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EDITOR: F.F. RIDLEY

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# Modernising British Government

BY NORMAN FLYNN

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THE government published its White Paper *Modernising Government* at the end of March 1999.<sup>1</sup> It appeared a year later than expected, reflecting the difficulties of reaching agreements about changes in the civil service, and had a new title, reflecting the spirit of the times. The previous title, *Better Government*, might have caused debate about whether what was proposed was better or not, while nobody can argue with 'modernising'. It has on its cover a new logo, representing a lower case 'g' with a bright sun as the top half, that cost £41,020 to develop, a sign of the importance the government placed on the appearance of its proposals. The White Paper and its accompanying press releases and speeches have keywords to reflect the 'modernising' theme, including 'joined-up' 'responsive', 'cross-cutting outcome-based objectives', 'citizen-centred', 'Innovation' and 'teamworking', as well as many often heard keywords such as 'efficient' and 'effective'.

The Blair government has become famous and infamous for its concentration on public relations and the presentation of policies and proposals. Many of the proposed changes in policy and management have been presented as 'modernising', including those for local government, health and social services, prisons and probation. While there are some themes that recur in each of these sets of changes, there is not a single definition of what is 'modern', nor what is 'old fashioned'. The diagnoses vary widely, local government taking the prize for the longest list of sins of old-fashionedness, thirteen in all, including introspection, corruption and unrepresentativeness. Central government's list of sins is shorter and more closely matched with the proposed atonement. It might even be the case that the transgressions were found to match the penance. In the White Paper the problems of government are listed (in para. 11). Services are organised for the convenience of those providing them rather than their recipients, especially with respect to service opening hours and the location of buildings. There is inertia because voting gives the public a very blunt instrument with which to affect government. The policy and performance processes still concentrate too much on inputs and not enough on outcomes, or results. Civil servants are not encouraged to innovate if innovation involves taking risks. Managerial efforts have concentrated on individual services or functions, rather than looking across sectional or departmental boundaries. Finally, politicians have for too long denigrated public servants, which has lowered their morale. Elements of local government's problems that

might be thought to apply also to central government, such as the fact that its members do not reflect the population in terms of gender, ethnicity and class, or that its structures are obscure and poorly understood, are not included in *Modernising Government*. One of the ironies revealed by reading the central and local government White Papers together is that while local government is criticised for having committees and other structures that the public does not understand, the government is implementing its own modernisation through a Cabinet Committee called PSX.

The government's diagnosis of the problems of the civil service did not suggest that there had been a lack of attention to management. The previous governments had tried a wide range of management tools from the private sector's kit. Performance related pay, based on agreed organisational targets, is widespread in the Executive Agencies; short-term contracts are common both at the top and bottom levels; various quality initiatives have been followed, including the Charter, *Investors in People*, ISO 9001/2, the Business Excellence Model and European Quality Initiative; pay schemes had been revised so that incremental pay rises are no longer universally automatic; market testing had exposed costs in many areas; staff training and development had been revised and training days targets introduced. It could not be said that the civil service was old-fashioned in the sense that it had not followed management fashion throughout the Conservative governments. There may be new fashions discernible in the world of business books and business schools, if not the world of business itself, that have yet to be tried out. These have included in recent years the idea of collaboration among strategic partners, the creation of networks of suppliers and contractors rather than a centralised business to make both manufactures and services, the notion of long-term mutually beneficial relationships rather than adversarial contracts. While none of these were exactly novel by 1999, there were at least enough propositions to be tested by government management initiatives. There are other recent developments in business that were not recommended, such as outsourcing of work to poor countries where low pay and child labour are a source of competitive advantage (clothing and footwear), or mergers, staff shedding and service redesign to reduce expensive human contact (banking), although there are signs of this in ideas such as the development of call centres as a substitute for a visit to a doctor and the economies available from 'one stop' arrangements. Modernisation, then, does not imply the simple substitution of 'management' for 'administration' and certainly not the substitution of 'modern management' which now has a very old-fashioned ring to it, bringing up images of factories and stopwatches rather than web pages and call centres.

'Modernisation' involves adopting later fashions in management, while not rejecting those aspects of the previous periods of change that the new government approved of. It is not about designing a new set of

clothes, rather sewing new patches over the old ones and in some cases fixing problems caused by the old solutions. For managers, this may be confusing and perhaps contradictory. Managers are to be asked to take risks and innovate while delivering a large number of performance targets and processes, both of which are subject to detailed audit and scrutiny. They are to be asked to consult widely and in detail and still to follow central directions. Staff are to be committed and devoted while having their reason for delivering the service frequently scrutinised as part of the Comprehensive Spending Review. There is nothing novel about managers being expected to do contradictory things; indeed there are commentators who argue that all management is about handling and either resolving or living with contradictions. Nor is there necessarily anything new about 'modernisation'. As Tony Blair wrote a year before the election in *New Britain-My Vision of a Young Country*: ",modernisation" is in reality, therefore, an application of enduring, lasting principles to a new generation.' A long time passed between that book and the White Paper but the spirit is that we should not expect 'modernisation' to be based on previously untried principles nor a philosophy that rejects the past.

The proposals

Modernising Government proclaims three aims and five 'key commitments' (pp. 6-7). The three aims are: 'Ensuring that policy-making is more joined-up and strategic; Making sure that public service users, not providers, are the focus, by matching services more closely to people's lives; Delivering public services that are high quality and efficient.' 'Joined-up' is a theme that recurs in this and other sets of proposals. It applies at the level of policy-making, where different policies that have an effect on a single result should be made in a holistic way, and at the level of management, where budgets and other resources of different departments and even agencies should be combined to deliver related services. 'Strategic' refers to both policies and management having a longer-term focus, rather than being short-term responses to immediate issues. The other two aims are not novel but represent a continuation of service redesign and the search for efficiency and quality.

The five key commitments are: 'Policy-making: we will be forward looking in developing policies to deliver outcomes that matter, not simply reacting to short-term pressures; Responsive public services: we will deliver public services to meet the needs of citizens, not the convenience of service providers; Quality public services: we will deliver efficient, high quality public services and will not tolerate mediocrity; Information age government: we will use new technology to meet the needs of citizens and business, and not trail behind technological developments; Public service: we will value public service, not denigrate it. 1

The White Paper has a chapter on each of these commitments, setting



out the details of the proposals. Some of the items in the list are novel, such as the idea of a national focus group or 'People's Panel' of 5,000 people who will be asked for their views about public services, more use of telephone access for services (NHS Direct and Employment Service Direct) and the establishment of new institutions, such as the Centre for Management and Policy Studies. Since the White Paper was delayed, many of these novelties were being implemented by the time it was published. Other items are a continuation of previous policies, such as resource accounting and budgeting, an eclectic approach to service quality initiatives and the three-year indicative budgets. In between there are policies that are slightly modified from previous practice, such as rebranding the Citizen's Charter as Service First and changing the procedure for accreditation, a more pragmatic approach to out-sourcing, and the adoption of Public Service Agreements as definitions of service standards.

The question posed in what follows is: what does Modernising Government and related measures tell us about the direction of management and policy-making while New Labour is in government? It is clear that not everything changes with a change of ruling party, even when nearly two decades in opposition gave ample time for the preparation of blueprints. The fact is that the party in opposition did not give very detailed attention to the way that public services are managed and it did not develop manifesto commitments to change the institutions or processes that the Conservative governments had put in place. Given that many of the Conservative changes represented a fairly radical view of how public servants should be treated and of the role and function of government, this may seem surprising. However, the policy approach in the later years of opposition and during the election was pragmatic and New Labour was careful not to jettison policies that seemed to have worked.

To answer the question, I will use the framework in the last chapter of my book on the public management approach adopted by the Major government, building on the initiatives of the Thatcher years.<sup>2</sup> There, a series of options were set out about the way in which future governments might manage the public services. Since Modernising Government was published less than two years after the change of party control, it is probably too early to make a definitive assessment. During the Thatcher governments it took a while for an approach to emerge even though those governments were driven by a relatively coherent neo-liberal ideology that informed its approach to public services. The New Labour government is less driven by a set of ideas that would produce a single, coherent approach to organisation and management. In fact, it is proud of its pragmatism; answering the question whether to use direct public provision of services or to contract with the private or voluntary sectors, the White Paper says: 'What matters is what works ... the government should use the best supplier whether public,

private or voluntary sector' (p. 40). This pragmatism is based on an eclectic choice of political principles 3 including elements from neoliberalism, communitarianism and social democracy. The approach to management cannot therefore be analytically reduced to a set of ideological or political principles as it could, at least partly, with previous governments.

#### Expenditure

Conservative governments had tried, with some success, to limit the growth of public spending. The 1996-97 departmental spending plans represented a 1.0% cut in real terms, which was followed by a planned cut of 2.1%. New Labour inherited these plans that reflected a desire to cut spending as a proportion of Gross Domestic Product. For later years, however, growth was proposed both in real terms departmental spending and in public spending as a per cent of GDR While some of the growth was the result of the inexorable increase in demand-driven spending on social security benefits, much of the rest of the growth was planned to meet manifesto commitments to improve services in education and health. Selections of the expenditure plans are shown in Table 1.

#### 1. Public Expenditure 1996 97 to 200102 (£ billion)

	Real Terms Departmental Expenditure GDP	Real Terms Education	Real Terms Health	Cash	Aggregate as SS benefits	% of
1995-96	167.8	37.6	34.8	86.1	42.7	
% change		~1.0	-0.8	-0.3	4.3	-3.7
1996-97	166.2	37.3	34.7	89.8	41.1	
% change		~2.1	-2.9	1.7	1.4	-3.6
1997-98	162.7	36.2	35.3	91.1	39.6	
% change		0.8	2.5	2.3	4.8	0.8
1998-99	164.0	37.1	36.1	95.5	39.9	
% change		3.5	5.1	5.5	5.2	0.3
1999-2000	169.7	39.0	38.1	100.5	40.0	
% change		3.5	5.9	4.7	2.5	1.0
2000-01	175.6	41.3	39.9	103.0	40.4	
% change		2.8	4.4	4.0	5.7	0.5
2001-02	180.5	43.1	41.5	108.9	40.6	

Source: Comprehensive Spending Review 1999

These spending plans do not represent what some commentators define as 'old Labour' attitudes to taxation and government spending. Nor do they follow previous governments' avowed intention to cut spending either absolutely or as a percentage of GDP which, as we know, varies more because of changes in GDP than because of changes in spending. The plans in the table show a one per cent point increase in the ratio from 1997-98 to 2001-02, to 40.6%, which was exactly the level in the year before the 1992 election and is lower than the average ratio since 1979. The plans represent a willingness to restore the pre-election cuts of the last government, to finance manifesto commitments while

maintaining a conservative fiscal stance. Part of the fiscal inheritance was a history of privatisation proceeds, normally accounted for as negative expenditure, that helped to balance the public expenditure account throughout the period of Conservative rule. Replacing such proceeds with tax revenues would not be politically popular, so the quest for privatisation (now shorn of its adversarial political character) continues. The Private Finance Initiative is in the same category. The PFI is a scheme in which instead of borrowing money for capital investment in buildings and facilities, the government leases them from companies that have themselves borrowed. The ownership of the assets remains with the company which makes a risk-free profit from the lease and eventually from the reversion of the asset. Originally started as a way of keeping capital expenditure out of the public accounts, it has been embraced by the Blair government as an example of non-adversarial partnership between government and the business sector.

#### Fragmentation

One of the problems that emerged from the managerial changes of the Conservative era was a narrow concentration on departmental targets. Performance management concentrated on unit costs, budgetary prudence and individual performance targets. This was probably effective in increasing productivity (although there were limits to continuous improvements in efficiency) but mitigated against collaboration towards common goals. Examples of the results of the narrow and competitive focus were numerous. Health authorities would discharge patients so that they became social service departments' responsibility. Schools would exclude pupils to improve their Key Stage performance and transfer problem children to someone else's care. Cost-saving closure of mental hospitals caused strain on Care in the Community resources which did not always match the needs created.

The modernisation agenda takes this fragmentation seriously. At central government level, the main solution is to set up special units that include many departments involved in a particular policy, such as social exclusion, women, crime reduction, drugs, small business. Outside central government, the main solution is to foster partnerships among agencies. There is a special fund (Invest to Save Budget or ISB) that has been directed to rewarding projects which involve collaboration among agencies and developing better ways of delivering services. The second round of this fund was announced after the White Paper was published and amounted to £230 million, this time available for local and health authorities as well as central government departments and agencies. There are suggestions that the future may bring pooled budgets, such as those that were painfully created between health and social services authorities, as a more permanent solution to fragmentation.

Essentially, these approaches (apart from pooled budgets) involve

adding the incentives for collaboration to the incentives for departmental or agency performance. This is recognised and the White Paper mentions efforts to devise performance measures and controls that reflect collaboration. The Performance and Innovation Unit was given the job of finding ways of improving incentives and accountability for joined-up government and was to report by the summer 1999. This is essentially an incremental approach, promoting processes of collaboration and cooperation rather than structural changes. Collaboration takes many forms, sometimes statutory, sometimes voluntary. In most cases there are financial incentives to reward collaborative programmes.

The success of a 'joined-up' project implemented in this way will depend on the relative strength of the new incentives and the old pressures towards fragmentation. In the short-term during which extra resources are conditional on collaboration, the prospects are positive. In the longer term, especially if further new money is not forthcoming, all the incentives for budget defensiveness and concentration on efficiency targets are still likely to be in place. During the later years of the Conservative governments there were many schemes that created incentives for collaboration, especially but not exclusively in inner city areas, that generated collaborative bids and actions through enthusiasm as well as extra work and energy from those engaged in the collaboration while continuing to do their 'day jobs'. Permanent 'joined-up' working requires collaboration to be part of the daily work rather than additional to it, and requires permanent incentives and signals that collaboration around shared objectives is more important than isolation and fragmented performance management.

#### Centralisation-decentralisation

Conservative governments decentralised operational control and accountability to many institutions, such as schools and hospitals, while centralising many aspects of their management. Local authorities had most of their local revenue sources removed, their budgets capped and many aspects of their work subjected to detailed regulation and monitoring. Similarly, the quasi-market established in the NHS made managers subject to a steadily increasing flow of instructions and directives from the Executive through its regional structures. Government departments and agencies were apparently given more 'freedom to manage' but were subject to detailed controls about staffing levels, pay systems, performance targets and investment decisions.

New Labour's main contribution to decentralisation has been the constitutional arrangements for Northern Ireland, Scotland and Wales devolving some decisions about public services and taxation. Plans have also been made to establish a Mayor of London and some coordinating powers for a new London administration. Apart from these measures, to what extent has the government reversed the Conservative trend of 'nationalising' Britain? Some gestures towards local government, such

as abolishing the 'cap' on local authority spending and the compulsory element of competitive tendering seem to represent a tendency towards decentralisation. Even in these policies, however, there are reserve powers to cap and a set of central controls over 'Best Value' that keep a central eye on what local authorities are doing.

Two main instruments are used to maintain the focus on and control over what local authorities and other local institutions such as schools and colleges are doing. One is the process of naming and shaming failures that was started under the Conservatives. Adverse reports by auditors or inspectors can bring about a loss of local autonomy, and the power of central government swings into action. Failing Colleges of Further Education, for example, can have their governing bodies replaced, recovery plans demanded, extra audits set up and the qualifications of their Principals examined. Sometimes, as in the case of Bilston College, the board resign before they are pushed, but the reserve powers of the minister are very clear. At the other end of the performance table, colleges can be picked out and named as 'beacons' (a curiously pre-modern metaphor) to light the way for those colleges seeking a way out of darkness. Ten colleges have so far been named by Baroness Blackstone, the Minister of Education, to share their good practices with the others. These two extremes, as well as the use of the term 'beacon', are also used in the case of local authorities and of their education departments. Beacons are allowed extra freedoms and some extra cash while the failures are replaced or have their powers removed. The London Borough of Hackney was the first education authority to have the management consultants sent in to deal with their failure and grudgingly welcomed KPMG to assess and modernise its practices. Neighbouring Islington volunteered for similar treatment.

This process of shaming and praising requires a strengthened system of audit and inspection. The older methods of inspection were mainly concerned to establish minimum levels of compliance with financial and professional procedures. The new regime requires the exercise of judgement not just of conformity but also of failure and excellence. Auditors have for a long time been required to measure performance as well as assess probity and are now being asked to make judgements on management processes and the competence of staff. This growth of judgement by teams of inspectors strengthens the hand of ministers who may want to use their powers over individual establishments such as schools or colleges. The current government has retained and to some degree strengthened the reserve powers of central government over service providers. Whether the process succeeds in raising standards depends on the capacity of inspection and audit to carry out their expanded roles and on the skills and competence of those sent in to replace the failures. It also depends on the capacity to assess and then spread the good work of the beacons to the average performers.

#### Time horizon

The Public Expenditure Survey had a three-year plan under the Conservative governments although detailed plans were revised annually. The incoming government has made three-year spending plans that are said to give departments and other people who spend public money a more predictable financial framework to work in. The approach to policy is said to be more strategic, rather than a series of responses to short-term pressures, which will be achieved by the outcome-focus of policymaking as well as a longer-term view.

#### Policy and management

One of the features of the Conservative reforms was the separation of policy-making from service delivery. The division of the NHS into service providers, whether hospital trusts or community health trusts on the one hand, and purchasers in health authorities or GP fundholders on the other, was an attempt to allow service providers to concentrate on management and leave policy-making to others. Similar thoughts were behind the setting up of Executive Agencies in the civil service and purchasers and providers in social services. These structural changes were partly made to establish markets and partly to separate policymaking from management. While these structural arrangements have not been changed, the processes under which they operate in the NHS have been changed and there is a promise that a joined-up approach will avoid the problems of division between policy-making and implementation. The White Paper even proposes joint training in policymaking for politicians and civil servants, a proposal which was treated with derision by the Conservative opposition in Parliament.

These proposals are part of a recognition of the shortcomings of the stark separation between policy-making and service delivery. Practice had always recognised the connection, for example in the job descriptions of the heads of agencies which included offering policy advice to ministers and in the way in which health service contracts were drafted in joint procedures by health authorities and NHS trusts.

#### Evaluation and pragmatism

There were times when the Conservative governments derived policies deductively from principles, whether about markets or family values or human motivation, rather than from evidence about which policies might be more effective. A belief in the value of competition led to market solutions wherever possible, ideas about discipline and punishmerit informed attitudes towards the criminal justice system, and convictions about attitudes to work informed benefits policy. While some civil servants were able to continue their work on policy evaluation, they were frequently ignored and results were sometimes hidden from public view.

Modernising Government proclaims that the government's pragmatism is so deeply held that it will implement any solution that seems to work. This makes it difficult to predict government policy. Sometimes policy seems to be authoritarian, such as the discussions about youth curfews begun by Jack Straw, the Home Secretary, sometimes neoliberal, such as the proposals to privatise Air Traffic Control or the successful and profitable Tote; while sometimes policy seems to echo practice in the USA, such as the treatment of underperforming schools and the continuation of the programme of private prison building.

Finding solutions that work requires both experiment and evaluation. One difference between New Labour and previous governments is that experiments that are believed to be successful are quickly adopted as policy. In the past, experiments were often used as an alternative to action that had to wait until the pilots had been completed, by which time another set of problems would be higher on the political agenda. Experiments such as Total Purchasing in the NHS or Education Action Zones resulted in policy changes rather than calls for further experiment. Of course, no politicians base decisions purely on the results of evaluations and a belief in pragmatism enables a broad church of prejudices to coexist in the Cabinet, but the emphasis has shifted towards an evaluative stance.

Perhaps more radical is the indication that future spending rounds will contain an emphasis on funding outcomes. One of the diagnoses of the problems of central government is that, despite the development of performance measures, framework agreements and the rest of the complex relationship between departments and Agencies, the focus is still too much on inputs and not enough on outcomes. Speaking at the Industry Forum about the White Paper, Jack Cunningham, Minister for the Cabinet Office, said: 'The next public spending round will be an important milestone, providing the opportunity to promote the Modernising Government agenda and identify more cross-cutting outcome-based objectives for government and a more outcome-based spending round.'

This is a strong commitment to a process that others have found fraught with problems. Even the very radical reforms initiated by the New Zealand Labour government stopped short of outcome-based funding, finding output-based budgeting technically easier and more comprehensible. The problem with outcome-based planning is twofold. It is difficult to isolate the impact of policy from the impact of other variables. This is seen most clearly in the debates over school performance, where the impact of the pupils' social background and other learning experiences cannot be ignored when schools are compared. It is also often difficult to determine and measure outcomes to everybody's satisfaction. The search for the Holy Grail of the impact of health intervention has produced useful ideas such as the health status targets for health authorities, but nobody has yet claimed that budgets could

or should be allocated on the basis of them. The problem is likely to be most acute in those areas in which the government is looking for joined-up policies and joined-up action. By definition, those problems with multiple causes and multi-part solutions will present difficulties of identifying cause and effect. Changes in the state of the target group (whether under-4s, drug users, elderly poor people) will be measurable, but attributing those changes to joined-up policies will presumably be just as difficult as attributing effects to single policies.

The Swedish government has had a long experiment with budgets based on results agreed between ministries and agencies. The budget process is an iterative one, passing between the two sides several times before agreement is reached. The process is very similar to that proposed by Dr Cunningham, both in its emphasis on results and its three-year planning horizon. Recent work has shown that the sticking point is the specification of outcomes: 'Lack of management capacity [of ministries] has been a source of problems in the new accountability for results regime as the ministries have not been in a position to effectively specify the results expected of agencies, or to effectively monitor the performance of agencies, as the new accountability regime calls for. This is clearly an area where reforms are needed.'<sup>4</sup> The managerial implications of this technical difficulty are far-reaching. The Swedish budget system design recognised that people working in the agencies are an important source of knowledge about the impact of policy, and the iterative system was designed with that in mind. If the policy people in ministries cannot have sufficient grasp of the impact of agencies' work to specify and monitor it, the relationships between policy-makers and implementers (or 'purchasers' and 'providers') are turned upside down: the implementers dictate to the policy-makers what is best. In theory, outcome-based budgets informed by impact evaluations solve this problem and put power back in the hands of the policy-makers and ultimately politicians. The Swedish example hints that this might be technically difficult even after a long period of experiment. The New Zealand example suggest that politicians might be content to 'purchase' outputs from their civil servants and professions since this gives them sufficient control.

It remains to be seen whether the UK budget process will switch from being input based but informed by a large array of performance measures, some of which are measures of outcome, to an outcomebased system. It is very unlikely that the Treasury or auditors will lose interest in the unit costs of inputs and outputs and base their plans and control purely on the cost of results. What is more likely is the incremental development of outcome measures to be added to the cash limits and efficiency measures already in place.

### Managing people

While the Conservative governments believed in a flexible labour market and disliked the idea of 'jobs-for life' for civil servants, permanent employment remained the norm in most of the civil service at working levels. Flexibility included arbitrary percentage staff cuts were made in managerial and policy jobs towards the end of the Major period. Shortterm contracts for agency chiefs and some of their immediate subordinates were thought to give the government more leverage over their performance, especially when combined with performance bonuses. At the same time, the value of an impartial civil service, not beholden to political bosses, was publicly pronounced by the government and the then head of the home civil service. The title of the White Paper of 1994, *Continuity and Change* sums up some of the ambiguity. There had been changes in pay systems, designed to improve productivity. The last five years of the Conservative governments did not produce very impressive results. While out-sourcing reduced civil service employee numbers by 4% (in addition to the 40,000 reduction in defence staff), running costs (excluding defence) were cut by only 0.1% in real terms between 1991 and 1996.<sup>1</sup>

Modernising Government is eclectic on the way in which people should be managed, as on other issues. It sets out a series of policies that would make recruitment and internal transfers more open and flexible because it diagnoses that too narrow a range of people are recruited. It proposes to make recruitment more diverse by making employment practices more family-friendly and by advertising more widely. It also proposes to make pay more flexible to make it easier to recruit in occupations where there is high demand. This policy has already been applied to the 66 special advisers appointed by the government at an average salary of £56,000 and ranging to £106,057 for the special adviser on drugs. It also advocates both performance related pay and non-pay incentives for better performance. In general, the government is in favour of performance related pay even in areas such as teaching where performance of individuals is notoriously difficult to measure objectively. On the question of overall pay levels, these have generally been held down to the level of inflation and the Prime Minister has started to make speeches suggesting that the annual pay round is old fashioned and should be modernised away. Pay increases will in future be linked to agreements on flexibility and changing the idea of everybody getting the same pay or the same increase in pay, or that there should be national conditions, all of which are defined as 'outdated systems' (p. 58). Thinking on the link between pay and performance is a continuation of Conservative policy: 'A person's pay should reflect their output, results and performance.' There is dissatisfaction with the way that the civil service has used its personnel flexibility to introduce performance related pay and a prom

ise of more imaginative ways of rewarding both team and group performance.

There are several proposals to improve training and staff development. All civil service organisations will have applied for Investors in People registration by the year 2000, the Civil Service College is being rebranded as part of the Centre for Management and Policy Studies, and the government is establishing a Central Government National Training Organisation and a National College for School Leadership. In addition there are targets for the recruitment of women and ethnic minorities to public employment and to service on quangos.

There have been signs of discontent among parts of the public sector workforce, even including a rare one-day strike by university staff. Performance pay for teachers has been delayed until a final deadline in 2002 mainly because of resistance by teachers. There have been sporadic protests by other workers, including the Fire Brigade Union, over pay. Nurses were given a 4.7% pay rise and 12% for newly qualified nurses, and doctors were awarded 3.5%, in both cases professions in which the government has proclaimed that there are recruitment problems.

If there is a general pattern to policy towards employment in the public sector, it includes a commitment to a flexible labour market with pay and pay rises reflecting market conditions both for skills and localities; pay systems should be flexible, locally managed where possible, and should enforce a link between pay and performance; recruitment should be wider and the workforce in the public sector should become more diverse. These features reflect the government's definition of 'modern' employment practices. Deemed 'old fashioned' are national pay scales and annual national agreements, progression through seniority up national scales, and pay for position rather than performance. Whether modernisation will be successful in this area will depend on the same factors as affected previous governments: the relative power of those unions and professional bodies that do not like the new approach and the willingness and ability of managers to implement local pay systems that require them to take responsibility for every individual's rewards rather than relying on a more automatic and anonymous system of rewards.

#### Markets, choice and rationing

Belief in the superiority of markets was one of the main principles informing the Conservative government. Where real markets were politically impossible, such as in health care or education, rules and processes were established to emulate the market. Parents were given some measure of choice of school, for example, so that schools should compete for pupils. A very elaborate system of contracts between hospitals and health authorities and GPs was established in a system which looked a little like a market. Contracting out and market testing

was applied in health, local government and central government to establish market prices for a range of services. Full privatisation and the transfer of businesses and services to the market with private ownership was the preferred option where technically and politically feasible.

Part of the process of modernising the Labour Party was the symbolic debate about and eventual abandonment of Clause Four of the party's constitution, setting out its belief in public ownership. The modernisers argued that public ownership was a historical relic of no relevance to modern Britain. Once in power, the government had no intention of renationalising those industries that the Conservatives had sold. Once the principle of public ownership had been abandoned for service industries such as electricity, water and the railways, there is no longer a compelling argument for public ownership of anything else. The action taken by the Secretary of State for Education in sending management consultants to take over the management of the education department of the London Borough of Hackney is symbolic of the agnosticism about the preference for public or private. A more radical proposal in education, to hand the management schools over to private companies (but not the ownership) if the schools are named as 'failing', has happened in one school already on the initiative of its Education Authority and may become government policy. Edison Projects, a company that runs 50 schools for profit in the US, does not think that the UK government is yet ready for such a step but it could be soon.

Use of private contractors to provide services, as opposed to managing institutions, is still central to government policy. While the legislation that made competitive tendering compulsory for local authorities has been repealed, its replacement, known as 'Best Value', requires authorities to demonstrate that their choice of supplier provides best value including price and quality. Inspection and audit are in place to make sure that this is done. In central government, the Comprehensive Spending Review process requires departments to ask questions about whether a service is necessary and, if so, who is the best supplier of it. This is almost exactly the same as the 'Prior Options' process during the Major government that asked the same questions. While compulsion to compete has apparently been dropped and the language of 'partnership' and 'trust' has been introduced, the policy remains the same: if the private sector can provide a service better and/or cheaper then that option should be followed. The presumption in favour of public employment has been dropped with the abandonment of the belief in public ownership.

The attitude to the market is pragmatic. It recognises that competition has not always produced cost savings and quality improvements but also that benchmarking against alternative suppliers provides a spur for cost reduction and quality improvement. This pragmatism has not led the government to go further in the experiments of individual choice of

services or service providers, especially in the main services of health and education. While previous changes had enabled some choices to be made, they were mainly mediated by professionals. GPs continued to refer to hospitals, schools chose pupils as well as parents choosing schools, social workers defined care choices. While individualism and choice are a part of the ideology of New Labour, extension of these choices has not been a prominent part of the modernisation agenda.

#### Respect

What supports the various changes in the way public services are run is the attitude of the government towards public services and the people who work in them. There was ample evidence that previous governments preferred business to public service and tried to reduce public support for people who worked in the public sector. Modernising Government proclaims that such denigration is now stopped and that the government will value public service. Such a move does not imply a return to an era in which services were designed and controlled by professionals. The previous attempts to wrest controls from professionals had two elements. The introduction of markets exposed costs of services to scrutiny. The establishment of a variety of management structures and processes, including performance measures and their associated inspections and audits, reduced the autonomy of professionals. 'Denigration' consisted of the blame and lack of respect that went alongside these two important ways of reducing professional status and power. While the blame may have been stopped, the institutions and processes that control professions are still in place.

#### Conclusions

The Modernising Government agenda is very ambitious. It addresses a wide range of issues, from use of information and communication technology to make dealings with government easier to changes in the processes of policy-making. While the language used and the presentation style tempt the reader to think that the proposals are driven by the need to make a positive impact, it addresses fundamental issues of policy-making and public management. The agenda is not restricted to the civil service, and other sets of policies have proposed modernising or at least changing the whole range of public services, including health, education, social services, local government and the criminal justice system. It is not as easy to 'read off' the New Labour government's proposals from a political ideology as it was from quite soon after the beginning of the Thatcher governments two decades ago.

The ideology of New Labour is eclectic and pragmatic but within a narrow range. Certain policies and approaches are excluded without discussion. For example, there is hardly any discussion of restoring the state pension by indexing it to earnings rather than prices, making it more than a shrinking residual part in this important element of social

policy. Nor is there any discussion of taking back into public ownership those services that were privatised by the previous governments. Other policies that look practical and pragmatic now would have seemed ideological a decade ago and would be described as such now in the rest of Europe, such as continuing the programme of private prison building or forcing education authorities to accept management consultants to run them.

One reading of the modernisation agenda is that it represents a single shift from old-fashioned practice to modern practice. We have seen that many aspects of the changes represent incremental developments from previous 'reforms'. For the future, there is a variety of institutional arrangements to promote further changes, for example the Public Service Productivity Panel, established to share private and public sector experience of efficiency improvements. The tone of Modernising Government is that innovative solutions should be encouraged and that not all of them have yet been worked out. The eclectic approach to modernisation will no doubt generate more novel solutions as well as continuing with many of the old ones.

1 Modernising Government, presented to Parliament by the Prime Minister and the Minister for the Cabinet Office, Cm. 4310, The Stationery Office; or currently <http://lwsvw.cabinet-office.gov.uk/moderngov/1999/whitepaper>.

2N. Flynn, *Public Sector Management*, (Harvester-Wheatsheaf, 1997), ch. 13.

3 For an analysis of the many strands of ideology, see M. Freeden, 'The Ideology of New Labour', *Political Quarterly*, Jan/March 1999.

4J. Blondal, *Budgeting in Sweden*, OECD Working Papers, Vol. VI, No. 47, 1998.

5Public Sector Management, p. 217.