

Marxism Today presents its

Manifesto For the Public Sector

1 What is to be reformed? The public sector is not just a set of institutions - the NHS, the education service, the welfare state. It is a sphere in society. It is that space in society where the idea of the public interest is the dominant sector determining how resources should be allocated. That space includes not just health and education services but also transport and the environment, housing and local government services. The aim for the next decade must be to expand the reach of that public interest sphere and develop the quality of life within it. That does not necessarily mean expanding the traditional institutions of the public sector.

The public sphere is best symbolised by a park, a public space within which a wide range of activities can take place. Access to it is equal. The park's infrastructure, its benches and footpaths, are maintained by finance from general taxation. Special services, such as the tennis courts, command an additional charge. Groups can organise and charge for activities they organise themselves within the sphere - such as athletic clubs. This model of a public interest space in society should underpin reform.

2 The institutions of the public sector will remain very important within that sphere. They require far-reaching reform. Just pumping in more money without reform is no more adequate than cutting costs through privatisation. An effective social policy can only be delivered by effective social institutions, run by professional social managers. The starting point is to clarify the purposes and goals of the public sector - its functions. Only when the function is clear can we settle other questions about how the public sector should be financed and how the form its institutions take should be changed. Finance and form must flow from function.

3 The public sector - from central government departments to British Rail - needs clearer goals and priorities. Strategic management, to develop a service, needs to be distinguished from operation management of the day-to-day delivery of the service. Decisions about policy goals and the regulatory framework for a service should be separated from detailed decisions about its provision. The public sector needs both a clearer-sighted strategy and more effective day-to-day management. The producers of a service need to be overseen by independent regulators responsible for pursuing users' interests and monitoring the performance of providers.

4 So the most fundamental issue in the reform of the NHS is to choose from the panoply of health provision available in modern society - from homoeopathic cures and beauty treatment to brain surgery - what the NHS should provide and what should be left to private specialists. The NHS cannot provide a fully comprehensive service. It should provide a core service, extremely well. Deciding the components of that core service is a political decision. Around the core an important periphery of specialist, private services can flourish to complement the core service.

5 Once clearer macro goals are set it becomes easier to monitor the performance of the public sector. The public sector's performance needs to be monitored both more closely and more intelligently. The main form of monitoring at the moment is via the Treasury's cash limits. The regulatory bodies which have proved relatively successful in monitoring private sector monopolies - Oftel, Ofgas - should be extended to the public sector. Ofrail, Ofpost, Ofcube, and even Ofhealth. Dissatisfied consumers would be able to appeal to someone other than the politicians or professionals responsible for a service, to seek redress. The regulatory bodies could oversee the development of entire areas within the public space - for instance the interaction of public and private bodies in health care, competition between public and private postal services rather than just being responsible for a public sector institution.

6 Regulation will only be successful if it is accompanied by structural changes within the public sector to give it purchase. The break up of the monolithic Central Electricity Generating Board into National Power and PowerGen has made the task of regulating the electricity easier because the industry is in more manageable, competing chunks. Effective regulation of the public sector's institutions will be aided by a disaggregation of the state. The public sector should draw upon developments in the private sector. Successful companies are increasingly concentrating upon their core products, technologies and skills, those things they are really good at and which give them a competitive edge. For instance, car makers put a lot of effort into components which have a critical bearing upon a car's performance, such as its engine. But less critical components such as connecting rods are bought in from sub-contractors. The public sector should concentrate upon what it is good at.



7 This means that competitive tendering, franchising, licensing and sub-contracting must have a role to play in non-core areas. Competitive tendering has had unpleasant ramifications in the 1980s, but it has also injected a much needed dose of discipline into the public sector. These tools should be reformed not discarded.

8 Internal markets, within the public sector, which encourage greater specialisation and trading between public sector bodies should be encouraged. If one council develops an expertise in software and another in legal services, there is no reason why they should not trade their expertise. Comparative or yardstick competition will also be useful. Financial targets for councils or health authorities should be influenced by comparisons measuring the relative performance of comparable departments. These comparisons and the financial decisions made using them should create pressure for greater efficiency. There should be a search for forms of competition within the public sector which do not undermine quality of service.

9 A more effective public sector will have to be more focused upon its core tasks and yet more flexible and fragmented about how it organises itself to accomplish those tasks. This disaggregation of the state into different roles and functions has implications for how the public sector should be financed. A more flexible structure and pattern of usage implies more flexible forms of

finance. Innovation in the management, organisation and structure of the public sector needs to be matched by greater flexibility and imagination in forms of funding. There is considerable latent demand for public sector services such as health and education, demand which is constrained by the limits imposed by the rigidities of public finance and taxation. More flexible forms of finance and payment within the public sector could help to tap this demand. The alternative is that this extra demand will be met by the private sector. That would lead to greater inequality.

10 One option would be to distinguish between the infrastructural and retailing aspects of the public sector. All services rely upon an infrastructure - a rail journey upon a network of track, a telephone call upon a telecommunications network, an operation is only possible because there is an infrastructure of hospitals; equipment and health care skills. These underlying networks of infrastructure which support public services at the very least should be regulated if not publicly owned and financed. Infrastructures and core services should be paid for through general taxation. However if an infrastructure is used to deliver a special service then user charges might be introduced. Telephone subscribers pay a rental charge to cover the cost of installing and maintaining a line, an infrastructure charge. They then pay user charges on top for using the line. This sort of split between infra-

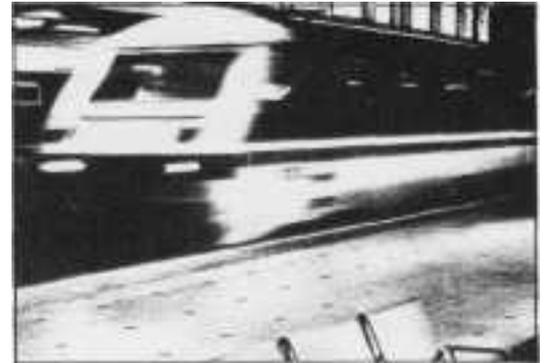


structure/rental charges for core services and retail/user charges for additions, might be taken up elsewhere in the public sector.

11 An alternative might be to offer people each year a range of different pricing packages mixing user charges and tax payments to suit their assessments of how much they will use the system. The distributional impact of user charges could be offset through the tax system. Voucher schemes to allow greater consumer choice and flexibility should not be dismissed, nor should earmarked taxes such as a social insurance scheme devoted to health or education taxes for highly paid graduates.

12 Three central ideas should guide financial and price reform in the public sector. Firstly, ideally pricing reform should promote equality of opportunity or at the very least it should be no more unequal than the alternatives. Secondly, greater variation in the way services are billed and paid for will be needed. If BT can send out quarterly bills to its 26m customers and the banks can post monthly statements to all their customers then the public sector should be able to give its consumers a better idea of what their usage of services amounts to and costs. Thirdly, to maintain public support there must be greater transparency in the link between payment for a service and its delivery. People need to be given a clearer idea of what public services cost and where their money goes, what is financed by subsidy and which services cover their costs. If subsidies are paid they should be transparent.

13 Competitive tendering, tighter regulation and innovative approaches to financing, may help the public sector to become more efficient at delivering value for money. However they will do little to foster innovation, creativity and improvements in the quality of services. Funding should be clearly earmarked for research and development. There needs to be a new deal for workers in the public sector. The dedication and professionalism of nurses and teachers needs to be recognised in their pay, status and training. They must be able to concentrate on what they are good at - teaching and nursing rather than managing. This new deal has to be matched by a determination to break down the worst aspects of trade union culture which still persist in parts of the public sector - especially in local government and par-



ticularly the defence of out-dated restrictive practices and industrial relations procedures.

14 Private sector institutions often occupy parts of the public space. Companies' policies on pensions, health-care, childcare and pollution all vitally affect the quality of life in the public space. In many areas the cultures and practices of the public and the private are converging. So for instance in transport, car and road taxation will have to go along with road pricing and novel forms of funding for public transport. A mix of tools, price regulation, taxation and public provision need to be used together.

15 Housing is a classic example of an area where public and private initiatives need to be drawn together. The Tory housing strategy has run its course - the great boom in council house sales, home ownership and house prices is over. A new housing agenda for the 1990s needs to include tax changes (ending mortgage tax relief); altering of the relationship between housing benefit and the private rented sector; reform of the management of public sector housing stocks, particularly promoting the role of housing associations as well as financing renewed public sector house building. Throughout the 1980s housing - home ownership and council house sales - was a thorn in the side of the Labour Party. In this decade it need not be.

16 The 1980s was the decade of the private sector - the privatisation of state companies, the resurgence of the private sector, the rise in private home-ownership, the championing of society as no more than an agglomeration of private individuals. The 1990s should be the decade of the public interest, the expansion and development of the public interest space in society through imaginative and creative reform.

Written by Charlie Leadbeater