

THE PUBLIC SECTOR, BUT NOT AS YOU KNOW IT

Case study background on changing the public sector – a necessary part of an alternative economy

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Introduction and summary of case study of publicly led public service change in the municipality of Newcastle

1. Introduction: an impossible task?

“ I went home. And Mam asked me what’s the matter, I looked so bad. I was that gutted that you can hive off public services’

Lisa Marshall UNISON shop steward in Newcastle council described her reaction to the news that the council’s IT services, including the Benefits department where she works were going to be ‘outsourced’ to the private sector. ‘ But,’ she reflected, ‘ there are n’t many models of change form within public sector.’

For the past five years, Lisa along with the rest of the UNISON branch at ‘the civic’ have been part of creating a model of public sector change from which much can be learnt.

Like the technologies of the Tyne's heavy engineering and shipbuilding, in its heyday the Council's main frame information technology was amongst the best, serviced and developed by highly skilled electronic engineers and software programmers. But, also illustrating a similar pattern to its heavy engineering neighbours, those who controlled and oversaw it, rested too long on its original capacities, elaborating it and developing it beyond its limits. A technology first introduced in the 1970's by the 1990's it had become an encumbrance. It held back those who used it rather than enabling them to meet the needs of the city's 250,000 with responsive and efficient services.

No amount of Geordie friendliness, pleurably evident to anyone visiting the city, nor of Tyneside's long traditions of public service, could overcome the problems of a technology that had become grossly expensive to maintain and which increasingly was embedding routine and introversion rather than stimulating innovation and opening up the workings of the council. By 2001, when this story begins, Newcastle’s IT and Related Services (ITRS) registered near the bottom of the scale on all measurements of the quality of service, staff morale in the civic centre was low or depending on people creating sub-cultures that made the best of working together with a particular group of colleagues over many years, rather than also benefiting from knowing their work was useful to their fellow citizens.

Faced with financial pressures and a sense of the impossibility of internal change, senior managers assumed, some fatalistically, some pragmatically and the chief executive at the time, evangelically, that they would have to look to a private company to come in and take over the management of the service.

Five years on, there is a new Council department, City Services, whose staff and managers are giving new life to the ideal of public servants, of serving the public in all its diversity and individuality. From their own experience they have become increasingly confident in the possibilities of radically improving the public delivery of public services. Dramatic savings have been made and redistributed to care of the elderly and at the same time City Service has expanded. They have just become the only local government department in the UK to win the bid for IT services to local schools under ‘Building Schools for the Future’ a scheme set by the government to open up schools to the private sector (At first, before the lawyers got to work, they were told they could n’t even bid because the tendering process was open only to the private sector!)

This successful experiment in radical change of a strategic public service through realising the capacity of its staff, has its origins in a two year long trade union struggle, Lisa Marshall was one of a group of 30 or so UNISON reps from the 500 or so staff across IT and its related services. This group included reps of those who maintained the mainframe computer and developed its elaborate software, reps from the 130 staff who received and processed benefit claims, the 40 or so who collected Council Tax and business rates, the xx who ran the Councils pay roll and 'Human Resources' (HR) systems, the x in 'Exchequer' dealt with bills and invoices and money owed to the Council. They met every week from the moment that it became known that the chief executive planned to put the service out to tender on the market.

They engaged in the tendering and procuring process, met and scrutinised the companies that declared an intention to bid, held workshops involving management and staff to assess the council's capacity and the scope for improvement, they worked with the rest of the UNISON branch and unions and community organisations across the city to campaign against privatisation under the banner 'Our City is Not for Sale', and finally threatened strike action to press their case.

Their goal? To convince the voters of Newcastle and the councillors who represented them along with key senior managers who had been sceptical, that the council itself had the capacity to reorganise and lead the process of change.

Eventually, after a clear commitment by the then ruling Labour Group, supported by the now ruling Lib-Dems against the privatisation of council services unless all internal efforts failed, UNISON and the senior managers who shared their convictions could declare success. Senior management then laid down the foundation stone of the internal leadership of change by writing almost overnight what was rather blandly known as the 'in-house bid' which eventually at the end of 2002, won the day against a private bidder.

But this two year-long struggle also laid a dynamic and living foundation of the process of change through the strategic nature of trade union engagement and their positive commitment to make publicly delivered public services responsive and efficient in meeting public needs. Indeed everyone we talked to would agree that this trade union engagement and support has been one of the conditions for the success of the experiment.

The challenge of change faced by the new management of City Service in early 2003 was a collective multi-tasking on an ambitious scale.

It involved choosing and purchasing over 10 new technology packages, with the help of Fujitsu and introducing these new systems to services that had run on the old system for over x years.

This in turn entailed transferring a vast amount of complex data, in some cases using the change in systems as an opportunity to rethink policy and therefore the nature of the information needed.

A change in technology opened up possibilities for new ways of working and of managing; trade union reps and management both agreed that this was a moment to rethink the whole organisation, eliminating multiple layers of supervision, pushing the power to take the initiatives down to the frontline staff – indeed this was seen as the only way qualitatively to improve the services.

This in turn entailed extensive retraining, sometimes redeployment and much reorganisation.

And if you haven't run out of breath already, all this had to be done at the same time as maintaining business as usual: processing thousands of benefit claims, collecting tens of thousands of Council Tax payments, ensuring staff were paid on a bewildering range of different cycles and on top of this, running a network of new Customer Service Centres and an innovative Contact Centre both of which opened up the workings of the council to public view and public demands.

This is a 'how did they do it?' story rather than a 'who dunnit?' There's no blood on the floor (no compulsory redundancies, extensive retraining and redeployment) though tears were shed and shouting matches were had. But the victim is recovered, alive, thriving and facing new challenges.

How this was done, against all the odds, the people who did it, how they worked together, a bit like a jazz ensemble improvising on a structure, living with calculated risk, is as enthralling as any 'who dunnit?' – if you don't mind a few technical bits.

The experience is of national and international importance because it shows that contrary to the presumption that incompetence and/or inertia is as intrinsic to local government as the cement that holds together its grand town halls, public service managers and staff can under certain conditions – which is the purpose of this book to explore - drive and lead improvements and change; they can generate innovative ideas and successfully implement them. Moreover they can contract private businesses to work to their agenda on terms and tasks determined by democratically accountable public bodies.

‘Democratically accountable’ is not a concept that this book takes for granted. We are writing at a moment in history when market competition is viewed as a necessary, indeed the only, spur to the efficiency/improvement of public services. And market competition is understood in terms of opening the closed and bureaucratic world of the public sector to the fresh if astringent, air of private business.

There’s no doubt that local government *had* often become stuck in its ways, unresponsive and cut off from the changing and various needs and desires of the citizens that paid its wages. Newcastle Council was no exception and it’s IT and Services Dept was one of the worst. But the turn to private business as the stimuli to ‘wake the sleeping giant’, in the words of Newcastle somewhat myopically pro-private sector Chief Executive Kevin Lavery, misses a key step in the argument: the idea that democracy and commitment to serving the public could themselves be used to become the appropriate spur to change in the provision of public goods ie goods or services provided on the basis of need rather than the ability to pay.

Patently, democracy as we have known it – the election of representatives to manage public bureaucracies, local and national – has n’t been up to the job. Embedded routines, departmental empires or stalemate industrial relations have all too often blocked change, change which citizens desire. And the vote has not on its own, been powerful enough to be a driving force for change. So this story is also a search: exploring how stronger mechanisms of democracy and responsiveness, including in the nature of public management itself and the strategies of public service trade unions, can open up the running of public services so that citizens as individuals or as organised groups can themselves be the stimuli to change. It’s a story with lessons for *all* the public sector.

2. Notes on questions and themes raised by the study

There is one obvious question which this story must address – indeed the initial answer points to why this story has a wider importance. The question is most starkly put by way of the following challenge: surely, even this public-led transformation would not have happened, goes the argument, if it had not been for the market testing that led to the trade union resistance and eventually the in-house bid? Is n’t the story therefore a proof of the advantage of market testing and stimulus of competition with the private sector?

The actual history that lay behind the political decision in favour of an internally led process of change – the union campaign, the staff and management workshops – was indeed sparked off by the market testing and the very real threat of handing the leadership of change over to a private company/management of change. But to conclude from these origins of this successful public-led process that the threat or competitive pressure of a private alternative is a necessary condition for innovation and the improvement of public services would, in its logic, be like saying that for gravity to exist we need to keep dropping an apple like Newton did when he discovered the way gravity worked!

We don’t mean to imply that the workings of the public led transformation of public services is of the same order as the workings of gravity! But what we do want to argue is that the processes of public services change which this experience reveal have an existence independent of a particular history. The purpose of this story is to explore how particular people in a particular context created conditions, material and cultural, and discovered possibilities which can in be reproduced independently particular histories.

Here we want briefly to note some of the themes of these discoveries and innovations. And the process of change – not simply the research into change- has been, and still is itself a process of discovery.

It has been a five year process of testing and experiment with processes of change specific to the provision of services outside the market. Outside the market. That is the point. No one would deny the role and importance of the market as an absolute central mechanism of change in the production of commodities for exchange – from food through to cars, clothes, furniture etc (though there is much debate to be had about the institutional framework of such a market, including forms of ownership and regulation) but the dynamics of development and innovation in the provision of public services funded by taxation require stimuli and mechanism based on the nature of these services, their social goals and democratic accountability, rather than a yearning for an inevitably pale and debilitating imitation of market mechanisms.

Notes for areas of discovery :

- The nature of boundaries between private and public sector.

- The distinctive challenges of managing/organizing public services: diversity of activities, which must be provided so no question of cutting a product line to improve efficiency, indeed efficiency in terms of meeting public needs might require a new activity or an elaboration of a new one. In the past the structures of public service were created to deploy resources to meet a simple if massive task: slum clearance and homes for heroes, standardised public education with structures often based on military model command and control, but with the elected politician in command. Now a problem of how manage increasing complexity in a way which acknowledges citizens feedback and control at many levels beyond the elected politician and in a way which requires the initiative and creativity of staff who serve and work with the public directly rather than only via the politician.

- issues of the relationship of public sector management - in turn the nature of public service trade unionism- to democracy.

The is at the heart of this case study, technological transformation, takes us to the heart of the management of public resources: its knowledge and information systems. In the past this has not been an area with which elected politicians have traditionally concerned themselves. It is not something immediately apparent to their voters. Yet it affects the quality of services fundamentally, determining how accessible and therefore open and transparent, responsive and creative the council is as a and the general ability of the council to be a servant to the public, meeting its individual and collective needs.

There has been much debate about citizen participation as a means of strengthening democratic control but issues of management have not been touched on in relation to democracy. This case study allows for a detailed exploration of this issue because its processes – of organising and using information – are central to public management.

Moreover it's complexity plus the engagement of staff raises an important set of questions about how to manage a complex system in a way which releases and develops the capacities of the people on whom it depends to meet the needs of the services.

- this in turn points to the importance of information, especially regarding the needs of citizens, and therefore the importance of IT services in these non-market dynamics of change

- the significance of public service ethics as a live impetus to innovation.

- the distinctive nature and potential of public service trade unionism.

- Also a trade unionism that recognizes the intelligence of its members, the power they have when they are organized and their commitment to public services and knowledge of their job,

It is the solutions /responses/interpretations of these themes and questions which a distinctive combination of people and teams of people produced – in part ‘organically’ as one of them put it – a breakthrough in terms of publicly-led public sector reform. It is neither complete nor is invulnerable: indeed the government’s insistence on cutting local government budget is in danger of forcing cuts on the council which might undermine a dynamic of continuing improvement and development.