

The Public Sector in the UK theories and historical growth

This is part of a lecture series for management students. It deals with the growth of the modern public sector and introduces theoretical models and reflections.

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What defines the public sector ?

Public services take on different relationships with the public eg:

- Client, resident, customer, patient, services user, citizen

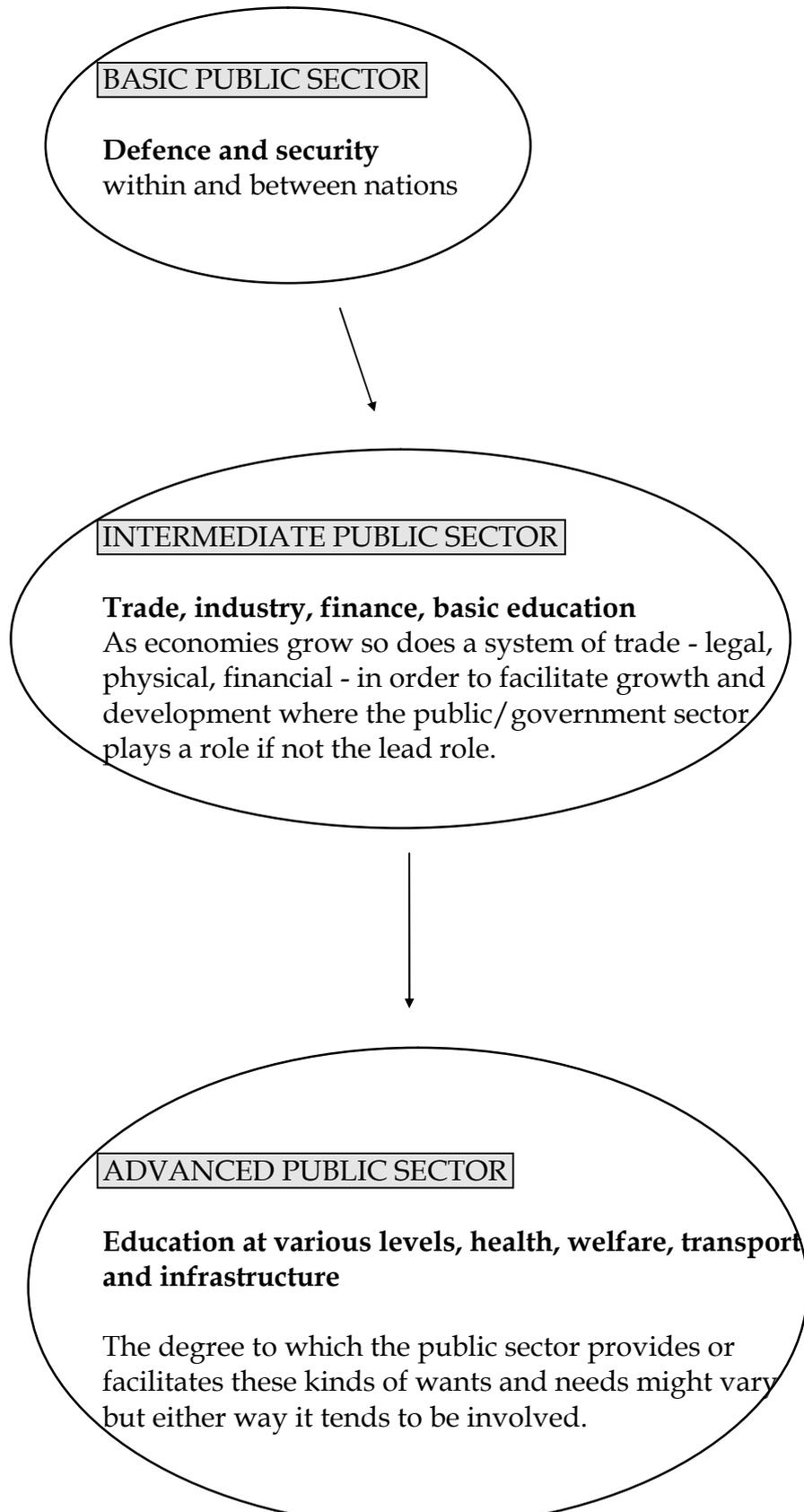
Broadly speaking in the sector public services

- Do things *with* people
- Do things *for* people
- Do things *to* people
- *Enable others* to do things for themselves

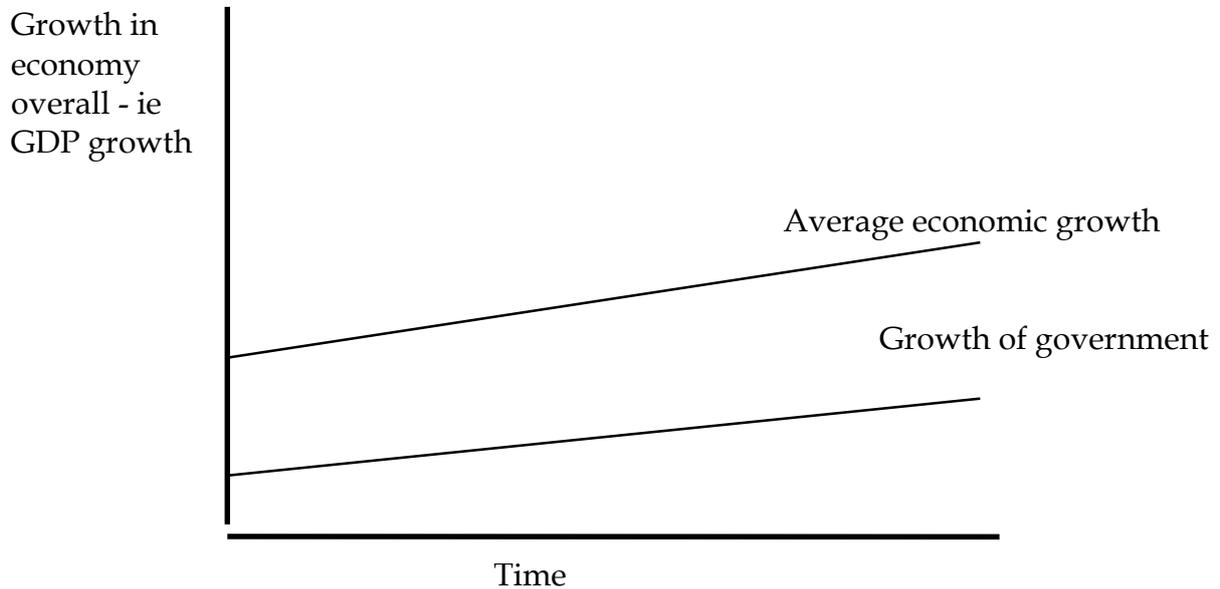
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PUBLIC SECTOR EVOLUTION

Historically as economies grow there tends to be a natural order of things in so far as certain social or economic activities form a 'public' domain and public/government sector.



THE LONG RUN AVERAGE GROWTH OF GOVERNMENT



Over long time periods the government sector of the economy tends to grow as the economy overall is growing.

The New Right's mission has been to shift the balance by shrinking the size of the public sector in relation to the private sector. Its economic approach is that the larger the public sector the more likely there will be a drag on economic growth, crowding out private sector investment and prolonging public sector inefficiencies.

The New Left's agenda is not so economically prescriptive but has surrendered ownership in favour of control whilst attempting to retain a strong public, equity, social justice based view of the world. This may or may not provoke a shift in size of the public sector but the emphasis is certainly different.

The British public sector is about 40% (at the end of 2000) of activity in the economy

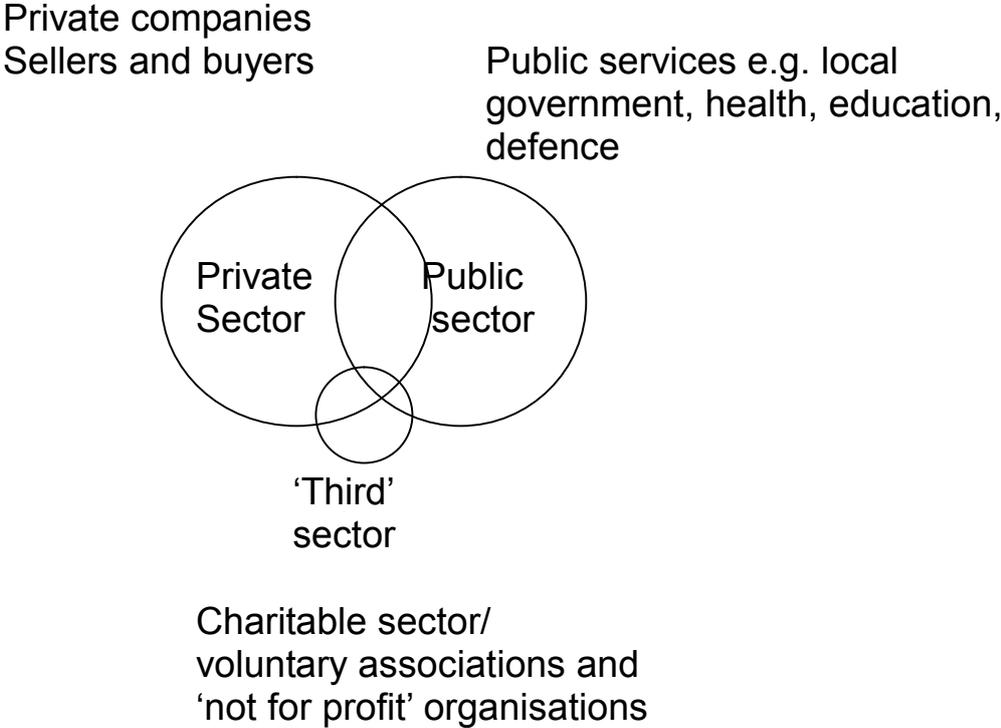
(Adapted from various reading such as Peter Donaldson - 10 10 Economics; Paul Whitely Political Control of the Macro economy)

Growth of the public sector and quasi-markets

The question we are seeking to better understand is:

What activities in society are better organised through the **private** market place and what are better organised in the **public** domain?

Economic and social activity – sectoral model -



Background to the public/private debate

Keynesian long boom of 1950s and 1960s –

- Consensus on role of the state in economic management but differences over details
- Principle model across western governments
- Post-war demands made by citizens for extended rights and rewards
- Public ownership of 'strategic' industry
- National 'Insurance' principle of the welfare state
- Consensus based on tripartite agreements of government, business and unions - corporatism

Re-emergence of neo classical, free market economics in the late 1970s

- Economic collapse and collective conflict in the early and mid 1970s
- Losing market shares to the newly emerging eastern economies
- Public sector seen as inefficient and dominated by producer interests
- The discipline, efficiency and moral 'public choice' of the market system becomes the guiding ideal
- Privatisation, marketisation, contractisation, liberalisation across public industries and public service
- 'The free economy and the strong state' – markets decide!
- Late in the 1990s a centrist coalition attempting to chart a 'third way'

Economic theories of market system -

“It is not out of benevolence of the butcher, the baker or the brewer that we expect our dinner but from their regard to their own self interest”

Adam Smith....'Wealth of Nations' 1776

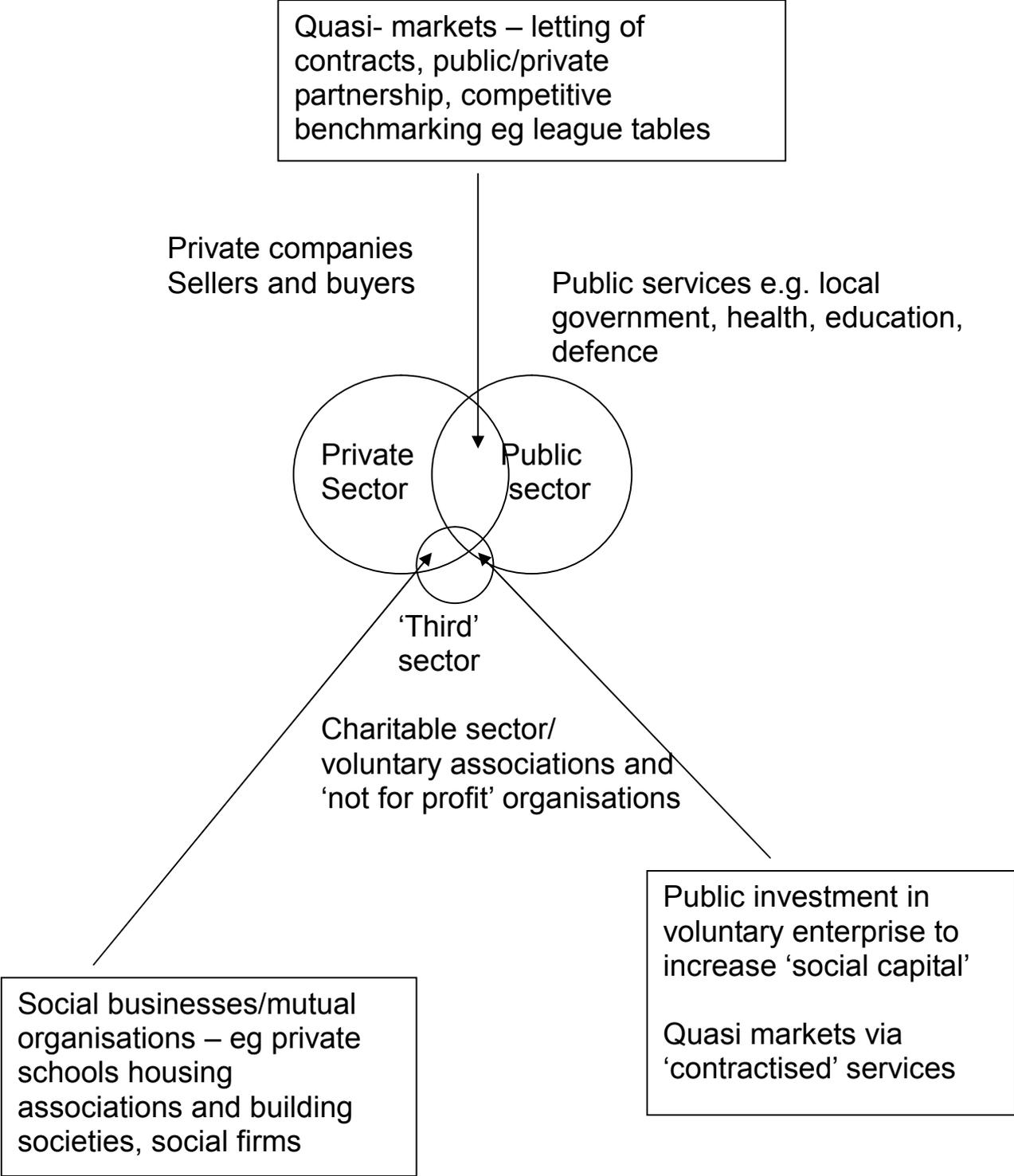
'Perfect' markets

- Many sellers, competition
- Perfect information
- Easy entry and exit
- Identical products
- Absence of externalities

Market failure –

- Monopoly/oligopoly, producers 'price make'
- Natural monopoly, one universal 'product'
- Public goods, non-exclusive
- Merit goods, underconsumed in a free market

Economic and social activity – sectoral model -



Economic and social activity – sectoral model -

Nationalisation, regulation, new public services (eg under 5's education), public capital investment

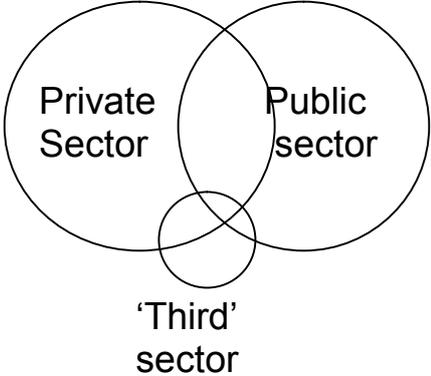


Privatisation, private delivery of public services, quasi markets constructed with some elements of market conditions,



Private companies
Sellers and buyers

Public services e.g. local government, health, education, defence



Charitable sector/
voluntary associations and
'not for profit' organisations

Following Keynesian consensus economics and politics and the free market model what now is the dominant approach:

- Is there a 'third way'
- Economic management remains largely unchanged
- Social policy via 'social inclusion' demands a new deal between state and citizen shifting the burden of responsibility
- Current political leadership more concerned with ideas than with ideals

SOCIAL SERVICES CASE STUDY IN PUBLIC MANAGEMENT

Strathclyde Regional Council - Children's Services

This case study looks at the issues around performance management in the public sector by focusing on children's social service in a large Scottish local authority. Appended is information from the authority's own annual report.

Statutory duties -

The Strathclyde Regional Council has a range of statutory duties that it must see are performed which include the protection of children in need or in danger of neglect/abuse. There are various ways it seeks to deal with the issue from prevention through to 'treatment'. The issues are, to say the least, complex. The Social Services Department has to meet its legal requirements whilst constantly looking at how it can best prevent children from becoming damaged as well as look after those that are through a mixture of residential, parenting assistance, fostering and day care services.

Finance -

The services are financed through a matrix of government grant, community charge and service charges. Central government grant forms by far the largest share of the departments income and is calculated by the SSA (standard spending assessment). Put simply various weightings are given to special local conditions and needs that determine the size of all the government grant Strathclyde will receive. Local indicators that determine grant share include measuring things like children in crowded households; children of lone parents; children of claimants. Government decides the overall size of the cake and with all the conditions of all the local authorities taken into account distributes grant across all the local authorities.

Staffing and services -

The Department employs a range of professional social work and care staff with most service provided in house. The 'care package' can involve a range of agencies, departments and individuals providing an input to the child in care or at risk. Overall the service costs £51 million in the last financial year and is overspending.

Management -

The Department is headed by a Director with two assistant directors - one responsible for adult service and the other for children's services. The Director is appointed by and accountable to the Social Services committee alongside the Chief Executive of the Regional Council. Children's services is politically unpopular whilst, at the same time, being politically sensitive - a culture of 'damned is they do and damned if they don't' intervene in family relationships is prevalent inside the organisation.

Performance -

The Regional Council has decided to publish a number of performance measures (appended)

Stakeholder analysis and the political process

Assessing the power and influence of individuals and groups in the political process is a key part of public management. What gets provided depends on stakeholder support. Understanding and influencing policy makers, pressure groups, decision makers, politicians, electors and so on is part of the management and development task.

Nutt and Backoff have developed a matrix that helps to analyse particular public services or public policy issues.

The matrix uses a number of variables

- *Tractability* - the prospect that an issue can be dealt with by the organisation. Easier to put measures into place
- *Relative stakeholder support* - that there is backing for the issue amongst the stakeholders who determine whether or not the issue is supported
- *Sitting ducks* - in this case the positive meaning that it is easier to target the issue as it has high tractability and high stakeholder support e.g. some parts of health care or schools
- *Dark horses* - issues that have high tractability but low stakeholder support e.g. homelessness or drugs treatment
- *Angry tigers* - issues that are intractable but have a high commitment from stakeholders e.g. farming, crime and public safety
- *Sleeping dogs* - issues that are both intractable and have a low level of relative stakeholder support e.g. prisons

Plot a public sector issue on the matrix:

Where is the issue now and why ?

Where could it move to and how will it move ?

Partnerships and public services

Public services are being driven to work out of their professional confines for a number of reasons such as gaining efficiencies, attracting new resources or solving complex social or economic problems. These 'partnerships' can take a number of forms that can bring organisations closer together or maintain a distance.

Gordon et al have a model of partnership behaviour that has to help organisations diagnose the appropriate form of behaviour to adopt. Two variables are offered as measurement of the type of partnership or relationship that will develop:

- *Predictability* - is the future well and foreseeable
- *Goal* - do the 'players' have individual or collective goals

Organisational Design

What organisational structures are appropriate to providing public services? Burns and Stalker provide several key dimensions to considering this question.

Dimension	Mechanistic Structure	Organic Structure
Stability	Change unlikely	Change likely
Specialisation	Many specialists	Many generalists
Formal Rules	Rigid rules	Considerable flexibility
Authority	Centralised in a few people	Decentralised, diffused throughout the organisation