

# The Case for Public Services



## European Services Strategy Unit

(Continuing the work of the Centre for Public Services)

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The **European Services Strategy Unit** is committed to social justice, through the provision of good quality public services by democratically accountable public bodies, implementing best practice management, employment, equal opportunity and sustainable development policies. The Unit continues the work of the Centre for Public Services, which began in 1973.

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# The Case for Public Services

**In-house provision of public services is both advantageous and essential and makes a substantial contribution to community well being, livability, sustainable development and social justice.**

- **Improving community well being**
- **Democratic accountability**
- **Equalities and social justice**
- **Sustainable development**
- **Protecting the public interest**
- **Financial advantages**
- **Corporate policies**
- **Better quality employment**
- **Capacity**

## **Improving community well being**

**Coordination and integration of services and functions:** Service delivery, social inclusion, community well-being strategies, regeneration and economic development, increasingly require a multidisciplinary coordinated approach. This requires integrated teams, the pooling of skills, experience and resources between directorates and organisations in networks, partnerships, alliances and coalitions with the public sector playing a central role. It requires joined-up government, not quasi joined-up contracts. The objective is to achieve the vertical and horizontal integration of a democratically accountable and complex range of services.

**Improving community well-being:** Recent research has demonstrated that improved performance and productivity requires five key elements – engaging and motivating staff, meeting service users needs, promoting creativity and innovation, keeping stakeholders involved and informed, and increasing shareholder value (improving community well being in public services) – being managed and coordinated. “Managing them in isolation impairs performance” (Will Hutton, FT, 17 November 2003). Contracts fragment service delivery replicating the very ‘silos’ which modernisation is supposed to be eliminating.

**Integration of strategic policy and service delivery:** Identifying, assessing and prioritizing social needs, planning and allocating resources and operational management are integral to the quality of service. The client-contractor or purchaser-provider split makes service integration more difficult to achieve and sustain.

**Continuity and security:** Continuity of service and knowledge of local requirements and conditions is an important part of service delivery. For many service users, particularly the elderly, security and continuity of service delivery are an important part of the quality of service. In-house provision provides longer-term security of provision.

**Maximising scope for improvement:** Integration and coordination with other services achieves economies of scale, cost sharing and improved service quality.

**Better quality of service:** Properly resourced in-house services can provide a higher standard of service, and are more responsive and flexible to changing needs and circumstances.

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**Working to needs, not contracts and profits:** The prime purpose of in-house provision is to meet social needs and achieve the council's corporate objectives and priorities. The first priority of private firms is to ensure profitability for shareholders and to meet the demands of the marketplace.

**Retaining and enhancing a public service ethos and values:** In-house service delivery enables a public body to retain and enhance a public service ethos.

**Ownership of assets:** It should be the rule, not the exception, that public assets such as land, buildings, vehicles and equipment be retained within the public sector (unless there are compelling reasons based on community well-being criteria or as a part of a strategy to secure the longer term future of public services, for their sale to the private or voluntary sector at full market value).

**Sustainable development and sustainable communities:** The achievement of sustainability objectives requires the vertical and horizontal integration of local and regional economic development policies and their implementation. This includes maximising the direct and indirect benefits from building and consolidating local and regional production and supply chains and minimising negative impacts on the environment. The alignment of strategic policy and implementation can only be fully achieved by direct provision.

**Locally differentiated economic development policies:** Local economic development strategies should be designed to meet the specific economic and social needs of the town, city and subregion, not replaced by national 'one size fits all' defined by market forces.

**Integration with other economic development strategies:** The interconnectedness of business development, skills and training, inward investment, enterprise formation and innovation means that economic development is a multi-functional service. Few economic development policies can be effective in isolation.

**Mediation between internationalisation of the economy and neo-liberal policies and addressing local needs and priorities:** Local economic development strategies and policies, in effect, mediate between the continued internationalisation of the economy and specific local economic needs, which are required to enhance the local economy and community well-being. The city council needs to retain flexibility and not be constrained by long-term contracts.

## **Democratic accountability**

**Direct democratic control and accountability of service delivery:** In-house services are directly accountable to elected representatives. Outsourcing imposes contractual relations between a public body and a private contractor thus reducing direct democratic control and community influence.

**Participation of users/community organisations:** Few public, private or voluntary organizations have a strong track record in engaging user and community organisations in substantive and meaningful participation on a continuous basis in the policy-making process. However, the public sector's record is superior and avoids duplication of participation structures and processes between the public sector and contractor-led consultation.

**Differentiating partnerships:** It is important to differentiate between political and policy-driven partnerships, which are essentially organisational coalitions and alliances, and service delivery partnerships which are, in all but name, contracts subject to the procurement regulations and thus constrained by the inherent limitations of contracting.

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## Equalities and social justice

**Addressing inequalities:** The public sector is more committed to tackling inequalities and social exclusion.

**Service provision:** The public sector is more committed to improving access, participation in the planning and design of services and to take mitigating action to eliminate or reduce adverse impact.

**Employment:** Public sector track record in addressing equalities and diversity in their workforce varies between authorities and services, however, it is exemplary compared to that of most private contractors and consultants.

## Sustainable development

**Local and regional supply chains:** In-house providers are committed to creating and maintaining local and regional supply chains, which supports the local economy.

**Protection of the environment and natural resources:** In-house services have a better track record in preventing environmental damage and in taking initiatives to safeguard and enhance natural resources.

**Improving public health:** Health and safety record at work and in the community are central concerns of in-house services, which operate to minimise pollution, improve standards of hygiene and cleanliness, control diseases and improve community well-being.

## Protecting the public interest

**Minimising corruption:** Procurement and commissioning (or the contracting system) can lead to 'collusion' between client officers and private firms who place the needs of the procurement system over social and community needs. Graft and corruption appear to have few boundaries, but the greater the involvement of private firms in the delivery of public services, the more likely there will be corruption and collusion, particularly as contracts get larger and longer-term.

**Public Domain:** Public provision has the advantage of taking a more holistic view by placing service delivery within a broader context and objectives. The intellectual knowledge accumulated by building the infrastructure, delivering local services, operating within social and political structures and an understanding of local needs is retained within the public sector.

## Financial advantages

**Lower overall cost:** A full cost comparison, which takes account of all client and commissioning costs, contract management, the cost of variation orders over the length of the contract (for additional work or changes to the contract) and other costs borne by the public sector plus comparable employment costs will usually demonstrate that in-house services can provide services at lower or equal cost. Budget holders often claim a 'saving' but this is usually absorbed by transaction costs borne by other departments or parts of the public sector.

**Efficiency and effectiveness:** At its best, public provision is equal to, or more, efficient and effective than private or voluntary sector provision. Efficiency is a means to an end, it is not an end itself. That is why it must always be discussed in connection with effectiveness.

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**Economies of scale:** Support services are more effectively delivered by in-house central services with economies of scale more equally shared between directorates and departments.

**Avoidance of transaction costs:** In-house provision avoids all the transaction costs incurred in the procurement and contracting process which are additional to the cost of the service. They include the cost of advertising, consultants and advisers, preparation of contract documentation and contract management, which usually add between 3% and 5% to the cost.

**Cost transparency:** The true cost of in-house services can be more readily assessed than those of private or voluntary providers, who use commercial confidentiality to avoid disclosure. The full costs are usually obscured by the frequent use of the contract variation order system.

## **Corporate policies**

**Implementation of corporate policies and priorities:** Policies on sustainable development, employment, social justice and community well-being are more effectively implemented directly through in-house services. The private sector's 'corporate social responsibility' falls well short of this and is more often in name only. The city council is best placed to mainstream economic development policies in other council services.

**Coherence and fairness in support services:** The range and quality of support services can be more fairly distributed between departments and services in a public authority compared with outsourcing scenarios.

## **Quality employment**

**Quality of employment:** The quality of service is best achieved when the quality of employment is also a key objective combining local government terms, conditions of service and pension scheme together with staff and trade union involvement in the planning and design of services and effective industrial relations framework. In-house services are less likely to use a high level of agency and temporary staff. A two-tier workforce is also much less likely to develop.

**Training and workforce development:** The vast bulk of training in core public services such as education, health and housing is provided by the private sector. The level and quality of training and provision for staff education and learning is significantly better than that provided by private contractors.

**Staff and trade union involvement in the planning, design and delivery of services:** The public sector has a much better record than private contractors for continuing and sustainable involvement of frontline staff and trade unions in the planning, design and operation of service delivery.

**Industrial relations framework:** Comprehensive structures between employers and staff and trade unions in the public sector for policy making, employment, health and safety and grievance procedures are an invaluable resource.

**Trade union representation and organisation:** Public sector workplaces have, on average, three times the level of membership compared to private sector workplaces. Studies have shown that trade union organised workplaces have higher wages and better terms and conditions comparative to non-organised workplaces. Many private firms are hostile to trade unions and adopt minimalist arrangements and because they are required to do so under the EU Acquired Rights Directive.

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**Family friendly policies:** Public sector employers, whilst not fully embracing the full scope of family friendly policies, have a much better track record of implementation than the private sector, who often pays lip service unless it is in their economic interest to do otherwise.

**Equalities and diversity:** The commitment to and implementation of equality and diversity policies is on average more substantive in the public sector than in private contractors and consultants.

## **Capacity**

**Public sector intellectual capital:** It is essential that public bodies retain ownership and control of the public sector's intellectual capital – the knowledge and information about the infrastructure, geography, and rationale of services and how they work. This vital information, built up over the years, is being freely transferred to the private sector through outsourcing of technical service and framework agreements.

**Enhancing public sector capacity and skills:** In-house provision helps to retain skills and experience, which enables the authority to respond to changing demands and circumstances and to emergencies.

**Private sector ability frequently overstated:** Public relations hype coupled with an ideological belief in the 'superiority' of private over public provision often leads to the private sector overstating its ability to deliver quality public services. The public sector knows best the complexity of services and community needs which it delivers through in-house provision.

Extract from:

Whitfield, Dexter. (2006) *New Labour's Attack on Public Services: Modernisation by Marketisation*, Spokesman Books, Nottingham.