which value collaboration and integration over competition and fragmentation
- full engagement with public service staff in the determination of strategies and implementation plans
- the establishment of robust feedback mechanisms for staff and users during the implementation and delivery phase of any strategy.

In essence, this approach recognises that if one of the great benefits of the public value approach is to introduce democratic voice into the delivery of public services, then just as liberal rights such as freedom of speech limit what can be done in the name of democracy at a national level, so these core principles limit what can be done in the name of public value within the public services. These limitations are not put in place for ideological reasons but because the evidence is clear that market-based approaches ultimately undermine equitable and efficient public service delivery and hence destroy the generation of public value itself.

This is what is meant by 'enhanced public value'. Its core values are designed to ensure the approach is one which remains true to its aspirations. These values will help create a public value approach that is effective in delivering responsiveness and productivity by recognising the important role of users and staff in determining and implementing strategies and priorities and in legitimising those strategies and priorities; and which recognises that there are core public service values which must be upheld when any process of deliberation to determine those strategies and priorities is underway.

# Conclusion

For some, public value may prove a frustrating approach to public service reform. Unlike the market-based approach or even the classical centrally planned approach, its essence cannot be summed up in one sentence. As has been pointed out above, the approach is more about process and the conceptualisation of public service than about formulae and models. However, it should be regarded as none the worse for this. Its very openness could allow a variety of tailored solutions to flourish if it were implemented.

What is genuinely frustrating about public value is its continuing existence in the realm of the abstract. The existence of schemes based self-consciously on public value are few and far between. Like this pamphlet, theorists must resort to drawing on case studies that coincidentally demonstrate one or other aspect of the public value approach.

Having said that, further research is undoubtedly required before a programme of public value pilots or trailblazers could be rolled out across public services in the UK. A comprehensive search for UK examples of public services that have engaged users and staff in designing delivery strategies and/or have managed to deliver highly productive and responsive services must be undertaken. This is important, not least because really effective staff and user engagement must be informed by best practice. Poorly designed or implemented staff and user engagement risks having little impact on actual delivery and can ultimately damage rather than improve legitimacy. There are examples of attempts to understand the nature of good staff and user engagement and some real efforts to put this into practice<sup>43</sup> as some of the case studies in this pamphlet have highlighted. But these need to be explored further and developed if the public value approach is to be meaningful.

Such studies should be followed by the establishment of a detailed set of operational principles and benchmarks for public value. These initiatives would do a great deal to add practical flesh to the bones of the approach and provide the confidence and expertise necessary to implement programmes consciously described as public value experiments.

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