

Guardian Public Service Summit

Thursday 25th January 2007

Session Title: A State of Change

**“Public Service Reform:
the History of the Future”**

Good morning. It's a pleasure to be here. I am grateful to David Walker for the invitation, and thank him for his ongoing contribution to the debate on Government. I'd also like to thank the Guardian for again arranging this excellent conference.

Today I've been asked to deal with the question 'how will Government evolve as the business of the state changes?'. In thinking about this I remembered browsing through Peter Hennessy's magnificent new history of Britain in the 1950s: *Having it so good*. I was talking to Peter about all this and he asked what I thought historians decades on would make of what we're doing now in Government. That's how I want to approach this event: try to answer this vital question about the nature of the state and Government by speculating – I can do no more than that – about how future generations will view what we thought and did now.

Of course, history has a way sometimes of making us look a bit foolish. The recently revealed proposal from the French Prime Minister in the 1950s to merge France with Britain under the sovereignty of the Queen provoked some amusement when it was revealed this month, but presumably was very serious to the French Prime Minister at the time. Also in the 1950s, the Health Secretary rejected advice on the dangers of smoking. Today, younger policymakers look back in puzzlement and wonder why the Government used to build cars and run an airline. But that's what the Government was doing when I joined the Civil Service.

So what will history make of Government in the first decade of the twenty first century? One of the things that can make you look even more foolish than the judgement of future historians is attempting to predict the future now. But preparing for the challenges of the years and decades ahead requires us to make some sort of judgement as to what our society will look like.

Briefly, and very much in overview, I want to go through the global and domestic trends driving our assessment of the future of UK society and the role of the state.

Globalisation is the most important theme. It's a reality: last year China overtook the UK in terms of the size of its economy; a report yesterday predicted India would do the same in the next decade. A more open global economy is likely to create more winners than losers, but the dislocation effect among the losers will create issues for Governments across the planet. Similarly, problems like terrorism, climate change and migration, will affect many governments and will require concerted international action. This means influencing as well as delivering will be vital for nation states like the UK. We need to be influential in the European Union and elsewhere to build and strengthen the legitimacy and effectiveness of our international institutions.

For economic prosperity, skills and innovation will be the key. There is a lazy assumption around in some circles that globalisation is about sending call centres to India. It's about a lot more than that. Last year, India and China produced half a million qualified engineers and computer scientists; the UK produced 75,000. In an economy which is likely to become more, not less, service oriented, skills will be at a premium.

For the consumer, this is already becoming the era of personal choice. We've moved from the era of buying 'any colour of car you like as long as it's black' to the age where sellers have to adapt the way they provide, never mind design, their products very rapidly. Take insurance: in the last fifteen years we've gone from high street insurance brokers to direct telephone sales, and now on-line. Products everywhere are more personalised. The pace of technological change in driving customer attitudes is accelerating and will accelerate these trends.

For society as a whole, demography will be a critical driver of the future. Within the next decade the number of people over 65 will surpass the number under 16. The number of households will grow by 2 million. So there will be an older and more diversely structured population.

What does this mean for what people want from the state? I would make four points:

- First, an older society places a greater set of demands in areas like health, long-term care, and of course pensions;

- Second, the way in which technology has transformed expectations of consumers in the private sector will continue to drive rising expectations among citizens in respect of the quality of public services in all areas. This ranges from the quality of health care to the convenience of civic responsibilities like paying taxes, or voting, or applying for passports, and so on;
- Third, these rising expectations will continue to drive the demand for more personalised services;
- But fourth, citizens will still look to the state to assist them and provide a safety net as they adjust to rapidly changing circumstances. I do not see any political consensus for the state to move away from dealing with issues the market has not addressed, and providing support to those who are most difficult to reach. Indeed there is a growing consensus that state intervention to offset, for example, environmental externalities is essential.

What all this points to is a demand for the state to help shape rather than control behaviours. We need to be economists but also sociologists and psychologists as we design and deliver public policy. There seems to be an emerging consensus, for example on the child obesity issue, that we cannot rely entirely on tax and regulatory levers. There is pressure on the state to bring about behavioural change by all means at its disposal.

To bring about this change, and to deliver this supportive role for the state, means, once again, being good at influencing rather than controlling. You can call this various names – the Government is attracted to the concept of ‘the enabling state’, whilst some American academics like Mark Moore have referred more generally to the concept of ‘public value’. What it means is a flexible, supportive and responsive state that assists rather than directs. A state that responds to demand but also influences them. What does this mean for the supply? Quite simply, more diversity of provision, both in terms of the nature and number of suppliers, and the way services are provided (there is likely to be a far greater level of online service provision, in line with greater personalisation of services).

Will the future judges say we succeeded in delivering this type of Government? I would hope they will say is that in the first decade of the twenty first century we

looked beyond the day-to-day preoccupations and tried to identify and gear up to facing the future.

I think there is strong evidence already that the Government is doing this. A few examples:

- in terms of policy, I am pleased that within the last year the civil service has helped the Government formulate responses to critical long-term challenges like pensions, energy (both nationally and internationally, with contributions like the Stern Report) and the future of the independent nuclear deterrent;
- the reforms to the public spending framework to lock in longer term budgets, and to protect capital investment are now long established. It is easy to forget their importance, but this greater certainty has helped foster a longer term approach to key challenges; and
- much innovative work is being done in terms of thinking about devolution of services to the most appropriate level, and the public sector is moving rapidly to change from being used to control, to one working in partnership with a range of stakeholders across society. Yesterday I was delighted to announce a formal joint work programme between the chief executives of government agencies – who employ more than half of the civil service – and voluntary sector chief executives.

Within the civil service itself, which is only around one tenth of the whole public sector but the vital link with the elected Government, the capability reviews are, in my view, the key process for gearing up departments to identify the challenges of the future. I think they have passed the first test: commentators such as our host today, David Walker, and others including one of my predecessors Lord Wilson, have remarked they were more sharp-edged than many had expected. Good: and the challenge now is to hold civil service leaders to account for acting on their findings.

Let me give you one example of the impact the reviews are having. The Department for Culture, Media and Sport, whose review started recently, asked their reviewers to take an early look at their capability on the Olympics. Jonathan Stephens, the permanent secretary, took quick and far reaching decisions based on this analysis and has already announced fundamental changes to their governance of this critical project.

The modern career deal

To conclude, I would like to discuss briefly two themes. They fit together in terms of what I would call the modern civil service career deal.

The first is skills. As with the rest of the economy, we have to improve our professional skills if we are to meet the demands of tomorrow and retain the public's trust and confidence. This is an absolutely critical issue for the leaders of today's civil service. Our message to our dedicated staff is that we will invest in you to give you the necessary skills you need to do your job. We have made good progress in this respect. But we have much more to do.

The flip side of this is resources. We have a duty to do more with less, to give those who pay for us the best possible value. That is why, in the context of slower growth in public spending, efficiency and reform is so high up the agenda. Even during the last few years of fairly rapid growth in public spending, the Civil Service still grew more slowly than overall employment. Now we are in a position where there are 14,000 fewer Civil Servants than one year ago, and numbers will continue to fall under current plans.

Against this background, I salute the massive contribution made by Civil Servants up and down the country in maintaining excellent service to the public and we need to celebrate this success as we did in the first ever Civil Servant of the Year Awards last November.

But, as I will write to all civil servants in the next few days, I am disappointed that the PCS union is still planning to pursue industrial action despite the fact that in the ballot announced on Tuesday, only 23 per cent of its members – that means only 11 per cent of all civil servants - voted for this course of action. I do not think it is justified.

My message to all Civil Servants is that the way to resolve the issues rightly of concern to all Civil Servants – pensions and pay, conditions and job security – is through the discussions that are already taking place. The progress on pension reform announced earlier this month shows this can produce worthwhile results.

Conclusion

I am confident that constructive engagement with management on issues of concern will be the response of most Civil Servants. I believe this because I am struck every

day by the dedication, professionalism and excellence of staff in the service I'm very proud to lead.