

Franco-British Council

Public Service Reform in France and the UK

Report of a seminar held in Edinburgh

11 December 2008

David Walker

SUMMARY

Challenging preconceptions on both sides of the Channel, the FBC's Public Service Reform seminar compared France and Britain's experiences in providing their citizens with modern and efficient services. Struggling under the seemingly divergent goals of universal inclusion and cost-effectiveness, particularly topical in these times of recession, Public Service has been at the centre of both governments' reforming impulses for several decades.

As the seminar took place in Edinburgh, the issues of devolution were central as was the increasingly decentralised approach to public service provision in both countries. The seminar -chaired by the Rt Hon Baroness Quin and SE Jean Gueguinou- included these conclusions:

- French attachment to the role of the State and British focus on outcomes were confirmed, with the public in both countries of two minds about "reform", demanding both equitable and even increasing services on the one hand and expecting costs to be reduced on the other.
- France and Britain have failed to take note of their respective experiences in the provision of services- France has given little attention to the diverging Scottish experience.
- The EU was seen as a prime actor in forcing member states to liberalise their markets and introduce competition and choice in Public Services, a policy with which the French in particular were slow to comply.
- Examples of private actors performing public services could be found as far back as the 16th century and before. Modern service-providers were often international corporations frequently contracted by smaller local governments.
- Obstacles to reform were deemed greater in France. Public sector trade unionism was identified by several French contributors as a barrier.
- Whilst demand for state action was strong, which services should have more or less state engagement was unclear. An implicit answer given was that trial and error and the play of politics may resolve this dilemma.

This report on the meeting, written by David Walker, provides an overview of the opinions and comments of the participants, and the conclusions reached.

The Author

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Introduction

High in Scotland's new parliament, overlooked by Salisbury Crags, Baroness Joyce Quin and Jean Gueguinou welcomed participants to a new location for the Franco-British Council. Here was a British legislature entirely separate from the UK parliament in Westminster. This, in a sense, was public service reform in action. Meeting in Edinburgh symbolised how British government has changed in recent times.

Holyrood was an appropriate venue. Proximity to the ancient palace where a French princess had become queen of Scotland was a reminder of one "auld alliance". It also suited an agenda on which the distribution of power within the nation state had to figure. Scotland's parliament had excited controversy over the cost of the building and Enric Miralles' design but what goes on inside it takes place on the basis of a profound consensus. Devolution is now a fundamental element in the make up of the UK. To talk, nowadays, of British policies, perhaps even the British state, is misplaced. Scotland's autonomy (and, in different measure Wales' and Northern Ireland's) is expressed in different approaches to designing, delivering and also paying for public services. The seminar was a proud opportunity to introduce this new diversity within the UK to French colleagues.

But France has been changing, too, if over a longer period and not always well observed by foreign observers. The seminar heard that the French state has been "dismembered" both by the creation of powerful new agencies outside traditional departments of state, and through the transfer of power to regional administrations outside Paris. Not for the first time, a conference organized by the Franco British Council was to hear how similar were the problems faced by the two countries, but how different both their ways of thinking about them and their institutional responses.

Rhetoric and Reality: where are we at the moment in France and the UK?

The context

The banking and finance crisis that broke in the middle of 2008 had profound effects on the governments of France and the UK, and the ensuing recession is reshaping public finance and redefining the boundaries of both states. Financial mayhem had immediate consequences for the public sector as the French government moved urgently to prevent the collapse of Dexia Bank, heavily involved in the finance of local government in France; in the UK, local authorities discovered their exposure to Icelandic banks. Since then, extensive loan and spending commitments have been made by the respective governments, pushing up total spending and convincing some commentators that the Maastricht criteria for public sector borrowing are now history. After bank rescues in the UK the interpenetration of state and private finance is – temporarily – complete. The traditional role of the French state as the impresario of private capitalist development has been strengthened. In the UK the force of events has smashed ruling ideas about the limits of government intervention for as well as practical effects the economic and financial crisis is engendering intellectual reappraisal. In the UK, the relationship of state and markets is in play. In France, the lines of ideological demarcation between political parties have become hard to discern as empirical responses to the crisis have pushed aside theories and postures.

The state and the recession

A seminar on public service reform had been planned prior to the financial crisis but events during the autumn and winter of 2008 had made it more timely, Professor Alan Alexander said in introducing the event. Will the crisis push, hinder or have any effect at all on the reform or reshaping of government, its organisation or its boundaries? At least (in the UK) the crisis has kick-started a debate on the role of the state for the first time in a generation, he observed. The capacity of markets to deliver continuous public benefit has been brought into question. Different viewpoints about the size of the intellectual revision that is required are seen in the language used to describe what is happening. Choose your preferred term — credit crunch / recession / depression / fundamental readjustment / inevitable market correction.

But let's not become so absorbed by the present that we miss the longer-run trends in the state's role and in public perceptions of government. Alexander noted that the following trends exist:

- Demographic change. The increased birth rate of recent years will not solve the problems created by an ageing population
- Increasing pressure on demand-led public services
- Failure of tax-based resources to keep pace with both demand and technological advance
- Rising expectations of the range and quality of public services

And with those trends goes continuing debate about the “mix” in service provision between state, private sector and third or voluntary sector. How far should citizens respond to the state – or be treated by the state – as consumers; how large a role should the public have in designing or even co-producing government services? A theme in both France and the

UK is how far devolution and decentralisation of services should go, altering the balance between centre, region and locality. One of the day's themes was to be how far the public want variation in public: should what is on offer differ depending on where you live? Should people in one area received appreciably different schooling or health or even social benefits from those in another.

Reform

The financial and economic crisis will not get us off the hook of the mismatch between the public's willingness to pay for the state and its demand for state services, Alexander said in his introduction. In between the two, in the UK at least, lies "reform". That word carries party political and other baggage; in France it is more neutral, even technocratic. The recession is obviously having consequences for public finance. Will the need to re-equilibrate income, expenditure and borrowing (in the medium run) create new opportunities for the private and voluntary sectors if the state retreats, making space for them to move into? Might public trust in government be restored during a period of economic stringency and slower economic growth? Could recession, paradoxically, be an occasion for rebuilding citizens' faith in the state, stopping the erosion observed in recent years in most European countries? Alexander wondered how such large questions might be addressed. The UK does not have much of a tradition of posing let alone answering issues on a grand canvas; its politics and policies have tended to be empiricist and tacit. Assuming the question could be put, he wondered how societies could determine which services the state should disengage from.

Public service in France

We have been fortunate in our timing, Jean Gueguinou responded – we had little idea just how relevant the theme of public service reform would become as a result of the crisis. While the pressures on the state in the two countries are similar, responses have to be different. They rested on respective histories and distinct "critical paths" or trajectories. Take the very definition of public services. In France they are seen as a keystone or social cement. They embody the application of the principle of equality to social life. Picking up the point about permissible limits of variability – who gets what services where - Gueguinou emphasized equality. Public services had to respond in the same way to the needs of the citizen, whether he or she lived in a rural hamlet or big city. That principle of equal access had been expressed recently in French debates about the reorganization of the postal service and availability of broadband internet connections. France had come to terms with the introduction of private sector methods into the management of services but only the state could guarantee that services are available everywhere – town and country, Brittany or Savoy, right across the geographical space of the nation. Public service in France is an article of faith yet it is one based increasingly on a paradox. Delivery of that public service may be private. Who knows (who cares?) that in Paris refuse is collected in one arrondissement by staff employed by a public body while in the next they work for a private company on contract? And public services are more diverse. They used to be education, transport and energy but these days they embrace libraries and digital media, early years provision and policies to underpin social cohesion.

Debate about reform in France is urgent even if, Josseline de Clausade said, agreement on the fundamentals of French statehood is unperturbed. There is not much dispute about government's expressing national sovereignty through the diplomatic service, police and armed forces. But the shape of the state has changed. We have seen three waves of decentralization from departments of central government – in 1983, 1992 and 2004 – and

cuts in the number of ministries and their staff. Non-market services such as health are under pressure because revenue growth is not proportional to the growth of need. European Union membership has had profound impact on marketable public services, notably transport and the utilities through directives on competition.

So reform is made urgent, she argued, by resource constraints. Pension entitlements are only one looming problem. Recession will sharpen the case for rebalancing policies. France had to find the wherewithal to invest in research and innovation. It is not so different, de Clausade argued, in the UK. The two countries' reform agendas look similar. Officials should listen more to citizens. Public services need a "culture of evaluation" - more auditing. People should move with greater ease in and out of public service organisations. Change will be resisted; the existence of obstacles does not diminish the strength of the case for reform.

The picture from Scotland

For Bob Black, too, the case for reform is gathering strength as spending pressures mount. Public spending is at 50% of GDP in Scotland: in such a small, open economy, the public-private balance becomes critical. From his vantage as auditor general for Scotland, he sees the UK becoming more internally differentiated: we need to modify our notion of the UK as a unitary state. Few of the restrictions on autonomy that apply to lower tiers of government in England apply to the Scottish parliament. In England and Scotland we now have in front of us different models of public service provision. Scottish schools are not ranked in league tables as in England; Scottish healthcare providers do not compete. Since May 2007 Scottish government has been in the hands of the Scottish National Party and has been turning its face away from the English prescriptions of choice and contestability.

It is too early to say which model will provide more public benefit and but it is increasingly important to evaluate comparative performance. Scotland, Black went on, is a hollowed-out state. Some 85% of budgeted resources pass right out of the parliament's budget to be spent by local bodies and agencies. He called "not fully resolved" the relationship between parliament and local authorities which take about 35% of its resources.

British policy makers have talked about reducing regulation, because of the "burden of inspection". But little has happened – perhaps because regulation turns out to be a vital tool of control and influence in the complex modern state of the parliament. Regulation protects individuals, assures standards (for example to prevent the sale and consumption of tainted food). Regulation solves the problem of ensuring agents (local government for example) carries out the wishes of principals (central departments). Regulation helps diminish the relative ignorance of government: public auditors fill in the information gap. They help address a problem outlined by Jean-Yves Audouin of undue "intimacy" between government and contractors.

As public audit reinvents itself and expands its influence, Black said we have to note that no significant deregulation of public services has yet taken place. But Audouin added that audit was too important to be left to professional auditors: elected members of parliaments and ministers had also to be involved in the business of evaluating services and delivery.

The reform debate in France and the UK

If Black showed that there is no single British position on public service reform – which contributions later in the day would amply demonstrate – then debate showed that the British “reformist” school has its strong adherents in France. Josseline de Clausade had argued the urgency of reform in France and Philippe Manière agreed. He rejected the contention of some in France that cuts in public sector budgets automatically led to cuts in the quality of services offered the public. Quality could be maintained while costs were reduced.

Debate showed up differences in definition on respective sides of the Channel. Public services are not just what public bodies themselves deliver. When a commune in rural France acts to protect the village baker, it is because he too offers a public service. Participants resisted hard and fast rules for where precisely the boundaries lay. Public and private ownership and public and private management are interconnected. In the UK after the privatization of the railways, private management in the shape of Railtrack had given way to a form of public management of track through Network Rail – under the auspices of which public investment had expanded, improving rail services. Philippe Manière observed such changes had not always been acknowledged politically.

Michael Butcher described the various models for supplying water. In France long term contracts offered incentives for water utilities. The UK industry was based on long-term monopolistic private provision except in Wales –Dwr Cymru (Welsh Water) is a mutual, not-for-profit company not a public corporation- and Scotland where a single publicly owned utility provided water. Perhaps this puzzling variety was explained (John Tizard argued) by government’s indecision about the purpose of introducing competition into the supply of public service. On one occasion competition had been introduced to address a short term deficit in capacity, on another to provide an alternative source of capital financing, on yet another to challenge monopolistic public supply. Other considerations have been to address poor performance by a public body (though killing off public managers seemed an odd way of achieving better performance, Tizard observed). Originally the object of compulsory contracting of refuse collection in England had simply been to cut the cost.

Beware asymmetries in contracting, Giles Savarin warned. A township in negotiation with a giant water utility such as Veolia is at a huge disadvantage in terms of its ability to call on legal and contractual advice.

Yet how else, other than competition and contracting out do we deal with manifest failures of public service delivery, Josseline de Clausade asked. Take the numbers of French young people leaving formal schooling without qualifications. We do need more benchmarking of performance. She and other French participants made the point that public sector staff are insufficiently mobile. Regulations prevent them moving geographically and between different parts of the state machine.

Both the UK and France need to be able to move more quickly, to respond to the challenges of the 21st century. Public services need to adapt and change in what are now knowledge economies, dependent on innovation. But participants disagreed about how much agreement there is on the need for change. Several said the public service debate must not be confined to auditors and accountants but involve (much more than it has) the politicians and parliaments. And yet, Philippe Manière asked whether there was really an ideological issue in securing the most effective delivery of say, job seeking advice.

Service variation

In a wide-ranging introductory debate, other points included the fact that the public's toleration of variation in service provision is limited. Noël de Saint Pulgent said that in France differences were experienced as cuts as in quality of service.

We must not neglect the participation of citizens in decisions about public services said Angela O'Hagan or pressing inequalities in access to services. Being able to make a choice was an inherent part of quality, Catherine Fieschi said; the point applied particularly in education. Robert Black said service quality depended on how well a service was first specified then commissioned. Recent improvements in British railways resulted from better specification. He also extolled comparative regulation – where the performance of one contractor or one public body is measured against that of another.

Evidence

Competition in providing public services did not necessarily reduce costs, though advocates of reform were not always willing to confront the evidence, said Jean de Kervasdoué, citing the expense of healthcare in the US. The UK government had published a study in summer 2008* but John Tizard noted it had not resolved questions about the effectiveness of competitive regimes. The seminar was told more than once that no definitive conclusion can be reached on the costs and benefits of different mixes of public and private in providing services. Services to unemployed people claiming social benefits offered in the UK in Jobcentre plus were now partly contracted out; different arrangements in France secured a more effective service at half the cost, it was said. Alan Alexander regretted that we lack empirical evidence to make judgements about efficiency and effectiveness in service provision.

Public service reform and the disengagement of the state: how far can it go?

On how far the state should engage and disengage, the seminar agreed it was impossible to say a priori. Gary Sturgess led a tour round various countries to illustrate his case that no set of rules or principles can be applied to say which services should be contracted out and which provided in house. Denmark has a private ambulance service, but elsewhere ambulances are regarded as a service for the state to provide itself. The UK contracts out even the apparently “sovereign” function of military force, employing mercenaries in the shape of the Gurkhas.



Gurkhas – a foreign force performing one of the UK’s sovereign functions

In France and the UK some services are in, others out. Sturgess said the criteria should be what is appropriate given the characteristics of the service and the history and dynamics of markets.

Yves Cousquer conducted another trip, this time round the variety of arrangements in place in France to secure the provision of telecoms, motorways, energy and transport. Private involvement in public service provision is far from new. The construction of the Canal du Midi during the second half of the 17th century relied on private enterprise, on the back of a concession by the king. The 19th century developed on a larger scale this model of concession, for railways and water procurement. As for the effectiveness of deploying private capital, Cousquer noted it was difficult to disentangle the results of privatisation from the consequences of technological change, notably in telecoms. State functions could be modernised, without privatisation or contracting out. The very word privatisation hardly covered the multitude of public private partnerships in modern France. Perhaps it should be bandied around less, avoiding the passionate objections likely to be lodged by the unions. Privatisation should be kept for where the state sells a majority stake in a business, which is what happened to Television France 1 in the 1980s under Jacques Chirac and Edouard Balladur when it was sold to Bouygues after a public offering of shares. France Telecom, which was first turned by the Rocard government in 1990 from administration to an autonomous public body, had part of its equity sold few years later and was wholly privatised by the Raffarin administration in 2002. Similarly with the motorways

and Air France and Gaz de France – these were all eventually privatised. But the state continues to own the railways, Electricite de France, France-Television and Aeroports de Paris, whose shares are quoted on the stock exchange while the state remains a majority stake. The future status of postal services is under review. This pattern of mixing and matching conforms to an old French tradition, Cousquer noted, citing capital projects begun under Louis XIV. Formally defined public private partnerships, introduced in 2004 under the influence of the UK's private finance initiative, were themselves an echo of previous developments. It is a moot point whether the introduction of private capital will be more or less likely now, as the recession hits public finances – and private.

Under pressure from Brussels, European countries have been promoting competition and EU regulators have intervened, for example to secure more competition in electricity distribution markets. French participants noted the impact of European policy on public services.

What should the state do?

It is hard, if not impossible, to compile some definitive list of what should and should not be state functions, Cousquer went on – and that is even before you decide how they should be organised. Look at the emerging problems of the 21st century, climate change and energy supplies. They suggest the state is going to be taking on more not fewer responsibilities – and at a moment when the disarray of financial markets has reinvested the state with a supervisory role. France is in questioning mode. President Sarkozy introduced a rubric – the general revision of public policies – under which it is being asked how the state is to adapt to these new and renewed functions, while carrying out its traditional duties. Do circumstances favour autonomous agencies, publicly owned companies, delegated powers or more decentralisation or devolution of power to regions and local government?

Debate swirled. Susan Deacon noted that the UK, not just England, had long had a mixed economy in primary health care, with general practitioners providing services on contract. A new element was social enterprise – not for profit companies contracted to primary care trusts or GPs' surgeries. Duncan Hiscock agreed with her that they perhaps offering a way of interpolating the point of view of consumers and providing a means of increasing customer satisfaction. Do not forget the workforce in government owned enterprises, said Jean-Pierre Ghuysen: some had proposed holding a referendum of employees prior to any alteration in status. Trade unions tended to resist change. Large and powerful state enterprises such as French railways and France Telecom had in effect taken over policy making from the state itself. Knowledge had been locked up inside the enterprise, and the state no longer had the means of know how to contradict or challenge the policy set by the enterprise. The French state lacked the authority, he argued, to make effective transport policy – which was not to say that the service provided at regional and local level was not good. He contrasted French experience with Germany's; there the state acted more as a competition authority. Competition is probably vital, said Laurent Zylberberg, but results are not always at the rendezvous. Directory inquiries is one example of such failure. It was decided in France to introduce competition in this sector which was already doing well. As competition needs everyone to start at the same level, the phone number known by everyone was deleted and new numbers allocated. Results, the economic value of the sector diminished, the quality of answers worsened and the customer lost a useful service.

Private capital came in different shapes, Noël de Saint Pulgent said, citing the distinction made by President Sarkozy between the role of entrepreneurial rather than financial

capital in state enterprises. He made the case for outsourcing subsidiary activities saying that introducing competition into public services only worked if a service could be brought back in house if it did not work. He asked the seminar not to forget small and medium enterprises and the need to insure both that they were financed and played a role in competitive outsourcing

Obstacles



Obstacles to change abound said Josseline de Clausade. Political determination is needed to ensure that markets for public services worked. Public sector unions are a barrier to change. But Edouard Philippe said the state had to maintain a capacity to intervene. When it was not engaged, things had a tendency to go badly. Markets find it difficult to take the longer term approach. He noted how regional and local authorities had been required to step into the provision of higher education, even though it was not part of their formal responsibilities.

And yet, Gary Sturgess responded, private provision can work even in areas where the sovereignty of the state seems most evident, for example in emergency services. Companies were in the front line, in providing fire-fighters. Bob Black said asymmetry of information between commissioner and contractor made the case for regulation.

Trinity House are the General Lighthouse Authority for England, Wales, the Channel Islands and Gibraltar ever since they were granted a Charter by Henry VIII in 1514. They are one of the oldest examples of a private company providing a public service.



Case Study: The Health Service – Public Service Reform in Practice

Those arguing for an empiricist and pragmatic response to “reform” were both assured and challenged when the seminar turned to examine healthcare. Systems in France and the UK were on different historical trajectories, Jean de Kervasdoué said. French healthcare was co-managed with doctors, who were well trained. It scored well in international comparative tables for the quality of emergency services and mental health. French patients tended to go into hospital and France had many more, 2850 versus 460 in the UK. It had more doctors and nurses per head than the UK, though its primary care physicians were less well paid. The UK did well on the cost effectiveness of medicines. The French, Kervasdoué quipped, tended to believe that health and taking medicine were the same thing. The NHS had more emulators across the world than the French system had. In France (as in the UK) large inequalities of access and treatment persisted. The French system, one of the most expensive relative to GDP in the western world, was now on the edge of bankruptcy. “Reform” was a permanent condition as the state sought to manage expenses and the insurance funds.

Noting differences between England and Scotland, Allyson Pollock claimed that UK health policy had fallen under the influence of American models and the NHS was going hell for leather to bring private capital into both hospitals and primary care. Look at the US to see the malign effects of market forces in health, she said. Because of botched private finance schemes the number of hospital beds was being cut. Pollock’s figures for the influence of private companies in England’s health service were disputed from the British side, and in debate her apocalyptic picture of decline was challenged. Health spending has increased mightily during the past eight years, many hospitals have been rebuilt and waiting lists for treatment cut at all levels. If Pollock was right, Hywel Jones asked, where are the protests and demonstrations? Joyce Quin noted that satisfaction with the NHS among the public had been rising on the back of increased public investment; she recalled the warmer tone of the correspondence she had received when she was a member of the House of Commons, from criticism to praise of treatment received.

Was health too specific to permit generalizations about reform asked Michel Yahiel, noting wryly that financial deficits in public bodies were potentially a good form of regulation of their conduct. Several contributors to debate, among them Philippe Manière, picked up on how, in both countries increased health spending seem to have done little to mitigate inequalities in healthcare and longevity.

The public services of tomorrow – what do people want?

Users of public services are going to be less passive, more willing to raise their voices, to make demands, to seek to influence provision. Professionals are going to be challenged. People in the UK were visiting their doctors after they had diagnosed themselves – they may want dialogue not instruction and may even challenge professional assessments. So, performance measurements are going to have to be more accessible to users, not just to auditors. In John Tizard's sketch of the near future public service managers will have to respond to this newly vocal public, but at the same time their budgets may be crimped. Managers who have been used to largesse will have to do more with less.

Picking up a theme played also by Bob Black, Tizard envisaged public bodies becoming commissioners. They themselves may no longer provide the service – responsibility for it may transfer to another agency, or firm or third sector body. The state will remain in control – specifying outcomes, holding providers to account, re-letting contracts. The state becomes a super regulator, ensuring there is sufficient flow of information and managing markets to guarantee security of supply. Providers of services also face a new future. Instead of firms relying on guarantees of revenue under contracts, they will have to become accountable for outcomes and take more risks. The state – including local government – is under pressure to put to use the totality of its spend, no longer operating in “silos”, focused on specific services. This is not a future of state disengagement, Tizard concluded, but of transfiguration.

Pressure

Laurent Zylberberg's tone was less optimistic. He concurred that the state is under tremendous fiscal pressure – its means are shrinking relative to its task. Once public service in France had values but no value, in the sense that no one asked about cost. The transparency of the state's operations had grown as the world had become disenchanted. No longer does the state possess (in the public's eyes) its magical power and capacity. The transition from citizen to customer has further whittled away the state's aura. Even war, the epitome of the state's sovereign functions, could be privatized, as in Iraq operations were conducted on behalf of the US by private companies. The very definition of public service was now confused. Once public services had been distinguished by their aspiration to equality and a certain uniformity. Now they were uneven. Zylberberg cited the speed and ease of a journey by TGV between cities compared with the 15-kilometer suburban transit from the centre of Paris to Clichy-sous-Bois.

Debate picked up these themes. Alan Alexander wondered why the transfiguration described by John Tizard had been so halting. In the UK public bodies had been contracting for services for some time yet the skill of commissioning was peculiarly under developed. Perhaps they had focused too much on cutting costs, ignoring the wider potential of commissioning. Laurent Zylberberg's pessimism was echoed by participants who wondered how commercial pressures could be mitigated and “security” found for the idea of public service. Even third sector (non-government) organisations engaged in competition, fragmenting services.

Strategic awareness

Duncan Hiscock wondered if public service professionals might be trained to be more responsive. Nicolas Tenzer said he found more strategic awareness in the UK and worried that, as much by accident as design, in France institutions where strategic or system-wide thinking might take place were being dismantled. He mentioned the Commissariat du Plan.

The general revision of public policies was being defined by a need to cut costs. He worried that space for thinking about public service standards – for example on police numbers or for social housing – was too constricted. Citizens' expectations of government remained large, even if they were disenchanted. The state was less and less important in defining public functions. The task was being undertaken in thinktanks and universities but France had never been able to brigade together its policy makers.

Noël de Saint Pulgent also regretted the loss of expertise in and around the Commissariat du Plan. France had too few means of finding out what citizens thought. He defended the general revision of public policies, saying it was looking long term, aware of the gap between the longer run and what could be accomplished within the shorter time horizon of practising politicians.

Hywel Jones talked of a recent "revolution" in third sector (civil society) functions and insisted voluntary bodies had to be consulted in decisions about the provision of services. Jean de Kerasdoue said civil servants' pay mattered, as did the consequences of privatization for rewards in public life. Would young people be attracted to careers in the civil service? Jean-Yves Audouin said the unforeseen retirement of a large number of civil servants was offering a unique opportunity to bring in new blood and underpin innovation.

Do not underestimate the scale of change in recent times. In 1980 France had been highly centralised, said Edouard Philippe: now it was highly decentralized. Then, the price of bread had been set by government, something unimaginable today. But he said the problems facing the modern French state should not be underestimated – in health, in information, in social cohesion.

Conclusions

Public Ambivalence

The seminar heard from both France and the UK that the public are in two minds about "reform". The French were said to be firmly attached to the role and the place of the state, even if they criticized it constantly. British attitudes tended to form around outcomes and people were apparently indifferent to administrative arrangements. People were more assertive and behaved more like customers in their dealings with government yet in neither country was it clear that there was a head of steam behind "reform".

Lack of comparison

Why is the British example so seldom a reference in the thinking and considerations of the French authorities, French contributors asked. British contributors might have said the reverse. The organisation of public services in both countries was decided upon with little reference to external experience. Even inside the UK the diverging experience of Scotland was not readily picked up in England. Jean-Yves Audouin said the French were more interested in structure and organisation, the British in management, audit and evaluation.

The recession

To Alan Alexander's question whether the recession was going to make reform of public services more likely, the response was no. The recession would have no direct consequences on the reform agenda, which was geared much more to longer run pressures on finance and social need – such as ageing. Yet the recession was an intellectual stimulus and was already pushing debate.

Europe

French participants much more than their British counterparts felt the EU to be an actor in questions of nation state function and organisation – the commission had pushed liberalization and openness to competition. The EU was breaking up state monopolies and requiring France to privatize – even if French public service had shown itself adept at delaying responses to Brussels.

Resistance to change

Obstacles to reform were deemed greater in France. Public sector trade unionism was identified by several French contributors as a barrier. Civil service jobs had been cut, but at the same time health service and local government employment had been increasing.

The future

How do societies determine from which services the state might disengage and those which it must directly deliver? An implicit answer is given, by trial and error and the play of politics, hardly ever, even in rationalist France, by formal deliberations or holding conventions. The recession showed no sign of denting an underlying public conviction that the state should provide or that its role should be extended. Modern governments on both sides of the Channel concerned themselves with family structure, youth, culture, longevity and so on. The public willed a certain level of dependency and demanded state support for disability, older citizens, the socially excluded, migrants and (in Audoin's phrase) victims of all sorts. The demand for state action was strong – reaching even Swedish levels, it was suggested. But how to pay? Audouin suggested that to the ever present demand for "more", the state had to reply, "we'll do what's reasonable".

* Public services industry review, July 2008 www.berr.gov.uk/files/file46965.pdf

Appendix I - Administration and public services, faced with modernisation

The French experience contrasted with that of the UK

Jean-Yves Audouin

This text represents a personal view which has in no way been endorsed by the French government. It was written in May 2008 and therefore precedes the financial crisis in both countries. As indicated by the title, it describes the evolution of public services modernisation in France and thus is not necessarily linked to the topics which will be discussed at the 11 December seminar.

1) France seen from abroad is considered a centralised state: well organised, equipped with a renowned civil service, solid administrative structures, a central organisation, homogenous, and with very dominant public services developed in all spheres of life: economic, financial, social, cultural...

This is not the image, at least in France, of the British system, which is considered flexible, relatively heterogeneous, more or less present but rather diverse, with some grey areas and some concerns (the need for improvement, poor maintenance of transport infrastructure...).

In France, the civil service tradition comes originally from the monarchy, notably that of the seventeenth century, which was further consolidated at the start of the nineteenth century by Napoleon Bonaparte. Between 1800 and 1809 all the fundamental texts and codes were already in place, as was the creation of the senior branches of the civil service and of the main fundamental codes, some of which supplemented by the laws of the Third Republic from 1871. After the Second World War, the vast network of newly-created public enterprises, the Social Security organisation and especially the 1946 General Statutes of the public sector formed the "administrative body" of the State in France.

The British civil service is not viewed as the basis of British society, for its approach is fundamentally different to that of France.

The size of France's administration is considerable, with a total of 5.3 million civil servants within the nation (against 4 million in 1982), of which 2.8 million work directly for the State. If one adds to this figure those who benefit from associated status, the figure rises from 20 per cent of total national employment (25m) to 27 per cent; some 6.8m public posts. In recent years the administrative services, including local authorities (the 36,000 local authorities in which the mayors carry out the functions for the State) have grown into one of the densest networks of national administration in Europe.

The public sector remains vast, even if its size is being reduced; it covers public finances, the banks, insurance, energy (coal, electricity and atomic), industry (arms, steel and automotive), transport (sea, air and rail), and communications (post and telephone).

In truth other sectors do not have greater freedom from the State, as they are strictly regulated. Price controls, for instance, only disappeared in 1975 and certain industries continue to face marked government intervention (for example, naval construction or the important agricultural sector). The economy remains managed, and even today public authorities intervene directly in both private economic and social spheres. In fact, many professions (most notably taxis and pharmacies) remain totally supervised by the State.

The social security system, introduced in 1945-6, follows in the same vein of public control as does the French healthcare system that is based on the public hospital sector and other services associated with the public service.

It is the same for the education system, in which public primacy is total and private teaching placed contractually within the framework of national education.

The British are invited to give their point of view on our very different approach.

2) The vision of France outlined above is largely inaccurate, and not only in relation to the last few years: the primacy of the State it describes is only apparent, for in fact many developments have taken place over the last half century.

Briefly, the State recognised the need for a more flexible structure and for the loosening of regulation. It progressively developed a formula known as “dismemberment of the State”. This took various forms, including the creation of “mission” organisations, ranging from the establishment of public administration to public commercial and industrial establishments to semi-public companies associated with the state, local authorities and private capital, with groupings of economic interests (GIE) or public (GIP). In addition, the state encouraged the development of associated private structures, to which it entrusted some important objectives – notably policies of solidarity and social cohesion.

This diversity and flexibility, ignored by observers from abroad, is in reality an asset which brings the French system closer to the Anglo-Saxon model.

Between 1960-72, with the creation of the regions to oversee the framework of the about one hundred *départments*, the State developed its attitudes on genuine autonomy for local authorities (region, department, town) - completed between 1981 and 1985 - and on the progressive transfer of competencies in two stages, 1985-1988 and 2004-2008. This is “decentralisation”.

At the same time, the central government wanted to ensure it retained a strong presence on the ground through the *préfets* and public services but, as it could not choose whether to prefer the regional or the departmental level, the process of devolution remains incomplete, despite being started in 1992.

In reality, the State’s omnipresence is but an illusion. In many sectors, the State created a system of co-management (we often use the term “social democracy”), that is the management by representative organisations (for instance, trade unions and employers’ organisations) of certain notable state functions such as social security, professional training and unemployment benefits.

With regards to nationalisations and privatisations the situation is quite complex, even if we can identify periods of nationalisation (1946, 1981...) and the return to the free market economy (1985): the most privatisations occurred under the Lionel Jospin government (1997-2002)!

Although European Union directives establish a competitive framework - which is not very compatible with the French system where the notion of “French style public services” is strengthening - the situation is not as straightforward as would seem.

3) Today this perception is fundamentally contested whether one has a vision of a still quite powerful and present State (which is what a citizen has) or whether one believes that the State is so weakened and so decentralised, dispersed and diffused, that it can no longer adequately deal with its main concerns.

This is not a new problem. “State Reform” has been a recurring theme for the last forty years. Examples during the 1980s include measures to simplify transparency in public services (right down to the communication of documents, to the opposition statutes in contested deliberations by local authorities, for instance), publically accessible motivations of civil servants’ decisions and easier access for citizens to means to resolve contentious issues with the State.

Now, however, the case for reform is more pressing.

First, government is too expensive. The cost of tax and social security deductions has become too high for the taxpayer and the end user: it has reached the maximum. State debt is immeasurable. Quite simply, the State needs money. The exchequer must balance the budget by 2012, "without putting at risk the quality and efficiency of our public policies".

In addition, the weight of the civil service has also become so burdensome that people are questioning the level of its replacement.

Pensions remains at the heart of the debate, because even despite the population growth of France in Europe, the question of how to pay for them remains. After the defeat of the Juppe' government's attempts at reform at the end of 1995, the discussions on the length of contributions and the reform of the pensions service in 2003, then in 2008 of the special practices which apply specifically to the public sector, appear to have progressed.

However, the most important part of the reform involves the *fonction publique* itself. The reduction of public bodies by about 700 and of particular statutes, the encouragement of mobility within the civil service and possibly also with the private sector, new appointment procedures, the development of merit-based pay, a relaxing of the monopoly of the national test as access to public service employment, pose major problems because powerful trade-unions remain committed to the policies of 1946, which they consider as a social right. Although the majority of the French people are very attached to the *fonction publique*, there is a considerable need to modernise a system already on its last legs.

But, why all this today?

Firstly there is the confrontation with Europe, a major stimulus, not only in the economic and social domains but also in the exercise of regalian functions. European institutions encouraged changes to land management (regional structures and competencies), as well as liberalisation in the areas of energy, transport, and communications... Paradoxically the old French monopolies (la SNCF, La Poste, EDF, GDF...) emerged as the winners.

Then, the financial laws dated August 1 2001 (LOLF) significantly modified administrative working methods both in the budgetary plan, and in the development and follow-up of the programs and the overall administrative objectives. It is now possible to speak of efficiency and effectiveness in public policies: it is no longer only the domestic "planning programming budgeting system" (RCB) of the years 1960-1980.

Its full application from 2006 coincides with the following two general revisions carried out by previous governments: "ministerial strategies of reform" (2003-2004) and systematic "audits" (2006-2007) of the State administration and policies. From that moment, the system was ready to respond to the President's call for a general revision of the public policies (RGPP), led with vigour along with the Prime Minister, that should within a reasonable time-frame profoundly modify the State's structures.

Three other factors contributed to this change:

- The first is the exceptional and unhoped-for retirement of a considerable number of civil servants over a short period of time, which is a stroke of luck not to be wasted.
- The second relates to generalised management standards and approaches that the public sector cannot ignore even if it does not always comply with them. In the last twenty years, target contracts, a means of measuring key indicators, merit-based bonuses or considerations for specific situations (new interest rebates) have developed, which have not always been adopted and adapted by the civil service, but which have introduced change.

- The third relates to the success of privatisation in many sectors, most notably La Poste and especially France Telecom, the latter retaining staff and their terms and conditions in a very competitive environment. Admittedly, privatisation has not been successful everywhere. The process of privatising dock workers was, for instance, very expensive; so much so that crane drivers of the port authorities were not ultimately included.

Consequently, this current modernisation of the management of the French State and public services has encountered some limitations:

- a) First, the French are attached to the State's role and position, even if they criticize it constantly. The State's function as guarantor of equality and solidarity through redistribution is acknowledged. It is expected to provide the regulation and organisation for professions, even those that call out for liberalisation, that provide a large number of civil servants in government ministries. The reaction to the role of government, as far as the State's functions is concerned, has to be properly appreciated. The highly contested loss of 5,000 jobs, three years ago, in the State's civil service has to be balanced against the creation of 40,000 positions in local authorities. Moreover, because of an ageing population and their care needs, the annual creation of 20,000 jobs in the health sector is considered inevitable.
- b) Secondly there are new requirements which lead the government departments to engage in new roles, be it regulatory functions (financial markets, energy, communications...), mediation (the Mediator of the Republic, defender of children, mediators of the ministries, communities and publicly-owned establishments...), the multiplication of independent administrative authorities (ethics committee, the body which counters discrimination and promotes equality), the auditing of State and Social security budgets today, perhaps of local authorities tomorrow. Additionally new regulatory roles relating to standards and the application of principles considered as topical, for example that of health and safety, or constraints, of environmental questions, lead the State to be present in new services which replace, at least quantitatively, those which are being reduced or cut completely.
- c) Finally, we have seen recourse to more and more subcontracting without it necessarily being convincing. As the hospital laundries, the car parks, the provision of ancillary services can be sub-contracted to the private sector, serious problems can very quickly develop as specific functions of the public sector are neither completely understood nor are general terms and conditions properly defined. Communication with the private sector is difficult, for example in the area of open markets.

This relatively challenging situation did not prevent the development of innovative ways to involve the private sector in public sector activities. Confined for one century within the traditional rules of concession, the State has admitted and even encouraged more effective formulas, ranging from the delegation of public utility to private organisations, to public-private partnerships (PPP), which are in their infancy. In any event, many public services are backed up by a very complex framework of rules, for example water decontamination which is administered by local authorities.

Indeed, it is advisable not to neglect the variety of more or less innovative trends. In this respect, the British experience is to be considered. One must ask however, and this question is put to our participants: WHY is the British example seldom a reference in the thinking and considerations of the French authorities?

If managerial roles, often under developed, can be improved, and sometimes even completely reconsidered (how agents are paid, the procurement function, the struggle to tackle tax and social fraud...), if restructuring or rationalisation of services is also sought, other areas of reform are not so relevant: does the desirable reform of the management of public real estate necessitate the sale of

prestigious buildings? Will the price setting of services inevitably bring with it additional costs for the taxpayer and the user?

Two important questions are asked today: that of the extent of the role of the State and that of its fundamental objectives.

A. On the extent

To date, the French State retains fourteen grand ministerial areas all of which additionally tasked with four objectives: the organisation of the State at a local level, the relaxing of legal constraints and controls, relations between the State and communities, and finally the improvement of human resources in the public sector.

But the State is not alone: it is made up of 800 “operators” listed in accordance to the LOLF, i.e. entities with the most diverse statutes that contribute to the direct implementation of public policies for which the State is responsible. Additionally, numerous “actors” are also major participants in particular from the third sector.

It is not at all certain that the French State voluntarily intends to cease, unlike the British, to finance and ensure the control of the services, even if they must be secured more and more within a competitive framework.

B. On the content

The French State is aware of its citizens’ attachment to the public service. This is why it proposes a consideration of “the values and expectations of the public service”. It should be said that our society is not currently ready to allow the deterioration of public service working conditions nor to allow that the country not be provided with quality public services.

This is why the questions of the RGPP (Révision Générale des Politiques Publiques) are as follows:

What are the functions currently provided? Why change? What direction might reform take? What are the advantages? What is the calendar of implementation?

Appendix II - British Participants

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Appendix III - French Participants

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Président d'honneur de La Poste et d'Aéroports de Paris

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Appendix IV Seminar Agenda

Public Service Reform in France and the UK

Session I: Rhetoric and reality: where are we at the moment in France and the UK?

Introduced by Josseline de Clausade and Robert Black

- Challenging the stereotypes: the omnipresent state in France, limitless deregulation in Britain.
- Why is reform currently taking place at such a high rate? What benefits are expected? Can reform reduce public spending and taxation while providing improved services? Is there a link between the size of the public sector and growth?
- **Decentralisation /devolution? Review of France's new public policies and New Labour's changes in public management**
- What are the constraints? How can they be overcome?

Session II: Public service reform and the disengagement of the state: how far can it go?

Introduced by Gary Sturgess and Yves Cousquer

- Examples of and evaluation of privatisation and new approaches in France, Scotland and the rest of the UK
- What are the implications for how the government controls those who deliver public services?
- Which core services should always be provided by the state? Changing principles of public service in the face of new demands and examples of private employment used to guarantee public services.

Session III: Case Study: The Health Service – Public Service Reform in practice

Introduced by Jean de Kervasdoué and Professor Allyson Pollock

Session IV: The public services of tomorrow – what do people want?

Introduced by Laurent Zylberberg and John Tizard

- How to guarantee good public Services across diverse groups which are able to serve both rural areas and urban centres?
- Are people willing to volunteer and sustain the civil society organisations (NGOs) which are supposedly to replace public providers of services?
- Decentralisation and contractorisation could lead to the public being more involved in decisions about services. What does the 21st century public want from government, and how much is it willing to pay?.
- In a consumer society is “public service reform” inevitably bringing with it more personalisation of services, more choice and more competitive provision?
- Where would the politician's responsibility lie if elected politicians backed away from direct management of services?