


7

Modernising Governance

New Labour, Policy and Society

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The processes of dispersal and localisation might appear to be an intrinsic aspect of the new governance, fitting closely some of the propositions set out at the end of Chapter 1. However, the power to establish the dominance of particular discourses and ideologies remains highly centralised. The state may have relinquished some of its responsibility for delivering services and may be sharing responsibility for solving social problems with a multiplicity of 'partners', but it has retained for itself the power to define the agenda and to shape the meaning of the 'evidence' that feeds the development of policy. In doing so it excludes alternative conceptions of modernisation. The success of Labour's conceptions of 'Modernising Government' is marked by the way in which the language of evidence, pragmatism and 'what works', of goals, targets and outcomes, of joined-up government and partnership now permeates the discourse of ministers and civil servants, managers and professionals, journalists and political commentators, and pervades the host of new policy networks and communities that influence the policy process. The new language, however, masks deep continuities in the practices through which policy is implemented. It also masks the intensification of reform processes begun under the Thatcher and Major administrations directed towards the transformation of the professions in health, social care, education, criminal justice and other sectors. This is the topic of the next chapter.

Notes

- 1 There were some exceptions: for example, Pettigrew, Ferlie and McKee research (Pettigrew et al. 1992).
- 2 This term originated in the USA but in the UK is most closely associated with the work of John Stewart (e.g. Stewart 1990).
- 3 There was a widespread expectation within local government that legislation abolishing capring would follow in the first months following the election. Their response to CCT was more complex: some authorities had come to realise its benefits in terms of enhancing their capacity to deal with issues of poor performance.
- 4 A fourth option was later introduced following concerns raised by smaller local authorities.

5 Modernising services: the politics of performance

We believe in active government and we believe in public service, but if government is going to be effective at delivering services in the way people want them for today, it has to be modernised, it has to be updated and that's what this White Paper is all about.

(Prime Minister, cited in Cabinet Office 1999a)

Labour's programme of reform for the criminal justice system, the NHS, local government and other sectors were all packaged under the general label of modernisation, a term that, as I argued in Chapter 3, served to legitimate change. At first sight, modernisation presents itself as a rational and common-sense project to update public services in order to meet the expectations of modern consumers (who, for example, expect services to be organised around the convenience of those using them) and to meet the business requirements of the 'modern' world (for example, by drawing on developments in ICT). But it has a deeper significance when viewed through the lens of the governance propositions set out in Chapter 1. The Labour government's programme of modernisation continued the development of the mixed economy but with a more significant role for the 'Third Sector' of voluntary and community-based organisations. It softened purchaser/provider splits in some sectors and placed a stronger emphasis on collaboration and partnership both within and between sectors. But alongside this apparently flexible and collaborative approach, the modernisation programme can also be viewed as a continuation of neo-liberal reforms, aiming to open up those parts of the public sector that failed to be transformed by the market mechanisms and consumer ethos of the Thatcher and Major years. There was a continued focus on pursuing organisational efficiency and performance, and on the search for business solutions to social and public policy problems. Modernisation continued the attack on the 'producer dominance' associated with monopoly forms of provision, and sought to create new forms of accountability to users and local stakeholders. It did so not only through the use of market mechanisms, but also through the regulatory capacity of the state. This was an extension of earlier strategies rather than a major change of direction, though with a shift of emphasis as Labour focused on enlarging the role of the state as a regulator of services, setter of standards and guarantor of quality. Ashworth, Boyne and Walker suggest that while the reforms of the

also have significant consequences in terms of organisational isomorphism (see p. 27 in Chapter 2), squeezing out the diversity of practice within a particular sector. Such diversity is an important source of innovation and, ultimately, of new models of policy and practice for the future.

A related set of issues concerning the effects of the expansion of regulatory processes concerns the relationship between external regulation and self-regulation. Hood's model of regulation (see p. 84) implies a sharp distinction between 'comptrol' and 'inspector free' forms of regulation, although he acknowledges the importance of hybrid forms. He argues that:

the distinction between 'comptrol' and 'inspector free control' is important, because the main lessons of cybernetic analysis for bureaucracy is that a system can be under control without having any identifiable overseers and that in any complex system control cannot be effected by simple steering alone, but must in large measure consist of self-controlling mechanisms. (Hood et al. 1999: 13)

This is an important point for arguments about the relationship between hierarchical governance and co- or self-governance. Public service professionals have never been entirely autonomous agents; they have always been subject to external regulation by professional bodies and/or the hierarchical disciplines of the bureaucracies within which they work. But the neo-liberal reforms of the 1980s and 1990s saw an explosion of new strategies of control. Managerialism subordinated many areas of professional judgement to an economic calculus, at the same time that contracts and service standards limited the extent of professional discretion (Clarke and Newman 1997: Chapter 4). The extent and nature of these disciplines varied between sectors, but all involved what Rose terms a shift to 'governing at a distance':

In a plethora of quasi-autonomous units, associations and 'intermediate organisations', experts are allocated new responsibilities and new mechanisms are deployed for the management of professional expertise 'at a distance' – that is, outside the machinery of bureaucracy that previously bounded experts into devices for the government of 'the social'. (Rose 1996a: 350)

Rather than a clear distinction between 'comptrol' and 'inspector free' forms of regulation, the theories of governmentality introduced in Chapter 1 would assess the full range of strategies in terms of their capacity to constitute *self-regulating subjects*. Power (1994, 1997) argues that one consequence of what he terms the 'audit explosion' has been the construction of auditable organisations. He notes the shift of organisational resources from first-order to second-order functions, diverting resources from delivering the core business to the process of accounting for what is delivered. Audit and inspection also helps to construct new forms of professional self-regulation. As Rose comments:

... rendering something auditable shapes the processes that are to be audited, and the logics and technical requirements of audit displace the internal logics of expertise. . . . These arrangements retain the formal independence of the professional while utilizing new techniques of accountability to render their decisions visible, calculable and amenable to evaluation. (Rose 1996a: 351)

This produces particular consequences for organisational behaviour as external scrutiny is translated into a myriad of internal forms of management control. The meeting of externally-set targets becomes a matter of managerial goals and priorities. Standards and norms become incorporated into the practices through which staff are recruited, trained and appraised. Peer review may be developed as a form of insurance against the possibility of 'failure' and the risk of external intervention. All of this produces an intensification of data collection and management within organisations, installing a 'calculative technology' in the enterprise (Rose and Miller 1992: 187) or a 'tyranny of numbers' which may stifle creativity and reason (Marr 2000b). Under Labour, there has been an intensification of external controls (standards, targets, audit and inspection), coupled with the emphasis on distinguishing between successful and failing organisations. But each has the capacity to produce a self-regulatory effect, albeit what in Vincent-Jones's terms would be viewed as 'enforced self-regulation' (1999: 282). The installation of a 'calculative technology' does not, however, necessarily induce commitment to the government's goals, nor motivate public service staff to work in new ways. This was one of the major dilemmas for the government: oscillations between commitment-building and control-based approaches to the management of change characterised its strategies for public service reform. This is the topic of the next section.

Labour's approach to managing change

Previous sections have discussed the range of strategies used by the Labour government to modernise public services. Commentators such as Ham (1999a) have noted the 'eclectic mix' of tools used by the Labour government. Indeed, the idea of a 'toolbox' became a common metaphor for Labour's approach to the modernisation of public services. The need for a mix of measures might be viewed in terms of a 'what works' pragmatism. Alternatively, it might be viewed as a 'belt and braces' approach, devolving responsibility and building commitment with one hand while strengthening central control measures on the other to ensure that strategies are delivered.

The Labour government's approach to modernising public services was based on a series of very different models of change. It encompassed strategies that were designed to support the professions and raise morale in areas facing recruitment problems (e.g. nursing, teaching and the police) at the

same time as it encompassed strategies that were designed to exert pressure on recalcitrant workers to ensure policies were delivered. It included top-down measures (such as the specification of standards and targets) and decentralising measures (e.g. the empowerment of nurses and GPs in the new Primary Care Groups (PCGs) and the allocation of additional resources directly to schools and hospitals rather than to intermediary bodies). Accompanying the expansion of inspection, audit and other measures of control was an explicit emphasis by ministers on persuasion and influence – on attempting to secure support for change among professionals and managers in the public sector. There was also an attempt to encourage self-generated change – innovation – in the delivery of services. Some of the legislation introduced deliberately focused on setting frameworks within which managers, professionals and local politicians could choose how to implement reforms rather than on having a common template imposed from above. Threats of the removal of powers in examples of poor performance were offset against a programme of incentives. The modernisation programme included additional incentives for schools, hospitals, local authorities and other agencies to change in order to secure access to additional funds or powers. The ‘incentive’ elements of the programme included the devolution of responsibility to the new PGCs and Trusts, the Beacon Schools and Beacon Local Authority Schemes, and the launch of a host of new projects, pilots and initiatives. These enabled many public sector workers to act in more innovative ways and to be more proactive in shaping wider processes of change.

This eclectic approach drew on a range of different models of change that can be mapped onto the framework introduced in earlier chapters (see Figure 5.2). The top left-hand quadrant (‘self governance’) represents a focus on fostering commitment and ownership in order that public services professionals, managers and staff might take responsibility for delivering change. It also reflects a focus on capacity-building for the future, represented by Labour’s attempt to resolve long-term problems of recruitment and the supply of trained professionals. The top right-hand quadrant (‘open systems’) reflects the government’s emphasis on the need for innovation. This requires local flexibility and diversity and the devolution of responsibility for delivering policy outcomes. The bottom left-hand quadrant (‘hierarchy’) reflects an enhanced focus on standards and scrutiny of professional practice. The bottom right-hand quadrant (‘rational goal’) focuses on the delivery of outputs rather than on the achievement of outcomes. It reflects the panoply of targets, goals, plans and performance indicators cascading from the centre and the explosion of audit and inspection bodies. It reflects an approach to governance in which the state appropriates for itself the discourses and technologies of managerialism in an attempt to secure its goals in the context of a dispersed and fragmented system of delivery.

The model shown in Figure 5.2 can be used to highlight a number of emergent tensions within the implementation of the modernisation agenda.

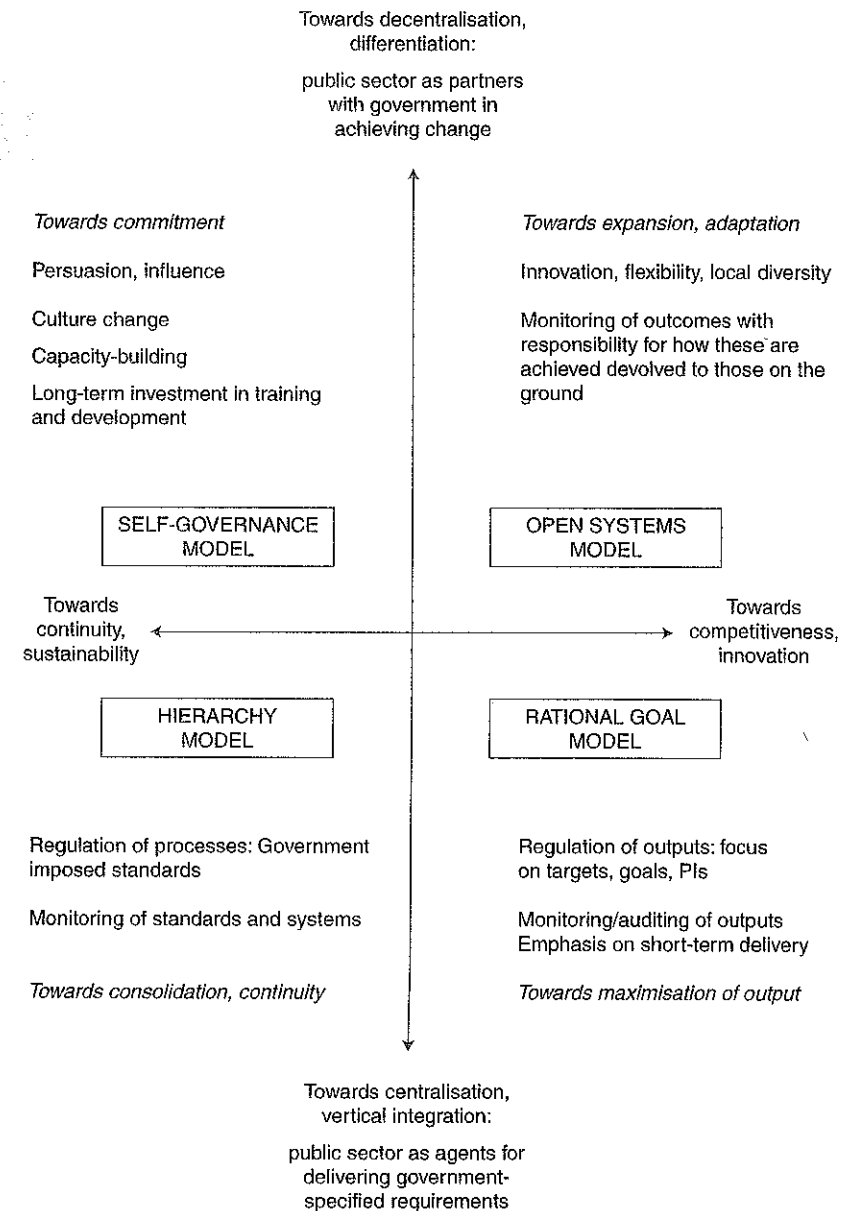


FIGURE 5.2 *Modernising services: models of change*

use of information technology (Carter et al. 1992). They are used in an attempt to sharpen the transparency and accountability of organisations, and have the capacity to shape managerial behaviour and to change strategies of control *within* organisations (Hoggett 1996). Debates about how PIs should be used, and indeed whether they should be used at all, have pervaded the literature for the last decade. PIs may be used as 'tin openers' (to help diagnose problems) or as 'dials' (to measure performance) (Carter 1989). The former opens up the possibility of feedback, self-regulation and reflexive performance management systems while the latter is associated with externally-applied systems of control.

The Labour government's use of PIs remains highly centralised, linked to the gathering of data at the centre rather than as a process of feedback and learning. However, Labour has attempted to shift the focus of PIs towards the measurement of outputs and outcomes rather than inputs and processes. The difficulty of setting such targets was highlighted in the run up to the 2000 Spending Review when the Chief Secretary to the Treasury admitted that those set in the first round had had serious shortcomings (speech to the Institute of Public Policy and Research, *The Guardian*, 5 April 2000: 15). The problems were identified as the setting of too many targets, some of them unworkable, and too great a focus on inputs rather than on outputs or outcomes. The subsequent round of Public Service Agreements show evidence of a shift towards fewer, more output-based and integrated targets but considerable variation between departments remained.

Labour also experimented with indicators that are designed to measure performance against 'cross-cutting' goals and targets. Practice here tended to lag behind the rhetoric due to difficulties in allocating responsibility for performance in complex systems where many organisations might contribute to any particular outcome. Nevertheless, the government set out a number of ambitious promises, such as reducing the numbers of children living in poverty by 25% by 2004, promises that require both joined-up policies and integrated action by public services (see Chapter 6).

The proliferation of targets and performance indicators was linked, under Labour, to the requirement that organisations in most sectors produce year-on-year plans reporting on past performance and outlining the way in which they intend to achieve improvements. Examples include Best Value performance plans, Health Improvement plans, School Development plans and a host of others. Many such planning processes became mandatory and subject to audit and inspection processes. There was some scope, however, for organisations to set self-determined goals and targets, based on consultation with users and other stakeholders. Despite this proviso, targets, performance indicators and mandatory plans can be viewed as strategies to focus professional effort and managerial activity around a government's priorities. They do not necessarily intervene in the professional task itself, but have consequences for the relationship between professional and managerial roles within an organisation. In contrast, greater *task* control is involved in the formalisation of standards for professional practice.

Specifying practices: regulating the labour process

The White Paper *Modernising Social Services* introduced its proposed reforms with the comment that:

One big trouble social services have suffered from is that up to now no Government has spelled out exactly what people can expect or what the staff are expected to do. Nor have any clear standards of performance been laid down. This government is to change all that. (Foreword by the Secretary of State, Department of Health 1998b: 2)

Standards are the means of moving towards the eradication of inconsistencies in practice between different regions or organisations. For example, local variation in standards in health, social services and other locally or regionally controlled services was used by the Audit Commission and other bodies to indicate the need for reform. The introduction of common standards enables government to overcome perceived defects in the way in which delegated authority is used by local managers to control professional practice. Moves towards the standardisation of practice included the introduction of a mandatory 'literacy hour' and 'numeracy hour' in primary schools and a range of measures in Social Services and Probation. Even the strongest bulwarks of professional power, medicine and surgery, became subject to tighter regulation and the standardisation of performance norms following examples of surgeon error at Bristol Royal Infirmary and other scandals involving surgeons and general practitioners. The publicity surrounding these cases led to the government adding a clause to the 1999 NHS Bill, giving it wide-ranging powers to change the machinery of self-regulation in the health professions. National Service Frameworks were introduced to create greater consistency in the treatment of specific disease groups, placing constraints around the clinical freedoms of medical practitioners. The National Institute for Clinical Excellence (NICE) was charged with responsibility for making judgements on the value of new medicines and technologies. All of these developments undermined the tradition of professional self-regulation in the welfare and health professions.

Towards self-regulation: quality assurance

The development of standards can be linked to the increasing emphasis on quality in public services which developed through the Thatcher years but became particularly significant with John Major's Citizen's Charter, relaunched under Labour in its Service First programme. Quality assurance is an all-embracing term covering a range of different meanings and practices (Kirkpatrick and Martinez Lucio 1995). Its importance increased under Labour in areas where competition was no longer viewed as the main driver of change. For example Best Value was based on a drive for continuous improvement in council and other services, with councils expected

to show improvements in meeting quality targets for service delivery. In health, the 1997 White Paper emphasised the importance of quality and announced the introduction of national standards and guidelines. The long-term service agreements which replaced contracts were underpinned by explicit quality standards. The 'Quality Protects' scheme, which was introduced in social services, sets specific targets for improvement in the lives of looked-after children over a three-year period. Many organisations adopted a quality accreditation system such as the Business Excellence Model or began to participate in peer review schemes (e.g. that established for local government by the Improvement and Development Agency).

One of the most significant developments under Labour was the introduction of a new system of clinical governance in health, defined as a 'framework through which NHS organisations are accountable for continuously improving the quality of their services and safeguarding high standards of care by creating an environment in which excellence in clinical care will flourish' (Department of Health 1998a: 3). Clinical governance is a comprehensive approach covering clinical audit, evidence-based practice and standard-setting. It places a statutory responsibility for quality on chief executives and requires each Trust or Primary Care Group to develop procedures for all professional groups to identify and remedy poor performance. In doing so it shifts the focus from external regulation by government or the professional body to the development of 'self-managing' organisational systems, procedures, guidelines and protocols. Clinical governance can be viewed as a strategy to strengthen systems of professional self-regulation, but accompanied by managerial mechanisms of quality control. Trust Boards were expected to establish a vision and implementation strategy for clinical governance which was then reflected in the performance targets of individuals and teams. A Commission for Health Improvement was charged with responsibility for clinical governance arrangements and was given the power to tackle shortcomings. Clinical Audit might be viewed in terms of the exercise of greater control over activities that were previously the province of individual professional or managerial judgement. It might, on the other hand, be viewed as re-balancing of professional-manager relations. Some suspect that efficiency goals have played a role in these developments, alongside issues of clinical or professional effectiveness (Boseley 2000). But it is also closely linked to the 'what works' philosophy I described in Chapter 4, drawing on best practice and inscribing this into general guidelines and standards.

Towards external scrutiny: audit and inspection

Each of these instruments and strategies was reinforced by audit. Clarke et al. (2000) locate the growth of audit in the neo-liberal reforms of the 1980s, arguing that the new dispersed state form, in which provider organisations had enlarged autonomy for operational management, implied new issues of control for the centre. 'Audit has emerged as a generic feature of this new

state form in the UK, although it combines in complex ways with a variety of arm's length control systems and practices: inspection, accounting, regulation, performance review, and processes of organisational development' (Clarke et al. 2000: 254). Labour's approach to modernising public services such as education, health, social services and probation was based on strengthening this external oversight through functionally separate agencies such as the Audit Commission, Ofsted and the SSI, each established under previous governments. Labour also expanded the range of bodies involved in scrutiny, inspection and audit. It established a new Commission for Care Standards in each region to regulate social care in domiciliary and residential settings. The role of the Audit Commission continued to expand and Housing and Best Value Inspectorates were established under its aegis. A new body – Her Majesty's Inspector of Probation – was introduced. The multiplication of inspection regimes was accompanied by additional powers for Secretaries of State in education, social services and elsewhere to remove services from organisations receiving poor inspection reports. The Commission for Health Improvement was given the power to intervene in the running of Primary Care Trusts alleged to be performing poorly. Ofsted inspections were backed up by powers for the Secretary of State to remove functions from local education authorities (LEAs) or to close schools and re-open them under the Fresh Start initiative.

Audit and inspection in the 1980s and 1990s predominantly focused on value for money. This is a continuing focus under Labour: the frameworks of performance indicators, standards and targets that have passed from policy into legislation strongly reflect the New Public Management focus on service costs and performance (Hughes and Newman 1999). However, there was an increasing focus on auditing the measures introduced by organisations to deliver the government's policy agenda. Measures of policy outputs and outcomes reflect an emerging agenda of joint audits, cross-cutting targets and outcome-oriented performance indicators. The partial shift towards auditing and inspecting outcomes was underpinned by an assumption of self-regulation: that is, that managers and professionals would find the best means of securing the desired changes. However, in case they did not, the government set in place a range of measures through which organisations could face the removal of some or all of their self-governing powers.

Sanctions and threats

The development of audit and inspection was linked to a wider discourse of failure and the growth of threats and sanctions against organisations deemed to be performing poorly. The language of threat and coercion became common:

If you (local government) are unwilling or unable to work to the modern agenda, then the government will have to look to other partners to take on your role. (Blair 1998b: 22)

The choice is not a new NHS or the current NHS. It is the new NHS or no NHS. (Dobson 1999: 18)

In the Health Service the language of partnership and 'going with the grain' gave way to more coercive strategies as the government became frustrated with the slow speed of change. In March 2000 it was announced that Blair would take 'personal charge' of the government's efforts to improve the NHS by chairing a new Cabinet Committee to monitor NHS improvements in England after admitting failure to deliver election pledges. This followed a budget announcement earlier in the same week of extra money for modernisation reforms. The extra resources were set against new measures to redress failure by withholding cash if performance targets were missed, and were accompanied by the threat to replace managers with 'hit squads' of managers from successful units. Blair spelled out a much harsher message for health service workers than that underpinning the earlier 'partnership' model, calling for a new realism on the part of health professionals and demanding that they 'strip out unnecessary demarcations, introduce more flexible training and working practices' (Blair, reported in *The Guardian*, 23 March 2000: 23). The division of local authorities, schools and other services into 'heroes' (or beacons for others to follow) or 'villains' ('failing' services) laid the foundation for the exercise of additional powers by Secretaries of State. Services deemed to be failing were required to produce action plans and demonstrate measurable improvements within a specific time period. Where these were not delivered, additional sanctions were available. For example, the Fresh Start scheme for schools enabled Secretaries of State to impose special measures and ultimately to close 'failing' schools and re-open them under new leadership and with additional resources. The model of change here was based on the presumed power of heroic leadership: the capacity of individuals to transform organisations by motivating staff and putting in place new management systems. Three such 'super-heads', however, resigned in the first months of 2000 (*The Guardian*, 15 March 2000: 4). These resignations, and the publicity surrounding them, raised concerns about the capacity of individuals to treat the symptoms of more structural problems in the education system by business recipes of organisational turnaround. The introduction of 'hit squads' in the NHS was, paradoxically, announced shortly after problems in the Fresh Start scheme in education became apparent.

The ultimate threat was that of privatisation. In April 2000 a private sector company took over most LEA services from Islington Council following a highly critical report from Ofsted in the previous year. Comprehensive outsourcing of LEA services was also threatened at Liverpool, again following an adverse Ofsted inspection. The consultants KPMG had been called in to plan the outsourcing programme and it was reported that Tony Blair conceived this as a 'demonstration project for a Third Way in education' (*Education Guardian*, 18 January 2000: 8), although the eventual decision here was to retain the LEA.¹ Threats concerning the removal of

powers and functions also became a recurrent theme in local government. Discussions running up to the 2000 Spending Review included proposals to remove social service and education functions from local councils, with direct funding of schools and Health Authorities taking over care of the elderly. The outcomes of the discussions were more muted, with a strengthening of partnership working between health and social service departments and only a partial implementation of the proposals to fund schools directly, bypassing the LEA. However, the principle of 'front-line funding' – passing additional funding made available over a three-year period for health and education direct to schools and health workers – effectively short-circuited potential centres of professional resistance.

Shaping behaviour: regulation and self-regulation

What impact did all this activity have on those being regulated? The literature highlights a number of key concepts about the relationship between regulator and regulatee, including regulatory capture, resistance by regulatees and ritualised compliance (Ashworth et al. 1999). The literature also suggests the importance of models of power dependence in understanding relations between regulator and regulatee (Cope and Goodship 1999). Research evidence on the links between audit or inspection and performance is scant and inconclusive because of the difficulties of measuring the impact of inspection in relation to other variables. However, it has been suggested that audit and inspection may have a number of consequences for organisation and individual behaviour. It may lead organisations to focus on process rather than outcomes (e.g. ensuring that an organisation can demonstrate it has followed the expected procedure for conducting a Best Value review). Audit and inspection may lead an organisation to focus on the factors likely to be the subject of external scrutiny, or the factors measured in performance indicators, with possible 'perverse effects'. The anticipated visit of auditors or inspectors will almost certainly divert resources from mainstream activity and produce higher than normal degrees of anxiety and stress. External scrutiny may also lead organisations to focus their energies on the production of discourses of success – what Corvellec (1995) terms 'narratives of achievement' – to ensure survival in a competitive environment, at the possible expense of more realistic assessments of weaknesses and strengths.

Finally, audit and inspection may produce its own perverse incentives in the form of encouraging greater conformity with an expected norm. This is a point made by Boyne (1999) in relation to Best Value, which he suggests may lead to a 'dull conformity' as local authorities have their attention directed to the same performance indicators. Standardisation, peer review, inspection, audit, performance indicators and other measures may bring huge benefits in terms of eradicating the worst practice in public services and using the best as a benchmark for others to follow. However, they may

also have significant consequences in terms of organisational isomorphism (see p. 27 in Chapter 2), squeezing out the diversity of practice within a particular sector. Such diversity is an important source of innovation and, ultimately, of new models of policy and practice for the future.

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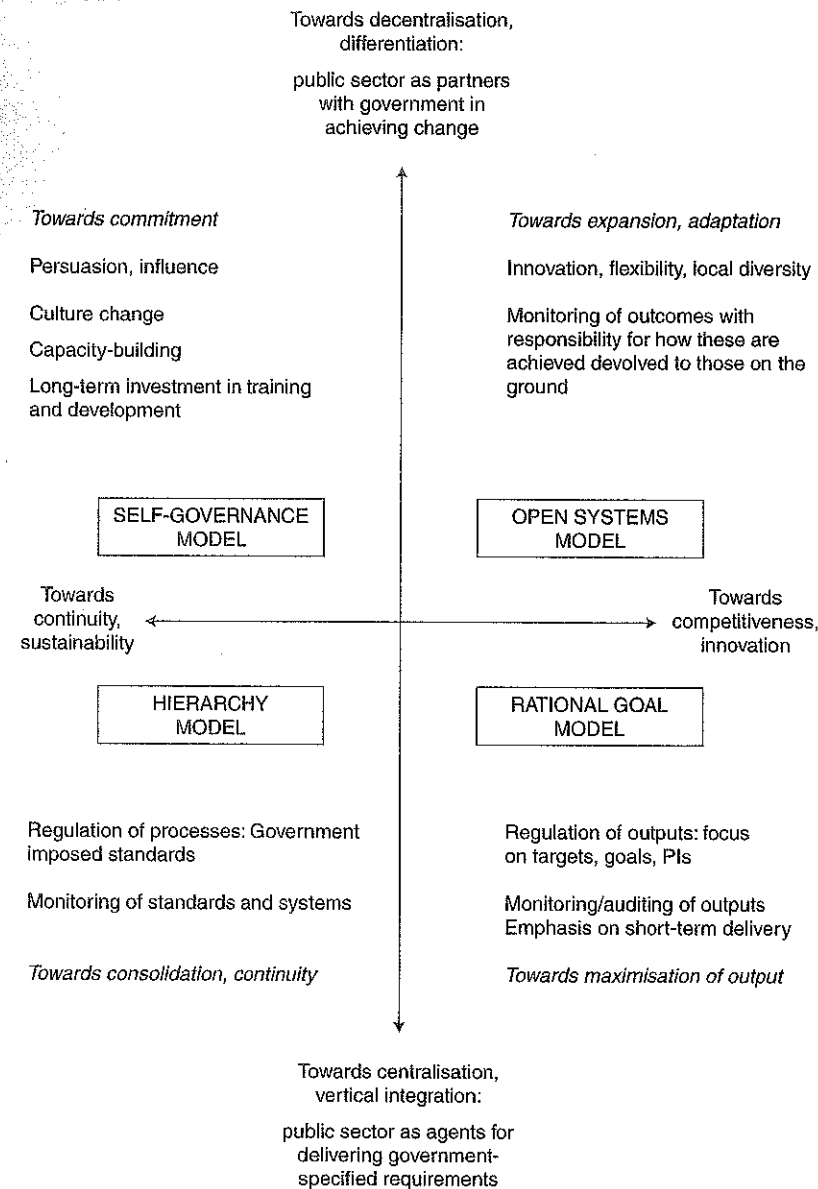


FIGURE 5.2 *Modernising services: models of change*

Long-term capacity-building versus delivery of short-term goals and targets

Several commentators have pointed to capacity problems in the public sector which influence the delivery of policy (e.g. Pollard (1999) on the criminal justice system; Martin (2000) on the capacity of local authorities to deliver Best Value; Ham (1999b) and Walshe (2000) on capacity problems in the NHS). While the government has dealt with some capacity issues through its focus on recruitment, professional development and training in areas facing recruitment problems, this is only part of the agenda. Organisations are faced with the problem of how to invest in long-term development (top left-hand quadrant) through, for example, culture change programmes, infrastructural development, time investment in partnership working, or long-term strategies for professional or management training, while at the same time focusing on the need to demonstrate short-term 'wins' (bottom right-hand quadrant). Longer-term funding linked to three-year Public Service Agreements may enable organisations to invest in capacity-building, but the need to deliver against short-term targets, coupled with a rigorous inspection and audit regime, may lead to a continuation of the 'development deficit' in public services (Jervis and Richards 1997).

Standardisation versus innovation

These two imperatives operate alongside each other in the modernisation programme. Under Labour there was an emphasis on standardising practice to overcome regional and local differences in how priorities were set (e.g. in Health Authorities, police and probation services), or to install a particular model of 'best practice' (as in the imposition of mandatory numeracy and literacy hours in primary schools). At the same time there was an emphasis on innovation and entrepreneurship in public services. Many of the policy proposals were designed to encourage innovation through pilot schemes or action zones in which the usual controls were relaxed in order to foster new forms of practice. Standardisation implies the need for a 'neo-Taylorist' form of management in which the work of individuals or organisations is tightly prescribed. Innovation implies a large measure of local discretion in which staff can develop solutions to service-based or local problems in a flexible way (Newman et al. 2000). The elements of modernisation which implied the need for flexibility and local autonomy, however, tended to be subordinated to other priorities for a government anxious to exert strong control from the centre to ensure its policy agenda and political project were carried through.

Commitment versus compliance

Over the last twenty years there has been considerable focus on the need for transformational leadership and culture change in the public sector.

Problems of implementation have frequently been linked to cultural barriers, and both politicians and senior managers have recognised the significance of culture and leadership in comments about the need to 'win hearts and minds' or to 'build ownership'. The strategies required to build commitment are, however, very different from those designed to exercise control, as recognised in the Human Resource Management literature (e.g. Legge 1995; Storey 1999; Storey and Sissons 1992). The expansion of performance indicators, targets, standards and other contractual modes of controls tends to induce compliance rather than commitment (Flynn 1994).

The language of decentralisation, flexibility and innovation pervaded new Labour discourse and suggested that there was a recognition of the need to build commitment and ownership. Local leadership was, in many documents, viewed as a solution to problems of poor performance in schools and other organisations (e.g. Scottish Office 1999), and as a source of culture change oriented towards the new agenda (e.g. Social Exclusion Unit 1998a). Devolution and innovation were mobilised as tools through which managers could deliver the results or outcomes government required. This form of managerialism, based on transformational leadership, culture change, entrepreneurial action and innovation, can be contrasted with the search for rational, mechanical levers of control, based on detailed guidelines and universal standards applied across different local contexts. Rather than devolved management and flexibility, the increasing requirement that organisations meet centrally-determined standards of performance tended to produce a neo-Taylorist form of internal management based on the standardisation of work processes (Pollitt 1993). These tensions were system-wide as well as organisation-specific. The tension between standardisation and flexibility was reflected in the problems experienced by government as it sought to reconcile long-term development through innovation, experiment and capacity-building with the delivery of electoral pledges relating to mainstream services such as health and education. The unwillingness of the government to release funds for significant investment in public services until three years into its term of office certainly exacerbated the problem of building capacity for the deep changes required by the modernisation programme.

Implementing change: trust and contract

The attention to how change was to be delivered – to the implementation of the reforms – tended to be a neglected element of the policy process. Change needs to be conceptualised rather more subtly than a simple contrast between government will and professional resistance. The implementation process is influenced by professionals and managers as social actors, making sense of the changing policy environment and learning to navigate the tensions between centralisation and decentralisation, empowerment and control. Issues of trust are central to this process. Trust mediates between the

external stimulus (e.g. a new policy announcement) and individual or group perception (the meaning attributed to it). The difficulty with the eclectic mix of instruments used by Labour was that it invoked different forms of trust: calculus-based, knowledge-based and identification-based (Lewicki and Bunker 1996; see also Coulson 1998; Newman 1998a). Calculus-based trust derives from rational calculation and relationships of exchange. It invokes instrumental behaviour and game-playing, and is linked to the operation of incentives and the threat of sanctions. Knowledge-based trust is formed over time through experience of, and information about, the other party. It is based on a longer-term stake in the relationship which leads to 'give and take' and elements of reciprocity. Identity-based trust is formed through common patterns of identification and the principles of mutuality and loyalty. It is implicit, affective and long-lasting. Each of these forms of trust suggests different forms of behaviour and is associated with different costs and benefits. While calculus-based interactions tend to produce compliance, identification-based relationships tend to produce high levels of personal engagement and commitment. The former produces high transaction costs (the costs of monitoring compliance and exercising sanctions) while the latter is associated with low costs. Public services have traditionally operated on high levels of identity-based trust because of the commitment of workers to public service values, to their users and clients, or their identification with a profession or colleagues in a particular service. Identity-based trust may involve multiple and potentially conflicting identities, as when, for example, black police officers struggle to reconcile identification with both the police service and with local black communities. However, identity-based trust between the individual and their employing organisation has, in the past, formed a strong and unifying set of ethics based on public service values.

Such identity-based trust has, however, been eroded over the last twenty years. The New Public Management installed new patterns of control based on performance and contract displacing the collegial, professional and corporate forms of trust that characterised the postwar public sector. New forms of employment contract, market relationships and performance regimes led to a more instrumental set of calculations about the relationship between workers and employers, professionals and government (Newman 1998a). Audit and inspection processes installed new ways in which the public interest was represented, in place of trust in its professional and bureaucratic embodiments (Clarke et al. 2000). Labour's modernisation programme continued these trends. Knowledge-based trust was inevitably limited during Labour's first years in office, though some public sector staff carried expectations based on experience of working under Labour-controlled local authorities, or distant memories of a previous Labour government. Hopes and expectations were high, and many in the public sector identified strongly with the espoused goals of Labour, the new form of leadership and new freedoms which it was seen to represent.

However, the dominance of the 'principal-agent' model in Labour's approach to delivering change tended to produce a calculative form of trust

based on compliance to a set of contractual relations. The modernisation agenda was implemented through a range of implicit or explicit contracts. These often took the form of exchange relationships such as the linking of the release of money for modernisation to delivery against staged targets, as in education: 'We are proposing money for modernisation – serious investment in return for necessary reform. The Government, supported by the wider public, cannot and *will not proceed without this fair exchange*' (Blunkett 1999: 11, my emphasis). More personal and constitutive forms of contractual relationship – what might be termed new psychological contracts – were also set out by government in place of the enforced restructurings of the past: 'I want to make sure that the people in the NHS have up-to-date and authoritative guidance, training and advice. *In turn, they must be willing to change* and be open to new ideas' (Dobson 1999: 18, my emphasis).

Here and elsewhere the government attempted to elicit a willingness on the part of public sector organisations and staff to pursue the modernisation agenda. New freedoms were offered to those performing well. In primary care, the achievement of NHS Trust status depends on demonstrating a systematic approach to monitoring and improving clinical standards in medicine and nursing. Local councils were invited to bid for Beacon status, exchanging 'exemplary' performance for financial flexibility and the relaxation of some legislative requirements. As noted earlier in this chapter, performance against contract was being tightly monitored by a range of inspecting and auditing bodies, and sanctions were being exercised where contracts are not delivered. But less formal modes of contract were also invoked. For example, the Best Value regime can be viewed as a form of implicit contract between government and local government in which, in return for abolishing Compulsory Competitive Tendering, councils were required to demonstrate continuous improvement in both costs and quality.

I noted earlier the eclectic mix of models in Labour's modernisation programme. The government oscillated between what, in ministerial language, is termed 'pressure' and 'support': that is, between strategies of direct control (quasi-contractual relations backed up by the exercise of new powers by Secretaries of State) and strategies designed to foster self-motivated change. This analysis suggests that, rather than these being aggregative and complementary – a 'belt and braces' approach in which one measure is intended to succeed if others fail – they may be mutually contradictory. The 'support' offered by government did not produce the expected levels of commitment precisely because it was backed up by, and in some cases preceded by, coercion. The behaviour of those to whom responsibility was delegated in 'enabling' parts of the programme was often shaped by a calculative form of trust (compliance, or at least the appearance of compliance) rather than engagement with the new agenda. The programme of incentives and threats tended to produce a focus on game-playing, information management and presentation rather than on the delivery of sustainable outcomes.

The mix of models was deliberate and was given a positive gloss by ministers. The former Secretary of State for Health, for example, claimed that the mix of what he terms 'pressure' and 'support' meant that the government was 'combining national standards for care with local flexibility. This really is a third way beyond old-style command and control and the pseudo market introduced by our predecessors' (Dobson 1999: 15). This was a key element of Labour's discourse on public service change. It resonates with the notion of a 'Third Way' and with ideas of the new governance outlined in Chapter 1 in that it claimed to transcend both hierarchy and market. The emphasis on national standards plus local flexibility appeared to reflect supposed shifts in the role of the state towards influencing and enabling rather than the exercise of direct control. But rather than a coherent model of change, the mix of models tended to produce confusing messages about the relationship between government, the professions and the public. As Celia Davies comments in relation to the regulation of the professions, central control remained dominant:

Labour's reforms in health and social care retain regulation at the centre. . . . By a process of accretion, we now regulate persons, programmes and places. Little surprise, then, if consumers feel confused and professionals feel embattled. (C. Davies 2000: 288)

External forms of regulation and control result in a form of enforced self-regulation on the part of both individuals and organisations. The dominance of the principal-agent, contractual model of the relationship between regulator and regulatee, coupled with increased sanctions and threats, tends towards the production of low-trust compliance rather than a committed engagement with the modernisation process.

However, Labour's approach to managing change can also be understood through the lens of the theories of institutional change introduced in Chapter 2. The reform process undoubtedly had the capacity to produce shifts in the cultural formation of identity of professional and managerial workers. They became change agents, modernisers, leaders or standard-setters and a host of other possible identities, through which the outcomes of change were shaped. Generalised conclusions about the relationship between external regulation and self-regulation are not necessarily very helpful. Governance is, as Chapter 2 emphasised, a contested domain and each new control measure may be met by new strategies of appropriation or resistance – active or passive – on the part of those being regulated. Workers have a range of strategies for dealing with reforms, from resistance to compliance, co-option and appropriation. The impact of standards and quality programmes depends on how groups come to redefine these measures within a professional or service-based set of norms and meanings. For example, clinical governance might be viewed as a strategy used by government to introduce greater controls over costly treatments, or as a strategy directed towards professional self-governance, welcomed by the

medical profession as representing a re-balancing of professional-managerial relations. Enforced self-regulation through targets, plans and audit may enable change agents to overcome past barriers to change, or may produce perverse effects as organisations focus more on compliance and presentation than on outcomes. Rather than viewing change as an evolutionary process in which professionals or managers simply adapt to new environmental opportunities and constraints, it is, then, necessary to study the strategies they use to win organisational or professional legitimacy in a contested field of governance.

Overall, however, the strategies of regulation and control that were evident in the programme of modernising public services described in this chapter invoked a centrally-driven, strongly managerial form of governance which can be contrasted with the propositions relating to a shift towards the network-based governance that were set out in Chapter 1. The next chapter goes on to consider areas of Labour's agenda which invoke the need for joined-up government and partnership, areas in which evidence of network-based forms of governance are more likely to be found.

Note

¹ This followed a number of changes at senior management level and a programme of improvements which enabled the authority to head off the threat of outsourcing.