NEF working paper

Moving beyond the market: a new agenda for public services

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Acknowledgements

Thanks go to all of those who have contributed to this paper through extremely valuable discussion and written feedback, including: Andrew Cumbers, Anna Coote, Cat Hobbs, Clifford Singer, Heather Wakefield, Hilary Wainwright, Jacob Mohun Himmelweit, Julia Slay, Juliette Hough, Kat Wall, Lucie Stephens, Matt Dykes, Pat Conaty, Rachael Orr, Robin Murray and Sarah Lyall.

Summary

High quality public services act as a form of redistribution from rich to poor. They are an important mechanism for tackling socio-economic inequalities.

The two conventional approaches to improving services - through the market and through centralised control – have limited potential. The market is flawed because the interests of private profit are not easily aligned with the 'public interest' in services that effectively meet social need. Centralised authorities find it difficult to gain access to the dispersed, dynamic and tacitly held information that offers a key to understanding how services are performing and what needs to change.

This paper suggests a new direction of travel: shifting power to citizens and frontline staff (we define both terms in the introduction below). These groups have a primary interest in high quality public services, delivered on a fair and equitable basis. They also have valuable knowledge, grounded in lived experience of what is working in public services and what needs to change.

The Coalition government's agenda for public services has been accompanied by a 'power shifting' narrative, via ideas of the Big Society, Open Public Services and localism. NEF's vision of a new social settlement calls for a very different kind of power shifting. The government's agenda of cuts, marketisation and outsourcing threatens to undermine the capacity of services to reduce inequalities. In this paper, by contrast, we offer suggestions for developing public services within a strengthened and re-vitalised public realm, with increased participation and democratic control for citizens and frontline staff. These include:

- **Co-production:** This is about services that are designed and delivered through an equal partnership between citizens and professionals. Co-production should enhance, rather than replace services; the expertise of staff should be valued alongside that of service users; and it should be a collective, not an individualising process.
- **Participatory democracy:** Representative democracy struggles to make services sufficiently responsive to the needs and expertise of citizens. Citizens should be given more control over services through a range of participatory processes that can help to enrich representative democracy and to shape both local and national services.
- **Reforming public agencies:** The governing bodies of public services should include representatives of citizens and frontline staff, alongside senior managers and public officials. Hierarchical structures can stifle innovation within public agencies. Flatter workplace structures and cultures afford more trust and autonomy to frontline staff.

To unlock the full potential of these measures, further changes are required:

- **Devolving power to local government:** Power should be devolved to the lowest effective level, which means increasing the power of local government to make decisions about services and to raise funds. To avoid decentralisation worsening inequalities, national standards of excellence and equity should be developed, alongside collaborative and co-productive forms of accountability between local and central government.
- **New models of public ownership:** Public services should be run by not-for-profit organisations, because the balance of evidence shows that profit-driven ownership leads to declining quality, increasing costs and worse pay and conditions. New models of public ownership are needed. Services run by central and local government should remain integral, working alongside other not-for-profit, socially oriented organisations such as co-operatives and community and voluntary groups. The key is to ensure collaborative partnerships between state and non-state organisations, rather than competition.
- **Getting the conditions right: income, time and investment:** Redistributive measures from central and local government are necessary to ensure that all have an equal chance to participate in and benefit from more participatory and co-productive services. A slow and steady move towards a 30 hour working week, alongside measures to address low pay, could help to give people the time they need to participate. Finally, austerity cuts to public services are counterproductive. As NEF have argued elsewhere, we need a new macroeconomic strategy based on government investment, including investment in public services.

Introduction

Towards a new social settlement

This working paper is part of a series of discussions, publications and blogs that explore ways of building a new social settlement for the UK. It is NEF's contribution to broader debates about the future of the welfare system and a new economics.

At the heart of our work is a quest for policies and practice that recognise the vital links between social justice and environmental sustainability. We celebrate and champion the best elements of our embattled welfare state. And we address new problems such as widening inequalities, climate change, and the prospect of little or no economic growth over the coming decade. By valuing our abundant human assets, our relationships and our time – and fostering collective policies and practice – we envisage a new settlement to meet the challenges of the 21st century.

Our work on a new social settlement is jointly supported by NEF and Oxfam. Working papers, blogs and news of events will be posted on our website during 2014 with a final report published towards the end of the year.

Visit www.neweconomics.org/newsocialsettlement to find out more.

Public services: a time to be bold

Public services were at the heart of the 1945 post-war social settlement, introduced by the Attlee government to combat Beveridge's 'five giants' of disease, idleness, ignorance, squalor and want. Among the prized achievements of the so-called 'Spirit of 45' were the establishment of the NHS to tackle disease, comprehensive state education to combat ignorance and public housing to address squalor. Core services of healthcare and education were to be universally available, free at the point of use. The state was also to take on running and subsidising other services such as housing, care, transport and schemes targeted at the specialist needs of particular groups including disabled and older people. Oversight and control was to come from the top down, with the most decision-making powers resting with central government.

Seventy years on, things look very different. Successive governments have pursued policies of marketisation, outsourcing and privatisation, with the community and voluntary sector and profit-making private companies playing an increasing role in service provision.[1] A top-down, centralising culture has been maintained with targets and auditing introduced from Whitehall in an attempt to regulate the new diversity of provision. Service users are now 'consumers' and the logic of competition and choice is displacing notions of the common good or public interest.

There are now calls from across the political spectrum for substantial public service reforms to address new and complex challenges. These challenges include: demographic change and the issue of an ageing population; increasing demand for services due to the impacts of austerity and rising population; and severe funding shortages, brought on by deep cuts to public budgets.

Both the post-45 model of centralised provision and the neoliberal model of marketisation and privatisation have severe and manifest limitations. It is time for a bold, radical and innovative agenda for transformation.

This paper aims to inform and encourage debate and discussion. Our purpose is not to offer a set of policy measures to be adopted tomorrow, nor to deliver a new public services blueprint or manifesto. This paper focuses on one important part of the larger agenda: how power within public services should be shifted. It offers ideas, principles and case studies which point towards a broad direction of travel.

The potential of public services to reduce inequalities

Oxfam have recently drawn on research from the Organisation for Economic Co-operation and Development (OECD) to show that, across the world, public services are a vital way of counteracting the impact of income inequalities by providing a

'virtual income' to those on low incomes. This 'virtual income' reduces income inequality within OECD countries by an average of 20 per cent.[2] It amounts to an average of 76 per cent of the post-tax income of the poorest groups in OECD countries, compared with just 14 per cent of the income of the richest groups.[3] In the UK, funds devoted to health and education services amount to 140 per cent of the total earned income of the poorest 12 million people.[4] Public services are thus a crucial method of reducing socio-economic inequalities.

Why is this so? The OECD research shows that different income groups enjoy almost equal benefit, in absolute terms, from public services.[5] The equalising potential of public services is realised because of pre-existing discrepancies of income: a free public service such as healthcare or education makes a far bigger difference to the lives of those on low incomes than it does to the wealthy.

The evidence, then, does not suggest that public services must be somehow targeted at the poor in order to fulfil their equalising potential (although it does not rule this out). Rather, it shows that universal public services will naturally benefit the poor more than the rich. And, the greater the absolute benefit received by everyone, the greater the equalising potential. By improving the quality of services across the board, the equalising potential of these services will increase.

NEF's view is that we need a new social settlement that delivers on the core goals of social justice and environmental sustainability. Measures that tackle spiralling socio-economic inequalities are integral to this. The evidence above shows that high quality and inclusive public services have a strong equalising potential. As such, our starting point in this paper is that high quality public services have a vital role to play in delivering on this core goal.

There are worrying signs that the potential of public services to tackle inequalities is being undermined. Successive governments have pursued policies of marketisation, outsourcing and privatisation, with drastic reductions to public budgets hitting services hard in recent years. Evidence collated by Oxfam shows that 'private provision of services further skews the benefit towards the richest', while austerity cuts to public services lead to decreasing quality.[6]

Shifting power

Re-directing public services towards tackling inequalities will require some substantial changes across a number of dimensions. It is beyond the scope of this paper to tackle them all. While we see great importance in making services more preventative,[7] more relational[8] and more joined-up,[9] we focus here on another crucial change: shifting power over public services towards citizens and frontline

staff. By ‘citizens’, we intend to refer to all people living in the UK, including migrants who may not be recognised as citizens in the legal sense. This includes service users, their families and support networks, and all members of society as a whole, whether or not they have a direct interest in a particular service. We define ‘frontline staff’ as those working at the point of delivery within public services, encompassing everyone from receptionists, to surgeons and teachers.

This paper suggests that shifting power to citizens and frontline staff will benefit public services in two ways. Firstly, due to their lived experience of public services, citizens and frontline staff have unique and valuable knowledge about what is going wrong, what is succeeding, what needs to change and how this can be done. Harnessing this knowledge alongside professional expertise can allow for better quality public services, more responsive to the needs and concerns of those who are most affected by how these services function.

Secondly, shifting power towards citizens and frontline staff can help align services with the interests of those intended to benefit from the services. Market competition, outsourcing and privatisation have unhelpfully introduced vested interests into the design and delivery of public services. The interests of private profit are seldom aligned closely or at all with the interests of citizens, whose primary concern is with the quality of the services they use. While frontline staff have their own professional interests, there is evidence that they have strong interests in high quality services that improve people’s lives – and of course they are also users of services themselves.

Successive governments’ attempts to restructure public services have yielded some benefits, but mainly they have resulted in confusion, demoralisation, waste and, in some cases, disaster.[10] We contend that transformation led by those who work in and use services offers a different prospect. Across the UK and beyond, there are examples of public services that are less hierarchical, more participatory and co-produced by professionals and service users in equal partnership. By and large, they produce better outcomes for citizens as a result. Newcastle Council, for instance, won a successful in-house bid against the private sector by shifting towards a working culture that afforded frontline staff more autonomy and trust. Iceland recently handed control of its constitutional reform process to a group of elected citizen representatives, with a range of participatory online and offline tools being used to shape the policy process.

However, a degree of caution is needed. In some cases, ‘participation’ and ‘co-production’ can end up as little more than hollow consultation. Worse, austerity cuts and the introduction of market rules have gained legitimacy and strength via a

narrative of 'empowering' citizens by giving them more 'choice'. In practice, the main effect has been to retract the state and open up services to competitive tender: this kind of 'empowerment' is more likely to widen than to narrow inequalities.

This discussion paper will illustrate the potential pitfalls of shifting power by considering how this kind of agenda has played out in recent years. It will attempt to pave the way for a distinctive power-shifting agenda which, rather than exacerbating inequalities and eroding the public sphere, increases the quality of services and, in turn, enhances their equalising potential.

A note on terminology: what do we mean by "power"?

In this paper, we will define "power" in terms of a person's or organisation's *ability to do* things.[11] Note that 'ability', here, is not simply a question of physical capacity. An individual or organisation's ability to do something depends on a number of factors, including their knowledge, the resources and time at their disposal, whether or not they are being coerced to do something else, the law, how they are perceived by other people and how they perceive themselves.

At present, central government has the ability to do things that local government does not with regard to public services, for instance to set budgets and targets. Poorer local authorities in the north have smaller budgets to work with than more affluent boroughs and, in this respect, are less able to provide high quality services.[12] Local authorities are more able to change public services than individual citizens. Individual citizens' abilities to benefit from services will partly depend upon factors such as gender, race, class, income, education, disability and sexuality. All of this is about relations of power, which are complex, interconnected and deeply embedded in our social, political and economic institutions.

Power is shifted when the balance of who is able to do what changes. For example, devolving more power over budgets from Whitehall to local government would increase the ability of local councils to spend money – and do things – in ways they consider best for local circumstances. Likewise, introducing co-production methods can shift power by increasing the ability of citizens to design and deliver the services they use.

1. Two limited public service paradigms

The debate around public services is often reduced to a crude contest between two competing paradigms: top-down state control on the one hand and the market on the other. In fact, a culture of strict targets and auditing from central government now co-exists with an increasingly marketised system based on the logic of competition, consumer choice and, particularly in recent years, outsourcing to the private sector. We consider the limits of both in the sections below.

The limits of the market

"It is common knowledge among the lower ranks that the work we produce is only to enable Serco to be paid. Customer service is a secondary requirement …The impression is always one of great customer relations and attention to the customer journey. Nothing could be farther from the truth. We soldier on in the knowledge that we make a difference … to the profits."
– Anonymous Serco employee. [13]

The introduction of the market to public services has unfolded over the past three decades. The process began by introducing 'market principles' to the public sector, followed by experiments with internal markets, with more formal contractual arrangements between public agencies and their providing arms. The process of outsourcing services to private and third sector providers began under John Major's government in the early 1990s, with outsourcing continuing under New Labour, particularly within employment services. New Labour also afforded private companies a role in public services through the Private Finance Initiative, which allowed commercial investment through long term contracts to design, build and maintain physical infrastructure such as schools, hospitals and primary care centres. These processes of marketisation and outsourcing have been accelerated under the Coalition government.

Proponents of these market-based reforms promise that competition increases innovation, which, in turn, boosts quality and cuts costs. There is no definitive data to back up these claims. Rather, the evidence that is available – alongside more philosophical issues – raises a number of problems with this public services agenda.[14] These include:

Ethos

Public services were developed as a means of collective and universal provision: a way of pooling resources, sharing risks and ensuring everyone's basic needs are met. As such, they embody a distinctive ethos, representing the public interest and the common good. Opening the door to profit-seeking business attenuates this ethos, eroding social solidarity in favour of a culture of competition and consumerism.

Costs

Although market advocates claim cost-savings as a key advantage, evidence of this is hard to come by. In fact, a 2011 survey of 140 local authorities conducted by the Association for Public Services Excellence (APSE) found that 57 per cent of respondents had either brought a service back in-house or were considering doing so. The most common reason given by those local authorities who had start to in-source services was the need to reduce costs: 60 per cent of these local authorities cited reducing costs as a key factor in their decision. [15]

Quality

Market competition encourages division and opposition between stakeholders, discouraging the partnerships and holistic thinking necessary for joined-up and preventative services. Another key problem is that the private sector "cherry picks" the most profitable services and clients, reducing public sector finances and, in turn, reducing the capacity of the public sector to provide high quality services across the board.[16] APSE's 2011 survey found that 44 per cent of those local authorities who had taken services back in-house cited service quality as the key reason for their decision, this being the most commonly cited reason after reducing costs.[17] This problem has been exposed in high profile scandals of private sector provision, from issues with Atos's work capability assessments, [18] to Serco's misreporting of out of hours GP services[19] and years of overcharging for electronic tagging contracts from Serco and G4S.[20] Recent polling shows that just 21 per cent of the public trust outsourcing companies, while 64 per cent distrust them.[21]

Democracy

Private providers are accountable, first and foremost, to their shareholders rather than directly to the democratic process. They are also exempted from standards of transparency demanded of the public sector, for example through freedom of information legislation, and frequently use commercial confidentiality as a reason to deny access to information. Market competition has not decentralised decision-making and knowledge in the way that free market proponents claimed it would. Instead, a small number of large, highly-resourced private sector providers have

become skilled at winning contracts, with power increasingly concentrated in unelected corporate hands.[22]

Pay and conditions

Elsewhere, NEF research has shown that pay and conditions are worse in the private sector than in the public sector. For example, public sector carers will typically earn between £9 and £11 per hour, while in the private sector the same job would be paid at between £6.44 and £7.38, below the living wage.[23] This research also collates evidence showing that pay and employment rights are diminished in the private sector, with a higher prevalence of zero hour contracts.[24] The move towards outsourcing is resulting in diminishing pay and conditions across sectors, as in-house bids are forced to compete with the lower labour costs offered by private providers.[25] Evidence shows that factors such as staff performance, productivity, sickness and turnover are negatively affected by poor pay and conditions:[26] As well as having a detrimental impact on the lives of public service workers, declining pay and conditions are bound to have negative impacts on service quality.[27]

The interests-problem

Why do private providers tend to pay their workers less, charge the public more, and devote less attention and time to securing high quality services? As we have noted, the legal priority for private companies is to make a financial return for shareholders. Other social goals are subordinate to the financial bottom-line. This leads to problems of 'market failure', where the rules of the market, unmitigated by state intervention, make it unlikely or impossible to achieve social objectives. This problem of vested interests underpins the limits of the market in the arena of public services.

The limits of top-down control

"*We have little faith in the "average sensual man". We do not believe that he can do much more than describe his grievances, we do not think he can prescribe his remedies."* – Beatrice Webb.[28]

The post-45 welfare state did a tremendous amount to improve people's lives, particularly those at the lower end of the income scale. The work of the original architects of the post-45 settlement such as Beatrice Webb should be celebrated as championing the cause of social justice. Aneuren Bevan, founding father of the NHS, is famously said to have declared: 'if a bedpan dropped in an NHS hospital, the reverberations should be heard in Whitehall', demonstrating a healthy ambition on the part of central government to take responsibility for ensuring high quality services that meet social need effectively. But this was a system run by experts, 'on behalf' of the general population. It left little room for worker or citizen participation in how

services are designed or provided, with power and control largely reserved to political elites.[29]

There are, indeed, a number of problems with centralised control of public services.[30] As with the market model, there are vested interests. Politicians and civil servants have their own ideas, ambitions and preoccupations, which are not necessarily aligned with the interests of those who use services. It is a paternalist model, with power concentrated in the hands of 'expert' professionals, who are supposed to know best how to treat passive and needy recipients of services. For the purposes of this discussion, we focus on one particular concern, which relates to *knowledge.*

The knowledge problem

The issue of knowledge was at the heart of the criticism of top-down control made by free market proponents such as Friedrich Hayek. Andrew Cumbers distinguishes three strands of this critique. Firstly, Hayek raised the question of how central planners could possibly gain access to the individual circumstances and preferences of the millions of people public services must cover. Top-down control cannot allow access to this distributed information. Secondly, most of the knowledge that is relevant to public services is tacit, meaning that is grounded in people's lived experience as users of public services. This tacit knowledge is not easily codified or conveyed, raising another issue of accessibility. Finally, this knowledge about public services is not static but dynamic and constantly changing, making the job of collecting information even more difficult.

Hayek advocated the market as the solution to the knowledge problem, the claim being that the market decentralises decision-making and aligns services with people's consumer preferences. In reality, market competition has concentrated power in the hands of large private companies, based in central offices far away from the point of service delivery. The knowledge problem nevertheless deserves serious attention.[31]

Interests and knowledge: solving the problems by shifting power

The market faces a problem of vested interests: the interests of private profit do not necessarily coincide with the interests of the public in good quality, universally accessible services. Meanwhile, top-down control faces a problem of knowledge: much of the knowledge that public services must draw on is dispersed, tacit and dynamic and, as such, difficult for central planners to access. Both problems can be addressed by shifting power to citizens and frontline workers.

Addressing the interests problem

There is evidence that grounding public services in the interests of citizens and frontline staff would improve quality and unlock their equalising potential. Attitudinal data shows that citizens have two main priorities for public services: i) public services should be provided in a way that is fair and that promotes equality and ii) the quality of public services should be effective and of high quality.[32] Aligning services with these interests would help to secure the goals of a new social settlement.

What, though, of frontline staff? It is not uncommon for service users to receive poor treatment at the hands of public agency workers: a recent government report showed that NHS service users often complain about factors including a lack of compassion and an unwillingness to disclose information.[33] There is also the issue of 'producer capture', where the end-goals of public services are distorted by the professional interests of their employees. These are legitimate concerns, but studies have repeatedly shown that, while public agency staff are motivated by personal and professional gains, they are more strongly motivated by publicly oriented value-based goals such as helping others.[34] The desire to 'make a difference' and improve the lives of others tends to be of overriding importance. And of course, they have an interest in the quality of services because they use them themselves. On balance, then, frontline staff have interests that align themselves well with good quality, equalizing services.

Addressing the knowledge problem

The knowledge problem, in sum, is that central planners struggle to access the dispersed, tacit and dynamic knowledge that is relevant to public services. In NEF's work on co-production, we have argued that the experience-based knowledge of citizens, including service users, their families and support networks and members of their broader communities, must be afforded more value. Professional 'experts' cannot assume that they know what is best for people: those who use services have a unique insight into how their needs can be met and what they can contribute to the process of doing so.[35]

This is not to devalue the knowledge of professionals. The point is that professionals and citizens have different, but equally valuable, forms of knowledge, which should be integrated. Indeed, recent research by APSE on the potential for innovation via frontline staff concludes that 'frontline local government employees delivering services to local communities on a daily basis have the intimate knowledge that can help make those services as effective as possible.' This is because frontline staff have in-depth first-hand knowledge about how public agencies function, what their work entails and the service users and other stakeholders involved.[36]

Shifting power

Grounding services in the interests and knowledge of citizens and frontline staff has the potential to drive up quality and innovation. However, the agenda of shifting power in public services is riddled with political complexity. In the next section, we show how a narrative of shifting power has been at the heart of the Coalition government's plan for public services, which has worsened, rather than addressed, inequalities.

2. The risks of shifting power

"From schools to the NHS, policing and prisons, we have developed a clear plan for modernisation based on a common approach. A Big Society approach, which empowers not only services users, but professionals, that strengthens not only existing providers, but new ones in the private and voluntary sectors too."
– David Cameron. [37]

New Labour continued an agenda, developed under Margaret Thatcher and John Major's governments, of introducing market competition and consumer choice into the public realm, and outsourcing public functions to a range of third and private sector providers. The governments of Blair and Brown couched these processes in a narrative of increased local control and autonomy, with the state focused on empowering citizens and civil society to do things for themselves.[38]

The Coalition government has accelerated market-led reforms to public services, alongside deep cuts to public budgets, couched in a narrative of shifting power from 'Big Government' to a 'Big Society'. Accordingly, the state can retreat from meeting social need, with publicly spirited citizens, community groups and the charitable and voluntary sector filling the gap. [39] Important lessons can be learned from considering how this power-shifting agenda has played out under the Coalition.

Public services under the Coalition

The Coalition's 'Open Public Services' agenda has rested on a narrative of devolving power in order to give individuals greater choice and control, and continuing 'personalisation' policies introduced under New Labour. Measures aiming to achieve this include: opening almost 300 'free' schools in education; allowing mental health service users to choose their providers; and moving towards personal budgets in social care. The latter involves service users, after an initial assessment, being allocated a budget to be spent on services, purportedly giving them choice over who provides their services and how.

Decentralisation and 'localism' have been prominent in the Coalition's narrative. The majority of NHS budgets have been handed over to local clinicians through new Clinical Commissioning Groups; elected Police and Crime Commissioners now decide on local policing strategies; community groups and local social enterprises are now afforded the 'Right to Challenge' existing providers to take over the running of local services.[40]

The Coalition has also encouraged the establishment of 'public service mutuals'. The term 'mutual' encompasses a broad range of organisations including co-operatives, social enterprises and employee-owned businesses such as John Lewis. All mutuals are owned by and for the benefit of their members. Following New Labour's attempt to partially 'mutualise' the NHS by turning hospitals into foundation trusts (widely regarded as a lamentably weak example of mutual principles in practice),[41] the Coalition's programme encourages public service staff to 'spin out' of the public sector and form new mutual organisations to run services. Once established as an organisation, mutuals will negotiate contracts with commissioners and take over the running of services.

Evaluating the Coalition's power-shifting agenda

Limited localism

The Coalition has, in a number of respects, shifted power away from local government and towards Whitehall.[42] Local councils have been subject to greater cuts than any other part of the public sector, with local government budgets projected to be 30 per cent below 2008 levels in real terms by 2015.[43] Meanwhile, new legislation allows Whitehall to dictate local government policy across a range of issues including refuse collection, data access, surveillance and local government salaries.[44] In education, academies are funded by and accountable to the Department for Education rather than Local Education Authorities. The Coalition has also capped council tax rises in England: English local authorities must now hold a referendum if they want to increase council tax by more than 2%. All this raises questions about the extent to which the Coalition's localism narrative has been put into practice.

Austerity

Research by NEF has shown that public spending cuts have undermined the capacity of citizens and communities to plug gaps left by a retreating state. [45] Austerity measures have increased demand for services, while leaving citizens, third sector organisations and local authorities without the resources or capacity necessary to take on an increased role in providing services. What's more, these cuts have served to exacerbate pre-existing inequalities within and between regions. More affluent individuals and groups are more likely than poor and marginalised groups to benefit from a shift of power and responsibility from the state to local communities. [46]

Shifting power to the private sector

Some argue that the Coalition's measures to increase the role of civil society in public services have been designed to facilitate the transfer of services to the private

sector.[47] Big private sector providers, because they have greater resources at their disposal, tend to be better placed to win contracts than the voluntary and community sector. While third and social sector organisations might succeed in winning some contracts at this point, the door remains open for private providers to take control when these contracts expire.[48] This point is particularly important with respect to public service mutuals. While these must be partially owned by employees, they need not be under full employee control. Circle Healthcare, for instance, one of the public service mutuals lauded by Francis Maude,[49] is in fact majority-owned by private investors from a City investment scheme called Circle International plc.[50]

Choice

While measures that genuinely give people more control over services and their lives should be welcomed, questions have been raised about the agenda of 'choice' and personalisation. Attitudinal data shows that people are far more concerned with increasing quality than with choice.[51] Choice, after all, is distinct from control. Affording service users real control over their services would involve enabling them to co-produce the design and delivery of services, directly contributing to the process alongside professionals, from the very beginning. In contrast, choice has come to mean allowing service users to pick who provides their service from a pre-determined list of options.

Personalisation

On personalisation, research by NEF has found a range of experiences of personalisation policies. While a minority say they have experienced increased independence and more dignified support, the impact of austerity on local authorities and the third sector has made the transition to a more personalised system difficult to realise in practice. Many service-users have reported difficulties in accessing more creative forms of support through their personal budgets.[52] Some also argue that personalisation risks individualising services, undermining the role of collective provision in fostering social solidarity.[53]

The dangers of co-option

An agenda of decentralisation, local control and shifting power to citizens and frontline staff can evidently be co-opted to justify policies that decrease public service quality and entrench, rather than tackle inequalities. There are good reasons to advance a power-shifting agenda to improve public services and reduce inequalities. But – as the next section makes clear – everything depends on how the idea of power-shifting is interpreted and what else will have to change to make it work.

3. Towards a new power-shifting agenda

NEF aims to shift power within public services to reduce socio-economic inequalities. But, as we have seen, this kind of agenda has the potential to do the very opposite. How can public services under a new social settlement shift power to further progressive ends?

In the coming sections, we will offer some ideas for discussion. We begin, in Section 5 by offering three suggestions of how citizens and frontline staff could be given more direct control over services: co-production; participatory democracy; and internal reforms to public agencies. Then, in Sections 6, 7 and 8 we will argue that further changes to the political landscape are necessary for these power-shifting measures to serve the social goals we hope to promote.

3A: Co-production

Co-production is a transformative way of doing public services, developed by NEF and others over a number of years. Co-production is about combining the knowledge of professionals and service users by re-balancing power between these groups. What, precisely, does co-production mean? We adopt the following definition:

"Co-production is a relationship where professionals and citizens share power to plan and deliver support together, recognising that both partners have vital contributions to make in order to improve quality of life for people and communities."[54]

Previously, NEF have identified the following characteristics, typically exhibited by co-production:

- Recognising people as assets: transforming the perception of people from passive recipients of services and burdens on the system into one where they are equal partners in designing and delivering services.
- Building on people's existing capabilities: altering the delivery model of public services from a deficit approach which sees people as lacking capabilities, to one that provides opportunities to recognise and grow people's capabilities and actively support them to put these to use with individuals and communities.
- Mutuality and reciprocity: offering people a range of incentives to engage, which enable us to work in reciprocal relationships with professionals and with each other, where there are mutual responsibilities and expectations.
- Peer support networks: engaging peer and personal networks alongside professionals as the best way of transferring knowledge and supporting change.

- Breaking down barriers: blurring the distinction between professionals and recipients by reconfiguring the way services are developed and delivered.
- Recognising that outcomes cannot be delivered to, or for, people, but are achieved with them: this changes the culture of providing organisations. Their main goal is to enable people to articulate and realise their own personal goals.

Co-production is *not* consultation. It is not about asking people's opinion before leaving the delivery of services to the professionals. Rather, co-production is about fundamentally shifting power between professionals and service users to make sure that the design and delivery of services takes place through an equal partnership of both.

Nor is co-production about volunteering. It is not about rolling back the state and leaving the job of meeting social need to the good will of public-spirited citizens. There is still a vital role for frontline professionals, who need to be more valued and empowered for co-production's potential to be realised. Likewise, there is a vital role for the public sector: the norm must be for well-funded, publicly owned and run services, co-produced with citizens (more on what this means in section 5).

Case Study: Holy Cross Centre Trust (HCCT) [55]

HCCT is a charity commissioned by Camden council to deliver mental health services. They work with socially excluded groups, including homeless people and refugees and asylum seekers, to co-produce services that improve their lives in the local community.

They do this in large part through their 'time banking' model, a system of exchange that uses time as a unit of currency: each hour of time given providing a service for someone in the community earns a 'time credit', which can then be used to get an equal amount of time's help in return. Time-banking is used at Holy Cross as an innovative way of encouraging and rewarding contributions from both staff (who spend at least 10 per cent of their time each week in the time-bank) and members. The time-bank has helped to break down barriers between staff and members, helping to give them equal roles in 'delivering' the services and moving towards the outcomes they want to achieve. HCCT relies on the time and commitment of more than 500 time bank members. If this time were valued at the London Living wage, it would amount to £137,119 over one year alone.[56]

NEF determined that more than £2 million of social value was generated for the state in 2009/2010 by HCCT, calculating that the social return on investment of the HCCT

time bank is approximately £5.75 for every £1 invested. Other studies have shown that this approach helps to reduce GP visits and hospital re-admissions.[57]

Getting co-production right

As the language of co-production becomes more common and its importance more broadly acknowledged, there is a risk of the idea being emptied of its true meaning and transformative potential. The guidelines below, based on NEF's extensive research and practical experience, suggest what co-production should be about.

Addition, not substitution

In current policy debates, co-production is increasingly framed as a means of reducing public spending. Under this logic, co-production is a means of shifting responsibility from the state and public servants to service users and citizens, allowing for cost-savings and efficiencies. This way of conceptualising co-production is *substitutive*, with public services being substituted for 'public citizens', along the lines of the Coalition's 'Big Society'.

Instead, we should look towards Elinor Ostrom's approach to co-production as *additive.* Under the additive logic, co-production is about protecting and building on the existing professional skills and experiential expertise offered by the current public service architecture. Co-production is not about replacing these valuable resources but, rather, enriching them with the resources and assets of citizens.[58]

As an associated point, this means carefully considering the idea that co-production will cut costs and increase efficiency. In the long-term, there is the potential for reducing costs by tapping into the un-commodified resources of the core economy: all the unpaid time, caring, support, friendship, expertise, giving, and learning that underpin society and the formal economy of paid work.[59] But getting co-production right will require well-resourced and funded services alongside well paid and trained staff who are able to facilitate and develop this approach.

Collective action, not individualism

Individual co-production occurs when services are designed and delivered by professionals in partnership with individual service-users, with the aim of benefiting these individuals. In contrast, collective co-production sees services designed and delivered by groups of citizens in partnership with professionals for the benefit of the whole community. Examples include timebanks and community-owned parks.

A 2009 survey of five EU countries shows that co-production is currently dominated by individualised co-production, with the take-up of collective co-production being relatively weak.[60] This is a worrying trend: the idea of collective provision was at the

heart of the post-war settlement. It should, in our view, be valued and maintained, to enhance mutualism and solidarity, and bring people together for a common cause.[61] Collective co-production can be encouraged by public sector organisations aligning themselves with the principles of co-production.

Valuing workers as well as citizens

It is vital that the move towards empowered service users is accompanied by empowering frontline staff. Co-production requires much time, care and relationship-building between citizens and public servants. The ability of frontline staff to play this kind of role depends upon their being afforded more trust and autonomy.[62] Declining pay and conditions, de-skilling and a lack of time and training for frontline staff are fundamental barriers to co-production. The same goes for hierarchical and disempowering workplace structures within public agencies.

We have noted that the move towards an equal partnership between professionals and service-users does not imply that professionals have no unique knowledge, skills or experience to bring to the table. On the contrary, the tacit experiential knowledge of frontline staff must become a central pillar of public service reform. The point is that service users possess unique knowledge, skills and experience as well. The assets of both service users and staff must be mobilised, valued and integrated: this is what equal partnership is about.

Equality and universalism

A central challenge for co-production is how to ensure equality and universal access to excellent services. Existing social and economic inequalities ensure that some are currently more able to participate in and benefit from co-production than others. As with all measures that decentralise power, co-production must be accompanied by measures to redistribute wealth, resources, time and capacity to ensure that all are able to benefit.

3B: Participatory democracy

The post-45 model of public services assumes that representative democracy gives state-run public services all the popular legitimacy it needs. Representative democracy, of course, is far preferable to no democracy: better to have services in the hands of elected local councillors than unelected corporations. However, once elected, political representatives can become disconnected from the population they are supposed to serve. Attitudinal data shows that the public are deeply suspicious of the claims of government to give them a say or value their opinion. [63]

Co-production is one way to give citizens more power to shape the services they use. This goes hand in hand with participatory measures that extend the democratic basis of public services beyond representation. Below, we outline a range of different participatory techniques that could be used more widely, to examine their full potential for shifting power within public services.

Participatory budgeting

Perhaps the most well-known participatory measure for public services is participatory budgeting. This is about giving citizens direct control over public spending decisions in their local area. Emerging in the 1990s from social movements in Brazil, participatory budgeting has since become common practice across the world. It is now used in at least 1,500 municipalities outside Brazil and has even been adopted by such multinational institutions as the International Monetary Fund and World Bank.[64] The case of Porto Alegre, Brazil is generally considered the most well-developed and successful example of participatory budgeting.

Case study: participatory budgeting in Porto Alegre

Participatory budgeting was initially developed in Porto Alegre, Brazil, introduced by the Brazilian Workers' Party as an answer to deep social and economic inequalities. The argument was that if those who were disadvantaged and marginalised were able to make decisions over city spending, their interests would finally be represented.

At the heart of the Porto Alegre participatory process are annual regional assemblies, open to all, which decide on thematic spending priorities for the year and elect representatives as delegates and budget councillors. Delegates are charged with the role of gauging opinion within their region and, on this basis, working out regional priorities. Budget councillors then negotiate the final city-wide budgets on the basis of input from regional delegates.

Evidence shows impressive levels of citizen participation. Citizen participation grew from 1,000 participants in the process in 1990 to 40,000 in 2002.[65] One in ten of the

total population has been recorded as participating in some instances.[66] The majority of participants are unskilled workers educated to just primary level and more women than men participated in assemblies and were elected as representatives.[67] The share of the municipal budget to be allocated by means of the participatory budgeting process grew from 17 per cent of the total budget in 1992 to 21 per cent in 1999.[68]

There is evidence that participatory budgeting has improved the outcomes of services in Porto Alegre. A World Bank paper shows that sewer and water connections increased from 75 per cent of total households in 1988 to 98 per cent in 1997. Since 1986, the number of schools has quadrupled, while the health and education budget increased from 13 per cent in 1985 to almost 40 per cent in 1996.[69]

A number of local authorities from across the UK have trialled participatory budgeting. Heather Blakeley from Bradford University's International Centre for Participation Studies has studied the particular case of participatory budgeting in Keighley, a small town within the district of Bradford.[70] The process began by asking approximately 400 individual residents, door to door and at community events, to choose three priorities out of a list of nine. Local CVS, statutory and private sector organisations were then invited to propose projects to meet the key thematic priorities that emerged from the initial surveying process. Approximately 300 residents then attended a 'Decision Day'. Here, each project had three minutes to present their idea, with residents ranking each project out of ten; the highest ranked projects were selected.

The majority of voters said that the process had been fair and effective in their evaluation forms. However, Blakeley raises a number of concerns with the trial. Firstly, existing government targets came into tension with the priorities decided through the participatory process. Secondly, the organisers in Keighley presented the process as a 'non-political' project that politicians of all stripes could back. This could inhibit the initial vision of participatory budgeting as a radical political project grounded in the pursuit of social justice. Finally, too much of the process was outside of citizen control - for instance, the initial survey gave citizen a choice from a pre-determined list of options, over which they had no influence.

Online participation tools

There is an interesting potential for new technologies to enable participatory democracy. One example is "Loomio",[71] a free and open source online decision-making tool developed by activists inspired by the Occupy movement in Wellington,

New Zealand.[72] Loomio allows groups of people of any number to discuss and come to agreements on courses of action that all are happy with. The Loomio process begins with open discussion on a topic. Anyone is free to make a proposal for a way forward at any time. People can agree, disagree, abstain or block the proposal, or it can be developed together through a process of amendments, until the proposal reaches a point that all participants approve. This mirrors the consensus decision making process employed by many new social movements, including Occupy. Loomio is used as a participatory decision-making tool for groups of citizens across a range of purposes, from political activism to running community shops. It has also been used by city authorities to invite citizen participation in local policy decisions.

Case study: Alcohol policy in Wellington, New Zealand

Wellington City Council used Loomio to invite residents to participate in policy-making on alcohol issues. The discussion included anti-alcohol activists, bar owners and interested citizens alongside experts including council staff, community workers and emergency services staff, who were called upon to provide resources such as data and information on policies. After an initial discussion on Loomio, council staff drafted an alcohol strategy, which was then brought back to the Loomio process for further discussion and feedback. This allowed both the public and 'experts' to re-shape the strategy in response to new arguments and information. This was more than consultation, allowing for council policy to be shaped by the knowledge and interests of citizens, alongside experts, from the outset.[73]

Participatory democracy at the national level

Participatory democracy need not end at the local or city-wide level. The previous Labour government's national 'Our health, our care, our say' programme used several participatory methodologies in reforming health and social care. This included a consultation of around 100,000 people on aims for adult social care, a questionnaire of around 30,000 people on how people thought health and social care should work together and face to face discussion in local public meetings, with people randomly selected from electoral registers.[74]

National governments are also now employing online technologies alongside offline participatory methods. The case of Iceland's constitutional reform, below, illustrates the potential of this approach.

Case study: Iceland's 'crowdsource constitution'

Iceland recently used participatory methodologies to develop ideas on a new constitution, following its financial crisis in 2008. The process began in 2009 when the Icelandic government gathered 1,500 people into a sports hall to discuss ideas about 'the future values of Iceland and how to get there'. Of these people, around 1,200 were citizens randomly selected and stratified so that they broadly represented the wider population. The remaining 300 were selected politicians, business people and media commentators. Nine themes came out of the day, including equal access to education, guaranteed housing, a strong safety net, sustainable use of resources and clean energy.

This National Forum process was then repeated with a new random sample of people, with a new question: 'what should our constitution be about'. Following this, a national election was held in which 522 candidates from all walks of life, most without prior experience in formal politics, put themselves forward for selection to a 'constituent assembly' charged with responsibility for drawing up the constitution, taking into account the discussions from the National Forum.

The Constituent Assembly then began writing drafts of the new constitution, with all citizens given the chance to contribute to the drafting via a website, Facebook page, Youtube, Twitter and Flickr. The final draft of the constitution then went to a national referendum, where a voter turnout of 48.9 per cent elicited a 67 per cent majority support for the bill.[75]

However, this referendum was not politically binding. The constitutional reform process faced opposition from the start from business interests and opposition parties, who feared they could lose out. The reform process ground to a halt with the election of the opposing Progressive Party in 2013. Still, the process demonstrates the potential of online and offline participatory processes to shape significant national policy decisions. Pro-reform activists in Iceland are still optimistic that the bill can be approved by a future government.[76]

Assessing the potential of participatory public services

As we have seen, a range of tools and methodologies can help to introduce participatory democracy into local and national services. These have the potential to make a significant transfer of power to citizens. Smaller-scale examples can be seen as incremental steps in this direction. However, a number of issues and challenges present themselves.

In many instances, the term 'participation' is used to refer to what are in fact little more than hollow consultation exercises, used to legitimise decisions that have already been taken by policy makers. Worse, authorities across the world have used measures such as participatory budgeting to push through austerity measures: citizens have been left to make their own decisions about where spending cuts should be made, with responsibility for the social consequences shifted away from governments.

Baiocchi and Ganuza argue that, while many attempts to introduce such measures have been problematic, it would be wrong to conclude that the idea is fundamentally flawed. The problem, for them, has been that the mainstreamed practice of participatory budgeting is more an exercise in deliberative dialogue than in participatory *decision-making.* If decisions are to be genuinely participatory, priorities decided upon by citizens must actually feed into and influence those with political authority.[77]

Attempts to introduce participatory democracy to public services in the UK have so far been limited. The case of participatory budgeting in Bradford illustrates the tensions between our highly centralised system and participatory processes, as well as a culture of participation more familiar with engagement exercises delivered from the centre. For the transformative potential of participatory processes to be unlocked, a broader cultural shift will be required. Later sections in this paper suggest how this shift could take place.

What can be done to ensure that participatory processes are not hijacked by privileged groups, or allow communities to discriminate against those who are disadvantaged? This calls for a strong balance between representative and participatory democracy. Through legislation and regulation, backed by effective enforcement mechanisms, governments can take steps to safeguard the interests of minority groups and their capacity to participate. In Porto Alegre, the municipal government invested in teams of community organisers and popular educators to work with young people, the disabled, the elderly, ethnic minorities and others who may be at a disadvantage in participating. The role of these organisers and

educators was to support them in preparing their own proposals and getting fully involved with the process.[78]

How can participatory experiments be sustained in the face of changing political and economic conditions? The key, here, must be to embed participatory approaches at national, as well as local levels, so that participatory and representative democracy enrich and reinforce each other. Proportional voting systems, greater transparency, continuing dialogue between policy-makers and citizens, and strong systems of accountability will help to make electoral politics more responsive to the interests and priorities of citizens. Without fundamental reforms of this kind, localised participatory experiments will always be fighting an uphill battle. The case of Iceland's constitution illustrates the point.

Finally, unlocking the full potential of participatory democracy will require a significant rebalancing of wealth, resources, capacity and time so that everyone is able to participate on an equal footing (see section 8 below).

3C: Reforming public agencies

In this section we focus on the internal organisation of public agencies and, in particular, two possible changes: multi-stakeholder governance and tackling workplace hierarchies.

Multi-stakeholder governance

Those who use and work on the frontline of services typically play no role in the internal governance of these services. Multi-stakeholder governance is about including representatives of frontline staff and citizens on the governing bodies of public services. Co-operatives and mutuals often employ this model of governance. A recent UNISON report suggests that the best aspects of co-operatives and mutuals should be acknowledged and incorporated into the public sector.[79] The point is not to try to turn all public services into co-operatives (see section 7), but to incorporate the model of multi-stakeholder governance as the norm within public agencies, with workers and citizen representatives sitting on governing bodies alongside senior managers.

Case Study: Multi-stakeholder co-operatives

Multi-stakeholder co-operatives include several groups of people in their membership. This model recognises that the operations of organisations, whether they are businesses, service providers or anything else, impact upon several different stakeholders.

Since 2012, Rochdale, home of the co-operative movement, has given responsibility for its council housing stock to a multi-stakeholder co-operative called Rochdale Boroughwide Housing. The co-op has more than 2,500 members, including tenants and staff. The membership elects a representatives body made up of 15 elected tenants, 8 elected employees, 3 representatives from the Tenant Management Committee, 2 representatives from Rochdale Council and 3 representatives from external organisations. The representative body has responsibility for electing the co-op's Board, which is made up of 5 volunteers, 2 paid employees and 2 nominees from Rochdale Council.[80]

Frontline staff can be elected to governing bodies via trade unions, but there is no equivalent route for citizens. In smaller scale services such as individual schools or hospitals, service users and citizens could chose to stand for election to the governing body, as in the case of Rochdale's housing services. For co-ordinating services on a larger scale (for instance health or housing services across a local authority), one model for selecting citizens comes from a recent citizen-led campaign

in Berlin, which forced a referendum on the question of energy ownership. The campaign's goal was to set up a city-owned energy company, with a multi-stakeholder governance model. Their proposal was that the city should be divided into a number of wards, each of which elects citizen delegates at annual open public assemblies.[81]

The involvement of workers and citizens in the governance of services need not be limited to the local level. The management of nationally coordinated services should involve, at the least, a process of deliberative dialogue and full consultation with representatives from local services inclusive of both citizens and staff. Another option would be for a number of regional worker and citizen delegates to be elected, each of which would represent a cluster of local authorities. However, it has to be stressed that all involvement of this kind must be genuinely influential, reflecting a real shift of power. Citizens will soon tire of participating if they see no evidence of their contributions making a tangible difference.

Tackling workplace hierarchies

Most public agencies have hierarchical structures, with power and control resting with senior management. There is evidence that rigid hierarchies have a detrimental effect on services. An APSE literature review identified hierarchical management structures as one of the most often cited barriers to public sector innovation, while in an APSE survey of frontline staff, 'top down management style' was the most commonly cited 'major' and 'medium' barrier to innovation. [82] This is echoed by NESTA research, which identifies 'too hierarchical a structure across staff levels' as a common barrier to innovation.[83]

Case study: Newcastle's IT services

Facing a bid from BT to take over the running of Newcastle Council's back-office and customer services, UNISON-organised council staff put together an 'in house' bid to run these services, which was eventually successful. In the process, the service was transformed.

Prior to the new bid, workers reported feeling overworked, undervalued, poorly informed and disempowered by senior management. According to Hilary Wainwright's account, the new bid brought with it a break with traditional management structures and hierarchies. Wainwright describes how the role of the manager shifted to coaching and empowering less senior staff. There was a transition to a culture of 'risk awareness', rather than 'risk averseness', which led to more autonomy and leadership on the part of frontline staff. In essence, the relationship between staff was shifted away from command and control toward

collaboration, trust and respect. This allowed the knowledge of frontline workers to be harnessed, bringing with it a revitalised commitment to serving the public good.[84]

Some examples of existing good practice, collated by APSE, include employee suggestion schemes and 'open door' policies by managers who encourage staff to approach them with suggestions. These simple processes provide avenues for staff to contribute ideas for service improvements. Getting the right kind of informal working culture is important as well. Management culture needs to be based on trust, collaboration and knowledge-sharing between different levels of the organisation.[85]

Tackling workplace hierarchies should go hand in hand with best practice in pay, conditions and training for frontline staff. As well as the protection of workers' rights being important in itself, decent pay and conditions are necessary for maintaining high staff morale, which will impact upon the quality of service provision. Alongside this, research by both APSE and NESTA indicates that unlocking the innovative potential of frontline staff requires investment in training opportunities, regular appraisals and mentoring programmes.[86] Other innovative ways to ensure that the specialist knowledge of frontline staff is put to use include allowing staff a proportion of their working day to help design, develop and participate in projects that are not included in their job description,[87] and (as suggested below) reducing working hours to avoid problems of stress and over-work.[88]

4. Empowering local government

The changes we are advocating require a significant devolution of power from central to local government, which is geographically closer to frontline staff and citizens.

A comparative study of 56 countries between 1980 and 2009 shows that in developed nations such as the UK, more decentralised systems have lower regional inequalities.[89] Similarly, a 2007 study of OECD nations found that where local revenue-raising abilities were highest, inequality was lowest.[90] However, postcode lotteries and inequalities of provision and outcomes remain a concern: the impact of pre-existing inequalities of wealth, resources and power between regions should not be underestimated.

A more decentralised system will therefore require a strong role for central government. Central government should establish national entitlements to excellent services for all, with local government then afforded the autonomy to decide on how these standards are met (see below). Central government can also ensure strategic oversight and planning across the system, allowing, for instance, cross-subsidisation between services to reflect different levels of need and cost.

The principle of subsidiarity, well-established in the policies of the European Union, is a useful rule of thumb here: decision-making power should, as far as is possible and effective, be devolved to the most local level.[91] Ideally, this approach is combined with action by central government to help tackle inequalities and maintain strategic planning and oversight, as well as with measures to shift power locally towards citizens and frontline staff.

Devolution in practice

Implementing the principle of subsidiarity implies a number of policy shifts. In education, for instance, free schools and academies have transferred accountability from local authorities to the Department of Education. This should be reversed, with power going back to local authorities. In housing, Whitehall's cap on what councils can borrow to invest in new housing should be removed. This, according to the Local Government Association, could allow for an estimated 60,000 new homes built over the next five years.[92]

Financial devolution is also important. The norm should be for power over service budgets to be devolved to local government, allowing local government to provide more integrated, holistic services. This will increase the opportunity for preventative services that tackle the root causes of complex problems such as mental ill health. The current cap on council tax should be abolished, allowing local government to raise revenue by setting tax at a level they deem appropriate, subject to enforceable national equalities and excellence standards. One option to be explored here is the idea of a 'progressive council tax', which sees council tax lowered for the majority, but steeply increased for those who are better off.[93]

Low-income areas have smaller tax bases. Some local authorities are less sympathetic than others to redistributive measures. These aspects of inequality need to be tackled through redistributive policies introduced by central government (see section 8) as well as through a national framework for excellence and equity (see below).

Accountability

Decentralisation raises important questions of accountability. Under the current regime, the emphasis is on accountability of local government upwards to central government, enforced via targets, auditing and inspection. This can lead to a tick-box approach to public services, which encourages a mindset of 'jumping through hoops' rather than fostering trusting relationships between professionals and service users.[94] It fails to make local government accountable *downwards* to frontline staff and citizens, or to make central government accountable *downwards* to local government. This kind of accountability can be fostered via new participatory governance structures and forms of democracy, as discussed.

However, some sort of system of accountability between local and national government is required to ensure good quality services across the board. Instead of setting strict tick-box targets, national government should develop a broad framework for service excellence, which sets out service entitlements for all citizens. This framework should be developed in collaboration with local authorities, frontline staff and citizens via participatory processes. (The case of Iceland's constitution, above, offers one possible model.)

Once local government has adopted this framework, it should be free to decide how best to deliver it. Auditing and inspection regimes should change gradually from the systems currently run by national regulators such as Ofsted, towards more collaborative and locally-based forms of accountability. These should allow

professionals and citizens to share knowledge and ideas about how services, can be improved, using the national framework as a starting point. Narrow output measures such as exam results and 'finished consultant episodes' should give way to a more holistic and relational approach, which allows for a continuing process of building and sharing knowledge.

Insights should be drawn from all stakeholders, including professionals, service users and their families and support networks. The key point of accountability should be to facilitate innovation and improvement across services, rather than blocking ideas that emerge from the experience of those who use services and work on the frontline.

Case study: Co-producing quality assessment in Islington

When Islington youth services began the review of their youth strategy in 2011, they decided to re-design and co-produce their quality assessments with young people to make sure that young people's needs, aspirations and expectations were being met through youth provision within the borough.

Working with young people, the commissioners re-wrote the quality assurance framework and trained a group of young quality assessors to lead the site visits. The framework that they co-produced sets out nine areas that young people, providers and commissioners feel are important to youth services, such as youth clubs and community centres. A product of collaborative reflection, it informs and shapes the Insight phase of commissioning, as well as planning and delivery.

Two of the young assessors and one commissioner then carry out quality assurance visits and use the framework to judge how well providers are meeting young people's needs, aspirations and expectations. This is one illustration of what co-productive and collaborative forms of accountability can look like.

5. Why ownership matters: the case for new models of public ownership

New models of public ownership

Questions of ownership are now routinely side-lined in policy debates about public services. In the words of David Cameron, 'it shouldn't matter if providers are from the state, private or voluntary sector – as long as they offer a great service'.[95] But who owns services is a decisive factor in whose interests they represent. Ownership determines where power lies.

As we have argued, introducing private interests distorts the 'public' function of public services. There is no evidence that the interests of private profit easily coincide with the public interest in universally available, high quality services. A priority, then, must be to take public services out of private hands. That does not imply a return to traditional models of centralised control. There are viable alternatives.[96]

As Andrew Cumbers suggests, we need an expansive conception of 'public ownership' that includes a diversity of forms of not-for-profit collective ownership. This excludes ownership by private individuals or private for-profit companies. But it grants that the public is more than the state, allowing a role for other non-state not-for-profit entities.[97] The table below illustrates the advantages and limitations of the different institutions that we think have a role to play in publicly owned and run services. It should be possible to build on the best of different institutions so that the advantages of each can offset the limitations of the others.

Institution	Advantages	Limitations
Central government	• The only existing institution capable of national co-ordination and oversight. • Able to act as a strategic arbitrator of social justice and equality, re-distributing wealth and resources between regions. • Able to facilitate social and cultural change through national policy. • Made up of democratically elected representatives and is, in this sense,	• By virtue of geographical distance, it is removed from the priorities and knowledge of citizens and frontline workers. • Has become increasingly captured by private interests of wealthy donors and big business. • Elected representatives and civil servants are subject to vested professional and political interests. • Neither elected

	democratically accountable.	representatives nor civil servants are representative of the demographic make-up of the population. • Central government is not trusted. Just 11 per cent of people trust central government to make decisions over public services.[98]
Local government	• Geographically 'closer' to citizens and frontline workers and hence better placed to be responsive to their priorities and knowledge than national government. • The above also makes local government better placed for providing integrated and holistic service provision than national government. This is better for preventative services and for services intended to meet complex problems with interconnected causes.[99] • While people feel unable to influence central government, the possibility of pushing change in local government policy seems more immediately possible. As such, local government is better placed for fostering political activism and civic engagement.[100] • Perceived well in the public eye: 79 per cent of people trust local government to deliver public services.[101] • More opportunity for experimentation and challenging the neo-liberal paradigm than with central government.	• The distribution of funding between local authorities is uneven, on top of regional inequalities of wealth, resources and capacity.[102] There are therefore concerns about the potential for 'postcode lotteries': what you get depends on where you live, not what you need. • Local government does not currently serve the interests of all citizens equally. 'Town hall politics' tend to be dominated by a small number of people, typically well educated, middle class, white and older. • Local government is not representative of the demographic make-up of the population. 67 per cent of councillors are men, 96 per cent are white and just 12 per cent are aged under-45.[103]
Co-operatives and mutuals	• Seen to have strong democratic credentials on account of the involvement of workers and citizens in	• When services are put in the hands of co-operatives and mutuals outside of the public sector, this risks fragmenting

	their governance. • Also, because of the above, are well placed to draw on the knowledge and interests of citizens and frontline workers. • Accredited co-operatives (although not mutuals) must abide by seven co-operative principles, which orient them toward community benefit and equality.[104]	services and leading to privatisation (see section 2). • Co-operatives and mutuals are obliged to prioritise the interests of their members, but public services should prioritise the interests of the community as a whole.
Community and voluntary sector groups / civil society organisations	• Have a reputation for being particularly in tune with the knowledge and priorities of the communities where they are based. • Some of these groups have a track record of innovative ways of co-producing and co-designing services with service users. • Grassroots community activism is a fundamental aspect of a vibrant democratic society. • Beyond the traditional community and voluntary sector, new social movements and grassroots campaigns have the potential for revitalising and inspiring local democracy.	• While locally rooted community and voluntary groups tend to have good access to the knowledge and priorities of local people, this is not true across the board. Some large third sector organisations function like private sector organisations in many ways. • As with co-ops and mutuals, there is a risk of fragmentation and privatisation by opening up services to a diversity of providers. • Small scale diversity sometimes results in replication and lack of co-ordinated learning. • Third sector organisations often suffer from financial instability and subsequent short termism. • Lack of coherence in their approach, with limited capacity to track what is happening across different services. • Not always inclusive or strong enough to effect systemic change. • Some traditional philanthropic organisations can be paternalistic and disempowering for service users.

		• Many charities feel impelled to meet acute and immediate needs, and fail to take a preventative approach.

The role of the state

While there is much to value in non-state organisations such as co-operatives, mutuals and community organisations, there are evidently dangers in replacing state-run services with civil society organisations.[105] In order to retain universal services that fight the root causes of inequality rather than entrench them, we need to strengthen and value the public sector as a vital avenue for collective provision, which funds services collectively for the good of everyone. Central and local government must be the principle institutions in any new arrangement of public services.

Public services should be funded by the state via progressive taxation, collected by both local and national government. This method of collective funding makes it possible to provide services that are universally available and free at the point of use. It ensures that we all have a stake in providing these services, but that the main burden falls upon those who can most afford it.

The state also has a crucial role to play in delivering services through new models of public ownership. In spite of arguments to the contrary (for which there is little evidence) it is possible for the state to deliver more participatory and relational services. This can be achieved if the primary sources of innovation available to the public sector – the knowledge of frontline staff and citizens – are valued and deployed through the participatory, co-productive and democratising measures advocated in this paper.

Non-state services

Strengthening and valuing the public sector does not, however, mean disregarding the input that other not-for-profit institutions such as co-operatives and community and voluntary organisations can make. As noted in the table above, these actors have some important strengths. How can their potential be realised? Below, we offer two case studies, and a set of guidelines.

Case Study: Friern Barnet Library

In April 2012, Barnet Council closed Friern Barnet Library due to budget cuts. In response, a group of local residents concerned about the closure, alongside activists from the Occupy movement, launched a campaign to keep the library open. This involved a community petition and an occupation of the library building, which was

run as a make-shift community library for several months. Barnet residents argued that the library could be run, permanently, by members of the local community and, in February 2013, Barnet Council agreed to keep the library open under community control. The library is now run by Friern Barnet Community Library, whose board of nine trustees is made up of members of the original community campaign.[106]

The point to draw from this case is not that the state can retreat from library provision to allow for community controlled services. In many instances of local library closures, there has been no community campaign of this order, with people lacking the time or capacity to take on the running of local services. However, the case shows how the state can respond to community activism, and suggests that local government may often have the option of meeting the demands of local campaigns for community control as and when they emerge. The case also points towards an alternative to traditional voluntary sector organisations as public service providers, showing how more grassroots and informal community networks and social movements can also play a role.

Case study: Co-operative Trust Schools

New Labour introduced 'trust schools', supported by a charitable foundation which appoints some of the school's governors. Co-operative Trust schools took advantage of this scheme in an attempt to embed co-operative principles in education. There are now more than 600 Co-operative schools in the UK.[107]

Co-operative Trust schools are not-for-profit and attempt to embed a co-operative and democratic ethos in the curriculum. Through membership of school councils or forums, local people, businesses, voluntary sector organisations, parents, pupils and staff are involved in the running of the school and appoint trustees who, in turn, appoint governors. In contrast to academies, Co-operative Trust schools are maintained and financed by Local Authorities.

Some worry that Co-operative Trust Schools still constitute a form of privatisation. They are billed as 'Independent State Schools' and a small number of Co-operative Academies have been established. Unlike Co-operative Academies, however, Co-operative Trust Schools remain under the auspices of Local Authorities.

Indeed, in December 2013, an agreement between the Schools Co-operative Society, The Co-operative College and all TUC-affiliated education unions was made. This sets out a shared commitment to common values of equality, solidarity,

democracy and social responsibility, alongside the principle that 'schools should serve the best interests of children and young people, parents and carers, the workforce and the wider community'. It also gives best practice guidance for employment and industrial relations and workers' rights as a shared basis for working together.[108]

Guidelines for non-state public ownership

On the basis of these case studies and NEF's existing body of practice and research in this area, we can draw some lessons for involving non-state institutions in publicly owned services:

Shifting power

While social sector and third sector organisations are often seen as being uniquely well placed for empowering citizens and service users, this is not true across the board. Social and third sector organisations should run services in participatory and co-productive ways outlined above.

Collaborative partnership with the public sector

Through programmes such as the Community Right to Challenge and Public Service Mutuals, the Coalition government have pitted co-operatives and community groups in competition with the public sector. This 'diversification' of service provision has been part of a broader agenda to roll back the state and take services out of public hands. Rather than competition, the relationship between the public sector and the social and third sectors must be based on collaborative partnership, as has been demonstrated by Co-operative Trust schools. By partnering with the public sector, the third and social sectors should be able to access much needed funding and support, facilitating their expansion and improvement, while potential providing new avenues for innovation and improvement within the public sector.

Action from the bottom-up, not the top-down

The Coalition has attempted to stimulate civil society action to fill the gap left by reduced public sector spending. This contrasts with the case of Friern Barnet library, which saw local government forced to respond to the demands of community activists. In this instance, a community decided they wanted to run services for themselves and the state agreed to facilitate this. A bottom-up process of the state acting to support local demands for community-run services as and when these arise, is preferable to top-down attempts to impose responsibilities on civil society. Bottom-up community services are more likely to have community buy-in and support, which will help them to be effective, sustainable and well used.

Working alongside trade unions

Despite their shared history and principles, there has sometimes been tension between the co-operative movement and the trade union movement. As we have seen, co-operative provision of public services has often gone hand in hand with taking services out of the public sector, opening up the door to privatisation and concerns with regard to pay and conditions. The examples of Co-operative Trust Schools show that unions and co-operatives are able to recognise their common ground and to work together as two prongs of a joined up movement for public services grounded in shared principles, workers' rights and a community-oriented alternative to private provision.

Not just the usual suspects

The case of Friern Barnet's library shows how traditional charities and community and voluntary sector organisations are not the only non-state actors with a role to play in public services. Social movement organisations and grassroots campaigns can also play a role in shaping and, in some cases, running local services.[109]

Moving towards new models of public ownership

Some important questions remain. Which services ought to be run by the state and which by non-state public institutions? How should the state be working with these non-state organisations?

As market ideology has strengthened its grip on policy and politics, putting services out to competitive tender has become an increasingly popular way of commissioning services, leading to more and more services outsourced to the private sector. Although publicly oriented organisations such as co-operatives and community groups can compete against the private sector in the tendering process, they are often at a severe disadvantage. They often lack the capacity and experience to submit major bids or to undercut powerful competitors. The imperative to cut costs has resulted in commissioners basing as much as 90% of their success criteria on price (over quality).[110] It is almost impossible for the third or social sector to win contracts against multinational private sector providers under such circumstances.

However, commissioning should not be confused with outsourcing. Commissioning, for one thing, is about far more than who provides services. It is also about deciding what services are needed, how they should be designed and delivered and what changes they should support or enable. Further, services can be commissioned in-house: commissioning need not imply outsourcing.

What is required is a very different model of commissioning. NEF has proposed *outcomes-based commissioning* as a way forward.[111] The table below outlines the

differing ends of the spectrum between conventional commissioning and NEF's outcomes-based approach.

Conventional Commissioning	NEF's commissioning approach
Focussed on buying very tightly defined services and activities that are specific to the service: i.e. c.v. writing classes for young people	Focussed on commissioning for social, environmental and economic outcomes – within the 'service' and for the wider community
Focussed on unit costs and short term efficiencies which encourage a race to the bottom and often represent a false economy. Social or environmental value often not considered.	Promotes long term value creation across social, environmental and economic costs and benefits and emphasises importance of prevention, and awareness of false economies.
A poor level of insight into what works and doesn't. Data requirements are led by needs and deficits, asking only what is wrong with an area or group.	Explores needs and assets to build a picture of what works and current strengths, as well as what support is needed. Uses a range of methods to develop insight and apply this during the commissioning process.
Hierarchical and paternalistic: people who use services are not part of commissioning or delivery, and power is held by professionals	Has co-production at its heart: the commissioning process is co-produced, and it is expected that providers will begin to co-produce their services.
Closes down space for innovation, because commissioning is highly prescriptive and specifies which activities and outputs should be delivered and what the service should 'look' like.	Promotes innovation by moving away from over-specified services and asking providers and people using services to come up with ideas and activities to meet the outcomes.
Rigid and inflexible: bids for services form the basis of contracts with set targets and outputs. Deviation of these is often considered a breach of contract. Very little flexibility exists to adapt to changing local circumstances or ideas.	Iterative and adaptive: requires continuous reflection and evaluation, and flexibility for services to adapt to the interests, needs and assets of local people.
Competitive and in silos: providers are in competition with each other and have little incentive to co-operate or work in partnership.	Collaborative: promotes strong relationships across and between local authorities, other statutory agencies, providers, user led organisations, the VCS, civic groups and local people.

Commissioners should move away from narrow, contractual and hierarchical approaches to competitive commissioning and towards this collaborative, holistic and co-productive approach. Where this model of commissioning is applied, an implicit priority would inevitably be given to in-house services and other non-state sources of

public power, rather than to the private sector, with the proviso that these publicly owned services should be evolving and innovating along the lines we have advocated in this paper.

However, one worry with commissioning, whatever form it takes, is that it purports to be neutral as to who should provide services. If ownership matters, then this is not ideal. We Own It,[112] a group campaigning for public ownership backed by major unions, social sector organisations and civil society groups, have proposed a 'Public Service Users Bill'.[113] This would introduce a presumption in favour of the public sector and other not-for-profit entities, as well as measures to increase transparency, accountability and an increased say for service users. The presumption in favour of the public sector and not-for-profit entities would work by:

- Obliging authorities to put forward an in-house bid or, where this is deemed not practicable, to publicly explain why;
- Introducing regulation to allow authorities the right to prefer a bid by the public sector or a not-for-profit entity;
- Obliging authorities to consider how its procurement practices might improve the economic, social and environmental well-being of a relevant area.[114]

Legislation along these lines, which has strong public support,[115] could help to facilitate the shift in ownership advocated in this paper. Meanwhile, outcomes based commissioning would be a suitable process for deciding which publicly oriented institutions – whether state or non-state – should take responsibility for particular services, while also facilitating the shift towards the co-productive and participatory forms of public control advocated in this paper.

6. Making the shift: how policy and political culture must change

In this paper, we have offered a vision for public services that are more decentralised, participatory and co-productive. This kind of system could not thrive in isolation. It will depend on a broader transformation of the political and socio-economic climate to support the kind of 'everyday democracy' that underpins this way of doing public services.

Tackling inequalities

A concern throughout this paper has been that shifting power away from Whitehall risks *worsening* socio-economic inequalities instead of tackling them. At present, people in the UK experience very different opportunities on the basis of a variety of social and economic factors. Allowing everyone the chance to participate in and enjoy the benefits from services requires action from central government to level the playing field.

More progressive taxation could help to fund re-distributive measures, including social programmes tailored to build the capacity and skills of marginalised groups, designed and delivered through co-production, alongside a more dignified and generous social security system. The government could also tackle in-work poverty by measures such as a mandatory living wage, clamping down on zero-hours contracts and increasing workers' bargaining power.[116]

A shorter working week

As NEF have argued elsewhere, one way that gender inequalities, in particular, could be tackled, is through reducing the standard working week to 30 hours, alongside measures to address the problem of low pay. Many people, particularly women, juggle paid work alongside crucial unpaid care and domestic labour. If everyone – men and women – spent less time in paid work, this could allow for a re-distribution of time, paid work and unpaid work between genders. [117]

The necessity of a shorter working week does not end at tackling gender inequality. Crucially, more participatory and co-productive services require people putting in more of their time. Currently, many people do not even have the time they want to spend with their families and friends, never mind taking part in the governance, design and delivery of local services. A slow but steady move towards a shorter working week would re-distribute time and work between the over-worked and unemployed. This would improve the economic situation of those who currently want

to work but cannot find a job, while freeing up time for civic engagement and political participation among those currently trapped working around the clock.[118]

From austerity to investment

Previous research by NEF has shown that austerity policies are having a devastating impact on public services.[119] We should not accept the prevailing political narrative of 'inevitable spending constraints'.

For one thing, investment is needed in measures that prevent social and environmental harm. Transformed public services could have a crucial role to play in preventing harm – and thereby in reducing needs for services, and their costs, in the future.[120] There are plenty of sources of additional revenue for this. A clampdown on tax avoidance by wealthy individuals and corporations would raise an estimated £35 billion a year. The Green New Deal group has proposed a suite of taxes for the wealthiest that could immediately raise £26.4 billion in additional revenue, and potentially a further £21.9 billion after consultation.[121]

In addition, NEF has argued that the government's case for cutting public spending rests on two false premises: that the previous government had been spending excessively, and that government debt and deficit are the main threat to our economic stability. Far from this, the real threat to stability lies in the financial system – which, following the crash, led the UK into recession, decreasing tax revenues while pushing up government debt.[122] Nor is austerity working as a response to the recession. This is because of the *multiplier effect*: if both firms and households are cutting their spending, others are earning less, and so the whole economy is pulled backwards. With both households and firms reining in their expenditure, it is foolish – given the multiplier effect – for government to behave likewise. [123]

Since 2013, the government has gone to great lengths to persuade us that the economy is recovering. NEF's recent economic analysis suggests otherwise: what our economy is going through now is not so much a recovery as a reversion.[124] Instead of austerity, we need a new macroeconomic strategy.[125] Because of the multiplier effect, the starting point for this new strategy must be government spending, including spending on public services, due to their potential to deliver on key social goals.

In conclusion

We should not accept the wholesale transfer of services we all rely upon to unaccountable private hands. Nor should we accept a system run by 'experts' for our benefit as the only alternative. Neither helps to achieve the goals of a new social settlement. In this paper, we have argued for shifting power to citizens and frontline staff. We have attempted to carve out a set of proposals that have the potential to reduce, rather than worsen socio-economic inequalities. This is just one strategy (we acknowledge there are others worth considering), offered as an alternative to the evidently flawed models of marketisation and centralised control. We want this to be the start of a wider discussion and offer some questions below.

Questions for discussion

- Are there some sectors or services where shifting power to citizens and frontline staff is less – or more – appropriate?
- What can be done to avoid this power-shifting agenda being co-opted to justify free-market reforms?
- What kind of political strategy makes sense? How, in practice, can we move beyond the market towards a new public service agenda, given the current political climate?
- What other changes to public services might complement our agenda of shifting power? Where should we anticipate tensions between different strategies?

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