

PUBLIC ADMINISTRATION SELECT COMMITTEE INQUIRY INTO CHOICE, VOICE AND PUBLIC SERVICES

Supplementary Evidence from Minister of State for Local and Regional Government to Support Joint Memorandum from Minister of State for Department Of Health, Minister of State for Local and Regional Government and Minister of State for School Standards, 'The Case for User Choice in Public Services'

CHOICE IN PUBLIC SERVICES

1. Improving public services remains the Government's key second term objective. While arguments will no doubt continue about international affairs including the war in Iraq and relations with both the USA and Europe, as well as the ephemera of day to day political life, every serious commentator knows that the Government will ultimately be judged on its stewardship of the economy and the delivery of public services.
2. The two are inherently linked. A strong economy provides the wherewithal for investment in public services while quality public services underpin a successful modern economy. Everyone can see the benefits of prudent management of Britain's economy feeding through into substantially increased funding for education, the NHS, crime reduction, transport, housing, local government and many other public services. At the same time very few people are so naïve as to believe that money alone is the key to improved services.
3. But when the debate turns to this issue – how do we drive improvement and raise standards in public services – there is more scope for disagreement. Indeed, arguments rage about the importance and value of targets, of performance management systems, of inspection, of intervention and from the opposite perspective, the need for devolution, localism and flexibility .
4. This debate between advocates of 'centralist' as against 'localist' models is of course nothing new. The pendulum has swung one way or the other at various stages in the evolution of public services over the past two centuries. However, while greater emphasis may be placed at any one point in time on one or the other, there is an inexorable logic which points towards the needs of both centralist and localist elements. Without over-riding national standards it is difficult to avoid postcode lotteries under which standards of service in some locations may fall far below what would be generally seen as acceptable. Indeed as is highlighted time and again by local scandals – for example a chronic failure of child protection – the British public look to central government to ensure the maintenance of universal standards.
5. However, there is growing recognition that devolution to the front line and discretion to innovate in response to local pressures or needs is equally critical to delivering high quality services. Large centralised bureaucracies may provide safeguards against unacceptable variations in standards from area to area, but they rarely provide the incentive for people to develop innovative new ways of doing things. Furthermore,

they can all too easily stifle the energy and initiative of people who have a clear vision about how they can meet local needs more effectively.

6. So it is not surprising that a new consensus is emerging based around the need for national standards, but accompanied by devolution to the front line and flexibility for people to respond to local circumstances. These indeed are the first three of four principles set out by the Prime Minister a little over two years ago as the fundamental pillars of public service reform.
7. However, there is much less consensus about the fourth principle which the Prime Minister advanced – that is choice for the public to ensure that services are genuinely responsive to users’ needs and aspirations. When it is put in these terms it is difficult to see why the extension of choice should have become such a controversial issue. But it has. Indeed few if any attempts to extend choice to the public in respect of public services have been easy to initiate let alone to implement successfully. When in 1999 I advocated the introduction of choice-based lettings schemes for council and housing association homes, the initial response was one of overwhelming suspicion and doubt. At the best, I was told I was wasting my time as it would never work. At the worst, it was seen as a threat to fairness and equality which would undermine everything that social housing was designed to offer.
8. Why is there such hostility to the concept of choice? In part it is simply suspicion of change particularly when change threatens long standing traditions. But it goes much deeper. There is a real fear that choice is not only incompatible with the principle of public services delivered on the basis of need, but also that its extension will subvert the very foundations of the welfare state.
9. It is true that choice played little part in the ethos of the welfare state as it emerged in the early to mid 20th century, other than in respect of the rather important point that the state provided an option for people who would otherwise have been left destitute. The driving motivation of those like Rowntree and Beveridge who sought to overcome the ‘evils’ of that era, was a concern to guarantee minimum standards which they believed could be scientifically measured so that no-one would be left living below the subsistence level, or in squalid or unsanitary conditions, or exposed to life-threatening disease or danger.
10. The underlying ethos was one of ‘levelling up’ to a minimum acceptable standard. But there were also pressures which favoured a ‘levelling down’ approach, reflecting the strongly egalitarian spirit which characterised left of centre politics in the mid 20th century. So it was not uncommon to hear arguments at that time in favour of state provision not as a safety net ensuring a minimum standard below which no-one could fall, but as a uniform good standard which should apply to everyone. To those who held such views choice was seen as a threat, in that it would allow those with greater means or simply more influence or persistence than others to secure for themselves or their children advantage and privilege and so undermine the principle of a uniform good standard. This was the core of the argument for the abolition of private or denominational schools, for example.
11. But, of course, the world has moved on and many of the premises which underpinned the early to mid 20th century welfare state now look very dated. Confidence in the

capacity of any state to impose benign, egalitarian policies from the top down eroded as quickly as the support of the people of Eastern Europe for their communist regimes. Nearer home any panglossian faith in the ability of officials in Whitehall or the Town Hall to know best fell foul of the determination of community groups to stand in the way of unwelcome redevelopment or motorway construction schemes. We now recognise the importance of listening to local opinion and of consulting and encouraging participation rather than imposing top-down solutions.

12. Not only are people far less willing today to accept the decisions of experts and officials, they are also able to exercise far more choice in almost every aspect of their lives. Growing affluence and widening educational opportunity in the second half of the 20th century has profoundly changed the expectations as well as the options available to the majority of the British people. Whereas owning one's own home was only feasible for under 10% of the population at the start of the 20th century, by its end almost 70% of Britons were home-owners. Whereas most children a century ago had no option but to follow their parents into the single or dominant industry in their town or village, by the year 2000 the vast majority of young people rightly expected to determine their own career.
13. Such dramatic changes in the wider world inevitably impact on peoples' perceptions of public services. In a society where people take it for granted that they can exercise choice in almost every aspect of their lives – where they live, what job they do, where they go on holiday – it is counter intuitive to suggest that they should not enjoy similar choice in respect of public services.
14. So there are strong arguments for the government to be seeking to extend choice into areas of public service where it has not been the norm in the past. Equally it is right to try to make choice more meaningful in areas where it may in theory have been available, but where in practice it didn't work. For instance, rather than structuring pension entitlement on an assumption, which is far removed from today's reality, that everyone will retire at the same age, it must make more sense to allow greater flexibility and the option for those who choose to continue working longer to receive a significant lump sum in compensation. Similarly, there is an obvious logic in giving health service patients greater choice over where they can have an operation done if their local hospital cannot accommodate them within a reasonable timescale. And in the case of social housing, there is a clear cut case for giving applicants a degree of choice as to where they live rather than requiring them to wait for an allocation to be made to them.
15. Similarly providers of public services need to be thinking creatively about how the public can most easily access those services. Rather than requiring people to contact a council during working hours, new technology makes it possible for local authorities and other public service providers to offer 24 hours access via the internet or call centres. If after working late and getting home at say 10pm I find that my dustbin has not been emptied, why should I have to wait till the following morning to notify the Council? And rather than having to make separate approaches to different public services or council departments when I have more than one query, why should I not be able to enjoy a seamless service in which the public authorities are effectively joining up their delivery. The best local authorities like Sunderland are already

making huge strides in this direction under an initiative which in Sunderland's case is significantly called 'People First'.

16. By extending choice in these and similar ways we are not just going with the grain of 21st Century society, we are also ensuring the long-term health and vitality of public services. Public services do not occupy some parallel universe where normal patterns of behaviour are miraculously suspended. People who have the choice will walk away from services, whether public or private, if they do not believe they are being treated properly and getting value for money. This opting-out which has occurred to different degrees with different services to date, will if it continues, seriously if not fatally undermine the viability of many public services.
17. In areas where educational performance is below average and many parents feel apprehensive about sending their children to a local school, the impact of parental withdrawal can be devastating. Schools are subject to a downward spiral, losing pupil numbers and any prospect of a balanced intake as more parents who have the money, the energy or the ability to secure an alternative option do so. This may involve the choice of a private fee-paying school, or it may involve moving home to a different catchment area, but either way it will contribute to further erosion of educational opportunities in the already disadvantaged location.
18. To argue that this will only be countered by restricting choice and so forcing parents to use the local school is not just wrong, it is delusional. For, in an increasingly affluent and mobile society, more parents will find ways to secure an alternative option outside the state sector if denied choice within it. Those who argue on the basis of a romanticised view of how mid 20th century education operated, for seeking to restrict choice have no more prospect of success than King Canute. The tide cannot be halted. But it can be channelled in the interests of better educational prospects for all, and that is the overwhelming argument for seeking both to increase choice and to make it more meaningful by intervening positively to turn around schools which are for whatever reason failing to attract a reasonably balanced intake of pupils.
19. I have seen at first hand the impact of such an approach in my constituency of Greenwich and Woolwich, where continuing improvements in the performance of most of our local schools, supported by an effective and interventionist local education authority, have begun to reverse a long term trend whereby better off parents with aspirations for their children tended to move themselves or seek schools for their children in the outer suburban areas or surrounding counties. Indeed one of the most encouraging recent signs has been the success of a newly opened sixth form college in Greenwich attracting a significant intake of pupils from adjacent boroughs. This whole process is vital to ensuring a balanced intake of pupils in our area.
20. The issue of balance is crucial. Where services become solely the preserve of the poorest and most disadvantaged it is difficult to avoid the consequent stigmatisation and social division. That is not to say that all public services should seek to be universally available, and used by almost everyone as is the NHS. By definition social housing is only going to cater for around 20-25% of the population, and in future this percentage will probably fall even lower. But so long as the housing is not physically separated – as sadly was the pattern when the fashion was mono-tenure council estates – there is no reason why social housing should become synonymous

with social exclusion. On the contrary well integrated mixed developments comprising some housing for sale and some for rent, and perhaps some shared-ownership housing bridging the tenure gap, can and do provide balanced communities and extend choice. It is of course absurd to suggest that people must always fit into one economic category. Today's tenant can and should be able to become tomorrow's owner-occupier and mixed communities provide easier options for people to move between tenures as their needs or aspirations change. Indeed it should be a two-way process making it easier for example for elderly home-owners to trade in some of the equity in their home to benefit from services such as repairs, maintenance, gardening or support which will make their lives safer and more comfortable, and which can more easily be provided in a mixed tenure community with an effective estate management framework.

21. So while it is essential to avoid social polarisation and the ghettoisation of public services, this doesn't point, as some would argue, to an alternative based on universal provision. As long as public services are of sufficient quality to attract a range of users and are not segregated from alternative types of provision it is possible for public and private services to co-exist and for a variety of different public, private or not-for-profit models to operate side-by-side. Indeed in some instances the availability of a range of different providers – housing associations, housing co-operatives and council housing for example – can act as a spur to improve standards.
22. The key issue is for the service to be driven by a user not a provider perspective.
23. This was the motive which led many organisations working with disabled people to campaign for greater choice in the support services they receive. The outcome in the form of direct payments to enable the users to choose and pay for the care service they want has been a very significant development for two reasons. In the first place it has clearly improved the satisfaction of users with community care service in those areas where direct payments have been piloted. But even more significant has been the demonstration that extending choice to poor or ill-informed service users does not inevitably result in 'bad' choices undermining the provision of quality services. On the contrary, it has been rightly recognised that service users who have no previous experience in choosing a provider do need expert advice on how to assess the options available, but where such advice is available, there is no evidence that users have made poor or inappropriate choices of care providers. Indeed, the availability of choice is likely to drive improvements in standards as existing providers can no longer assume that they will get the contract as of right.
24. There is a great deal of evidence supporting the thesis that the absence of choice in many public services has made it much easier for these services to be 'captured' by provider interests. Indeed, in a framework where there is a single monopoly model of service delivery, it is far harder to challenge accepted ways of doing things and to promote innovation and change which may appear to threaten the interests of the providers. Yet it is precisely the absence of innovation and change which has contributed to the ossification of some public services. At a time when prospective home-buyers are presented with attractive and accessible information on the range of houses available for them to buy, it is absurd that many councils continue to inform applications for rented housing that their needs will be assessed according to an opaque points formula and only then, if they are lucky, they will be allocated a home

considered suitable for their needs. It is hardly surprising if people form a negative view if the council shows so little interest in their own aspirations and allows them no opportunity to exercise any say in the process. Indeed such a process engenders the worst form of dependency culture where people are discouraged from trying to improve their prospects, but are left powerless while an anonymous bureaucracy determines the outcome that will profoundly affect their lives.

25. Of course it doesn't have to be like this. The more progressive local authorities and registered social landlords are developing choice-based lettings systems which do engage applicants positively and enable them to make informed choices. Visiting the Housing Advice Centre in Camden or the property shop in Sheffield and seeing attractive images of the properties which are available to rent as well as details of the qualifications which applicants are likely to need to bid for such a property, is a revelation. It is a wholly different experience to that in other areas where the 'don't call us; we'll call you if your name comes to the top of the waiting list' culture still reigns. In Camden and Sheffield specialist help and support is provided to help applicants including the most vulnerable, identify and bid for options likely to be suitable for their needs. This recognition of the importance of advice and assistance to help a system of choice work well, particularly on behalf of the most disadvantaged, is very significant.
26. Changing the way in which public services are delivered can dramatically transform the relationship between the providers and the service users – from passive dependency to active participation in a process where the providers see their role as responding to their customer's needs and aspirations, and helping them to get the best available outcome.
27. There is still a great deal of hostility to the use of the word 'customer' in relation to public services, as though the application of a similar ethos to that which applies in a commercial transaction is somehow demeaning. On the contrary, the discipline of knowing that a dissatisfied customer does not have to put up with what is offered without any alternative option is a powerful incentive to improve the standard of service. Raising standards is the main objective and choice is a powerful mechanism to achieve this. It is a means to an end, not an end in itself.
28. This is of course an important distinction between the different approaches of the political parties. To many Conservative ideologues, choice is seen as an end in itself, thus leading to various 'voucher' schemes which either proved unworkable or else fell foul, as did the Major's government's nursery vouchers schemes, of unacceptably high transactional costs.
29. Extending choice should be all about raising standards and extending opportunities to those who in the past have not had the benefit of what is taken for granted in middle class families.
30. So we should neither be apologetic nor hesitant in advocating an extension of choice whenever practicable to public services. But how can this best be achieved? There are a range of options.

31. In the case of some services, such as education or housing, it is possible to offer a range of options from a single provider (LEA schools or council housing) or a wider range of public or quasi public providers (including church schools, 6th form colleges, registered social landlords etc). One of the particular attractions of a more pluralist model of public service delivery is that it will encourage a new breed of social entrepreneurs, eager to explore new ways of meeting social needs. The success of not-for-profit organisations such as Greenwich Leisure Services which took over the running of the local authority's leisure centres and now provides similar services for a number of other councils is a very instructive example. There is equally no reason for excluding appropriate private options in certain areas (lettings by private landlords).
32. In some cases however it simply would not be practicable to offer individuals a choice between different providers. The logistics and economics of refuse collection for example militate against individual households selecting their own bin collectors. However, there is no reason why single providers cannot offer variations in the type or frequency of service – so for example, providing options for separate collection of recyclable or compostable materials, or offering more frequent collections in certain areas where there might be a demonstrable need or where the local community might be willing to pay for an enhanced service. There are difficult issues which must be addressed on 'pricing' for services to which I will return, but the principle of offering greater choice in response to the aspirations of the public must be right.
33. Equally, it is possible to offer choice between different providers where people collectively opt for one or another. The scale on which such a collective choice needs to be made (one street, a neighbourhood, a ward or whole local authority area) will vary from instance to instance but providing it is economically and logistically viable there is no reason why different providers should not be considered, nor why residents themselves shouldn't be able to exercise an influence on the outcome. Indeed, a framework under which local residents might determine whether or not to 'trigger' a process of tendering for a particular service or might opt for a neighbouring local authority as a preferred provider could be a powerful incentive to drive service improvement.
34. This process is often described as contestability rather than choice, but the same basic principles apply – with the user's interests being accorded a higher priority than the provider's.
35. Of course there are important issues to be faced in relation to the workforce. In the past, particularly because it was associated with the Tory government's imposition of Compulsory Competitive Tendering (CCT), the concept of contestability was deeply unpopular not just with public sector trade unions but also with many Labour councils. There were real and often justified fears that the process of tendering predominately on the basis of price would both drive down the quality of services and the conditions of employment of the workforce. There was also a concern about the emergence of 'two tier' workforces with new recruits being taken on by private contractors at significantly lower rates of pay than those transferred from a former public sector employer who will generally have been protected by TUPE. It is precisely in response to such concerns that the government has acted to tackle the 'two tier' workforce with a new code of practise in local government putting a clear

emphasis on the need for competition to be based on quality of service as the terms and conditions of the workforce should across the board be no less favourable under a new provider.

36. There are also important considerations about job satisfaction. While the old certainties of monolithic in-house provision have undoubtedly generated job security, patterns of service delivery have often had a very negative impact on job satisfaction. Repeatedly having to say ‘no’ or to offer excuses for an inadequate quality of service is demoralising. So too is a reluctance to experiment with new ways of doing things. This is not to say that innovation will only come through transferring services to other providers. On the contrary there is a wealth of good practise and numerous examples of imaginative new approaches to service delivery within the public sector, and this must be encouraged in the future. Choice and contestability have key roles to play in this context, as the process of innovation is far more likely in a climate where the providers are looking to see how to make their service more attractive to their users in the knowledge that others might take their place if they allow their own performance to fall behind. A well-trained and well-motivated workforce is of course a necessary pre-requisite to the sustained delivery of high quality services and the impact of greater focus on satisfying customer needs and aspirations will be to give an added advantage to those providers who do invest in their workforce.
37. Those who are resistant to the idea of extending choice in public services often make the point that choice is only appropriate in a market framework governed by the laws of supply and demand.
38. Allowing, indeed promoting a greater degree of choice in such circumstances does of course raise difficult questions. If successful schools are allowed to expand because of high demand will this inevitably lead to the closure of other less popular schools? In some cases the answer will be ‘yes’. Provided there is the scope for expanding successful schools in the area to accommodate the level of demand this is not an outcome to cause alarm. Indeed, there may be very real benefits in widening opportunity to ensure that children from poorer backgrounds are not elbowed aside by more pushy middle class families in the competition for scarce places at popular and successful schools.
39. However, in other instances this may prove counter-productive if over-expansion damages the ethos of a successful school and undermines the very qualities that made it work well. Equally an overdependence on one successful school could ultimately lead to a local monopoly which could in the long term prove counter-productive. In which case active intervention to restore confidence in a failing alternative may be a better option. So there is no single “one size fits all” answer to such questions. But in all instances we should be approaching these decisions from the perspective of what will deliver the best choice from the users’ point of view rather than what might be the most convenient for the bureaucrats.
40. Of course there are implications for the levels of supply. Meaningful choice does require an adequate capacity, and the shortage of supply in some services is still sometimes used as an excuse for not permitting users any choice. There are certainly significant cost issues to be faced in extending meaningful choice in certain services. Indeed some critics go further and claim that choice leads to inefficiency and under

utilisation of assets. However from a different perspective the absence of choice may well lead to far greater inefficiencies by allowing providers to ignore market signals about what works and what doesn't, so perpetuating outdated and inefficient ways of delivering services. So short term economies achieved by restricting choice may result in the loss of longer-term savings and benefits. This is an issue which should be addressed on a case by case basis rather than from the point of view of an ideological preconception.

41. The denial of choice can also lead to some grotesque distortions in supply and demand, best illustrated in the social housing field. For at the same time that there is a high level of demand for affordable housing in the South of England, thousands of affordable homes are standing empty in the Midlands and North. Yet until very recently few effective mechanisms existed to put those in need in one area in touch with options available in another area. Of course the option of a move to solve a housing need won't suit everyone but the important point is that the choice should be made available. Even if this only has a marginal impact on pressures in high demand areas, it is still worthwhile as a means of satisfying some individual needs, as well as helping to ensure better use of the total available stock of dwellings.
42. One of the main arguments advanced by opponents of choice is that where there is shortage, rationing of supply is necessary and it is fairer to do this by reference to needs through a bureaucratic system than through a market mechanism which will give unfair advantage to those with greater wealth or competitive skills. This would, of course, be true if rationing were to be determined solely by price. A market driven purely by ability to pay would undermine the principles of fairness and social justice which led to the creation of most of our key public services. But this does not have to be the case. The extension of choice does not necessarily mean choice on the basis of ability to pay. Freedom to choose a school for one's child in the state sector is not dependent on price. Similarly direct payments to recipients of community care simply empower the service users to choose between different possible providers. They are given the resources to commission the service rather than being dependent on the council to tell them who will provide their care.
43. But in just the same way that sole dependence on a pricing mechanism would be unacceptable, attempting to ignore price altogether is also counter-productive. Why, for example, should a middle-aged couple in a 3 bedroom council house (whose family have grown up and left home) chose to move to a smaller property if they end up paying the same level of rent? Price signals do play a fundamental role in most decisions which we take, and it is unrealistic to try to exclude them from public services.
44. The key task is to ensure that they do not subvert the impact of those services either by excluding those who cannot afford to pay the price or by giving disproportionate advantage to those who have greater spending power. So it is not unreasonable to ask parents to pay more for activities outside the school curriculum – for example for their child to go on a school journey – so long as the charge is not pitched at an unreasonable level or provision is not made for all or part of the cost to be rebated for pupils from poorer backgrounds.

45. In the case of our national museums we have taken steps to ensure free access – to ensure that their unique and magnificent collections are available to everyone. This has been a huge success, but those same museums are able to charge for special exhibitions bringing together works not normally available at that museum. There is no inherent problem in this approach which guarantees access to all but allows people to buy extras if they so choose. Indeed it is likely to feature much more in the pattern of service delivery in the future.
46. Indeed such an approach holds out the prospect of a successful synthesis of two of the most powerful drivers of social policy over the past century. On the one hand there has been the commitment to social justice and fairness, with the clear objective of ensuring that no member of society is denied a reasonable quality of life and access to essential needs. On the other hand there has been the fierce individualism of people who have wanted to shape their own future according to their own wishes rather than being forced to accept norms imposed on them. Each of these powerful motive forces taken to extremes can prove very destructive. On the one hand there is the awful lesson of the enforced collectivisation in 1930s Russia and other command economies. On the other the arrogant and blinkered pursuit of self-interest which has characterised the extremes of uncaring capitalism.
47. Our challenge is to chart a new way forward between these extremes, and in the process to build a new consensus. Indeed, this is one of the great opportunities of the ‘Big Conversation’ currently being undertaken to help shape Labour’s next manifesto. Recognition of the importance of fairness and social justice as well as individual freedom and opportunity is fundamental to achieving that synthesis, and the pursuit of the choice agenda in public services is one of the keys to success.

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