

The Meaning of Modernisation: New Labour and Public Sector Reform

1. Introduction

If there is a dominant motif in Labour's approach to the conduct of domestic policy, it is 'modernisation' – and its synonym, 'reform'. No set of institutions were more frequently and in a more thorough-going and sustained manner the object of modernisation than the public services.¹ 'The reform of our public services', John Reid declared, 'is the crucible in which the future shape of the progressive centre-left politics is being forged (Reid, 2005) It was, the Prime Minister's Strategy Unit announced, 'central to the achievement of the Government's objectives of greater social justice and a higher quality of life for everyone' (PMSU, 2006: 13). Under the Blair Government, Michael Barber former head of the PM's Delivery Unit proudly declared, the UK had emerged 'as the most significant laboratory of learning at the cutting edge of public service reform anywhere in the world.' Indeed 'elsewhere in the world Blair's approach is viewed with a mixture of admiration and awe' (Barber, 2007: 333). For those who wondered, former No. 10 advisor Peter Hyman advised where 'the [New Labour] "project" is heading, the renewal of public services provides the answer' (Hyman, 2005: 170).

But what does 'modernisation' – or reform – actually mean? This has been the subject of intense debate and controversy. For the Government it was all about ensuring 'that everyone has access to public services that are efficient, effective, excellent, equitable and empowering – and that continually strive to cater to the needs of all citizens' (PMSU, 2006: 13). From this perspective modernisation was the use of innovative methods to realise traditional values and goals: we can call this social democratic renewal. For left-wing critics, in contrast, modernisation was, in practice, about marketisation (or commodification). For one commentator the 'Blairite mantra of "modernization"' was 'a slogan for actively dismantling the welfare state while facilitating the introduction of a new market-state under the dominance of private monopoly capital' (Ainley, 2004: 508). For another, 'what "reform" now means' was 'marketisation and privatisation, whether frontally or incrementally introduced' (Hall, 2003: 22).

Any programme of change is inevitably complex and multi-faceted and cannot (or can only rarely reduce) to a single ideological theme. This was particularly true of the host of legislative and other initiatives effecting the public services set in motion during the decade-long Blair Government. This chapter will, however, argue that an underlying pattern in Labour's approach to the public services (more specifically, secondary education and healthcare, the topics on which this chapter will concentrate) can be uncovered. This will be called 'New Labour Managerialism', a policy project with four interlinked constituent elements, tight performance management, choice, competition and diversity of supply

The chapter will proceed in the following way. Firstly, it briefly outlines the traditional Labour approach to the public services, labelled the 'professional model' and the objections lodged to it by New Labour. Secondly, it explores the main contours of the Blair Government's alternative model, 'New Labour Managerialism.' The third and longest section considers the extent to which this new approach has succeeded in promoting its key objective of higher quality, more equitably delivered services in the two central policy sectors of secondary education and healthcare. This is followed by a brief conclusion.

¹ For reasons of space this chapter focuses on the two public services where reform was most controversial within the Labour party, healthcare and education.

2. The New Labour Challenge to the Professional Model

Underpinning any strategy for organising the delivery of public services is a set of 'institutionalised domain assumption' (Ranson and Stewart, 1994: 42) about how the public services should be organised and operate, how their goals can be most effectively promoted and how those who work within it can best be motivated. These assumptions vary in a patterned way. Thus (drawing here loosely upon Rothstein) one can identify two models or ideal types of organisational functioning. The first, the professional model, places emphasis on the performance-enhancing effect of a professional code, shared norms, trusting relationships and firm habits of co-operation amongst organisational member. The second – which we call the managerial model – views organisations as incentive systems which respond most effectively to competitive pressures and to performance-related pecuniary rewards (Rothstein, 1998: 87).

The former – the professional model – represented the standard social democratic approach to public services and has heavily influenced Labour's thinking throughout its history. Indeed a general confidence in 'professional expertise and standards reinforced by the orderly controls of rational bureaucracy were', underpinned 'the social democratic state' (Ranson and Stewart, 1994: 11). Professionalism was understood as behaviour regulated by a professional code of conduct which specified the proper ends of the profession and committed its members to deliver services according to needs in an impartial and equitable manner (Perkin, 1989: xiii, 17). Married, in publicly-owned and run institutions, with a strong spirit of public service, this code came to be dubbed 'the public service ethos', a concept which deeply permeated Labour thinking 'about the motivation, character and moral importance of the public sector within the political community' (Plant, 2003: 561). Broadly-speaking, professional could be relied upon to use the considerable discretion bestowed upon them to do their utmost for those they served, 'trusted to deliver quality services in an efficient, responsive, accountable and equitable fashion' (Le Grand, 2007: 18.).

Professionalism, though, has always had two aspects: on the one hand, the normative, that is expert provision of services regulated by professional standards and ethics and, on the other, the strategic, that is a form of occupational regulation used to advance the interests and institutional standards of professional members by controlling the market for their services (Sullivan, 2000: 673-4). In this latter aspect, professionalism, legitimated by the claim to the possession of 'a distinctive - and valuable - sort of expertise' operates as a 'basis for acquiring organisational and social power' (Clarke, Gewitz and McLaughlin, 2000: 8).

Policy experts (as well as, of course, seasoned and hard-nosed Labour politicians) working for Labour governments in the 1960s and 1970s were not unaware of this, and of the all too real gap between the public sector ethos as prescriptive code and the actual conduct of those employed within the public sector. For example Richard Titmuss (an advisor to the 1964-70 Labour government) expressed anxiety that as the social services became 'more complex, more specialized and subject to a finer division of labour' the role of professionals would grow and 'collectively, more power may come to reside in the hands of these interests' (quoted in Perkin, 1986: 14). Similarly Brian Abel-Smith (close associate of Titmuss) mulling over his experiences as a ministerial advisor lamented that within the NHS 'the crucial power still rests with the key professionals both individually and collectively' (Abel-Smith, 1984: 180). However – and this was the crucial point – whatever these problems it was taken more or less as axiomatic in Labour circles, that *compared to those working in the profit-oriented market sector*, public sector professionals would be *more* likely to be public-spirited, animated by a *firmer* sense of the common good and *more* guided in their work by professional norms (Plant, 2003). In short, it was supposed that those who worked within the public sector (in a professional capacity, like teachers, doctors and nurses) did have a strong sense of the public interest and were 'motivated,

at least in part, and for some of the time, by a sense of service and of civic duty' (Marquand, 2004: 91).

But what if these assumptions - of professional disinterestedness, of altruism - were incorrect? What if public sector professionals were, in fact, inspired by not dissimilar propulsions than their private sector counterparts? What if, in effect, professionalism was - in part at least - a device for legitimating the entrenchment of producer interests? For a variety of reasons (including their reading of the lessons of the 1974-1979 Labour government) the cohort of politicians - initially known as the 'modernisers' and subsequently as 'New Labour' - who reached prominence in the 1990s increasingly came to question established party verities. They came to believe that, in the past, Labour had held (in the words of a leading academic sympathiser) distinctly "dewy-eyed" visions of the state and public services' (Stoker, 2007: 35). Doubts about the validity of the professional model took the form of two interlinked propositions. The first was a waning confidence 'in the reliability of the public sector ethos as a motivational drive and a growing conviction that self-interest was the principal force motivating those involved in public services' (PMSU, 2006: 59). The second was encapsulated in Milburn's declaration that 'the inevitable consequence' of any monopoly, public as well as private, 'was unresponsiveness, even indifference to user need' (Milburn, 2007: 10). Each of these will be briefly discussed.

Professionalism and the public service ethos as motivational drives. In a reversal of conventional Labour thinking there was a growing reluctance to view public sector employees as notably more altruistic than their colleagues in private firms. Indeed the concept of the public service ethos although often lauded for rhetorical purposes, was increasingly viewed with a sceptical eye. Ministerial experience, in particular, of negotiations with shrewd and tough-minded representatives of bodies such as the BMA and the Royal Colleges helped them acquire (as one government insider recalled) 'an extremely jaundiced view of the medical profession' (interview with a former Government advisor, 2006). Traditional Labour faith in professionalism had been misplaced. In a system of what Blair called 'professional domination of service provision' professionals had acquired too much power 'to define not just the way services were delivered but also the standards to which they were delivered'. The result was too often a poor standard of service which left service-users 'disempowered and demoralised'. (Blair, 2004). In the private sector the need to capture custom in highly competitive markets ensured a broad alignment between the self-interest of the producer of the needs of the consumer. No such restraints operated in the public sector - with the result that, too often, services were geared more to 'the interests of its providers than in those of its users' (Le Grand, 2007: 19). Reflecting upon his extensive governmental experience, Charles Clarke commented that professional associations had too often 'focused upon defence of their own short-term interests despite obvious consumer concerns.' Far from rising to the manifold challenges facing the public services 'Innovation and initiative have been rare and defensiveness and introversion are too often the norm' (Clarke, 2007: 134) with (Clarke, 2007: 131). In the barbed words of one former Downing Street aide, despite much talk of the public service ethos, 'there was not much sense of service to the public' (interview, Geoff Mulgan).

The problem of monopoly. The professional ethic 'encodes an implicit bargain between professionals and the wider society' in which 'controls over entry are exchanged by a commitment to abuse their monopoly position' (Marquand, 2004: 55). Leading policy-makers in the Blair Government became convinced that the bargain was not being respected. Many of the serious weaknesses from which the public services suffered - inefficiency, unresponsiveness, slowness to innovate, and inequity - stemmed (as a former No.10 health policy advisor put it) less from want of

cash than from the endemic flaw of monopoly provision (Le Grand, 2006: 4-5). Central to mainstream social democratic thinking has been the concept of market failure – the inability of market to meet social needs and distribute resources and life-chances in an equitable manner. This remains an influential strand in New Labour thinking but it has been coupled with an equally strong accent on *public sector failure*, more specifically the absence of any embedded mechanisms for the enhancement of organisational performance. Without the spur of competition and consumer pressure, public organisations tended to succumb to bureaucratic inertia, a wasteful use of resources, rent-seeking behaviour, weak management and organisational arrangements designed to procure a more comfortable and rewarding life for public servants rather than for those they served (Strategy Unit, 2006: 50). In short, by its nature, there were limits to the degree to which any sustained improvements in quality, efficiency and responsiveness could be achieved whilst a system of monopoly provision of public services continued.

3. New Labour Managerialism

How could these problems be resolved? In formulating their response, Blair Government policy-makers were heavily influenced by thinking associated with so-called 'New Public Management'(NPM). A definitive NPM tract was Osborne and Gaebler's celebrated text on 'entrepreneurial governance'. (Osborne and Gaebler, 1992). This work strongly criticised (in language which was to constantly recur in Blair Government pronouncements) the old-style 'bureaucratic model' of public services which 'delivered the basic, no-frills, one-size-fits-all services' (Osborne and Gaebler 1992: 14). It accepted that the state remained a crucial agency for the pursuit of public goals but could only do so if it was radically reshaped – if it learned to be 'entrepreneurial.' The key characteristics of 'entrepreneurial governments' included the following

- # They promote competition between service providers.
- # They empower citizens by pushing control out of the bureaucracy, into the community.
- # They measure the performance of their agencies, focusing not on inputs but on outcomes.
- # They redefine their clients as customers and offer them choices.
- # They prefer market mechanisms to bureaucratic mechanisms (Osborne and Gaebler 1992: 19-20).

All these themes were assimilated into the discourse and the practice of what I shall call New Labour Managerialism (NLM). Like professionalism NLM defined 'a set of expectations, values and beliefs about motivation and effective organizational performance – indeed it represented an avowed challenge to it. Thus 'a central issue in the managerialization of public services has been the concerted effort to displace or subordinate the claims of professionalism' (Clarke, Gewitz and McLaughlin, 2000: 9). NLM, however, should be carefully distinguished from the privatisation/marketisation approach. Thus it was grounded in a strong commitment to a large and vibrant sphere of collective activity where public goods such as healthcare and schooling were provided in an equitable fashion according to need, free at the point of consumption and funded by progressive taxation (PMSU, 2007: 10). But – in a sharp break with traditional Labour thinking - NLM was convinced that the *techniques and norms* of the private sector and, in some cases, the use of commercial providers, should be harnessed to improve the delivery of public services. 'Old discredited dogmas about what should remain in the public sector and how the public sector operates' must, Brown insisted, be swept aside (Brown, 2003).

New Labour Modernisation – by the Government's second term - increasingly came to mean a mixture of four main elements: performance management, choice,

competition and 'diversity' of supply (especially the involvement of commercial firms).² In Blair's summary:

'We must develop an acceptance of more market-oriented incentives with a modern, reinvigorated ethos of public service. We should be far more radical about the role of the state as regulator rather than provider, opening up healthcare for example to a mixed economy under the NHS umbrella.... We should also stimulate new entrants to the schools market' (Blair, July 2003).

The next section outlines the four main prongs of NLM.³

1. Performance Management.

Performance management can be defined as 'a move towards more explicit and measurable (or at least checkable) standards of performance for public sector organizations, in terms of the range, level and content of services to be provided, as against trust in professional standards and expertise across the public sector' (Hood, 1995: 95). The PM's Strategy Unit saw it as composed of four key characteristics:

- 'targets. These set specific ambitions for improvement in public services and provide publicly available performance information allowing comparisons of the performance of different providers' (PMSU, 2006: 22)
- 'regulation. This includes the setting of (national) minimum standards – which specify the quantity, quality and/or type of service providers should offer users;'
- 'performance assessment, under which providers are monitored and inspected and their performance assessed as to whether they are providing an acceptable level and quality of service.'
- 'intervention mechanisms, which are used to tackle failing or under-performing providers' (PMSU, 2006: 34).

Performance management 'was intended to provide a clear and rapid signal that improved outputs and outcomes were expected' from the very substantial additional expenditure being poured into the public services (PMSU, 2006: 22). At the summit of the performance management regime was the Prime Minister's Delivery Unit (PMDU). Headed by Michael Barber, it reported directly to the PM and was charged with monitoring and scrutinising key public service targets in especially important or salient policy areas. (For an extensive discussion, see Barber, 2007). 'By stating the target or goal publicly,' the head of the PM's Delivery Unit explained, 'you create pressure on the system to deliver it and a timetable which drives the urgency' (Barber, 2007: 80). Tough targeting 'played a vital role in galvanising public services to deliver ambitious outcomes, building capacity and providing transparency' (PMSU, 2007: 24). It acted - the argument ran - as a battering ram to overcome entrenched inertia. By the same token, through exposure to the intense glare of publicity, league tables placed pressure upon low achieving providers – schools, hospitals or whatever - to improve their standard of performance. The threat of intervention if adequate remedial measures were not taken would ram home the message that failure was not acceptable (Barber, 2007: 334).

However, it was acknowledged that performance management, especially when implemented through a command-and-control approach, could have detrimental effects. It might 'increase bureaucracy; stifle innovation and de-motivate

² There were other elements too but increasingly these were presented as the key motifs. See e.g. Seldon, 2007: 42-4, 69-72, 109, 114-5,

³ This section draws upon Government documents, interviews conducted with a number of ministers and political advisors and a rapidly-growing literature. For details, see Shaw, 2007

front-line professionals by restricting initiative; and create perverse incentives.’ (PMSU, 2006: 22). Hence in Labour’s second term mechanisms of centralised control abated and the number of detail of targets was curtailed. There was a significant shift towards ‘earned autonomy’ in which control over organisation, management and finance was devolved to ‘good performers’ (PMSU, 2006: 22, 43). Here crucial roles were performed by the three key (and interlinked) elements of the so-called ‘quasi-market’, choice, competition and commercial involvement in supply.

2. Choice.

Labour’s 1945 settlement was (in Tony Blair’s words) ‘largely state-directed and managed, built on a paternalist relationship between state and individual, one of donor and recipient [one in which] personal preferences were a low or non-existent priority’ (Blair, 2002). The outcome was an asymmetrical power relationship in which user needs and preferences were often neglected. There were two available mechanisms to liberate the user – voice and choice. The Government introduced a series of measures to amplify voice, that is the involvement of service users in decisions which affected their lives. But, for a range of reasons (discussed in detail in Le Grand, 2007: 32-36) it was persuaded that to have a substantial impact voice had to be coupled with choice - which soon supplanted it as New Labour’s favoured mechanism for enfranchising the ‘consumer’.

In fact, the extension of choice was designed to achieve multiple policy goals. Giving choice to the consumer meant that the producer had to gear services to what the user wanted. In a New Labour theme that became steadily more insistent, it promoted ‘personalisation’ – that is the tailoring of services to the individual needs and preferences of citizens (PMSU, 2007: 34). And it put the providers under relentless pressure to improve their actions. In short, by allowing users ‘to become more assertive customers’, choice helped ‘to ensure that public services respond more promptly and precisely to their needs’ (PMSU, 2006: 65).

By the beginning of the Blair Government’s second term in office the concept of choice had emerged as a crucial organising principle in its public sector strategy. Thus in education the Government legislated for a diverse range of schools, including faith schools, specialist schools, trust schools and City Academies amongst whom parents were increasingly free to choose. The underlying assumption was that ‘a quasi-market of increasingly differentiated and autonomous schools would... foster competition and improvement of performance, while services would become more accountable when they were made to respond directly to the choices of individual consumers’ (Ranson, 2003: 465). Similarly, in the NHS patients were increasingly offered choice of treatment in a range of hospitals (including private and ever overseas ones). By 2008 it was planned that all patients would be able to choose between any healthcare provider provided the price was reasonable and the quality met NHS standards (Department of Health 2006: Ev 3. For a more detailed discussion, see Shaw, 2007: 100-103).

3. Competition.

On its own however, the Government maintained, ‘the introduction of choice is unlikely to drive dynamic efficiency improvements’ (PMSU, 2006: 66). For choice to work effectively producers must learn to compete for custom. Competition, Le Grand explains, ‘is simply the presence in the public service of a number of providers, each of which, for one reason or another, are motivated to attract users of the particular service’ (Le Grand, 2007: 41). As in the private sector so in the public, only when coupled with competition could choice ‘provide powerful and continuing incentives for service providers to improve efficiency and raise service quality for all’ (PMSU, 2006: 66). In the more competitive environment created by quasi-markets the more inventive, efficient and innovative providers would flourish at the expense of their more

sluggish, less efficient counterparts offering a lower standard of service (Dawson and Dargie, 2002: 36). Faced by loss of market share and shrinking income inferior suppliers would either have to raise their game – or face the consequences. (Le Grand, 2007: 43)

All this required a system in which provider funding was related to demand for services. For this reason a fundamental aspect of the New Labour reform programme was to institute systems by which resource allocation was, at least in part, a function of user demand. In the NHS – to take the best example of this – this took the form of Payment by Results. Under the traditional system of NHS financing through block grants, Tony Blair claimed, ‘there were no financial incentives to treat more patients, nor for hospitals to cut their costs. This meant that the inefficient hospitals would have little incentive to improve... Nor was there any incentive to be efficient’ (Blair, 2006). Under Payment by Results (PbR), introduced in stages from 2002, hospitals were reimbursed for the activity they actually carried out, using a tariff of fixed prices that reflected national average costs. (Maybin, 2007: 1) PbR would reward efficiency since where costs were lower than the tariff, the surplus could be retained by the hospital and reinvested. Further, under the system of uniform prices, an essential element in the PbR package, providers would have to compete on quality rather than price (Maybin, 2007: 4). In education although no reform as such sweeping as PbR was introduced there were a range of measures which ensured that schools with the heaviest demand benefited financially by linking funding settlements to enrolment size.

4. Commercial involvement

There was, the Strategy Unit argued, ‘no point in empowering citizens if their expressed preferences cannot be met’ and this entailed ‘a broad base of suppliers’ (PMSU, 2007: 44). A central tenet of New Labour thinking was that public services did *not* have to be delivered by public organizations. What mattered was that key services (such as schooling and healthcare) should be provided according to need and free at the point of consumption. The question of *who* exactly supplied – whether public, private or voluntary organizations, or some combination of them – should be judged on strictly pragmatic grounds. A distinction was thus made between two functions of the state, as direct provider and as commissioner (and regulator) of services. Rather than insisting on its right to provide all services directly, ‘the enabling state’ should be to ‘help to empower citizens by introducing much greater diversity of service provision – extending the choices available to users and ensuring that the best providers (whether from the public, private or voluntary sector) are used’ (PMSU, 2007a:14).

The increased diversity of providers, the Government insisted, would shake up old-ways of doing things, promote innovative practice, act as a spur to efficiency and foster greater responsiveness. Although much was made of involving the so-called ‘third sector’ – voluntary organisations and charities – in public service delivery the cutting edge of the Government’s approach, and perhaps the single most controversial item in the strategy of public sector reform, was increasing reliance on the private sector. The Office of Public Services Reform was confident that ‘widening the market to create more suppliers of public services’ - greater ‘contestability’ in the jargon – would ‘drive up performance, improve the quality of management and secure more value for money.’ It was vital for productivity growth since, the OPSR noted, ‘in the private sector as much as half of all productivity gains come from new entrants to the market, as opposed to incremental improvements from existing companies’ (OPSR, 2002: 24). All this constituted open defiance of one of Labour’s traditional totems and there was furious opposition, especially from the unions. But Tony Blair was adamant. ‘If we back off from this one,’ he declared defiantly in June 2001, ‘we might as well pack our bags and walk out of this

building now'. 'Part of any reform package' had to be 'partnership with the private or voluntary sector' (quoted in Seldon, 2007: 42, 69).

The most contentious example of this policy was the introduction of private providers into the delivery of NHS healthcare. In 2002 the first wave of so-called 'Independent Sector Treatment Centres' (ISTCs) was commissioned. Under ISTC agreements private providers were contracted to carry out relatively simple, high-volume surgical procedures, initially in the fields of ophthalmics and orthopaedics. The intention was that the private sector would provide up to 15 per cent of all affected procedures by 2008 (Health Select Committee, 2006: 7; Guardian January 26, 2005). Only with the recruitment of fresh and eager entrants, it was argued, could a truly competitive market be created (Department of Health 2006: Ev 2-3; Strategy Unit, 2006: 54). The Government removed any doubts about its enthusiasm for a mixed economy of healthcare when a Health Department White Paper published in January 2006 announced a plan to open up primary care to commercial bidders (Guardian January 31, 2006). A further step was taken when private firms were invited and encouraged to bid to secure contracts for the commissioning of services at primary trust level, thereby performing functions which previously had been discharged solely by public institutions. In education, the introduction of private (and 'third sector') providers proceeded at a tardier pace. The key initiative here was the expansion of the 'City Academy' programme. In return for providing up to 10% of the capital costs, capped at a contribution of £2 million, 'external sponsors' from the business sector, voluntary organisations and other public sector institutions (e.g. universities) were given a considerable say over how a City Academy was run (Shaw, 2007: 68-70).

4. The Impact of New Labour Managerialism

There has been much debate – at times at some emotional tempo - in the Labour party and amongst academic commentators about how effective 'New Labour Managerialism' has been in achieving its ostensible goals. For its harshest critics on the left, it was essentially a programme of marketisation. Thus in healthcare (the charge ran) the NHS was being 'dismantled and privatised...and commodified. The institutions that made the NHS strong, economical and popular are being dissolved...In their place are market mechanisms: invoicing, customers, segmented risk pools, legal contracts, and a myriad of competing suppliers' (Pollock, 2004: 1, 214, 215). In education, similarly, increasingly 'everything was for sale' with the displacement of use values by exchange values and the increasing intrusion of consumer culture (Ball, 2004). For more sympathetic voices, in contrast, talk of privatisation was 'nonsense'. The reforms were 'in the means, not the aims: market dynamics are to be harnessed in the service of equity and social solidarity' (Klein, 2006: 411).

Given the relatively short time span - it takes a number of years for legislation to be implemented and for their effects to be fully assessed – and the often staggering complexity of the issues involved any judgment on the impact of the many initiatives associated with NLM necessarily has to be tentative. Because this chapter is primarily concerned with Labour thinking – rather than with general issues of public policy – as well as for reasons of space the focus in the discussion that follows will be on the central question of whether the NLM project of public service reform has advanced the Labour Government's two crucial objectives: greater equality of access to public services and a sustained improvement in their quality.

(1). Greater equality of access?

In the market the quality and quantities of what people buy is principally a function of their purchasing power. Given that income, and hence purchasing power, is unequally distributed, markets are thus inherently inegalitarian. But quasi-markets, of the sort introduced by the Government, differed from conventional markets in a

crucial respect. The supply of services did not respond to purchasing power since consumers did not individually procure services. Rather the government acted as an agent on their behalf. Thus though providers compete for their custom, users 'do not come to a quasi-market with their own resources to purchase goods and services, as with a normal market. Instead the services are paid for by the state but with the money following users' choices through the form of a voucher, an earmarked budget or a funding formula' (Le Grand, 2007: 41). In effect purchasing power was equalised in that the value of each choice (user preference) was a function of need (as determined by public authorities) and not ability to power. Where prices were extensively used (as in the NHS system of Payment by Results) they were *administered* - set by public authority – rather than reflecting the balance of supply and demand. (Barber, 2007: 335). For one of the architects of the quasi-market in healthcare, Julian Le Grand, it was 'a fundamentally egalitarian device, enabling public services to be delivered in such a way as to avoid most of the inequalities that arise in normal markets from differences in people's purchasing power' (Le Grand, 2007: 41)

However, this broad claim has been much contested. The key issue – for many critics - is the social distribution of the capacity to make informed decisions. They argued that choice and competition mechanisms would inevitably skew services in favour of the more knowledgeable, educated and confident: that is the professional and managerial middle classes. 'The articulate and self-confident middle classes', Roy Hattersley contended, 'will insist on the receipt of the superior services. The further down the income scale a family comes, the less likely it is to receive anything other than the residue which is left after others have made a choice' (Hattersley, 2005). Those able to exploit choice most effectively would be service-users from more comfortable and more highly-educated backgrounds 'with the capability, time and resources to make informed and determined choices' (Rustin, 2004: 93). The logic of a quasi-market would therefore be to entrench middle class advantage.

The Government, in contrast, insisted that it had been *monopoly public provision* that had signally failed to narrow stubbornly high levels of inequality in the distribution of public services. This was not by chance. In the state sector, in the absence of choice, it was the 'more articulate, more confident, and more persistent' middle class that gained most from 'voice' mechanisms (Le Grand, 2006a). Furthermore, the more affluent sections of the middle class always enjoyed the option of choice by buying into privately-supplied healthcare and education. The Government was giving to all the opportunities of choice which had until now been the prerogative of the wealthier (Blair, 2003).

Adjudicating between the two positions is no easy task. Insufficient data has as yet accumulated and not enough time has elapsed for researchers to assess the cumulative effects of Government reforms (Lewis and Dixon, 2005: 13). In addition, it is extremely difficult to disaggregate the impact of one particular set of variables – the effects of Government policies - from a host of others (Smithers, 2007: 383). As a result, no consensus view has emerged. To take – for illustrative purposes – the issue of secondary education. On the one hand, Gorard and Fitz found 'no evidence... to link education markets with increasing concentrations of disadvantaged children in some schools and their absence in others' (Gorard and Fitz, 2006: 281). Indeed, there was evidence of 'some narrowing of the attainment gap between the most deprived and least deprived' (Hill, 2007a: 271). On the other, research reviewed by Glatter indicated that 'competitive markets in schooling promoted social polarisation' (Glatter, 2004: Ev 6). Machin and Stevens similarly found that a 'quasi-market in education has actually reinforced existing inequalities in the education system. Children from lower income and social-class backgrounds...are now even more concentrated in less-well-performing schools' (Machin and Stevens, 2004: 164; see also Harris and Ranson, 2005: 574; Besley and Ghatak, 2003: 245; Shaw, 2007: 73-76). Equally, no clear agreement has emerged

over the impact of choice and competition on equity in the delivery of NHS healthcare (Thorlby and Turner, 2007; Shaw, 2007:111-113).

2. Improving the quality goods of public services

What of the debate over the second key objective, bolstering standards in public services? There is no doubt that there have been some notable accomplishments. In education, schools are better funded, better-staffed, better-housed and given better facilities, class sizes have fallen, literacy and numeracy standards risen and overall pupil performance (as measured examinations) steadily improved (Johnson, 2004: 195-6; Barber, 2007: 266). Similarly in an audit of the Blair Government's record on healthcare published in 2005 the King's Fund reported 'huge progresses in the reduction of waiting times and 'more and better services' (King's Fund, 2005: 8). For example, in 1998 more than a quarter of patients waiting for elective surgery in England faced a delay of at least six months for surgery, and over 4% for more than a year. By 2005, there was no one waiting longer than a year and only 5% waiting longer than six months (Le Grand, 2007: 24; Bevan and Hood, 2006: 526).

A necessary *condition* for higher service quality has been the major upswing in expenditure. Thus, in healthcare, there was an average annual increase in real terms in health spending of 7.4% between 2002/03 and 2007/08 (Department of Health, 2003: 4). Equally in education between 1996-7 and 2006-7 public expenditure rose from 4.8 per cent of GDP to 5.7 per cent (Smithers, 2007: 379). But the *sufficient* condition was 'modernisation'. Consumer pressures in a more competitive setting, in particular, was seen as the crucial lever for progressive performance enhancement. Here, in developing its quasi-market reform programme, the Government was faced with the problem of designing an effective mechanism to ensure that the dynamic of market competition could be replicated in the public sector. How could consumer pressure be effectively exerted in the absence of a properly functioning price mechanism to guide choice? One response was for the state itself to step order by supplying information and advice which would enable the user to make an informed choice between rival providers. Thus in the NHS a scheme of healthcare advisors was introduced (PMSU, 2007: 35; Barber, 2007: 336.; Le Grand, 2007: 84-5, 117-9). However, there were plainly limits to how far this could extend without creating a new – and given the type of expertise required – very expensive layer of officialdom. What was clearly required was some form of price surrogate - a mechanism which could in some way mimic the role of prices summary quality indicators.

In fact, the mechanism had already been created (in embryo) by the Tories, published information about comparative provider performance. Under New Labour, the practice was developed and extended taking the form, in secondary education, of league tables, the star ratings system in the NHS and, for universities, the Research Assessment Exercise. The aim was to 'measure current or past performance of comparable service units against one another' (Hood, 2007: 95) The underlying principle was that the desire to attract custom by securing a higher place in a competitive ranking system would drive up standards (Albury, 2007: 150). For example, school league tables acted as price proxies by - in Blair's words - giving 'parents the information that has enabled them to make objective judgements about a school's performance and effectiveness' (Blair, 2005).

But ranking systems would only act as reliable price surrogates to the extent that they were fashioned out of quantitative indicators which *accurately measured* comparative performance. 'Clear performance criteria and good-quality performance information' – as a senior adviser in the Prime Minister's Strategy Unit reported - were 'key prerequisites for a well-functioning market (Albury, 2007: 154). For this, two conditions had to be met: (1) that the performance indicators used to compile ranking orders accurately measured what they were supposed to measure (2) that

performance indicators provided 'a complete and accurate picture of overall performance' (Bevan and Hood, 2006: 520).

The first point will be (for reasons of space) briefly discussed. The key issue was the robustness and objectivity of performance indicators. Here the danger was that given so much depended upon one's place in a ranking order there would always be a temptation to engage 'gaming', that is the management of statistics to place a favourable gloss on performance (Bevan and Hood, 2006: 521). For instance – as a former top Government advisor reported – pupils might be discouraged from taking subjects in which it was harder to score a good grade (Hill, 2007a: 279). Precisely how large a problem this is difficult to establish since, as Hood points out, 'we know relatively little about the validity and reliability of complex composite performance measurement systems' (Hood, 2007: 100. For a useful general discussion see also Hood, 2006: 517. For secondary schooling, Smithers 2007: 333-9; higher education Broadbent, 2007: 194 and the NHS Bevan and Hood, 2006: 533).

The second point - the extent that the quality of service provision *can be* accurately measured – is more fundamental. It is generally agreed that some form of performance measurement is essential to establish accountability, assess standards and single-out cases of poorly-delivered services (Gleeson and Husbands, 2003: 50). The issue is the *scale of and weight assigned to* performance measurement. Referring to schooling, the chief executive of the Qualifications and Curriculum Authority (Ken Boston) commented that 'no other country devotes as much time and expertise to developing measures of pupil progress' (quoted in Hill, 2007a: 279). Indeed, Hood contends that the Blair Government 'arguably took the target approach ...to a point hardly seen since the demise of the USSR' (Hood, 2007: 96). The underlying rationale is that the quality of a service can be established with some accuracy and precision by constructing measured indicators of performance – preferably some form of 'metric' – which, in turn, can be used to compare relative performance. Hence the so-called 'audit explosion' (Marquand, 2004: 111-12) as a myriad of organisations were created 'engaged in checking, measuring and appraising the performance of public sector workers measured against targets and performance indicators' (Gleeson and Knights, 2006: 282).

The point at issue is the extent to which the quality of the services being provided *can be* accurately measured. This has been queried by a number of commentators. The argument, in brief, runs like this: unlike in consumer markets. public services are complex, multi -dimensional and do not lend themselves to being broken down into quantifiable discrete 'products.' As Smithers observes, 'test and exam scores are not a product in the sense that barrels of oil and baked tins are: they are surrogates for the education we hope are taking place' (Smithers, 2007: 382. See also Ranson and Stewart, 1994: 28). The result of the importance assigned to numerical indicators is that incentives are imparted to concentrate effort on the measurable at the expense of the non- (or not easily) measurable. 'For example, good education involves students being able to achieve high scores in standardized tests, but also encouraging a spirit of creativity, curiosity, and inculcation of good values. The former is easy to measure, but if teachers are rewarded just on the basis of the performance of students in tests, this might lead to an excessive focus on test-taking skills at the expense of the other components of a good education' (Besley and Ghatak, 2003: 239. See also Gleeson and Husbands, 2003: 502. For higher education see Broadbent, 2007: 195).

Similar criticism has been made of the heavy reliance on measured performance in the NHS. Summarising recently published research on this topic, the editor of the British Medical Journal concluded that:

'Focusing on process rather than clinical outcomes reduces clinical complexity to a series of boxes for ticking and encourages overtreatment and medicalisation.... Given the complexity of health care, what are the chances

of coming up with a single overall measure of performance? people prioritise. This means that performance on one measure may tell you little about performance on others' (Godlee, 2007)

In short, given that organisations are rewarded (or penalised) on the basis of measured performance energies are likely to be lavished on scoring well (hitting targets and so forth) on the measures. (Besley and Ghatak , 2003: 239). Reducing waiting list for treatment for life-threatening illnesses, such as cancer, would be widely regarded as a valid measure of performance as long as the statistical evidence is robust. The same would apply to literacy and numeracy targets. However there are a host of other indicators whose reliability, generalisability and significance may be disputed. More fundamentally, there are activities that simply cannot be accurately measured, or at least not without a major engagement of energy and resources, because they are intrinsically qualitative in character, for example the development of intellectual curiosity or aesthetic sensibility. Indeed, there may be an *inverse relationship* between 'objective' statistical indicators - e.g. measures of productivity – and the actually quality of service supplied, whether assessed in terms of professional judgment or user appreciation. For instance, the care and attention that might be committed by a clinician to easing the anxieties of a patient may – because time is not being effectively 'utilised' – translate into lower productivity scores. As the editor of the British Medical Journal put it,

'There can be little doubt that we must constantly evaluate how we are doing, against each other and over time. The problem is that the things that are easiest to measure are almost inevitably the least important, and vice versa.... Compassion and dignity are hard to measure' (Godlee, 2007).

Conclusion

The 'New Labour Managerialism', is has been suggested, amounted to a reasonably coherent package of ideas and policies. Initially it evolved slowly and haltingly, but gained pace and impetus in Blair's second term as 'public sector reform' emerged as the central thrust of the New Labour project. Several of its most distinctive and controversial elements, including the accent on competition, choice and private involvement did not (so the press briefings suggest) have the full support of Gordon Brown. So would New Labour Managerialism survive the Brown succession intact?

Initially it seemed not. The expansion of the ISTC programme was halted and reports circulated that the new Prime Minister wishes, if not to turn back the tide, at least to proceed with far more circumspection. But after a period of initial doubts and hesitations it became evident that Brown was no less enthusiastic a proponent (for whatever reasons) of NLM than his predecessor. And in a heavily-trawled and widely-publicised article in the Financial Times he promised 'a greater diversity of providers, more choice and in many areas more competition'. He made his position on public service reform unequivocally clear: 'there can be no backtracking on reform, no go-slow, no reversals and no easy compromises.' He promised a faster expansion of the contentious City Academies programme, more personal budgets and more participation by private sector in the delivery of NHS care (Financial Times March 9 2008). There will be, so to speak, no turning back.

Labour's approach to the public services has thus undergone a major recasting. Trust and confidence in the motivational force of professional codes and the public service ethos has ebbed and much more confidence is now reposed in the energising and bracing effects of competition and pecuniary incentives (Hill, 2007: 248). 'New Labour Managerialism' is not – this chapter has suggested – comparable to new right-style privatisation and marketisation programmes. To the contrary, there has been a major hike in the monies assigned to the public services, especially

healthcare and education. The decade-long Blair Government witnessed a major refurbishment in the fabric of the welfare state.

However, some of the means used to renovate the public services have been - from a traditional social democratic perspective – highly controversial, notably the systematic importation of methods, disciplines and techniques drawn from the market sector. For the Government the effect will be to realize ‘our progressive and social democratic aspirations’ such as ‘a higher quality of life for all, greater social justice, empowerment for individuals, families and communities, and an enhanced public realm’ (Albury, 2007: 145-6. See also Le Grand, 2006). Critics, in contrast, fear that equality and quality will both suffer and that the ultimate impact of efforts to render public services more ‘answerable to the pressure of competition and the incentive of relative advantage in the marketplace’ will be to fragment, corrode and devalue them (Ranson, 2003: 470. See also Gleeson and Knights, 2006: 281). Only the passage of years will tell which of these two predictions will prove more accurate.

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