

# Labour's illusory reforms

**DEXTER WHITFIELD argues that by marketising our public services Labour is eroding democratic accountability**

The Labour government has launched a series of 'reforms', which place a new emphasis on market-based modernisation of public services. Democratic accountability and transparency will be further eroded. Although there is euphoria for 'citizen engagement' this is participation limited to the empowerment of individuals rather than increasing organisational power.

Despite claims of devolution and decentralisation (one of Blair's four modernisation principles) the government has tightened its grip over public bodies' policies and performance, which makes local priorities even more difficult to sustain. Choice but no choice - the government has structured public policy on the future of council housing, academies, privately-controlled Local Education Partnerships, in Building Schools for the Future (BSF) projects, and the foundation model, by limiting options for council housing, offering take-it-or-leave-it funding regimes and using blackmail tactics to force LEAs to accept academies. This makes a mockery of the choice, citizen participation and sustainable communities rhetoric. New central government quangos are new style enforcers.

In the last year the government has produced a 10-year vision for local government, five-year plans for health, education, housing and sustainable communities plus a series of policy documents on local leadership, a new performance framework, citizen engagement and why neighbourhoods matter.

The 10-year vision was insubstantial and vague calling for a more coherent and stable relationship between local and central

government, clarity on accountability and responsibility, improved local leadership, and so on. The development of the market-based choice and contestability model of modernisation in the core welfare state services was set out in the five-year plans:

- The foundation model will be extended to all secondary schools as well as to all acute hospitals. Secondary schools will own their land and buildings, employ their own staff, forge partnerships with outside sponsors and procure their own goods and services.
- Patients and parents will be given choice over hospitals and schools with the successful ones being able to expand and those with poor performance facing closure. Market forces will in effect define social need and provision.
- Contestability and competition are being mainstreamed across the public sector requiring all services to go through an options appraisal or procurement process. Where services are reorganised, for example the merger of probation and prison services to form the National Offender Management Service, strategic policy and service delivery are separated, requiring all services to be procured through competition to create contestable markets. Local education authorities will be required to commission but not deliver services. Public bodies are required to nurture the growth of markets where they are weak.
- The government is deliberately increasing the capacity of the private healthcare and education sectors - the transfer of a guaranteed volume of elective surgery to private healthcare companies (the first £3 billion tranche at 15 per cent inflated cost to help build private sector capacity!), and the plan for 200 academies by 2010, plus the Building Schools for the Future (BSF)

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programme, are designed to give private educational companies and consultancies more opportunities in addition to renewing the secondary school infrastructure.

- The Private Finance Initiative and Public Private Partnerships (PFI/PPP) model is likely to be further extended with more BSF and NHS LIFT type projects but covering a wider range of cross-cutting services, regeneration and core clinical and education services.
- The wave of restructuring and reorganising in the health service - the fitness for purpose review of Primary Care Trusts (PCT), discussion of new Public Health Trusts - will 'mainstream contestability'. The efficiency agenda will also 'embed' competition and procurement.

These policies will have a direct and long-lasting effect on democratic institutions, governance structures, and systems of accountability, plus community or employee participation. The trend towards the privatisation of governance will be accelerated.

There are five elements in this process:

### **1 Contract democracy**

Contracting will become pervasive. The planned growth of large-scale managed service contracts will increase the proportion of services managed through Partnership Boards in Strategic Service-Delivery Projects. These boards usually consist of the council leader, relevant cabinet member(s), the chief executive and service director, plus directors and senior managers from the private company. The board assesses performance, agrees plans and strategies and directs the contract. Most are highly secretive.

Continued use of PFI for renewing the infrastructure will have a similar effect with PFI consortia (or other investment institutions, if the project is refinanced) having a key role in service provision for 25 to 30 years. Commercial confidentiality, already widely used to restrict transparency and disclosure, will mean even more aspects of public interest are privatised. The exemptions in the Freedom of Information Act are likely to protect commercial over public interest.

### **2 Transfer of services**

The transfer of services and functions to arms length companies and trusts is occurring in five ways:

- the foundation model for hospitals and schools, which creates standalone businesses
- the formation of arms length companies for council housing (44 companies to date), economic development and regeneration activities
- the transfer of assets and services to third sector organisations such as housing associations and leisure trusts
- the emergence of Local Public Service Boards, which could take over responsibility for services in Local Area Agreements, which will cover all councils by 2007
- more central government quangos such as Partnerships for Schools and Partnerships for Health.

Many of these new organisations are not established as a result of local preference and initiative, but are centrally imposed as a condition of funding and/or inducements. The link to decentralisation, or genuine 'localism', is rather tenuous. Community consultation is likely to become more fragmented, as each organisation tends to have its own consultation mechanisms, often resulting in a wide variety of processes and duplication, which run the risk of increasing rather than reducing alienation. User and community participation may increase with arms length companies (which are essentially management-led organisations) but

this is likely to be short-lived as they seek greater freedom from local authorities, new powers and become more commercially orientated.

### **3 Public bodies replaced by private companies**

The process of creating new organisations outside of democratic structures and accountability is increasing. Building Schools for the Future (BSF) is much more than a national investment programme to renew the secondary school infrastructure. BSF requires the

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formation of a Local Education Partnership, 80 per cent controlled by private consortia, which are almost certain to erode the role of LEAs. The LEP will deliver educational and support services to schools at the same time as LEAs are forced to become mere commissioners of services.

#### **4 Privatisation of development and regeneration**

The corporatisation of democratic accountability is being extended by the establishment of Urban Development Corporations (UDCs) in the growth areas in the south and east of England and Urban Regeneration Companies (URCs) in 21 regeneration areas. Both UDCs and URCs cover large areas and have wide-ranging powers. They are essentially 'business-friendly initiatives' in which the private sector has strong board representation together with other partners.

#### **5 Privatisation of citizenship**

The current euphoria for 'citizen engagement' should be studied carefully. Most participation is constructed within centralised policy frameworks and non-negotiable government funding mechanisms. It amounts to little more than central government policies with local badging. Although some local authorities and health bodies have developed effective participation in public policy making and specific projects, the government's choice and contestability agenda will make participation more difficult.

To date much of the 'engagement' has been based on the basis of consumers first, citizens second, members of community organisations and trade unions third. The emphasis has been on citizen panels, market surveys, opinion polls and armchair voting. The government is primarily looking to legitimate the modernisation strategy, otherwise there would be recognition of the difficulties imposed by choice and contestability policies and substantial additional resources for community organising would be made available. Community development resources have

been systematically stripped away over the last two decades.

#### **Longer term effects**

##### **Social justice and equalities**

The structure of democratic accountability and governance tends to be more complex in areas of multiple deprivation. This is a result of a combination of new organisations as part of inner city, regeneration and economic development programmes such as New Deal for Communities and the transfer of public services and functions from local authorities and NHS Trusts to arms length companies and trusts. Equality groups are faced with an increasing plethora of organisations, with which they have to negotiate, yet with limited resources to commit to such activity.

##### **Organisational instability**

Some sectors, particularly health, have been subjected to almost constant restructuring, reorganisation and reviews. Pilots and pathfinders become ways to mainstream policies frequently before any evaluation of their effectiveness or of the costs and benefits. This creates instability, distrust and cynicism, further eroding the quality of democratic accountability.

##### **Industrial democracy**

TUPE and the Best Value code of practice on workforce matters now extends across the public sector and provides a degree of security for public sector employees. However, the regulations also enable staff to be treated as commodities, who can be transferred from employer to employer. Private sector attitudes to trade unions, industrial relations frameworks and workforce development have major implications for industrial democracy and the fragmentation of trade union organisation. Contestability and competition will inevitably lead to a significant transfer of staff to the private sector and with private sector union membership only being a third of that in the public sector a parallel erosion of membership and organisational capacity could occur.

## **An alternative modernisation strategy should include a real bonfire of the quangos**

Retaining and increasing public sector capacity and intellectual capital is vital in order to take action in the public interest. The wider use of framework agreements and management and technical consultants is accelerating the transfer of knowledge from the public to the private sector. This further reduces the capacity of public bodies to act in the public interest and to retain democratic control over all forms of public assets.

**Corporate social responsibility**

The privatisation of governance runs in parallel with the private sector's adoption of Corporate Social Responsibility seeking to demonstrate that social, environmental and community benefits can be accommodated in the way they do business. Some argue that the corporate social responsibility and corporate citizen roles are adequate and should be embraced by the public sector too, for exam-

pie with the NHS acting as a 'corporate citizen'. But private sector standards of social, sustainable development, equalities, environmental, labour and human rights would result in a reduction in standards.

An alternative modernisation strategy should include a real bonfire of quangos and partnerships, a reinvigoration of local government with public investment, a strengthening and consolidation of responsibilities, together with the democratisation of healthcare, e-democracy

and e-citizenship, used to enhance democratic accountability and participation rather than being merely a tool to increase voter turnout and well-resourced community and workplace participation .•

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**Community development resources have been stripped away**

**New Labour's Attack on Public Services**  
By Dexter Whitfield

**New Labour's Attack on Public Services**

**Modernisation by Marketisation?**  
How the commissioning, choice, competition and contestability agenda threatens public services and the welfare state

Contents include:  
 How neoliberalism drives marketisation  
 How markets operate  
 The five-stage marketisation process  
 The impact of market failure  
 Public costs  
 Why public provision is essential  
 An alternative modernisation strategy

New Labour is creating markets in public services on an unprecedented scale. Education, health and social care, children's services, housing, planning and regeneration, the criminal justice system and the welfare state are all being marketised. It has gone well beyond even Tory expectations of the 1990s.

Privatisation inevitably follows marketisation, eroding democratic accountability and embedding business interests. The impact will be far reaching. Any benefits in terms of economic, social and sustainable development that are gained through regional strategies and city regions could evaporate if market forces are allowed to run rampant across the public sector.

Alternative policies and strategies must build on the support for democratic governance, social justice and the welfare state. Action by alliances of trade unions, community organisations and civil society groups is urgently required.

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