

THE CASE FOR USER CHOICE IN PUBLIC SERVICES

Executive Summary

1. The joint memorandum gives current examples of the application of user choice in public services, and provides an argument and supporting evidence for giving more choice to users.

Conclusion

2. User choice is an effective instrument for promoting quality, responsiveness, efficiency and equity in public services. It is in many cases more effective than alternatives, such as voice mechanisms. However, it should not be assumed that extending user choice is an option for all public services, or that it is the principal determinant of reform.
3. There are also some reasonably stringent conditions that have to be met if choice is to achieve the aims of government policy. Good policy design is the key to extending user choice; undertaking such design is a key task of the current Government.

The case for user choice

4. The different dimensions of choice include choice of provider, professional, service, timing and access channel. Often the arguments centre around choice of provider but it is important to remember that choice can be offered to the user through any or a combination of these dimensions.
5. Extending user choice can be justified on four grounds:

(1) It's what users want

There is substantial evidence that users of public services in the UK desire increased choice. And contrary to popular argument, there is emerging evidence that lower socio-economic groups show the strongest support for choice.

(2) It provides incentives for quality, responsiveness and efficiency

For providers or services which are not chosen, there is a strong incentive to raise the quality of the service, to increase responsiveness to users needs, and to use resources more efficiently. Where choice is not available, users are reliant upon a combination of the goodwill of provider, voice mechanisms such as complaints and public consultations, and centrally driven performance management. None of these is reliable in ensuring high standards and customer focus throughout public services. It is not sufficient to put faith solely in the public service ethos in professionals, which although present, is not universal or overriding. Voice mechanisms are often difficult to mobilise, underused and ineffective.

At the same time, it must be noted that choice of provider is not always practical, and other types of choice and voice mechanisms will continue to play an important role in improving services.

(3) It promotes equity

It is not clear that choice will disadvantage the poor and unconfident any more than non-choice of voice systems. The evidence from the UK and abroad does not suggest that extending choice to poorer service users results in 'bad' choices. However, it is important to ensure that alongside the offer of choice, help is extended in areas such as transport, information and advice.

The problem of cream-skimming (selecting the best or lowest cost users) is likely to be significant, particularly in education. To some extent, inequity in choice is caused by restrictions in supply e.g. parents choice of schools. There are a variety of options for addressing cream skimming including forms of insurance, restrictions on admissions freedoms of providers, weighted funding formulae and improving the responsiveness of capacity in popular providers.

(4) It facilitates personalisation

It is difficult to see how we can have public services which are more personalised and responsive to the needs of the user without having choice. The question as to what type of choice and who makes it may vary – but in every case some form of choice is integral to the concept of personalisation.

6. Conditions for effectiveness

The following conditions must be met for choice to be an effective mechanism for improving services:

- *Information*; Users must be provided with the information and advice to enable them to make their choice. Well-informed people making active choices will be more satisfied and confident about service quality.
- *Consequences*: Choice provides powerful feedback on the quality of services, and in some cases this will be incentive enough to change and improve services. A more radical option is for money to follow the choice; so that providers or services not chosen lose resources.
- *Alternatives*; For choice of provider to be an effective mechanism, alternative providers must be available. It is often argued that such choice is illusory, apart from in London. However, evidence does not bear this out. The high level of urbanisation of the population (90%) means that choice is usually available e.g. 92% of the population has two or more acute trusts within 60 minutes travel time by car. The problem for rural areas remains and here other policies for ensuring quality will have to be developed.
- *Entrance and exit*: there need to be ways of dealing with failing providers and encouraging new providers to emerge. One option is to provide time limited subsidies to new entrants. The most effective 'exit' is likely to be special measures to turn the institution round.